Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2005

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.

(A Delaware Corporation)

I.R.S. Identification No. 04-3477276

c/o Circor, Inc.
Suite 130
25 Corporate Drive, Burlington, MA 01803-4238
Telephone: (781) 270-1200

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

Common Stock, par value $.01 per share (registered on the New York Stock Exchange)
Preferred Stock Purchase Rights

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of June 30, 2005 was $384,758,747.

As of February 16, 2006, there were 15,855,514 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain portions of the information from the Registrant's definitive Proxy Statement for the 2006 Annual Meeting of Stockholders to be held on May 2, 2006. The definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of 2005.

Table of Contents

Part I

Item 1. Business

This annual report on Form 10-K (hereinafter, the "Annual Report") 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 Securities and Exchange Commission. 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 cyclicality 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, variability of raw material and component pricing, changes in our suppliers' performance, fluctuations in foreign currency exchange rates, our ability to continue operating our manufacturing facilities at efficient levels including our ability to 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, increasing interest rates, our ability to continue to successfully defend product liability actions, as well as the uncertain continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern tensions and related matters. We advise you to read further about certain of these and other risk factors set forth under the caption "Certain Risk Factors that May Affect Future Results" in this Annual Report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Available Information

We file reports on Form 10-Q with the Securities and Exchange Commission ("SEC") on a quarterly basis, additional reports on Form 8-K from time to time and a Definitive Proxy Statement and an annual report on Form 10-K on an annual basis. These and other reports filed by us, or furnished by us, to the SEC in accordance with section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge from the SEC on their website at http://www.sec.gov. Additionally, our Form 10-Q, Form 8-K and Form 10-K reports are available without charge, as soon as reasonably practicable after they have been filed with the SEC, from our website at www.circor.com by using the "Investor Relations" hyperlink. The information on our website is not part of or incorporated by reference in this Annual Report.

Our History

We were established by our former parent, Watts Water Technologies, Inc., formerly known as Watts Industries, Inc. ("Watts"), to continue to operate the former industrial, oil and gas businesses of Watts. On October 18, 1999, Watts distributed all of our outstanding common stock to Watts shareholders of record as of October 6, 1999 in a tax-free distribution. As a result, information related to historical activities of our business units also includes time periods when such units constituted the former industrial, oil and gas businesses of Watts. As used in this report, the terms "we," "us," "our," and "CIRCOR" mean CIRCOR International, Inc. and its subsidiaries (unless the context indicates another meaning). The term "common stock" means our common stock, par value $0.01 per share.

Our Business

We design, manufacture and distribute a broad array of valves and related fluid control products and services to a variety of end-markets for use in a wide range of applications to optimize the efficiency and/or ensure the safety of fluid-control systems. We have a global presence and operate 16 significant manufacturing facilities that are located in the United States, Canada, Western Europe and the People's Republic of China. We have two major product groups: Instrumentation and Thermal Fluid Controls Products and Energy Products. As of December 31, 2005, our products were sold through more than 1,900 distributors and we serviced more than 12,000 customers in over 119 countries around the world. Within our major product groups, we have used both internal product development and strategic acquisitions to assemble an array of fluid-control products and technologies that enable us to address our customers' unique fluid-control application needs.

Instrumentation and Thermal Fluid Controls Products Group—The Instrumentation and Thermal Fluid Controls Products Group designs, manufactures and distributes valves, fittings and controls for diverse end-uses, including instrumentation, aerospace, cryogenic and steam applications. Selected products include precision valves, compression tube fittings, control valves, relief valves, butterfly valves, solenoid valves, couplers, regulators, switches, strainers and samplers. The Instrumentation and Thermal Fluid Controls Products Group consists primarily of the following product brand names: Aerodyne Controls; Circle Seal Controls; Loud Engineering; Industria; Leslie Controls; Nicholson Steam Trap; GO Regulator; Hoke; Spence Engineering; Atkomatic Valve; CPC-Cryolab; RTK; SART von Rohr; Rockwood Swendeman; Spence Strainers; Dopak Sampling Systems, Texas Sampling, Tomco Quick Couplers and U.S. Para Plate.

The Instrumentation and Thermal Fluid Controls Products Group accounted for $251.2 million, or 56%, of our net revenues for the year ended December 31, 2005.

We have had a long-standing presence in the steam application markets, starting with our 1984 acquisition of Spence Engineering Company, Inc. ("Spence Engineering" or "Spence") and our 1989 acquisitions of Leslie Controls, Inc. ("Leslie Controls") and Nicholson Steam Trap, Inc. ("Nicholson Steam Trap"). In January 1999, we acquired SSI Equipment Inc. ("Spence Strainers") and added a wide variety of strainers to expand our industrial products line. In June 2001, we acquired Regeltechnik Kornwestheim GmbH and affiliates ("RTK") and Société Alsacienne Regulaves Thermiques von Rohr, S.A. ("SART"). We believe that we have a very strong franchise in steam valve products. Both Leslie Controls and Nicholson Steam Trap have been in the steam pressure reduction and control business for

over 100 years. Spence Engineering has also been in these businesses for nearly 80 years. Due to the reputation of these businesses for reliability and quality, customers often specifically request our products by brand name. Our steam valve products are used in: municipal and institutional steam heating and air-conditioning applications; power plants; industrial and food processing; and commercial and military maritime applications.

In February 2006 we acquired Hale Hamilton Valves Limited ("Hale Hamilton"). Hale Hamilton is a leading provider of high pressure valves and flow control equipment to the naval defense, industrial gas and high technology industrial markets.

Commencing with the 1990 acquisition of Circle Seal Controls, Inc. ("Circle Seal"), a manufacturer of miniature instrumentation valves, we have acquired fourteen businesses that serve the instrumentation and aerospace fluid control markets. These acquisitions included Aerodyne Controls ("Aerodyne") in December 1997, Atkomatic Valve ("Atkomatic") in April 1998, Hoke, Inc. ("Hoke") in July 1998, GO Regulator in April 1999, Tomco Products, Inc. ("Tomco") and U.S. Para Plate Corporation ("U.S. Para Plate") in October 2002, DQS International ("DQS") in November 2003, Texas Sampling, Inc. ("TSI") in December 2003, Loud Engineering & Manufacturing ("Loud") in January 2005 and Industria S.A. ("Industria") in October 2005. Aerodyne manufactures high-precision valve components for the medical, analytical, military and aerospace markets. Aerodyne also provides advanced technologies and control systems capabilities to other companies in the Instrumentation and Thermal Fluid Controls Products Group. The Atkomatic product line consists of heavy-duty process solenoid valves that automate the regulation and sequencing of liquid levels or volume flow. The GO Regulator products include a complete line of specialized cylinder valves, customized valves and pneumatic pressure regulators for instrumentation, analytical and process applications. The Tomco brand is a full line of quick connect and disconnect couplers for general-purpose industrial applications and more sophisticated instrumentation markets. The U.S. Para Plate products involve high-pressure valves and regulators for aerospace and military applications. DQS and TSI manufacture and sell analytical sampling products. Loud is a designer and manufacturer of landing gear systems and related components for military helicopters and jet aircraft, and Industria produces solenoid valves and components for commercial and military applications.

We significantly expanded the breadth of our instrumentation fluid control product lines with the acquisition of Hoke in July 1998. Our largest acquisition to date, Hoke provided us with a leading line of Gyrolok® compression tube fittings, as well as instrumentation ball valves, plug valves, manifolds, metering valves and needle valves. Circle Seal and Hoke serve several common markets and we cross-market their products through their respective distribution channels. Furthermore, Hoke, with nearly 54% of its 2005 revenues derived from outside of the United States, significantly expanded our geographic marketing and distribution capabilities. We have integrated administrative and distribution activities of Circle Seal and Hoke to further reduce costs. We believe that our ability to provide various instrumentation markets with complete fluid-control solutions is enhanced by the combined product line offerings of Circle Seal, Hoke, GO Regulator, Tomco, DQS, and TSI.

With the acquisition of the Cryolab product line in 1995, we entered the cryogenic sector of the valve market, further enhancing our position in the instrumentation and thermal fluid controls valve business. Since then we have added Consolidated Precision Corporation ("CPC") in 1996 and the Rockwood

Swendeman product line in 2000 which collectively gave us a broader array of valve products for demanding cryogenic applications and enabled us to expand our presence in the industrial gas markets.

Energy Products Group—During 2004, we renamed our Petrochemical Products Group to the Energy Products Group. The Energy Products Group designs, manufactures and distributes flanged-end and threaded-end floating and trunnion ball valves, needle valves, check valves, butterfly valves, large forged steel ball valves, gate valves, control valves, relief valves, pressure regulators and pipeline closures for use in oil, gas and chemical processing and industrial applications. We believe that our Energy Products Group is one of the leading producers of ball valves for the oil and natural gas markets worldwide. The Energy Products Group consists primarily of the following product brand names: KF Industries; KF Contromatics; Pibiviesse; Circor Energy Products Canada; Mallard Control, Hydroseal, and SKVC.

The Energy Products Group accounted for $199.3 million, or 44%, of our net revenues for the year ended December 31, 2005.

We entered the energy products market in 1978 with the formation by Watts of the industrial products division and our development of a floating ball valve for industrial and chemical processing applications. With the acquisition of KF Industries, Inc. (“KF Industries”) in July 1988, we expanded our product offerings to include floating and trunnion-supported ball valves and needle valves. KF Industries gave us entry into the oil and gas transmission, distribution and exploration markets. In 1989, we acquired Eagle Check Valve, which added check valves to our product line. Pibiviesse S.p.A. (“Pibiviesse”), based in Nerviano, Italy, was acquired in November 1994. Pibiviesse manufactures forged steel ball valves for the petrochemical market, including a complete range of trunnion-mounted ball valves. Pibiviesse’s manufacturing capabilities include valve sizes up through 60 inches in diameter, including very high pressure ratings to meet demanding international oil and gas pipeline and production requirements. In March 1998, we acquired and added Telford Valve and Specialties, Inc. (now referred to as “Circor Energy Products Canada”) to KF Industries. Circor Energy Products Canada had been one of KF Industries’ largest distributors and, with its acquisition, KF Industries increased its presence in Canada, as well as introduced Circor Energy Products Canada’s products (check valves, pipeline closures, and specialty gate valves) through its worldwide representative network. Circor Energy Products Canada also has assumed the Canadian sales activities for other of our Energy Products Group companies to strengthen our overall sales presence in Canada. During 1999, we consolidated the industrial products division of Watts under the KF Contromatics name into KF Industries in Oklahoma City, Oklahoma. These industrial products consist of carbon steel and stainless steel ball valves, butterfly valves and pneumatic actuators that are used in a variety of industrial, pulp, paper and chemical processing applications. In April 2004, we acquired Mallard Control Company and its wholly-owned subsidiary, Hydroseal, (“Mallard”) which produces control valves, relief valves, pressure regulators, and other related products primarily for oil and gas production and processing and other petrochemical applications. During 2005, we merged the operations of Mallard and Hydroseal into KF Industries’ Oklahoma City facility and renamed the resulting entity Circor Energy Products Inc. (“CEP”). As a result, CEP now manufacturers and sells product under the KF industries, Mallard Control, Hydroseal Valve and Contromatics names.

In May 2005, we acquired the 40% interest that we did not own in our Chinese joint venture, Suzhou KF Valve Company, Ltd. (“SKVC”), located in Suzhou, People’s Republic of China. SKVC manufactures two-inch

through twenty-four-inch carbon and stainless steel ball valves. We sell products manufactured by SKVC to customers worldwide for oil and gas applications. In February 2006, we acquired Sagebrush Pipeline Equipment Company ("Sagebrush") which provides pipeline flow control and measurement equipment to the North American oil and gas markets.

Industry

Oil and Gas and Petrochemical Markets. The oil and gas and petrochemical markets include domestic and international oil and gas exploration and production, distribution, refining, pipeline construction and maintenance, chemical processing and general industrial applications.

Process and Power Markets. The process and power markets use valves to control steam and other fluids for a variety of applications, including: heating facilities; production of hot water and electricity; freeze protection of external piping; cleaning by laundries; food processing and cooking; and heat transfer applications using steam or hot water in industrial processes.

HVAC and Maritime Markets. The HVAC market utilizes valves and control systems, primarily in steam-related commercial and institutional heating applications. Steam control products also are used in the maritime market, which includes the U.S. Navy and commercial shipping.

Aerospace Markets. The commercial and military aerospace markets we serve include valve and component applications used on military combat and transport aircraft, helicopters, missiles, tracked vehicles and ships. Our products also are used on commercial, commuter and business aircraft, space launch vehicles, space shuttles and satellites. Our products also are sold into the support infrastructure for these markets, with such applications as ground support maintenance equipment. We supply products used in hydraulic, fuel, water, and air systems.

Pharmaceutical, Medical and Analytical Instrumentation Markets. The pharmaceutical industry uses our products in research and development, analytical instrumentation and process measurement applications. We also market our products to original equipment manufacturers of surgical and medical instruments. Representative applications include: surgical and medical instruments; orthopedic devices and surgical supplies; diagnostic reagents; electro-medical equipment; x-ray equipment; and dental equipment.

Our Business Objectives and Strategies

We are focused on providing solutions for our customers' fluid-control requirements through a broad base of products and services. We believe many of our product lines have leading positions in their niche markets. Our objective is to enhance shareholder value through profitable growth of our diversified, multi-national, fluid-control company. In order to achieve this objective, our key strategies are to:

- Continue to build market positions;
- Improve the profitability of our business;
- Expand into various fluid control industries and markets and capitalize on integration opportunities;
- Increase product offerings; and
- Expand our geographic coverage.

Overall, our growth strategies are expected to continue increasing our market positions, building our product offerings, enhancing marketing and distribution channels and providing additional opportunities to realize integration cost savings.

Products

The following table lists the principal products and markets served by each of the businesses within our two product groups. Within the majority of our product lines, we believe that we have competitively broad product offerings in terms of distinct designs, sizes and configurations of our valves and related products.

Product Families	Principal Products	Primary Markets Served
Instrumentation and Thermal Fluid Controls Products Group		
Aerodyne Controls	Pneumatic manifold switches; mercury-free motion switches; pneumatic valves; control assemblies	Aerospace; medical instrumentation; military; automotive
Circle Seal Controls	Motor-operated valves; check valves; relief valves; pneumatic valves; gauges; solenoid valves; regulators	General industrial; power generation; medical; pharmaceutical; aerospace; military; natural gas vehicles
CPC-Cryolab and Rockwood Swendeman	Cryogenic control and safety relief valves; valve assemblies	Liquefied industrial gases; other high purity processing
Dopak Sampling Systems	Sampling systems for liquids, liquefied gas, and gases	Chemical; petrochemical; pharmaceutical; biotech; and food and beverage industries
GO Regulator	Pressure reducing regulators; specialized cylinder manifolds; high pressure regulators; pneumatic pressure regulators; diaphragm valves	Analytical instrumentation; chemical processing; semiconductors
Hale Hamilton	Stop valves; relief valves; pressure regulators; reducing stations; filling systems	Maritime and naval defense; industrial gas; high technology industrial
Hoke	Compression tube fittings; instrument ball and needle valves; cylinders; cylinder valves; actuators; modular analyzer systems	General industrial; analytical instrumentation; compressed natural gas; natural gas vehicles; chemical processing; semiconductors
Industria	Solenoid valves and components	Aerospace; commercial and military
Leslie Controls	Steam and water regulators; steam control valves; electric actuated shut-off valves; steam water heaters	HVAC; maritime; general industrial and power; chemical processing
Loud Engineering	Landing gear systems; struts; solenoids; actuators	Aerospace; military

Product Families	Principal Products	Primary Markets Served
Instrumentation and Thermal Fluid Controls Products Group – (Continued)		
Nicholson Steam Trap	Steam traps; condensate pumps; unions	HVAC; general industrial; industrial processing
RTK and SART	Control valves; regulators; actuators; and related instrumentation products	HVAC; industrial; food and beverage; pharmaceutical
Spence Engineering	Safety and relief valves; pilot operated and direct steam regulators; steam control valves	HVAC; general industrial
Spence Strainers	Specialty strainers; check valves; butterfly valves; connectors	General industrial; chemical processing; refining; power; and HVAC
Texas Sampling	Closed loop sampling systems	Refining and pharmaceutical
Tomco	Pneumatic and hydraulic quick couplers and safety relief valves	General industrial and instrumentation
U.S. Para Plate	High pressure valves and regulators	Aerospace; military; industrial wash systems
Energy Products Group		
KF Contromatics	Threaded-end and flanged-end floating ball valves; butterfly valves; pneumatic and electric actuators	Oil and gas; refining; general industrial; chemical processing
KF Industries	Threaded-end and flanged-end floating ball valves; actuators; pipeline closures; trunnion supported ball valves; needle valves; check valves	Oil and gas exploration; production; refining and transmission; maritime; chemical processing
Circor Energy Products Canada	Mud valves; pipeline closures; check valves and specialty gate valves	Oil and gas exploration; production; refining and transmission
Mallard Control	Control valves; relief valves; pressure regulators; and other related products	Oil and gas production and processing and other industrial applications
Pibiviesse	Forged steel ball valves	Oil and gas exploration; production; refining and transmission
Sagebrush	Pipeline flow control and measurement systems	Oil and gas production; refining and transmission
SKVC	Flanged and floating ball valves	Oil and gas exploration; production; refining and transmission; chemical processing

Sales and Distribution

We sell our products to distributors and end-users primarily through commissioned representatives and through our direct sales forces. Our representative networks offer technically trained sales forces with strong relationships to key markets on a variable cost (commission) basis to us.

We believe that our multifaceted and well established sales and distribution channels constitute a competitive strength, providing access to our markets. We believe that we have good relationships with our representatives and distributors and we continue to implement marketing programs to enhance these relationships. Ongoing distribution-enhancement programs include shortening shelf stock delivery, reducing assemble-to-order lead times, introducing new products, and offering competitive pricing, technical training and literature.

Manufacturing

We have fully-integrated and highly automated manufacturing capabilities including machining operations, assembly and testing. We also purchase machined components and finished valves to supplement our internal manufacturing capacity and to lower our overall cost of less sophisticated valve products. Our machining operations feature computer-controlled machine tools, high-speed chucking machines and automatic screw machines for machining brass, iron, steel and aluminum components. We believe that our fully-integrated manufacturing capabilities of critical components are essential in the valve industry in order to control product quality, to be responsive to customers' custom design requirements and to ensure timely delivery. Product quality and performance are a priority for our customers, especially since many of our product applications involve caustic or volatile chemicals and, in many cases, involve processes that are used in the precise control of fluids. In order to further improve our profitability and increase working capital turns, we consolidated additional facilities in 2005 and started implementation of lean manufacturing techniques, beginning with training employees at our larger U.S. plants and conducting associated Kaizan events in our internal manufacturing processes. We also continued to further expand our foreign sourcing programs.

We are committed to maintaining our manufacturing equipment at a level consistent with current technology in order to maintain high levels of quality and manufacturing efficiencies. As part of this commitment, we have spent a total of $15.0 million, $5.3 million, and $6.8 million on capital expenditures for the years ended December 31, 2005, 2004, and 2003, respectively. Capital expenditures for 2005 include $7.4 million related to the purchase of new facilities in China and the Netherlands. Depreciation expense for these periods was $9.8 million, $9.7 million, and $9.6 million, respectively.

We believe that our current facilities will meet our near-term production requirements without the need for additional facilities.

Quality Control

The majority of our products require the approval of and have been approved by applicable industry standards agencies in the United States and European markets. We have consistently advocated the development and enforcement of performance and safety standards, and continually update our procedures as part of our commitment to meet these standards. We maintain quality control and testing procedures at each of our manufacturing facilities in order to produce products in compliance with these

standards. Additionally, most of our major manufacturing subsidiaries have acquired ISO 9000 or 9001 certification from the International Organization for Standardization and, for those in the Energy Products Group, American Petroleum Institute certification.

Our products are designed, manufactured and tested to meet the requirements of various government or industry regulatory bodies as well as the quality control systems of certain customers. The primary industry standards that certain of our Instrumentation and Thermal Fluid Controls Products must meet include standards promulgated by: Underwriters' Laboratory; American National Standards Institute; American Society of Mechanical Engineers; U.S. Military; Federal Aviation Administration; Society of Automotive Engineers; Boeing Basic and Advanced Management System; Aerospace Quality Assurance System; the American Gas Association; the Department of Transportation; and European Pressure Equipment Directive and Technical Inspection Association. The primary industry standards required to be met by and applicable to our Energy Products include: American National Standards Institute; American Society of Mechanical Engineers; American Petroleum Institute and Factory Mutual.

Product Development

We continue to develop new and innovative products to enhance our market positions. Our product development capabilities include the ability to design and manufacture custom applications to meet high tolerance or close precision requirements. For example, KF Industries has fire-safe testing capabilities, Circle Seal has the ability to meet the testing specifications of the aerospace industry and Pibiviesse can meet the tolerance requirements of sub-sea and cryogenic environments. These testing and manufacturing capabilities have enabled us to develop customer-specified applications, unique characteristics of which have been subsequently utilized in broader product offerings. Our research and development expenditures for the years ended December 31, 2005, 2004, and 2003, were $1.9 million, $1.6 million, and $2.4 million, respectively. As a result of relocating certain research and development functions to locations with lower operating costs during 2003 and 2004 as well as open staff positions during 2004, net research and development costs in 2004 and 2005 were less than our historical levels.

Raw Materials

The raw materials used most often in our production processes are stainless steel, carbon steel, aluminum, bronze, and brass. These materials are subject to price fluctuations that may adversely affect our results of operations. We purchase these materials from numerous suppliers and have recently experienced constraints on the supply of certain raw material as well as the inability of certain suppliers to respond to our increasing needs. Historically, increases in the prices of raw materials have been partially offset by increased sales prices, active materials management, project engineering programs and the diversity of materials used in our production processes.

Competition

The domestic and international markets for our products are highly competitive. Some of our competitors have substantially greater financial, marketing, personnel and other resources than us. We consider product quality, performance, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in these markets. We believe that new product development and

product engineering are also important to our success and that our position in the industry is attributable, in significant part, to our ability to develop innovative products quickly, and to adapt and enhance existing products to specific customer applications.

The primary competitors of our Instrumentation and Thermal Fluid Controls Products Group include: Swagelok Company; Parker Hannifin Corporation; Samson AG; Spirax-Sarco Engineering plc; Masonneilan (a division of Dresser, Inc.); Flowseal (a division of Crane Co.); Fisher (a division of Emerson Electric Company); ASCO; and Tescom (a division of Emerson Electric Company).

The primary competitors of our Energy Products Group include: Cooper Cameron Corporation; Apollo (a unit of Conbraco Industries, Inc.); Jamesbury, Inc. (a unit of Metso USA which is part of the Metso Corporation); Balon; Worcester Controls Corp. (a unit of Flowserve); Crane Co.; Velan Valve Corporation; and Kitz Corporation.

Trademarks and Patents

We own patents that are scheduled to expire between 2006 and 2024 and trademarks that can be renewed as long as we continue to use them. We do not believe the vitality and competitiveness of either of our business segments as a whole depends on any one or more patents or trademarks. We own certain licenses such as software licenses, but we also do not believe that our business as a whole depends on any one or more licenses.

Customers, Cyclicality and Seasonality

For the year ended December 31, 2005, no single customer accounted for more than 10% of revenues for either the Instrumentation and Thermal Fluid Controls Products Group or the Energy Products Group.

We have experienced and expect to continue to experience fluctuations in revenues and operating results due to economic and business cycles. Our businesses, particularly the Energy Products Group, are cyclical in nature as the worldwide demand for oil and gas fluctuates. When the worldwide demand for oil and gas is depressed, the demand for our products used in those markets declines. Future changes in demand for petrochemical products could have a material adverse effect on our business, financial condition or results of operations. Similarly, although not to the same extent as the oil and gas markets, the aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand that could also have a material adverse effect on our business, financial condition or results of operations.

Backlog

Our total order backlog was $190.9 million as of February 10, 2006, compared to $144.8 million as of February 18, 2005. We expect all but $18.1 million of the backlog at February 10, 2006 will be shipped by December 31, 2006. The change in our backlog was primarily due to increased orders for major international oil and gas projects and the acquisitions of Industria in October 2005 and Sagebrush and Hale Hamilton in February 2006.

Employees

As of December 31, 2005, our worldwide operations directly employed approximately 2,300 people. We have 73 employees in the United States who are covered by a single collective bargaining agreement. We also have 155 employees in Italy, 169 employees in France, 41 in the Netherlands, and 109 employees in Germany covered by governmental regulations or workers' councils. We believe that our employee relations are good at this time. Our February 2006 acquisitions of Hale Hamilton and Sagebrush included approximately 200 and 112 employees, respectively. A majority of the Hale Hamilton employees are located in England and all of the Sagebrush employees are located in the United States, none of whom are subject to collective bargaining agreements.

Segment and Geographic Financial Data

Financial information by segment and geographic area is incorporated herein by reference to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 17 in the notes to consolidated financial statements included in this report.

Government Regulation Regarding the Environment

As a result of our manufacturing and assembly operations, our businesses are subject to federal, state, local and foreign laws, as well as other legal requirements relating to the generation, storage, transport and disposal of materials. These laws include, without limitation, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act and the Comprehensive Environmental Response and Compensation and Liability Act.

We currently do not anticipate any materially adverse impact on our business, financial condition or results of operations as a result of our compliance with federal, state, local and foreign environmental laws. However, risk of environmental liability and charges associated with maintaining compliance with environmental laws is inherent in the nature of our manufacturing operations and there is no assurance that material liabilities or charges could not arise. During the year ended December 31, 2005, we capitalized approximately $0.2 million related to environmental and safety control facilities and we also incurred and expensed an additional $0.4 million related to environmental and safety control facilities. We also expect to capitalize $0.5 million related to environmental and safety control facilities during the year ending December 31, 2006 and also expect to incur and expense charges of approximately $0.5 million related to environmental during the year ending December 31, 2006.

Item 1A. Risk Factors

Certain Risk Factors That May Affect Future Results

Set forth below are certain risk factors that we believe are material to our stockholders. If any of the following risks occur, our business, financial condition, results of operations, and reputation could be harmed. You should also consider these risk factors when you read "forward-looking statements" elsewhere in this report. You can identify forward-looking statements by terms such as "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," or "continue," the negative of those terms or other comparable terminology. Those forward-looking statements are only predictions and can be adversely affected if any of the following risks occur:

Some of our end-markets are cyclical, which may cause us to experience fluctuations in revenues or operating results.

We have experienced, and expect to continue to experience, fluctuations in revenues and operating results due to economic and business cycles. We sell our products principally to oil, gas, petrochemical, process, power, aerospace, military, heating, ventilation and air conditioning ("HVAC"), maritime, pharmaceutical, and medical and instrumentation markets. Although we serve a variety of markets to avoid a dependency on any one, a significant downturn in any one of these markets could cause a material reduction in our revenues that could be difficult to offset.

In particular, our petrochemical business is cyclical in nature as the worldwide demand for oil and gas fluctuates. When worldwide demand for oil and gas is depressed, the demand for our products used in maintenance and repair of existing oil and gas applications, as well as exploration or new oil and gas project applications, is reduced. As a result, we historically have generated lower revenues and profits in periods of declining demand for petrochemical products. Therefore, results of operations for any particular period are not necessarily indicative of the results of operations for any future period. Future downturns in demand for petrochemical products could have a material adverse effect on our business, financial condition or results of operations. Similarly, although not to the same extent as the oil and gas markets, the aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand that also could have a material adverse effect on our business, financial condition or results of operations.

We face the continuing impact on economic and financial conditions in the United States and around the world as well as current tensions in Iraq and the rest of the Middle East.

Terrorist attacks have negatively impacted general economic, market and political conditions. In particular, terrorist attacks, compounded with changes in the national economy, resulted in reduced revenues in the aerospace and general industrial markets in years 2002 and 2003. Although economic conditions appear to be improving, additional terrorist acts or acts of war (wherever located around the world) could cause damage or disruption to our business, our facilities or our employees which could significantly impact our business, financial condition or results of operations. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war or hostility, including the current tensions in Iraq and the Middle East, have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. In addition, with manufacturing facilities located worldwide, including facilities located in the United States, Canada, Western Europe and the People's Republic of China, we may be impacted by terrorist actions not only against the United States but in other parts of the world as well. We are not insured for losses and interruptions caused by terrorist acts and acts of war for our aviation products.

If we cannot continue operating our manufacturing facilities at current or higher levels, our results of operations could be adversely affected.

We operate a number of manufacturing facilities for the production of our products. The equipment and management systems necessary for such operations may break down, perform poorly, or fail, resulting in fluctuations in manufacturing efficiencies. Such fluctuations may affect our ability to deliver products to our customers on a timely basis, which could have a material adverse effect on our business, financial condition or results of operations. Commencing in 2005, we embarked on a company wide program to implement lean manufacturing techniques. We believe that this process will produce meaningful reductions in manufacturing costs. However, implementation of these techniques may cause short-term inefficiencies in production. If we ultimately are unable to successfully implement these processes our anticipated profitability may suffer.

We face significant competition in our markets and, if we are not able to respond to competition in our markets, our revenues may decrease.

We face significant competition from a variety of competitors in each of our markets. Some of our competitors have substantially greater financial, marketing, personnel and other resources than we do. New competitors also could enter our markets. We consider product quality, performance, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in our markets. Our competitors may be able to offer more attractive pricing, duplicate our strategies, or develop enhancements to products that could offer performance features that are superior to our products. Competitive pressures, including those described above, and other factors could adversely affect our competitive position, involving a loss of market share or decreases in prices, either of which could have a material adverse effect on our business, financial condition or results of operations. In addition, some of our competitors are based in foreign countries and have cost structures and prices based on foreign currencies. Accordingly, currency fluctuations could cause our U.S. dollar-priced products to be less competitive than our competitors' products that are priced in other currencies.

If we experience delays in introducing new products or if our existing or new products do not achieve or maintain market acceptance, our revenues may decrease.

Our industries are characterized by: intense competition; changes in end-user requirements; technically complex products; and evolving product offerings and introductions.

We believe our future success will depend, in part, on our ability to anticipate or adapt to these factors and to offer, on a timely basis, products that meet customer demands. Failure to develop new and innovative products or to custom design existing products could result in the loss of existing customers to competitors or the inability to attract new business, either of which may adversely affect our revenues. The development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. We may experience design, manufacturing, marketing or other difficulties, such as an inability to attract a sufficient number of qualified engineers, which could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses.

Implementation of our acquisition strategy may not be successful, which could affect our ability to increase our revenues or could reduce our profitability.

One of our continued strategies is to increase our revenues and expand our markets through acquisitions that will provide us with complementary instrumentation and thermal fluid controls and energy

products. We expect to spend significant time and effort in expanding our existing businesses and identifying, completing and integrating acquisitions. We expect to face competition for acquisition candidates that may limit the number of acquisition opportunities available to us and may result in higher acquisition prices. We cannot be certain that we will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies without substantial costs, delays or other problems. Also, there can be no assurance that companies we acquire in the future will achieve revenues, profitability or cash flows that justify our investment in them. In addition, acquisitions may involve a number of special risks, including: adverse short-term effects on our reported operating results; diversion of management's attention; loss of key personnel at acquired companies; or unanticipated management or operational problems or legal liabilities. Some or all of these special risks could have a material adverse effect on our business, financial condition or results of operations.

If we fail to manufacture and deliver high quality products, we may lose customers.

Product quality and performance are a priority for our customers since many of our product applications involve caustic or volatile chemicals and, in many cases, involve processes that require precise control of fluids. Our products also are used in the aerospace, military, commercial aircraft, pharmaceutical, medical, analytical equipment, oil and gas exploration, transmission and refining, chemical processing, and maritime industries. These industries require products that meet stringent performance and safety standards. If we fail to maintain and enforce quality control and testing procedures, our products will not meet these stringent performance and safety standards. Substandard products would seriously harm our reputation, resulting in both a loss of current customers to our competitors and damage to our ability to attract new customers, which could have a material adverse effect on our business, financial condition or results of operations.

If we are unable to continue operating successfully overseas or to successfully expand into new international markets, our revenues may decrease.

We derive a significant portion of our revenue from sales outside the United States. In addition, one of our key growth strategies is to market our products in international markets not currently served by us in portions of Europe, Latin America and Asia. We may not succeed in marketing, selling and distributing our products in these new markets. Moreover, conducting business outside the United States is subject to additional risks, including currency exchange rate fluctuations, changes in regional, political or economic conditions, trade protection measures such as tariffs or import or export restrictions, and unexpected changes in regulatory requirements. One or more of these factors could prevent us from successfully expanding into new international markets and could also have a material adverse effect on our current international operations.

If we can not pass on higher raw material or manufacturing costs to our customers, we may become less profitable.

One of the ways we attempt to manage the risk of higher raw material and manufacturing costs is to increase selling prices to our customers. The markets we serve are extremely competitive and customers may not accept price increases or may look to alternative suppliers which may negatively impact our profitability and revenues.

If our suppliers can not provide us with adequate quantities of materials to meet our customers demands on a timely basis or if the quality of the materials provided does not meet our standards we may lose customers or experience lower profitability.

Some of our customer contracts require us to compensate them if we do not meet specified delivery obligations. We rely on numerous suppliers to provide us with our required materials and in many instances these materials must meet certain specifications. During 2004 and 2005 we experienced diminished supplier performance that negatively impacted our operating and net income. The diminished supplier performance was the result of: the closure suppliers, problems with new supplier on-time delivery reliability as well as lower than expected new supplier qualification acceptance. We are in the process of remediating or have taken steps to remediate these lower supplier performance issues and believe the diminished impact on profitability may be alleviated. A continuation of these factors could have a negative impact on our ability to deliver our products to our customers within our committed time frames and could result in continued reductions of our operating and net income in future periods.

A change in international governmental policies or restrictions could result in decreased availability and increased costs for certain components and finished products that we outsource, which could adversely affect our profitability.

Like most manufacturers of fluid control products, we attempt, where appropriate, to reduce costs by seeking lower cost sources of certain components and finished products. Many such sources are located in developing countries such as the People's Republic of China, India and Taiwan, where a change in governmental approach toward U.S. trade could restrict the availability to us of such sources. In addition, periods of war or other international tension could interfere with international freight operations and hinder our ability to take delivery of such components and products. A decrease in the availability of these items could hinder our ability to timely meet our customers' orders. We attempt, when possible, to mitigate this risk by maintaining alternate sources for these components and products and by maintaining the capability to produce such items in our own manufacturing facilities. However, even when we are able to mitigate this risk, the cost of obtaining such items from alternate sources or producing them ourselves is often considerably greater, and a shift toward such higher cost production could therefore adversely affect our profitability.

The costs of complying with existing or future environmental regulations, and curing any violations of these regulations could increase our expenses or reduce our profitability.

We are subject to a variety of environmental laws relating to the storage, discharge, handling, emission, generation, use and disposal of chemicals, solid and hazardous waste and other toxic and hazardous materials used to manufacture, or resulting from the process of manufacturing, our products. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. Future regulations could be applied to materials, products or activities that have not been subject to regulation previously. The costs of complying with new or more stringent regulations, or with more vigorous enforcement of these or existing regulations could be significant.

Environmental laws require us to maintain and comply with a number of permits, authorizations and approvals and to maintain and update training programs and safety data regarding materials used in our

processes. Violations of these requirements could result in financial penalties and other enforcement actions. We also could be required to halt one or more portions of our operations until a violation is cured. Although we attempt to operate in compliance with these environmental laws, we may not succeed in this effort at all times. The costs of curing violations or resolving enforcement actions that might be initiated by government authorities could be substantial.

The costs of complying with existing or future governmental regulations on importing and exporting practices and of curing any violations of these regulations, could increase our expenses, reduce our revenues or reduce our profitability.

We are subject to a variety of laws and international trade practices including regulations issued by the United States Bureau of Customs and Border Protection, the Bureau of Export Administration, the Department of State, the Department of Treasury. We cannot predict the nature, scope or effect of future regulatory requirements to which our international trading practices might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries into which certain of our products may be sold or could restrict our access to and increase the cost of obtaining products from foreign sources. In addition, actual or alleged violations of such regulations could result in enforcement actions and/or financial penalties that could result in substantial costs.

If our internal controls over financial reporting do not comply with the requirements of the Sarbanes-Oxley Act, our business and stock price could be adversely affected.

If either Management or our independent registered public accounting firm identifies one or more material weaknesses in internal control over financial reporting that exist as of the end of our fiscal year, the material weakness(es) will be reported either by management in its self assessment or by our independent registered public accounting firm in their report or both, which may result in a loss of public confidence and could have an adverse affect on our business and our stock price. This could also result in significant additional expenditures responding to the Section 404 internal control audit and a diversion of management attention.

We face risks from product liability lawsuits that may adversely affect our business.

We, like other manufacturers and distributors of products designed to control and regulate fluids and chemicals, face an inherent risk of exposure to product liability claims in the event that the use of our products results in personal injury, property damage or business interruption to our customers. We may be subjected to various product liability claims, including, among others, that our products include inadequate or improper instructions for use or installation, or inadequate warnings concerning the effects of the failure of our products. Although we maintain strict quality controls and procedures, including the testing of raw materials and safety testing of selected finished products, we cannot be certain that our products will be completely free from defect. In addition, in certain cases, we rely on third-party manufacturers for our products or components of our products. Although we have liability insurance coverage, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost, or, if available, will be adequate to cover any such liabilities. We generally seek to obtain contractual indemnification from our third-party suppliers, and for us to be added as an additional insured party under such parties' insurance policies. Any such indemnification or insurance is

limited by its terms and, as a practical matter, is limited to the credit worthiness of the indemnifying or insuring party. In the event that we do not have adequate insurance or contractual indemnification, product liabilities could have a material adverse effect on our business, financial condition or results of operations.

The costs associated with the defense of asbestos-related claims and the payment of any judgments or settlements with respect to such claims are subject to a number of uncertainties. As such, we cannot guarantee that such claims ultimately will not have an adverse effect on our financial statements, results of operations or cash flows.

Like many other manufacturers of fluid control products, we have been named as defendants in a growing number of product liability actions brought on behalf of individuals who seek compensation for their alleged exposure to airborne asbestos fibers. In general, any components containing asbestos formerly used in our products were entirely internal to the product and, we believe, would not give rise to ambient asbestos dust during normal operation or during normal inspection and maintenance. As such, we have no basis on which to conclude that these cases will have a material adverse effect on our financial condition, results of operations or cash flow. However, due to the nature and number of variables associated with asbestos related claims, such as the rate at which new claims may be filed; the availability of insurance policies to continue to recover certain of our costs relating to the defense and payment of these claims; the impact of bankruptcies of other companies currently or historically defending asbestos claims; the uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case; the impact of potential changes in legislative or judicial standards; the type and severity of the disease alleged to be suffered by each claimant; and increases in the expense of medical treatment, we are unable to reliably estimate the ultimate costs of these claims.

We depend on our key personnel and the loss of their services may adversely affect our business.

We believe that our success will depend on the continued employment of our senior management team and other key personnel. If one or more members of our senior management team or other key personnel were unable or unwilling to continue in their present positions, our business could be seriously harmed. In addition, if any of our key personnel joins a competitor or forms a competing company, some of our customers might choose to use the services of that competitor or those of a new company instead of our own. Other companies seeking to develop capabilities and products similar to ours may hire away some of our key personnel. Nonetheless, if we are unable to maintain our key personnel and attract new employees, the execution of our business strategy may be hindered and our growth limited.

Various restrictions and agreements could hinder a takeover of us which is not supported by our board of directors or which is leveraged.

Our amended and restated certificate of incorporation and amended and restated by-laws, the Delaware General Corporation Law and our shareholder rights plan contain provisions that could delay or prevent a change in control in a transaction that is not approved by our board of directors or that is on a leveraged basis or otherwise. These include provisions creating a staggered board, limiting the shareholders' powers to remove directors, and prohibiting shareholders from calling a special meeting or

taking action by written consent in lieu of a shareholders' meeting. In addition, our board of directors has the authority, without further action by the shareholders, to set the terms of and to issue preferred stock. Issuing preferred stock could adversely affect the voting power of the owners of our common stock, including the loss of voting control to others. Additionally, we have adopted a shareholder rights plan providing for the issuance of rights that will cause substantial dilution to a person or group of persons that acquires 15% or more of our shares of common stock, unless the rights are redeemed.

Delaying or preventing a takeover could result in our shareholders ultimately receiving less for their shares by deterring potential bidders for our stock or assets.

Our debt agreements limit our ability to issue equity, make acquisitions, incur debt, pay dividends, make investments, sell assets, merge or raise capital.

Our senior note purchase agreement, dated October 19, 1999, outstanding industrial revenue bonds, and our revolving credit facility agreement, dated December 20, 2005, govern our indebtedness to our lenders. The debt agreements include provisions which place limitations on certain activities including our ability to: issue shares of our common stock; incur additional indebtedness; create any liens or encumbrances on our assets or make any guarantees; make certain investments; pay cash dividends above certain limits; or dispose of or sell assets or enter into a merger or a similar transaction.

The trading price of our common stock may be volatile and investors in our common stock may experience substantial losses.

The trading price of our common stock may be volatile. Our common stock could decline or fluctuate in response to a variety of factors, including, but not limited to: our failure to meet the performance estimates of securities analysts; changes in financial estimates of our revenues and operating results or buy/sell recommendations by securities analysts; the timing of announcements by us or our competitors concerning significant product line developments, contracts or acquisitions or publicity regarding actual or potential results or performance; fluctuation in our quarterly operating results caused by fluctuations in revenue and expenses; substantial sales of our common stock by our existing shareholders; general stock market conditions; or other economic or external factors.

In addition, the stock market as a whole has in the past experienced price and volume fluctuations. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management attention and resources.

Our international activities expose us to fluctuations in currency exchange rates that could adversely affect our results of operations and cash flows.

Our international manufacturing and sales activities expose us to changes in foreign currency exchange rates. Such fluctuations could result in our (i) paying higher prices for certain imported goods and services, (ii) realizing lower prices for any sales denominated in currencies other than U.S. dollars, (iii) realizing lower net income, on a U.S. dollar basis, from our international operations due to the effects of translation from weakened functional currencies, and (iv) realizing higher costs to settle transactions denominated in other currencies. Any of these risks could adversely affect our results of

operations and cash flows. Our major foreign currency exposures involve the markets in Western Europe, Canada and Asia.

We use forward contracts to manage the currency risk related to business transactions denominated in foreign currencies. We primarily utilize forward exchange contracts with maturities of less than eighteen months. To the extent these transactions are completed, the contracts do not subject us to significant risk from exchange rate fluctuations because they offset gains and losses on the related foreign currency denominated transactions.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

We maintain 18 major facilities worldwide, including 16 significant manufacturing operations located in the United States, Canada, Western Europe and the People's Republic of China. Many of these facilities contain sales offices or warehouses from which we ship finished goods to customers, distributors and commissioned representative organizations. Our executive office is located in Burlington, Massachusetts.

The Instrumentation and Thermal Fluid Controls Products Group has facilities located in the United States, Germany, France, the Netherlands, and the United Kingdom. Properties in Ronkonkoma, New York; Berlin, Connecticut; Ontario, California, Le Plessis Trevise, France, and Spartanburg, South Carolina; are leased. The Energy Products Group has facilities located in the United States, Canada, Italy and the People's Republic of China. Properties in Nerviano, Italy; Naviglio, Italy; Edmonton, Alberta, Canada, Beaumont, Texas; a distribution center in Oklahoma City, Oklahoma are leased. Certain of our facilities are subject to collateral assignments under loan agreements with long-term lenders.

In general, we believe that our properties, including machinery, tools and equipment, are in good condition, are well maintained, and are adequate and suitable for their intended uses. Our manufacturing facilities generally operate five days per week on one or two shifts. We believe our manufacturing capacity could be increased by working additional shifts and weekends and by successful implementation of our on-going lean manufacturing initiatives.

Item 3. Legal Proceedings

We, like other worldwide manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain liability insurance coverage which we believe to be consistent with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims, which may arise from product defects and failures or from environmental liability.

We, like many other manufacturers of fluid control products, we have been named as defendants in a growing number of product liability actions brought on behalf of individuals who seek compensation for their alleged exposure to airborne asbestos fibers. In particular, our subsidiaries, Leslie, Spence, and

Hoke, collectively have been named as defendants or third-party defendants in asbestos related claims brought on behalf of approximately 22,000 plaintiffs typically against anywhere from 50 to 400 defendants. In some instances, we also have been named individually and/or as successor in interest to one or more of these subsidiaries. These cases have been brought in state courts in Alabama, California, Connecticut, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Montana, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington and Wyoming with the vast majority of claimants having brought their claims in Mississippi. The cases brought on behalf of the vast majority of claimants seek unspecified compensatory and punitive damages against all defendants in the aggregate. However, the complaints filed on behalf of claimants who do seek specified compensatory and punitive damages typically seek millions or tens of millions of dollars in damages against the aggregate of defendants.

Of the approximately 22,000 plaintiffs who have brought claims against our subsidiaries, all but approximately 600 have been in Mississippi. Recently in Mississippi, the courts have rendered decisions and the legislature has passed legislation aimed at curbing certain abusive practices by plaintiff attorneys pursuant to which large numbers of unrelated plaintiffs (sometimes numbering in the thousands in a single case) would be grouped in the same case against hundreds of defendants. As a result of the recent changes, many of these “mass filings” (including some cases in which CIRCOR companies have been named defendant) have been or are expected to be dismissed. While it is possible that certain dismissed claims would be refiled in Mississippi or in other jurisdictions, any such refilings likely would be made on behalf of one or a small number of related individuals who can demonstrate actual injury and some connection to our subsidiaries’ products.

Any components containing asbestos formerly used in Leslie, Spence and Hoke products were entirely internal to the product and, we believe, would not give rise to ambient asbestos dust during normal operation or during normal inspection and repair procedures. Moreover, to date, our insurers have been paying the vast majority of the costs associated with the defense of these actions, particular with respect to Spence and Hoke for which insurance has paid all defense costs to date. As we previously have disclosed, we negotiated a revised cost sharing understanding with Leslie’s insurers which results in Leslie being responsible for 29% of its defense costs. In light of the foregoing, we currently believe that we have no basis on which to conclude that these cases may have a material adverse effect on our financial condition, results of operations or cash flows. However, due to the nature and number of variables associated with asbestos related claims, such as the rate at which new claims may be filed; the availability of insurance policies to continue to recover certain of our costs relating to the defense and payment of these claims; the impact of bankruptcies of other companies currently or historically defending asbestos claims including our co-defendants; the uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case; the impact of potential changes in legislative or judicial standards; the type and severity of the disease alleged to be suffered by each claimant; and increases in the expense of medical treatment, we are unable to reliably estimate the ultimate costs to us of these claims.

We have reviewed all of our pending judicial and legal proceedings, reasonably anticipated costs and expenses in connection with such proceedings, and availability and limits of our insurance coverage, and we have established reserves that we believe are appropriate in light of those outcomes that we believe are probable and estimable at this time.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of the year covered by this Annual Report to a vote of security holders through solicitation of proxies or otherwise.

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "CIR". Quarterly share prices and dividends declared and paid are incorporated herein by reference to Note 18 to the consolidated financial statements included in this Annual Report.

During the first quarter of 2006, we declared a dividend of $0.0375 per outstanding common share payable on March 24, 2006 to shareholders of record on March 10, 2006.

Our board of directors is responsible for determining our dividend policy. Although we currently intend to continue paying cash dividends, the timing and level of such dividends will necessarily depend on our board of directors' assessments of earnings, financial condition, capital requirements and other factors, including restrictions, if any, imposed by our lenders. See "Liquidity and Capital Resources" under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

As of February 16, 2006, there were 15,855,514 shares of our common stock outstanding and we had 103 holders of record of our common stock. We believe the number of beneficial owners of our common stock was substantially greater on that date.

In accordance with Section 303A, 12(a) of the NYSE Listed Company Manual, our Chief Executive Officer, on May 26, 2005, filed with the NYSE his certification that he was not aware of any violation by the Company of NYSE corporate governance listing standards.

The information appearing under the section "New Benefit Plans" in our Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held May 2, 2006 is incorporated herein by reference.

Item 6. Selected Financial Data

The following table presents certain selected financial data that has been derived from our audited consolidated financial statements and notes related thereto and should be read along with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and notes included in this Annual Report.

The consolidated statements of operations and consolidated statements of cash flows data for the years ended December 31, 2005, 2004 and 2003, and the consolidated balance sheet data as of December 31, 2005 and 2004 are derived from, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this Annual Report. The consolidated statements of operations and consolidated statements of cash flows data, and the consolidated balance sheet data as of December 31, 2002 and 2001, are derived from our audited consolidated financial statements not included in this Annual Report.

Selected Financial Data
(In thousands, except per share data)

	Years Ended December 31,				
	2005	2004(3)	2003	2002	2001
Statement of Operations Data (1):					
Net revenues	$ 450,531	$ 381,834	$ 359,453	$ 331,448	$ 343,083
Gross profit	132,675	107,569	105,512	98,285	103,477
Goodwill amortization expense	–	–	–	–	2,737
Operating income	33,005	21,934	29,987	30,374	33,617
Income before interest and taxes	32,861	22,168	30,824	31,060	33,096
Net income	20,383	11,803	17,873	15,577	15,596
Balance Sheet Data:					
Total assets	$ 460,380	$ 428,418	$ 423,863	$ 390,734	$ 386,121
Total debt (2)	33,491	42,880	61,059	77,990	97,662
Shareholders' equity	310,723	293,435	275,160	243,659	222,440
Total capitalization	344,214	336,315	336,219	321,649	320,102
Other Financial Data:					
Cash flow provided by (used in):					
Operating activities	$ 45,326	$ 29,249	$ 58,646	$ 25,057	$ 44,856
Investing activities	(60,899)	(10,107)	(20,981)	(23,241)	(14,501)
Financing activities	(10,304)	(19,536)	(19,517)	(20,636)	18,609
Net interest expense	2,810	3,690	5,151	6,721	7,102
Capital expenditures	15,021	5,287	6,823	4,418	4,950
Diluted earnings per common share	$ 1.27	$ 0.74	$ 1.14	$ 1.00	$ 1.04
Diluted weighted average common shares outstanding	16,019	15,877	15,675	15,610	15,023
Cash dividends declared per common share	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15

(1) The statement of operations data for the years ended December 31, 2005, 2004, 2003, 2002, and 2001 includes, respectively, $1.6 million, $0.3 million, $1.4 million, $0.7 million, and $0.2 million of special charges associated with the closure, consolidation and reorganization of certain manufacturing plants.
(2) Includes capital leases obligations of: $1.7 million, $0.1 million, and $0.1 million as of December 31, 2005, 2004 and 2003, respectively. We did not have capital lease obligations as of December 31, 2002 and 2001.
(3) Results for the year ended December 31, 2004 include a $6.6 million pre-tax charge for an inventory write-down related to a change in our warehousing and inventory carrying practices.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report 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 Securities and Exchange Commission. 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 cyclicality 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, variability of raw material and component pricing, changes in our suppliers' performance, fluctuations in foreign currency exchange rates, our ability to continue operating our manufacturing facilities at efficient levels including our ability to 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, increasing interest rates, our ability to continue to successfully defend product liability actions, as well as the uncertain continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern tensions and related matters. We advise you to read further about certain of these and other risk factors set forth under the caption "Certain Risk Factors that May Affect Future Results" in this Annual Report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview

CIRCOR International, Inc. is a leading provider of valves and fluid control products for the industrial, aerospace and petrochemical markets. We offer one of the industry's broadest and most diverse range of products – a range that allows us to supply end-users with a wide array of valves and component products for fluid systems.

We have organized the company into two segments: Instrumentation & Thermal Fluid Controls Products and Energy Products. The Instrumentation & Thermal Fluid Controls Products segment serves our broadest variety of end-markets, including military and commercial aerospace, chemical processing, marine, power generation, HVAC systems, food and beverage processing, and other general industrial markets. The Energy Products segment primarily serves the oil and gas exploration, production and distribution markets.

Our growth strategy includes both organic sales increases as well as strategic acquisitions that complement and extend our current offering of engineered flow control products. For organic growth,

our businesses focus on developing new products and reacting quickly to changes in market conditions in order to help grow our revenues. Regarding acquisitions, we have made twelve acquisitions in the last five years that extended our product offerings. Ten of these acquisitions were in our Instrumentation & Thermal Fluid Controls Products segment. During the last three years, our acquisitions of DQS and TSI in 2003 provided us with a larger presence in the analytical sampling market. In April 2004, we acquired Mallard; which added to our Energy Products segment and our acquisitions of Loud in January 2005 and Industria in October 2005 provided us with complementary aerospace component and subassembly manufacturing capabilities. In February 2006, we acquired Hale Hamilton, a leading provider of high pressure valves and flow control equipment, and Sagebrush which provides pipeline flow control and measurement equipment to oil and gas markets.

Regarding our 2005 financial results, we had a number of improvements over 2004. Our 2005 revenues increased over 2004 and included significant organic growth in many of the key end markets we serve, especially shipments to large international oil and gas projects. Our fiscal 2005 performance also benefited from three strategic acquisitions: Loud and Industria acquired in 2005, plus the full year impact of Mallard, acquired in April 2004. Net income in 2005 increased significantly over 2004, benefiting from the contribution of increased revenues and reduced inventory write-downs. The profit contribution from the higher sales volume plus customer price increases was partially offset by higher costs from new initiatives. For example, in order to further improve our profitability and increase working capital turns, we consolidated additional facilities in 2005 and started implementation of lean manufacturing techniques, beginning with training employees at our larger U.S. plants and conducting associated kaizan events in our internal manufacturing processes. We also continued to further expand our foreign sourcing programs, especially for certain businesses in our Instrumentation and Thermal Fluid Products segment. While all of these initiatives are investments to improve the long-term financial health of the Company, we did incur higher costs in 2005 as a result of these actions. In 2005 we reduced our debt, resulting in a low debt-to-capital ratio of 9.7%, and also reduced working capital, net of cash, to 16.3% of revenues.

We also generated a significant amount of cash in 2005. Cash flow from operating activities was $45.3 million, or 10.0% of revenues, an increase of $16.0 million compared to $29.2 million generated in 2004. We continue to believe our largest opportunity to generate increased cash flow from operating activities is by further reducing our inventories. To help us with the lean manufacturing initiatives, we have engaged a consulting firm to assist us with their implementation. With the assistance of this consulting firm, we expect to improve our inventory turns and systemically quicken our order fulfillment processes over the next few years. We also used a significant amount of cash in 2005, including net cash payments of $51.6 million primarily for the Loud and Industria acquisitions and the buyout of the minority interest in SKVC, $15 million on capital expenditures, and a scheduled payment of $15 million to reduce our senior notes. As we ended 2005, we maintained a position of having nearly as much cash and cash equivalents as debt.

Basis of Presentation

All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior period financial statement amounts have been reclassified to conform to currently reported presentations. We monitor our business in two segments: Instrumentation and Thermal Fluid Controls Products and Energy Products.

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. 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.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, no significant post-delivery obligations remain and collection of the resulting receivable is reasonably assured. 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

Our net inventory balance was $107.7 million as of December 31, 2005, compared to $105.2 million as of December 31, 2004. Our inventory allowance as of December 31, 2005 was $7.7 million, compared with $14.8 million as of December 31, 2004. The reduction in our inventory allowance in 2005 is primarily attributable to the disposal of inventory included in the 2004 allowance. We provide inventory allowances for excess, slow-moving, and obsolete inventories determined primarily by estimates of future demand. The allowance is measured as the difference between the cost of the inventory and estimated market value and charged to the provision for inventory, which is a component of our cost of revenues. Assumptions about future demand is one of 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 provision for inventory obsolescence was $3.2 million, $10.7 million, and $4.2 million, for 2005, 2004, and 2003, respectively.

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

In the fourth quarter of 2004, we evaluated the impact of our programs initiated during the past two years to increase the proportion of our inventory purchased from less-expensive suppliers, primarily in Asia and Eastern Europe. One result of our successful foreign-sourcing programs is that we need less internal manufacturing and warehousing capability, particularly in North America. In addition, our past practice has been to retain much of our inventory for extended periods, even utilizing extra warehousing facilities and resources. After considering these factors, we concluded that it is more cost effective to dispose of selected inventory and reduce warehouse capacity than to incur ongoing carrying costs. We decided to lower our costs by disposing of certain inventories and consolidating facilities. As a result of that decision, we recorded a pre-tax charge of $6.6 million in the fourth quarter 2004 to write-down our inventories. We disposed of $10.9 million of inventory in 2005.

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 because of changing technology and customer requirements.

Purchase 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 process and is concluded within twelve months of the acquisition. We accrue estimates for certain costs, related primarily to personnel reductions and facility closures or restructurings, anticipated at the date of acquisition, in accordance with Financial Accounting Standards Board (“FASB”) Statement No. 141 “Business Combinations” and Emerging Issues Task Force Issue No. 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination.” Adjustments to these estimates are made during the acquisition allocation period, which is generally up to twelve months from the acquisition date as plans are finalized. Subsequent to the allocation period, costs incurred in excess of the recorded acquisition accruals are generally expensed as incurred and if accruals are not utilized for the intended purpose the excess is recorded as an adjustment to the cost of the acquired entity, usually decreasing goodwill.

Impairment Analysis

Our methodology for allocating the purchase price relating to purchase acquisitions is determined through established valuation techniques for industrial manufacturing companies. Goodwill is measured as the excess of the cost of acquisition over the sum of the amounts assigned to identifiable tangible and intangible assets acquired less liabilities assumed. The goodwill recorded on the consolidated balance sheet as of December 31, 2005 was $140.2 compared with $120.3 million as of December 31, 2004. We perform goodwill impairment tests for each reporting unit on an annual basis and between annual tests in certain circumstances, if triggering events indicate impairment may have occurred. 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, a discount rate, and the estimated terminal value for each reporting unit. If these estimates or related projections change in the future due to changes in industry and market conditions, we may be required to record impairment charges. Based on impairment tests performed using independent third-party valuations, there was no impairment in our goodwill in 2005, 2004, or 2003.

Other long-lived assets include property, plant, and equipment and intangibles with definite lives. We perform impairment analyses of our other long-lived assets whenever events and circumstances indicate that they may be impaired. When the undiscounted estimated future cash flows are expected to be less than the carrying value of the assets being reviewed for impairment, the assets are written down to fair market value.

Income Taxes

Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and any valuation allowance. Our effective tax rates differ from the statutory rate due to the impact of acquisition-related costs, research and product development tax credits, extraterritorial income exclusion, state taxes, and the tax impact of non-U.S. operations. Our effective tax rate was 32.2%, 36.1%, and 30.4%, for 2005, 2004, and 2003, respectively. For 2006, we expect an effective income tax rate of 32%. 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.

In 2005, deferred income tax liabilities increased primarily due to purchase accounting adjustments relating to non-goodwill intangibles. The increase in the gross deferred tax asset relating to credit carryforwards resulted from the foreign tax associated with a distribution from one of our foreign subsidiaries, against which we have recorded a valuation allowance.

At December 31, 2005, our total valuation allowance is $11.1 million, due to uncertainties related to our ability to utilize deferred tax assets, primarily consisting of certain foreign tax credits, 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 further 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. As a result, 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.

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” in Note 14 of the accompanying consolidated financial statements as well as “Legal Proceedings” in Part I Item 3.

Pension Benefits

We maintain pension benefit plans for our employees in the United States. 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. The expected long-term rate of return on plan assets used to estimate pension expenses was 8.5% for 2005 compared to 8.75% in 2004. The discount rate used to estimate the net pension expenses for 2005 was 5.8% compared to 6.0% in 2004. The lower discount rate reflected the decline in global capital markets and interest rates. The combined effect of the reduced expected long-term rate of return and discount rate we utilized for 2005 raised our projected benefit obligation by approximately $0.8 million and raised our 2005 pension expense by approximately $0.1 million.

Plan assets are comprised of equity investments of companies in the United States with large and small market capitalizations; fixed income securities issued by the United States government, or its agencies; and certain international equities. There are no common shares of CIRCOR International, Inc. in the plan assets.

Unrecognized actuarial gains and losses in excess of the 10% corridor are being recognized over approximately an eleven-year period, which represents the weighted average expected remaining service life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected returns and actual returns on assets. At the end of 2005, we had unrecognized net actuarial losses of $7.0 million.

The fair value of the defined benefit plan assets at December 31, 2005 exceeded the estimated accumulated benefit obligations primarily as a result of the cash contributions from the company, partially offset by the lower interest rates. See Note (13) to the consolidated financial statements for further information on the benefit plans.

During 2005, we made $2.0 million in cash contributions to our defined benefit pension plans. In 2006, we do not expect to make voluntary cash contributions, although global capital market and interest rate fluctuations will impact future funding requirements.

For 2006, we lowered our discount rate for pension liabilities by 30 basis points to 5.5% on a weighted average basis given the level of global interest rates. The effect of the reduction in the assumed discount rate is expected to raise our projected benefit obligation by approximately $1.5 million and raise 2006 pension expense by approximately $0.3 million.

We will continue to evaluate our expected long-term rates of return on plan assets and discount rates at least annually and make adjustments as necessary; such adjustments could change the pension and post-retirement obligations and expenses in the future. If the actual operation of the plans differ from the assumptions, additional contributions by us may be required. If we are required to make significant contributions to fund the defined benefit plans, reported results could be materially and adversely affected and our cash flow available for other uses may be reduced.

Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

The following tables set forth the results of operations, percentage of net revenue and the period-to-period percentage change in certain financial data for the year ended December 31, 2005 and December 31, 2004:

	Year Ended				
	December 31, 2005		December 31, 2004		% Change
	(Dollars in thousands)				
Net revenues	$450,531	100.0%	$381,834	100.0%	18.0%
Cost of revenues	317,856	70.6	274,265	71.8	15.9
Gross profit	132,675	29.4	107,569	28.2	23.3
Selling, general and administrative expenses	98,040	21.7	85,332	22.3	14.9
Special charges	1,630	0.4	303	0.2	437.9
Operating income	33,005	7.3	21,934	5.7	50.5
Other (income) expense:					
Interest expense, net	2,810	0.6	3,690	1.0	(23.8)
Other (income) expense, net	144	–	(234)	(0.1)	(161.5)
Total other expense	2,954	0.7	3,456	0.9	(14.5)
Income before income taxes	30,051	6.7	18,478	4.8	62.6
Provision for income taxes	9,668	2.1	6,675	1.7	44.8
Net income	$ 20,383	4.5	$ 11,803	3.1	72.7%

Net Revenue

Net revenues for the year ended December 31, 2005 increased by $68.7 million, or 18.0%, to $450.5 million from $381.8 million for the year ended December 31, 2004. The increase in net revenues for the year ended December 31, 2005 was attributable to the following:

	Year Ended					
Segment	December 31, 2005	December 31, 2004	Total Change	Acquisitions	Operations	Foreign Exchange
			(In thousands)			
Instrumentation & Thermal Fluid Controls	$ 251,276	$ 218,656	$ 32,620	$ 22,782	$ 10,298	$ (460)
Energy	199,255	163,178	36,077	4,858	30,698	521
Total	$ 450,531	$ 381,834	$ 68,697	$ 27,640	$ 40,996	$ 61

The Instrumentation and Thermal Fluid Controls Products segment accounted for 56% of net revenues for the year ended December 31, 2005 compared to 57% for the year ended December 31, 2004. The Energy Products segment accounted for 44% of net revenues for the year ended December 31, 2005 compared to 43% for the year ended December 31, 2004.

Instrumentation and Thermal Fluid Controls Products revenues increased $32.6 million, or 15.0%, for the year ended December 31, 2005 compared to the year ended December 31, 2004. The increase in revenues was the net result of several factors. Revenues increased an incremental $18.6 million from the January 2005 acquisition of Loud and by $4.2 million from the acquisition of Industria in October 2005. The acquisitions were complemented by additional organic increases in product sales to general industrial and chemical processing end markets. Incoming orders increased 5.8%, excluding Loud and Industria, and benefited nearly every business unit stemming largely from higher selling prices instituted by the businesses in the second half of 2004 and in 2005. During mid 2005, we experienced a softening in the commercial HVAC projects market negatively impacting our Thermal Fluid Products group. In 2006, management expects market conditions to remain steady for most of the general industrial, chemical processing and aerospace end markets served by this segment. We expect a revenue increase approximating 4% for the full year 2006 compared to the full year 2005, plus approximately $12 million in incremental revenue from our October 2005 acquisition of Industria and approximately $30 million from our February 2006 acquisition of Hale Hamilton.

Energy Products revenues increased by $36.1 million, or 22.1%, for the year ended December 31, 2005 compared to the year ended December 31, 2004. A portion of the increase in revenues was the net result of an incremental $4.9 million from the April 30, 2004 acquisition of Mallard. The acquisition impact also was complemented by additional organic increases in revenues as an escalation in worldwide demand for oil and natural gas motivated producers to increase their drilling, production, and distribution facilities. Revenues from our North American operations increased $10.3 million over 2004, and our Italian subsidiary, Pibiviesse, increased revenues $20.4 million over 2004. Pibiviesse continues to be successful in winning and fulfilling orders for large international oil and gas projects, a majority of which are for national energy companies in the Middle East. In 2006, our expectations for this segment’s revenues are to increase by 5% to 6% over 2005, plus approximately $20 million in incremental revenue from our February 2006 acquisition of Sagebrush.

Gross Profit

Consolidated gross profit increased $25.1 million, or 23.3%, to $132.7 million for the year ended December 31, 2005 compared to $107.6 million for the year ended December 31, 2004. Consolidated gross margin of 29.4% for the year ended December 31, 2005 was an increase of 120 basis points from the prior year period.

Gross profit for the Instrumentation and Thermal Fluid Controls Products segment increased $9.2 million for the year ended December 31, 2005 compared to the prior year and was primarily the result of two factors: $8.0 million primarily from the incremental contribution of the 2005 acquisitions of Loud and Industria, and $1.2 million due to the net benefit of higher volume of shipments and customer price increases partially offset by higher raw material costs, especially stainless steel, unforeseen costs from decreased vendor responsiveness, and lower factory productivity.

Gross profit for the Energy Products segment increased $15.9 million for the year ended December 31, 2005 compared to the year ended December 31, 2004. The gross profit increase was the net effect of: $8.1 million from the higher sales volume and related customer pricing increases, net of additional operating costs to regain manufacturing productivity in our Oklahoma City plant after the summer and fall 2005 consolidation of two other U.S. plants into that facility, selected raw material shortages; a $6.2 million charge in the fourth quarter of 2004 primarily for slow-moving inventory that was not incurred in 2005, and $1.9 million from the April 2004 acquisition of Mallard.

Regarding both segments' gross margins, we had anticipated developing a faster production capability in the key U.S. plants where we began to implement lean manufacturing initiatives which would have enabled us to complete facility consolidation projects more timely. However, added operational costs plus unforeseen constraints on the supply of certain raw materials and the inability of certain suppliers to respond to our increasing needs contributed to gross margins in both segments that were lower than our own expectations. In response to these issues, in 2006, we intend to strengthen our supplier management processes and foreign sourcing programs, re-direct lean initiatives to focus on manufacturing constraints, initiate further facility consolidations, and accelerate rationalization of the manufacturing of certain product lines.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $12.7 million, or 14.9%, to $98.0 million for the year ended December 31, 2005 compared to $85.3 million for the year ended December 31, 2004.

Selling, general and administrative expenses for the Instrumentation and Thermal Fluid Controls Products segment increased by $4.4 million primarily as a result from incremental expense from our 2005 acquisitions of Loud and Industria.

Selling, general and administrative expenses for the Energy Products segment increased $5.2 million, including $1.2 million from incremental expense from our April 2004 acquisition of Mallard, and $3.8 million in higher expenses in our other ongoing businesses for increased sales personnel plus higher commissions and variable compensation.

Corporate general and administrative expenses increased $3.1 million to $13.9 million for the year ended December 31, 2005 compared to $10.8 million the prior year. The increase was primarily from higher compensation related costs, staffing, project consulting fees, and corporate development expenses. Regarding corporate expenses, our 2006 estimate includes incremental equity-based compensation, compared to 2005. We will adopt the new accounting rule, (FAS 123(R)), requiring the expensing of stock options, which will include an additional pretax expense of $1.3 million or $0.05 per diluted share. We are also expecting an incremental pretax cost of $0.9 million or $0.04 per diluted share for restricted share units to be granted in 2006. These equity-based compensation increases will be partially offset by other 2006 expected reductions in consulting fees, variable compensation and audit fees.

Special Charges

Special charges of $1.6 million were recognized for the year ended December 31, 2005 compared to $0.3 million for the year ended December 31, 2004. The special charges recognized in the year ended

December 31, 2005 primarily related to severance charges of $1.7 million incurred in connection with our announced consolidation and reduction in force at our Mallard, SART and European Instrumentation businesses, offset by the release of a $0.1 million accrual for facility closure related costs recorded in 2004.

Operating Income

The change in operating income for the year ended December 31, 2005 compared to the year ended December 31, 2004 was as follows:

Segment	Year Ended December 31, 2005	Year Ended December 31, 2004	Total Change	Acquisitions	Operations	Foreign Exchange
			(In thousands)			
Instrumentation & Thermal Fluid Controls	$ 27,842	$ 23,971	$ 3,872	$ 4,059	$ (433)	$ 246
Energy	19,081	8,793	10,288	710	9,471	108
Corporate	(13,918)	(10,830)	(3,089)	–	(3,089)	–
Total	$ 33,005	$ 21,934	$ 11,071	$ 4,769	$ 5,949	$ 354

Operating income increased $11.0 million, or 50.5%, to $33.0 million for the year ended December 31, 2005 from $21.9 million for the year ended December 31, 2004.

Operating income for the Instrumentation and Thermal Fluid Controls Products segment for the year ended December 31, 2005 increased $3.9 million. The increase included the acquisitions of Loud and Industria, customer price increases that became effective in the second half of 2004 and during 2005, savings from facility closings completed in the first half of 2004, and was partially offset by the sale of higher cost inventory containing stainless steel and related specialty alloys, unforeseen costs from decreased vendor performance, and lower factory productivity.

Operating income for the Energy Products segment increased $10.3 million, or 117% for the year ended December 31, 2005, primarily due to a $6.2 million charge in the fourth quarter of 2004 primarily related to charges in warehousing and inventory carrying practices, higher volume of shipments by the North American and Pibiviesse business units, the incremental contribution from the April 2004 Mallard acquisition, partially offset by higher expenses in our ongoing businesses for increased sales personnel plus higher commissions and variable compensation.

In 2006, based on our expected revenue increases over 2005, we anticipate full year 2006 adjusted operating margins, which excludes the impact of special charges, in the Instrumentation and Thermal Fluid Controls Products Segment to approximate 11% to 12% and the Energy Products Segment to approximate 10% to 11%. Both segments are expected to continue to be affected by keen competitive pricing, high raw material and energy costs as well as facility consolidation costs.

Interest Expense, Net

Interest expense, net, decreased $0.9 million to $2.8 million for the year ended December 31, 2005 compared to approximately $3.7 million for the year ended December 31, 2004. The reduction in net

interest expense was primarily due to the $15.0 million lower outstanding balance of our senior unsecured notes since the principal payment in October 2004, partially offset by lower interest income in 2005 associated with lower invested cash, cash equivalents and investments in 2005 as compared to 2004.

Provision for Taxes

The effective tax rate was 32.2% for the year ended December 31, 2005 which was a 3.9% decrease from the 36.1% used for the year ended December 31, 2004. This effective tax rate reduction is due to higher domestic and international tax benefits and credits in 2005. The increase in income taxes in the year ended December 31, 2005 compared to the year ended December 31, 2004 was due to higher income before income taxes this year offset by the lower tax rate.

Net Income

Net income increased $8.6 million to $20.4 million for the year ended December 31, 2005 compared to $11.8 million for the year ended December 31, 2004. This net increase is primarily attributable to the 2004 after tax charge for inventory of $4.3 million related to changes in our warehousing and inventory carrying practices, incremental profit from acquisitions, customer price increases, higher volume shipments, cost reductions from closed facilities, a lower income tax rate and lower net interest expense offset by the sale of higher cost inventory containing stainless steel and related specialty alloys, production difficulties as we implement lean manufacturing processes and consolidate facilities, unabsorbed manufacturing costs resulting from inventory reductions, unforeseen costs from decreased vendor performance, and higher selling, commissions and corporate expenses.

Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003

In 2004, many of the general industrial end markets we serve began to emerge from a multiple year slump. The stronger foreign currencies such as the Euro continued a positive effect on our 2004 financial results as well as the full year impact of the acquisitions of DQS and TSI purchased in the fourth quarter of 2003. We also acquired Mallard in April 2004 which added to our 2004 financial results. In 2004, the majority of our businesses focused on trimming spending proportional to customer order rates, completing the consolidation of three facilities and closing a fourth facility, developing new products and improving customer service levels to maintain and increase market share.

In the fourth quarter 2004, we evaluated the impact of our programs initiated during the past two years to increase the proportion of our inventory purchased from less-expensive suppliers, primarily in Asia and Eastern Europe. One result of our successful foreign-sourcing programs is that we need less internal manufacturing and warehousing capability, particularly in North America. In addition, our past practice has been to retain much of our inventory for extended periods, even utilizing extra warehousing facilities and resources. After considering these factors, we concluded that it is more cost effective to dispose of selected inventory and reduce warehouse capacity than to incur ongoing carrying costs. We decided to lower our costs by disposing of certain inventories and consolidating facilities. As a result of that decision, we recorded a pre-tax charge of $6.6 million in the fourth quarter 2004 to write down our inventories, the majority of which we disposed in 2005.

As a result of these and other factors, 2004 net revenues increased over 2003 while operating income and 2004 net income decreased from 2003.

The following tables set forth the results of operations, percentage of net revenues and the yearly percentage change in certain financial data for the years ended December 31, 2004 and 2003 (In thousands):

	Year Ended December 31,				
	2004		2003		% Change
Net revenues	$381,834	100.0%	$359,453	100.0%	6.2%
Cost of revenues	274,265	71.8	253,941	70.6	8.0
Gross profit	107,569	28.2	105,512	29.4	1.9
Selling, general and administrative expenses	85,332	22.3	74,162	20.6	15.1
Special charges	303	0.2	1,363	0.5	(77.8)
Operating income	21,934	5.7	29,987	8.3	(26.9)
Other (income) expense:					
Interest expense, net	3,690	1.0	5,151	1.4	(28.4)
Other income, net	(234)	(0.1)	(837)	(0.2)	(72.0)
Income before income taxes	18,478	4.8	25,673	7.1	(28.0)
Provision for income taxes	6,675	1.7	7,800	2.1	(14.4)
Net income	$ 11,803	3.1%	$ 17,873	5.0%	(34.0)%

Net Revenues

Net revenues for the year ended December 31, 2004 increased by approximately $22.4 million, or 6.2%, to $381.8 million compared to $359.5 million for the year ended December 31, 2003. The increase in net revenues for the year ended December 31, 2004 was attributable to the following (In thousands):

Segment	2004	2003	Total Change	Acquisitions	Operations	Foreign Exchange
Instrumentation & Thermal Fluid Controls	$ 218,656	$ 200,775	$ 17,881	$ 11,317	$ 1,777	$ 4,787
Energy	163,178	158,678	4,500	8,306	(9,870)	6,064
Total	$ 381,834	$ 359,453	$ 22,381	$ 19,623	$ (8,093)	$ 10,851

The Instrumentation and Thermal Fluid Controls Products segment accounted for 57.3% and 55.9% of net revenues for the year ended December 31, 2004 and December 31, 2003, respectively. The Energy Products segment accounted for 42.7% and 44.1% of net revenues for the year ended December 31, 2004 and December 31, 2003, respectively. The change in the composition of revenues was favorably influenced by foreign exchange rate changes and the incremental revenues added from the fourth quarter 2003 acquisitions of DQS and TSI in the Instrumentation and Thermal Fluid Controls Products segment, and the April 2004 acquisition of Mallard in the Energy Products segment. Revenues in 2004 for both

segments were helped by customer price increases implemented by most of our business units. This was the first time in recent years that we had implemented broad based price increases across many of our business units as a response to rising metals costs for raw materials that we purchased in 2004.

Instrumentation and Thermal Fluid Controls Products revenues increased $17.9 million, or 8.9%, to $218.7 million for the year ended December 31, 2004 as compared to $200.8 million for the year ended December 31, 2003. Revenues increased primarily due to the incremental $11.3 million of revenue contributed by the acquisitions of DQS and TSI, plus $4.8 million due to the effect of favorable foreign exchange rates changes. The revenue increase from operations of $1.8 million was primarily the result of higher 2004 revenues from aerospace product lines of $3.4 million, partially offset by a $1.8 million decrease in revenues from Thermal Fluid Controls product sales to the maritime market. We implemented customer price increases in most businesses in the second and third quarters of 2004 to help offset the rise in certain metal prices from vendors.

Energy Products revenues increased $4.5 million, or 2.8%, to $163.2 million for the year ended December 31, 2004 as compared to $158.7 million for the year ended December 31, 2003. The net increase in revenues for this segment was the net result of the Mallard acquisition which added $8.3 million of revenues and favorable foreign exchange rate changes which provided an additional $6.1 million of revenue, partially offset by $9.9 million of lower shipments to large international oil and gas projects during the second and third quarters of 2004.

Gross Profit

Gross profit from the Instrumentation and Thermal Fluid Controls Products segment increased $6.5 million for the year ended December 31, 2004 compared to the year ended December 31, 2003. This increase was primarily the result of the incremental gross profit of $6.4 million from the acquisitions of DQS and TSI in November and December 2003. The increase from acquisitions was supplemented by increases of $1.6 million from the foreign exchange effect of the stronger Euro and British Pound Sterling in 2004. The remaining gross profit decline of $1.5 million from 2003 is the net result of several factors including: lower unit volume to the maritime and general industrial customers; higher unit volume to aerospace customers; added manufacturing costs for three now-completed plant consolidations; higher raw material costs due to rising metals prices, partially offset by customer price increases instituted and affecting second half 2004 revenues; and a fourth quarter 2004 $0.9 million charge for inventory on the business decision to change warehousing and inventory carrying practices.

Gross profit for the Energy Products segment decreased a net $4.4 million for the year ended December 31, 2004 compared to the year ended December 31, 2003. Gross profit declined from 2003 from a $5.7 million charge in the fourth quarter of 2004, related to our decision to change our warehousing and inventory carrying practices, and by $3.0 million from lower unit volume and unfavorable mix of shipments to large international oil and gas projects and higher raw material costs due to rising metals prices, partially offset by customer price increases instituted and affecting second half 2004 revenues. These negative factors were offset by gross profit increases of $2.7 million from the Mallard acquisition plus a $1.5 million increase from the strengthened Euro and Canadian dollar.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $11.2 million, or 15.1%, to $85.3 million, or 22.3% of net revenues for the year ended December 31, 2004 from $74.2 million, or 20.6% of net revenues for the year ended December 31, 2003.

Selling, general and administrative expenses for the Instrumentation and Thermal Fluid Controls Products segment increased by $5.6 million for the year ended December 31, 2004 as compared to the year ended December 31, 2003. Increases were the result of $4.5 million from the incremental expenses of our acquisitions in the fourth quarter 2003 of DQS and TSI, and a $1.2 million increase due to changes in foreign exchange rates.

Energy Products segment selling, general and administrative expenses increased by $2.1 million for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This increase was the net result of $2.0 million of incremental costs due to our Mallard acquisition and $0.8 million of increases due to changes in foreign currency exchange rates, partially offset by a net $0.6 million in lower operating costs incurred in our North American operations.

Corporate expenses increased by $3.4 million to $10.8 million for the year ended December 31, 2004 from $7.4 million for the year ended December 31, 2003. The increase was primarily for compliance costs for the new requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Our efforts in 2004 entailed testing internal controls and documenting those test results at our most significant businesses.

Special Charges

Special charges of $0.3 million incurred during the twelve months ended December 31, 2004 were primarily related to the write-down of a building classified as held for sale within our Energy Products segment. During the third quarter 2004 it was determined that the fair value and other incremental costs to sell the building would result in a lower net realizable value of the asset held for sale. Special charges of less than $0.1 million incurred during the first quarter 2004 were primarily severance and facility costs related to the announced closure and consolidation of a California facility within our Instrumentation and Thermal Fluid Controls Products segment of $0.2 million, $0.1 million of other closure related items, offset by the gain on the sale of our Ohio property of $0.2 million, also within our Instrumentation and Thermal Fluid Controls Products segment. As a result of the closure of our California facility, 5 employee positions were eliminated. Special charges of $1.4 million incurred during the year ended December 31, 2003 were primarily related to incremental costs for the closure of an Ohio facility within our Instrumentation and Thermal Fluid Controls Products segment and a building write-down within our Energy Products segment.

Operating Income

The change in operating income for the year ended December 31, 2004 compared to the year ended December 31, 2003 was as follows (In thousands):

Segment	2004	2003	Total Change	Acquisitions	Operations	Foreign Exchange
Instrumentation & Thermal Fluid Controls	$ 23,971	$ 22,218	$ 1,753	$ 1,903	$ (564)	$ 414
Energy	8,793	15,151	(6,358)	644	(7,776)	774
Corporate	(10,830)	(7,382)	(3,448)	–	(3,448)	–
Total	$ 21,934	$ 29,987	$ (8,053)	$ 2,547	$ (11,788)	$ 1,188

Operating income for the Instrumentation and Thermal Fluid Controls Products segment for the year ended December 31, 2004 increased $1.8 million, or 7.9%, compared to the year ended December 31, 2003. The increase in operating income was due to incremental operating income from our DQS and TSI acquisitions of $1.9 million and $0.4 million of favorable foreign exchange rate movements and operational items of $0.3 million primarily due to improved aerospace products performance. These increases were offset by the fourth quarter 2004 inventory charge of $0.9 million which related to changes in our warehousing and inventory carrying practices.

Operating income for the Energy Products segment decreased $6.4 million, or 42.0% for the year ended December 31, 2004, primarily as a result of the fourth quarter 2004 inventory charge of $5.7 million related to changes in our warehousing and inventory carrying practices. In addition, higher raw material costs and lower second and third quarter 2004 product shipments to large international oil and gas projects were offset by favorable foreign exchange rates of $0.8 million and the Mallard acquisition which added $0.6 million of operating income.

Interest Expense, net

Interest expense, net decreased $1.5 million to $3.7 million for the year ended December 31, 2004 compared to $5.2 million for the year ended December 31, 2003. The reduction in interest expense was primarily due to the $15.0 million annual principal payments against our senior unsecured notes in October of 2003 and 2004 which reduced our outstanding balance.

Other Income, net

Other income, net decreased $0.6 million from $0.8 million for the year ended December 31, 2003 to $0.2 for the year ended December 31, 2004. The change was primarily attributable to a reduction of foreign currency exchange gains.

Provision for Taxes

The effective tax rate for the year ended December 31, 2004 was 36.1% compared to 30.4% for the same period last year. The lower 2003 effective tax rate benefited from income tax benefits recorded in

the fourth quarter of 2003 totaling $1.2 million, which included tax credits for product development and research activities, the majority of which related to prior years and a reduction of our income tax liability for certain items. The benefits recorded in the fourth quarter of 2003 coincided with the completion of the Internal Revenue Service's examination of our U.S. federal income tax returns for the two and one half months ended December 31, 1999, and the years ended December 31, 2000 and 2001.

Net Income

Net income decreased $6.1 million to $11.8 million for the year ended December 31, 2004 compared to $17.9 million for the year ended December 31, 2003. This net decrease is primarily attributable to the fourth quarter 2004 after-tax charge for inventory of $4.3 million related to changes in our warehousing and inventory carrying practices, increased corporate expenses to comply with the new requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and net higher metal costs for raw materials.

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 continue to generate 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 periods indicated (In thousands):

	Year Ended December 31,	
	2005	2004
Cash flow provided by (used in):		
Operating activities	$ 45,326	$ 29,249
Investing activities	(60,899)	(10,107)
Financing activities	(10,304)	(19,536)
Effect of exchange rates on cash balances	(1,664)	845
Increase (decrease) in cash and cash equivalents	$(27,541)	$ 451

During the twelve months ended December 31, 2005, we generated $45.3 million in cash flow from operating activities which was significantly higher than 2004 primarily due to increases in profitability and higher amounts of accrued liabilities offset by higher accounts receivable.

The $60.9 million used by investing activities included $51.6 million used for acquisitions. The acquisitions included $34.5 million cash for all the stock of Loud in January 2005; $9.5 million for all the stock of Industria; $6.8 million for the 40% of stock in our Chinese joint venture that we did not own, and $0.8 million of releases from restricted escrow for prior year acquisitions. To fund these acquisitions, we used $49.0 million of our cash and cash equivalents and borrowed $2.0 million from

our revolving credit facility that was repaid in February 2005. Our 2005 capital expenditures were $15.0 million. Approximately $7.0 million of that capital expenditure total was for new products, cost savings and equipment upgrades. Another $7.4 million dollars was used to purchase two new facilities, one in Europe to co-locate the consolidation of smaller Instrumentation and Thermal Fluid Controls Products facilities, and a new plant in China, to replace the smaller SKVC's facility operated by our Energy Products segment. For the new plant in China, we expect to receive Chinese government relocation benefits of approximately $1.5 million to aid in the relocation to our new, larger site.

We used $10.3 million of cash in financing activities that included: a net $11.7 million payment of debt balances and another $2.4 million used to pay dividends to shareholders, offset by $3.8 million of proceeds from the exercise of stock options.

The ratio of current assets to current liabilities was 1.9:1 at December 31, 2005 and 2.8:1 at December 31, 2004. Cash and cash equivalents were $31.1 million as of December 31, 2005 compared to $58.7 million as of December 31, 2004. Total debt as a percentage of total equity was 10.8% as of December 31, 2005 compared to 14.6% as of December 31, 2004.

In December 2005, we entered into a new five-year, unsecured bank agreement that provided a $95 million revolving line of credit and we terminated the previously available $75 million line of credit. As of December 31, 2005 and 2004, we had no outstanding borrowings against the respective lines of credit. The $95 million revolving line of credit is available to support our acquisition program, working capital requirements and general corporate purposes. We borrowed approximately $56.0 million in February 2006 to fund our acquisitions of Hale Hamilton and Sagebrush.

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; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. We were in compliance with all covenants related to our existing debt obligations at December 31, 2005 and 2004. In October 2002, 2003, 2004, and 2005 we made the first, second, third and fourth of our five $15.0 million annual payments reducing the $75.0 million original outstanding principal balance of our unsecured 8.23% senior notes which mature in October 2006. The outstanding principal balance due on these senior notes was $15.0 million as of December 31, 2005.

We have generated net income and positive cash flow from operating activities since the company was formed in October 1999. In 2006, we expect cash flow from operating activities to exceed $45 million, with expected uses for capital expenditures of nearly $11 million, $15 million for the final payment of the 8.23% senior notes, and dividends approximating $2.5 million based on our current dividend practice of paying $0.15 per share annually. We continue to search for strategic acquisitions in the flow control market. A larger acquisition may require additional borrowings and or the issuance of our common stock.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2005 that affect our liquidity:

(In thousands)	Payments due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	Thereafter
Contractual Cash Obligations:					
Notes payable	$ 215	$ 215	$ –	$ –	$ –
Current portion of long-term debt	26,998	26,998	–	–	–
Total short-term borrowings	27,213	27,213	–	–	–
Long-term debt, less current portion	6,278	–	690	486	5,102
Interest payments on debt	3,581	1,443	328	164	1,646
Operating leases	13,518	4,370	6,431	2,605	112
Total contractual cash obligations	$ 50,590	$ 33,026	$ 7,449	$ 3,255	$ 6,860
Other Commercial Commitments:					
U.S. standby letters of credit	$ 3,404	$ 3,404	$ –	$ –	$ –
International standby letters of credit	8,549	3,118	4,194	1,237	–
Commercial contract commitments	52,829	49,460	1,602	306	1,461
Total commercial commitments	$ 64,782	$ 55,982	$ 5,796	$ 1,543	$ 1,461

The most significant of our contractual cash obligations at December 31, 2005 related to our unsecured 8.23% senior notes totaling $15.0 million. We have one annual principal payment remaining of $15.0 million, payable on October 19, 2006. One of our industrial revenue bonds totaling $7.5 million is due in the fourth quarter of 2006. The interest on these unsecured 8.23% senior notes, as well as interest on certain of our other debt balances, with scheduled repayment dates between 2006 and 2019 and interest rates ranging between 1.60% and 6.25%, have been included in the Interest Payments on Debt line within the Contractual Cash Obligations schedule.

The most significant of our commercial contract commitments includes approximately $49.6 million of commitments related to open purchase orders. All but approximately $1.2 million of these open purchase orders are not expected to extend beyond 2006. As of December 31, 2005 we did not have any open purchase order commitments that extend beyond 2006.

We contributed $2.0 million and $2.3 million to our pension plan trust during the fiscal years ended December 31, 2005 and 2004, respectively, and we do not expect to make plan contributions for 2006. The estimates for plan funding for future periods may change as a result of the uncertainties concerning the return on plan assets, the number of plan participants, and other changes in actuarial assumptions.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases, 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.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (R) "*Shared Base Payment: an amendment of FASB Statements No. 123 and 95*". FASB Statement 123R requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees, but expresses no preference for a type of valuation model. The Statement is effective for CIRCOR's interim and annual periods beginning after December 31, 2005. See Note 11 to the consolidated financial statements for further information.

In December 2004, the FASB issued Statement No. 153, "*Exchanges of Nonmonetary Assets*", which is effective for fiscal years beginning after June 15, 2005. FASB Statement No. 153 amends APB 29, *Accounting for Nonmonetary Transactions*. FASB Statement No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB 29 included certain exceptions to that principle. FASB Statement No. 153 amends APB 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this statement did not impact our financial position or results of operations.

In November 2004, the FASB issued Statement No. 151, "*Inventory Costs, to amend the guidance in Chapter 4*". FASB Statement No.151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. The Statement requires that those items be recognized as current-period charges. Additionally, FASB Statement No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is not expected to impact our financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

The oil and gas markets historically have been subject to cyclicality depending upon supply and demand for crude oil, its derivatives and natural gas. When oil or gas prices decrease expenditures on maintenance and repair decline rapidly and outlays for exploration and in-field drilling projects decrease and, accordingly, demand for valve products is reduced. However, when oil and gas prices rise, maintenance and repair activity and spending for facilities projects normally increase and we benefit from increased demand for valve products. However, oil or gas price increases may be considered temporary in nature or not driven by customer demand and, therefore, may result in longer lead times for increases in petrochemical sales orders. As a result, the timing and magnitude of changes in market demand for oil and gas valve products are difficult to predict. Similarly, although not to the same extent as the oil and gas markets, the general industrial, chemical processing, aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand that also could have a material adverse effect on our business, financial condition or results of operations.

Interest Rate Sensitivity Risk

As of December 31, 2005, our primary interest rate risk is related to borrowings under our revolving credit facility and our industrial revenue bonds. The interest rates for our revolving credit facility and industrial revenue bonds fluctuate with changes in short-term borrowing rates. There were no borrowings under our revolving credit facility outstanding as of December 31, 2005. As of February 20, 2006 we have $61 million borrowed under our revolving credit facility. Based upon expected levels of borrowings under our credit facility in 2006 and our current balances for industrial revenue bonds, 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 $0.4 million.

Foreign Currency Exchange Risk

We use forward contracts to manage the currency risk related to certain business transactions denominated in foreign currencies. Related gains and losses are recognized when hedged transactions affect earnings, which are generally in the same period as the underlying foreign currency denominated transactions. To the extent these transactions are completed, the 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. As of December 31, 2005, we did not have any forward contracts to buy or sell foreign currencies. There were no unrealized gains attributable to foreign currency forward contracts at December 31, 2005 and 2004. The counterparties to these contracts are major financial institutions. Our risk of loss in the event of non-performance by the counterparties is not significant.

We do not use derivative financial instruments for trading purposes. Risk management strategies are reviewed and approved by senior management before implementation.

Item 8. Financial Statements and Supplementary Data

CIRCOR INTERNATIONAL, INC

Index to Consolidated Financial Statements

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have 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 annual report on Form 10-K. 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 and 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 Securities and Exchange Commission's rules and forms.

In our Forms 10-Q for the periods ended April 3, 2005, July 3, 2005 and October 2, 2005, we excluded the acquisition of Loud from our evaluation of disclosure controls and procedures. In evaluating Loud's disclosure controls and procedures, we did not identify any disclosure controls and procedures that were not encompassed by Loud's internal control over financial reporting. During each of the fiscal quarters ended April 3, 2005, July 3, 2005 and October 2, 2005 and for the fiscal year ended December 31, 2005, Loud represented approximately 4% of our total year-to-date net revenue and 8% of our total net assets, respectively.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2005 that could materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2005. Management's evaluation of internal control over financial reporting as of December 31, 2005 excluded an evaluation of the internal control over financial reporting of Loud Engineering and Manufacturing, Inc and Industria S.A. which we acquired in January and October 2005, respectively. Loud and Industria's combined total revenues of $22.8 million and total assets of $54.9 million are included in the consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2005.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B.

None

Part III

Item 10. Directors and Executive Officers of the Registrant

The information appearing under the sections "Information Regarding Directors" and "Information Regarding Executive Officers" in our Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 2, 2006 is incorporated herein by reference.

Item 11. Executive Compensation

The information appearing under the section "Executive Compensation" in our Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held May 2, 2006 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information appearing under the section "Security Ownership of CIRCOR Common Stock by Certain Beneficial Owners, Directors and Executive Officers of the Company" in our Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held May 2, 2006 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information appearing under the section “Certain Relationships and Related Transactions” in our Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held May 2, 2006 is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

This information appearing under the section “Principal Accountant Fees and Services” in our Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held May 2, 2006 is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The financial statements filed as part of the report are listed in Part II, Item 8 of this report on the Index to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Security and Exchange Commission are not required under the related instructions or are not material, and therefore have been omitted.

(a)(3) Exhibits UPDATE

Exhibit No.	Description and Location
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:
2.1	Distribution Agreement between Watts Industries, Inc. and CIRCOR International, Inc. dated as of October 1, 1999, is incorporated herein by reference to Exhibit 2.1 to Amendment No. 2 to CIRCOR International, Inc.’s Registration Statement on Form 10, File No. 000-26961 (“Form 10”), filed with the Securities and Exchange Commission on October 6, 1999 (“Amendment No. 2 to the Form 10”).
3	Articles of Incorporation and By-Laws:
3.1	The Amended and Restated Certificate of Incorporation of CIRCOR International, Inc. is incorporated herein by reference to Exhibit 3.1 to the Form 10.

Exhibit No.	Description and Location
3.2	The Amended and Restated By-Laws of CIRCOR International, Inc. are incorporated herein by reference to Exhibit 3.2 to the Form 10.
3.3	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of CIRCOR International, Inc. classifying and designating the Series A Junior Participating Cumulative Preferred Stock is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.'s Registration Statement on Form 8-A, File No. 001 – 14962, filed with the Securities and Exchange Commission on October 21, 1999 ("Form 8-A").
4	Instruments Defining the Rights of Security Holders, Including Debentures:
4.1	Shareholder Rights Agreement, dated as of September 16, 1999, between CIRCOR International, Inc. and BankBoston, N.A., as Rights Agent is incorporated herein by reference to Exhibit 4.1 to the Form 8-A.
4.2	Agreement of Substitution and Amendment of Shareholder Rights Agent Agreement dated as of November 1, 2002 between CIRCOR International, Inc. and American Stock Transfer and Trust Company is incorporated herein by reference to exhibit 4.2 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2003.
9	Voting Trust Agreements:
9.1	The Amended and Restated George B. Horne Voting Trust Agreement-1997 dated as of September 14, 1999 is incorporated herein by reference to Exhibit 9.1 to Amendment No. 1 to the Form 10, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10").
10	Material Contracts:
10.1	CIRCOR International, Inc. 1999 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.1 on Form 10, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10").
10.2	Form of Incentive Stock Option Agreement under the 1999 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.2 to Amendment No. 1 to the Form 10.
10.3	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Five Year Graduated Vesting Schedule) is incorporated herein by reference to Exhibit 10.3 to Amendment No. 1 to the Form 10.
10.4	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Performance Accelerated Vesting Schedule) is incorporated herein by reference to Exhibit 10.4 on Form 10-12B/A, File No. 000 – 26961, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10").
10.5	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.5 on Form 10-12B/A, File No. 000 – 26961, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10").
10.6	CIRCOR International, Inc. Management Stock Purchase Plan is incorporated herein by reference to Exhibit 10.6 on Form 10-12B/A, File No. 000 – 26961, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10").

Exhibit No.	Description and Location
10.7	Form of CIRCOR International, Inc. Supplemental Employee Retirement Plan is incorporated herein by reference to Exhibit 10.7 on Form 10-12B/A, File No. 000 – 26961, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10").
10.8	Trust Indenture from Village of Walden Industrial Development Agency to The First National Bank of Boston, as Trustee, dated June 1, 1994 is incorporated herein by reference to Exhibit 10.14 on Form 10-K, File No. 000 – 14787, filed with the Securities and Exchange Commission on September 26, 1994.
10.9	Loan Agreement between Hillsborough County Industrial Development Authority and Leslie Controls, Inc. dated July 1, 1994 is incorporated herein by reference to Exhibit 10.15 on Form 10-K, File No. 000 – 14787, filed with the Securities and Exchange Commission on September 26, 1994.
10.10	Trust Indenture from Hillsborough County Industrial Development Authority to The First National Bank of Boston, as Trustee, dated July 1, 1994 is incorporated herein by reference to Exhibit 10.17 on Form 10-K, File No. 000 – 14787, filed with the Securities and Exchange Commission on September 26, 1994.
10.11	Form of Indemnification Agreement between CIRCOR International, Inc. and its Officers and Directors dated November 6, 2002 is incorporated herein by reference to Exhibit 10.12 on Form 10-K, File No. 001 – 14962, filed with the Securities and Exchange Commission on March 12, 2003.
10.12	Executive Employment Agreement, as amended and restated, between CIRCOR, Inc. and David A. Bloss, Sr., dated as of September 16, 2005 is incorporated herein by reference to Exhibit 10.1 on Form 8-K, File No. 001 - 14962, filed with the Securities and Exchange Commission on September 20, 2005.
10.13*	Credit Agreement, dated as of December 20, 2005, by and among CIRCOR International, Inc., as Borrower, the Other Credit Parties party hereto, the Lenders party hereto, as Lenders, Keybank National Association, as an LC issuer, Swing Line lender, and as the Lead Arranger, Sole Bookrunner and administrative agent, and Bank of America NA as Syndication Agent
10.14	Note Purchase Agreement, dated as of October 19, 1999, among CIRCOR International, Inc., a Delaware corporation, the Subsidiary Guarantors and each of the Purchasers listed on Schedule A attached thereto is incorporated herein by reference to Exhibit 10.20 to CIRCOR International, Inc.'s Current Report on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999.
10.15	Sharing agreements regarding the rights of debt holders relative to one another in the event of insolvency is incorporated herein by reference to Exhibit 10.21 on From 10 Q/A filed with the Securities and Exchange Commission on August 14, 2000.

Exhibit No.	Description and Location
10.16	. Executive Change of Control Agreement between CIRCOR International, Inc. and Andrew William Higgins dated February 15, 2005 is incorporated herein by reference to Exhibit 10.5 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005.
10.17	Executive Change of Control Agreement between CIRCOR, Inc. and Kenneth W. Smith dated August 8, 2000 is incorporated herein by reference to Exhibit 10.24 on Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on November 14, 2000.
10.18	Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III dated September 16, 2005 is incorporated herein by reference to Exhibit 10.3 on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on September 20, 2005.
10.19	Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass dated August 8, 2000 is incorporated herein by reference to Exhibit 10.26 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 7, 2001.
10.20	Executive Change of Control Agreement between CIRCOR, Inc. and Paul M. Coppinger dated August 1, 2001 is incorporated herein by reference to Exhibit 10.28 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 7, 2001.
10.21	Executive Change of Control Agreement between John W. Cope and CIRCOR, Inc. dated August 5, 2005 is incorporated herein by reference to Exhibit 10.8 on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on August 9 2005.
10.22	First Amendment to Executive Change of Control Agreement between Kenneth W. Smith and CIRCOR, Inc. dated December 7, 2001 is incorporated herein by reference to Exhibit 10.28 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2002.
10.23	Executive Change of Control Agreement between CIRCOR International, Inc. and Susan M. McCuaig dated May 5, 2005 is incorporated herein by reference to Exhibit 10.41 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 6, 2005
10.24	First Amendment to Executive Change of Control Agreement between Alan J. Glass and CIRCOR, Inc. dated December 7, 2001 is incorporated herein by reference to Exhibit 10.30 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2002.
10.25	First Amendment to Executive Change of Control Agreement between Paul M. Coppinger and CIRCOR, Inc. dated December 7, 2001 is incorporated herein by reference to Exhibit 10.31 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2002.
10.26	Executive Change of Control Agreement between Carl J. Nasca and CIRCOR, Inc. dated December 7, 2001 is incorporated herein by reference to Exhibit 10.33 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2002.

Exhibit No.	Description and Location
10.27	Executive Change of Control Agreement between Barry L. Taylor, Sr. and CIRCOR, Inc. dated December 7, 2001 is incorporated herein by reference to Exhibit 10.34 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2002.
10.28	Letter of Credit, Reimbursement and Guaranty Agreement dated as of March 3, 2004 among Spence Engineering Company, Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and Sun Trust National Bank as Letter of Credit Provider thereto is incorporated herein by reference to Exhibit 10.32 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 15, 2004.
10.29	Letter of Credit, Reimbursement and Guaranty Agreement dated as of March 3, 2004 among Leslie Controls Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and Sun Trust National Bank as Letter of Credit Provider thereto is incorporated herein by reference to Exhibit 10.31 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 15, 2004.
10.30	First Amendment to CIRCOR International Inc. Amended and Restated 1999 Stock Option and Incentive Plan dated as of December 1, 2005 is incorporated herein by reference to Exhibit 10.1 on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on December 7, 2005.
10.31*	Agreement related to the sale and purchase of the entire issued share capital of Hale Hamilton Holdings Limited dated as of February 6, 2006
21*	Schedule of Subsidiaries of CIRCOR International, Inc.
23*	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer 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.

* Filed with this report.

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ **DAVID A. BLOSS, SR.**

David A. Bloss, Sr.
Chairman, President
and Chief Executive Officer

Date: February 27, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ **DAVID A. BLOSS, SR.** David A. Bloss, Sr.	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2006
/s/ **KENNETH W. SMITH** Kenneth W. Smith	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 27, 2006
/s/ **JOHN F. KOBER** John F. Kober	Vice President, Corporate Controller (Principal Accounting Officer)	February 27, 2006
/s/ **JEROME D. BRADY** Jerome D. Brady	Director	February 27, 2006
/s/ **THOMAS E. CALLAHAN** Thomas E. Callahan	Director	February 27, 2006
/s/ **DEWAIN K. CROSS** Dewain K. Cross	Director	February 27, 2006
/s/ **DAVID F. DIETZ** David F. Dietz	Director	February 27, 2006
/s/ **DOUGLAS M. HAYES** Douglas M. Hayes	Director	February 27, 2006
/s/ **THOMAS E. NAUGLE** Thomas E. Naugle	Director	February 27, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CIRCOR International, Inc.:

We have audited the accompanying consolidated balance sheets of CIRCOR International, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the consolidated financial statements, we also audited the accompanying financial statement schedule of valuation and qualifying accounts. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CIRCOR International, Inc. as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CIRCOR International, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2006, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
February 27, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CIRCOR International, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that CIRCOR International, Inc. (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that CIRCOR International, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, CIRCOR

International, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

CIRCOR International, Inc. acquired Loud Engineering & Manufacturing, Inc.("Loud") and Industria S.A. ("Industria") during 2005, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, Loud's and Industria's internal control over financial reporting associated with aggregate total assets of $54,853,000 and aggregate total revenues of $22,781,000 included in the consolidated financial statements of CIRCOR International, Inc. as of and for the year ended December 31, 2005. Our audit of internal control over financial reporting of CIRCOR International, Inc. also excluded an evaluation of the internal control over financial reporting of Loud and Industria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CIRCOR International, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2005, and the related financial statement schedule, and our report dated February 27, 2006, expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule.

/s/ KPMG LLP

Boston, Massachusetts
February 27, 2006

CIRCOR INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 31,112	$ 58,653
Investments	86	4,155
Trade accounts receivable, less allowance for doubtful accounts of $1,943 and $2,549, respectively	77,731	64,521
Inventories	107,687	105,150
Prepaid expenses and other current assets	3,705	2,414
Deferred income taxes	4,328	6,953
Assets held for sale	1,115	–
Total Current Assets	225,764	241,846
PROPERTY, PLANT AND EQUIPMENT, NET	63,350	59,302
OTHER ASSETS:		
Goodwill	140,179	120,307
Intangibles, net	20,941	1,424
Other assets	10,146	5,539
TOTAL ASSETS	$ 460,380	$ 428,418
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 49,736	$ 38,023
Accrued expenses and other current liabilities	26,031	22,519
Accrued compensation and benefits	14,509	7,971
Income taxes payable	3,418	1,362
Notes payable and current portion of long-term debt	27,213	15,051
Total Current Liabilities	120,907	84,926
LONG-TERM DEBT, NET OF CURRENT PORTION	6,278	27,829
DEFERRED INCOME TAXES	11,237	6,932
OTHER NON-CURRENT LIABILITIES	11,235	10,646
MINORITY INTEREST	–	4,650
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; 15,823,529 and 15,430,305 issued and outstanding at December 31, 2005 and 2004, respectively	158	154
Additional paid-in capital	215,274	208,392
Retained earnings	82,318	64,293
Accumulated other comprehensive income	12,973	20,596
Total Shareholders' Equity	310,723	293,435
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 460,380	$ 428,418

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

CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2005	2004	2003
Net revenues	$ 450,531	$ 381,834	$ 359,453
Cost of revenues	317,856	274,265	253,941
GROSS PROFIT	132,675	107,569	105,512
Selling, general and administrative expenses	98,040	85,332	74,162
Special charges	1,630	303	1,363
OPERATING INCOME	33,005	21,934	29,987
Other (income) expense:			
Interest income	(579)	(756)	(775)
Interest expense	3,389	4,446	5,926
Other, net	144	(234)	(837)
TOTAL OTHER EXPENSE	2,954	3,456	4,314
INCOME BEFORE INCOME TAXES	30,051	18,478	25,673
Provision for income taxes	9,668	6,675	7,800
NET INCOME	$ 20,383	$ 11,803	$ 17,873
Earnings per common share:			
Basic	$ 1.30	$ 0.77	$ 1.18
Diluted	$ 1.27	$ 0.74	$ 1.14
Weighted average common shares outstanding:			
Basic	15,690	15,361	15,207
Diluted	16,019	15,877	15,675
Dividends paid per common share	$ 0.15	$ 0.15	$ 0.15

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

CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2005	2004	2003
OPERATING ACTIVITIES			
Net income	$ 20,383	$ 11,803	$ 17,873
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,825	9,664	9,564
Amortization	588	192	298
Compensation expense of stock-based plans	1,020	650	530
Deferred income taxes	(36)	(14)	1,372
Loss on write-down of property, plant and equipment	–	–	381
(Gain) loss on sale/disposal of property, plant and equipment	128	704	(21)
Gain on the sale of assets held for sale	(110)	(149)	–
Gain on the sale of marketable securities	–	–	(64)
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Trade accounts receivable	(10,090)	4,960	(2,586)
Inventories	1,638	(1,764)	19,754
Prepaid expenses and other assets	160	3,079	1,788
Accounts payable, accrued expenses and other liabilities	21,820	124	9,757
Net cash provided by operating activities	45,326	29,249	58,646
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(15,021)	(5,287)	(6,823)
Proceeds from the disposal of property, plant and equipment	99	1,009	192
Proceeds from the sale of assets held for sale	1,467	4,038	–
Proceeds from the sale of investments	6,699	11,339	4,155
Purchase of investments	(2,535)	(7,077)	(7,857)
Business acquisitions, net of cash acquired	(50,779)	(12,591)	(9,619)
Purchase price escrow release payments	(829)	(1,538)	(1,029)
Net cash used in investing activities	(60,899)	(10,107)	(20,981)
FINANCING ACTIVITIES			
Proceeds from long-term borrowings	10,669	322	1,593
Payments of long-term debt	(22,386)	(18,787)	(20,097)
Dividends paid	(2,358)	(2,303)	(2,280)
Proceeds from the exercise of stock options	3,771	1,232	1,267
Net cash used in financing activities	(10,304)	(19,536)	(19,517)
Effect of exchange rate changes on cash and cash equivalents	(1,664)	845	1,672
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,541)	451	19,820
Cash and cash equivalents at beginning of year	58,653	58,202	38,382
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 31,112	$ 58,653	$ 58,202
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$ 5,422	$ 8,854	$ 7,683
Interest	$ 3,321	$ 4,345	$ 5,747

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

CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Shareholders' Equity
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
BALANCE AT DECEMBER 31, 2002	15,108	$ 151	$ 203,952	$ 39,200	$ 356	$ 243,659
Net income				17,873		17,873
Cumulative translation adjustment					12,719	12,719
Reversal of minimum pension liability (net of tax expense of $608)					996	996
Reversal of unrealized net gain-investments (net of tax benefit of $10)					(17)	(17)
Comprehensive income						31,571
Common stock dividends declared				(2,280)		(2,280)
Stock options exercised	132	1	1,266			1,267
Income tax benefit from stock options			332			332
Conversion of restricted stock units	62	1	403			404
Net change in restricted stock units			207			207
BALANCE AT DECEMBER 31, 2003	15,302	153	206,160	54,793	14,054	275,160
Net income				11,803		11,803
Cumulative translation adjustment					6,542	6,542
Comprehensive income						18,345
Common stock dividends declared				(2,303)		(2,303)
Stock options exercised	102	1	1,231			1,232
Income tax benefit from stock options			232			232
Conversion of restricted stock units	26	–	209			209
Net change in restricted stock units			560			560
BALANCE AT DECEMBER 31, 2004	15,430	154	208,392	64,293	20,596	293,435
Net income				20,383		20,383
Cumulative translation adjustment					(7,470)	(7,470)
Minimum pension liability (net of tax expense of $94)					(153)	(153)
Comprehensive income						12,760
Common stock dividends declared				(2,358)		(2,358)
Stock options exercised	358	4	3,768			3,772
Income tax benefit from stock options			1,947			1,947
Conversion of restricted stock units	36	–	224			224
Net change in restricted stock units			943			943
BALANCE AT DECEMBER 31, 2005	15,824	$ 158	$ 215,274	$ 82,318	$ 12,973	$ 310,723

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

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

(1) Description of Business

CIRCOR International, Inc. (“CIRCOR” or the “Company” or “we”) designs, manufactures and distributes valves and related products and services for use in a wide range of applications to optimize the efficiency or ensure the safety of fluid-control systems. The valves and related fluid-control products we manufacture are used in processing industries; oil and gas exploration, production, distribution and refining; pipeline construction and maintenance; HVAC and power; aerospace, military and commercial aircraft; and maritime manufacturing and maintenance. We have used both internal product development and strategic acquisitions to assemble a complete array of fluid-control products and technologies that enables us to address our customers’ unique fluid-control application needs. We have two major product groups: Instrumentation and Thermal Fluid Controls Products, and Energy Products.

The Instrumentation and Thermal Fluid Controls Products Group designs, manufactures and sells valves and controls for diverse end-uses including instrumentation, aerospace, cryogenic and steam applications. Selected products include precision valves, compression tube and pipefitting, control valves, relief valves, couplers, regulators and strainers. The Instrumentation and Thermal Fluid Controls Products Group includes the following subsidiaries and major business units: Aerodyne Controls; Circle Seal Controls, Inc.; CPC-Cryolab; Hoke, Inc.; Leslie Controls, Inc.; Nicholson Steam Trap; Rockwood Swendeman; Regeltechnik Kornwestheim GmbH; Société Alsacienne Regulaves Thermiques von Rohr, S.A.; Spence Engineering Company, Inc.; Spence Strainers; Texas Sampling, Inc.; DQS International and subsidiary, Dopak Inc.; Loud Engineering Co.; Tomco Quick Couplers; and U.S. Para Plate Corporation.

The Energy Products Group designs, manufactures and sells flanged-end and threaded-end floating and trunnion ball valves, needle valves, check valves, butterfly valves and large forged steel ball valves and gate valves for use in oil, gas and chemical processing and industrial applications. The Energy Products Group includes the following subsidiaries and major divisions: KF Contromatics Specialty Products; KF Industries, Inc.; Pibiviesse S.p.A.; SKVC; CEP Canada; and Mallard Control Company.

On October 18, 1999 (the “spin-off date”), we became a publicly owned company as a result of a tax-free distribution of our common stock (the “distribution” or “spin-off”) to the shareholders of our former parent, Watts Water Technologies, Inc., formerly Watts Industries, Inc. (“Watts”).

(2) Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of CIRCOR and its wholly and majority owned subsidiaries. The results of companies acquired during the year are included in the consolidated financial statements from the date of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the

consolidated financial statements and accompanying disclosures. Some of the more significant estimates relate to purchase accounting, depreciation, amortization and impairment of long-lived assets, pension obligations, deferred income taxes, inventory valuations, special charges, environmental liability, and product liability. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, no significant post-delivery obligations remain and collection of the resulting receivable is reasonably assured. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of sales.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Investments

Investments consist of guaranteed investment contracts, all of which are currently designated as available for sale. As such, the carrying values of our investments are marked to market and unrealized gains and losses at the balance sheet date are recognized net of tax in other comprehensive income.

Inventories

Inventories are valued at the lower of cost or market. Cost is generally determined on the first-in, first-out (“FIFO”) basis. Where appropriate, standard cost systems are utilized for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or market value of inventory are determined at the operating unit level and evaluated periodically. Estimates for obsolescence or unmarketable inventory are maintained based on current economic conditions, historical sales quantities and patterns and, in some cases, the specific risk of loss on specifically identified inventories. Such inventories are recorded at estimated realizable value net of the costs of disposal.

In the fourth quarter 2004, we evaluated the impact of our programs initiated during the past two years to increase the proportion of our inventory purchased from less-expensive suppliers, primarily in Asia and Eastern Europe. One result of our successful foreign-sourcing programs is that we need less internal manufacturing and warehousing capability, particularly in North America. In addition, our past practice has been to retain much of our inventory for extended periods, even utilizing extra warehousing facilities and resources. After considering these factors, we concluded that it was more cost effective to dispose of selected inventory and reduce warehouse capacity than to incur ongoing carrying costs. We decided to lower our costs by disposing of certain inventories and consolidating facilities. As a result of that decision, we recorded a pre-tax charge of $6.6 million in the fourth quarter 2004 to write down our inventories. During 2005, we disposed of approximately $10.9 million of inventory, a majority of which was reserved for as of December 31, 2004.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 13 to 40 years for buildings and improvements and 3 to 10 years for manufacturing machinery and equipment and office equipment, and 3 to 5 years for computer equipment and software and motor vehicles. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred.

Goodwill and Other Intangible Assets

We perform an impairment test on an annual basis as of November 1 or more frequently if circumstances warrant. The most recent impairment test was conducted in the fourth quarter of 2005 and resulted in no impairment. Intangible assets that have definitive useful lives continue to be amortized over their useful lives.

Impairment of Other Long-Lived Assets

Other long-lived assets include property, plant, and equipment and intangibles with definite lives. We perform impairment analyses of our other long-lived assets whenever events and circumstances indicate that they may be impaired. When the undiscounted future cash flows are expected to be less than the carrying value of the assets being reviewed for impairment, the assets are written down to fair market value based upon third party appraisals.

Advertising Costs

Our accounting policy is to expense advertising costs, principally in selling, general and administrative expenses, when incurred. Our advertising costs for the years ended December 31, 2005, 2004, and 2003 were $1.6 million, $1.4 million, and $1.6 million, respectively.

Research and Development

Research and development expenditures are expensed when incurred and are included in the selling, general and administrative expense in the Consolidated Statements of Operations. Our research and development expenditures for the years ended December 31, 2005, 2004 and 2003, were $1.9 million, $1.6 million and $2.4 million, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if we anticipate that we may not realize some or all of a deferred tax asset.

Environmental Compliance and Remediation

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations, which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and, or, remedial efforts are probable and the costs can be reasonably estimated. Estimated costs are based upon current laws and regulations, existing technology and the most probable method of remediation. The costs are not discounted and exclude the effects of inflation. If the cost estimates result in a range of equally probable amounts, the lower end of the range is accrued.

Foreign Currency Translation

Our international subsidiaries operate and report their financial results using local functional currencies. Accordingly, all assets and liabilities of these subsidiaries are translated into United States dollars using exchange rates in effect at the end of the relevant periods, and revenues and costs are translated using weighted average exchange rates for the relevant periods. The resulting translation adjustments are presented as a separate component of accumulated other comprehensive income. We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries. Our net foreign exchange gains and (losses) recorded for the years ended December 31, 2005, 2004 and 2003 were not significant.

Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the number of weighted average common shares outstanding. Diluted earnings per common share is calculated by dividing net income by the weighted average common shares outstanding and assumes the conversion of all dilutive securities.

Earnings per common share and the weighted average number of shares used to compute net earnings per common share, basic and assuming full dilution, are reconciled below (In thousands, except per share data):

	Year Ended December 31,								
	2005			2004			2003		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$ 20,383	15,690	$ 1.30	$ 11,803	15,361	$ 0.77	$ 17,873	15,207	$ 1.18
Dilutive securities, principally Common stock options	–	329	0.03	–	516	0.03	–	468	0.04
Diluted EPS	$ 20,383	16,019	$ 1.27	$ 11,803	15,877	$ 0.74	$ 17,873	15,675	$ 1.14

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Certain stock options to purchase common shares were not included in the table above because they were anti-dilutive. The options excluded from the table for the years ended December 31, 2005, 2004 and 2003 were: 21,100 options ranging from $26.29 to $27.81, 148,100 options at $23.80, and 5,000 options at $19.75, respectively.

Stock Based Compensation

We measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations. Accordingly, no accounting recognition is given to stock options granted to our employees at fair market value until the options are exercised. Upon exercise, we credit the net proceeds, including income tax benefits realized, if any, to equity. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock Based Compensation," to stock based employee compensation (In thousands, except per share data):

	Year Ended December 31,		
	2005	2004	2003
Net income	$ 20,383	$ 11,803	$ 17,873
Add stock-based compensation expense included in reported net income, net of tax	690	423	339
Less stock-based employee compensation cost, that would have been included in the determination of net income under a fair value based method, net of tax	1,678	1,305	1,184
Pro forma net income as if the fair value based method had been applied to all awards	$ 19,395	$ 10,921	$ 17,028
Earnings per common share (as reported):			
Basic	$ 1.30	$ 0.77	$ 1.18
Diluted	$ 1.27	$ 0.74	$ 1.14
Pro forma earnings per common share:			
Basic	$ 1.24	$ 0.71	$ 1.12
Diluted	$ 1.21	$ 0.69	$ 1.09

The fair value of the options grants were estimated as of the date of the grants using the Black-Scholes option-pricing model with the following assumptions for each of the respective years:

	December 31,		
	2005	2004	2003
Risk-free interest rate	3.8%	3.8%	4.0%
Expected life (years)	6.4	7	7
Expected stock volatility	40.7%	32.8%	44.1%
Expected dividend yield	0.6%	0.9%	1.1%

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Derivative Financial Instruments

We use foreign currency forward exchange contracts to manage currency exchange exposures in certain foreign currency denominated transactions. Gains and losses on contracts designated as hedges are recognized when hedged transactions affect earnings, which is generally in the same time period as the underlying foreign currency denominated transactions. Gains and losses on contracts that do not qualify for hedge accounting treatment are recognized as incurred as a component of other non-operating income or expense and were not significant for the years ended December 31, 2005, 2004 and 2003.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (R) "*Shared Base Payment: an amendment of FASB Statements No. 123 and 95*". FASB Statement 123R requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees, but expresses no preference for a type of valuation model. The Statement is effective for CIRCOR's interim and annual periods beginning after December 31, 2005. We are going to utilize the modified prospective method. Our expectation for 2006 is that corporate general and administrative expenses will include an incremental $1.3 million pretax expense for stock option compensation under FAS123R, which we are adopting January 1, 2006. See Note 11 to the consolidated financial statements for further information.

In December 2004, the FASB issued Statement No. 153, "*Exchanges of Nonmonetary Assets*", which is effective for fiscal years beginning after June 15, 2005. FASB Statement No. 153 amends APB 29, *Accounting for Nonmonetary Transactions.* FASB Statement No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB 29 included certain exceptions to that principle. FASB Statement No. 153 amends APB 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this statement did not impact our financial position or results of operations.

In November 2004, the FASB issued Statement No. 151, "*Inventory Costs, to amend the guidance in Chapter 4*". FASB Statement No.151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. The Statement requires that those items be recognized as current-period charges. Additionally, FASB Statement No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is not expected to impact our financial position or results of operations.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to currently reported presentations.

(3) Business Acquisitions

Our growth strategy includes strategic acquisitions that complement and extend our current offering of engineered flow control products. Our acquisitions have well established brand recognition and are well known within the industry. We have historically financed our acquisitions from available cash balances and we accounted for these transactions as purchase business combinations.

On November 14, 2003, we acquired DQS International B.V. (“DQS”), headquartered in Rotterdam, the Netherlands, for $6.0 million in cash and the assumption of $0.8 million of net debt. We also deposited an additional $0.6 million into a separate escrow account for the benefit of the sellers, subject to any such claims by us as are allowed in accordance with the purchase agreement. During July 2004 and May 2005, we increased the recorded goodwill by $0.3 million upon the release to the former selling shareholders of funds previously held in escrow. The $4.5 million excess of the purchase price over the fair value of the net identifiable assets is recorded as goodwill.

On December 11, 2003, we acquired Texas Sampling, Inc. (“TSI”), located in Victoria, Texas for $4.4 million in cash. We also deposited an additional $0.2 million into a separate escrow account for the benefit of the sellers, subject to any such claims by us as are allowed in accordance with the purchase agreement. During September 2005, we increased the recorded goodwill by $0.2 million upon the release to the former shareholders of funds previously held in escrow. The $4.0 million excess of the original purchase price over the fair value of net identifiable assets is recorded as goodwill and is expected to be deductible for tax purposes. Any funds remaining in the escrow account at the conclusion of the contingency period will be distributed to the sellers and accounted for as additional purchase price.

On April 30, 2004, we acquired Mallard Control Company (“Mallard”), located in Beaumont, Texas, for $9.7 million in cash plus the assumption of $4.3 million of debt, that we paid off at closing. During April 2005, we increased the recorded goodwill by $0.3 million upon the release to the former shareholders of funds previously held in escrow. As of December 31, 2005, we maintained approximately $1.0 million of cash in a separate escrow account for the benefit of the sellers, subject to any such indemnification claims by us as are allowed in accordance with the acquisition agreements. Any funds remaining in the escrow account at the conclusion of the contingency period will be distributed to the sellers and accounted for as additional purchase price. Mallard produces control valves, relief valves, pressure regulators and other related products, primarily for oil and gas production and processing and other petrochemical applications that are sold under the Mallard and Hydroseal brand names. Mallard is being operated within our Energy Products segment. During the second quarter of 2005, we finalized identifiable asset amounts associated with our April 2004 acquisition of Mallard. In connection with the finalization of our Mallard acquisition amounts, we recorded $3.4 million of intangible assets, associated with customer relationships, brand names, and non-competition agreements. Approximately $2.2 million

of these intangible assets will be amortized over 10-15 year periods and will result in annual amortization expense of approximately $0.2 million. The remaining $1.2 million of intangible assets will not be amortized but will be subject to impairment tests. The $3.4 million excess of the purchase price over the fair value of the net identifiable assets was recorded as goodwill.

On January 14, 2005, we acquired Loud Engineering & Manufacturing, Inc. (“Loud”) located in Ontario, California for approximately $34.7 million, net of acquired cash of $1.3 million and including $5.4 million placed in an escrow account for the benefit of the sellers, subject to any such indemnification claims by us as are allowed in accordance with the acquisition agreement. This $5.4 million escrow is included in Other Assets on our consolidated balance sheet. Loud is a leading designer and manufacturer of landing gear systems and related components for military helicopters and jets and is operated within our Instrumentation and Thermal Fluid Controls Products segment. During the fourth quarter of 2005, we finalized our purchase price allocation. In connection with the finalization of Loud’s purchase price, we recorded $7.0 million of current assets, $1.9 million of fixed assets, $0.7 million of other assets, $16.0 million of intangible assets, $15.2 million of goodwill, $3.1 million of current liabilities, and $7.3 million of other liabilities. Included in the $16.0 million of intangible assets are customer relationships, brand names, a license agreement and non-competition agreements. Approximately $10.5 million of these intangible assets will be amortized over 10-20 year periods and will result in annual amortization expense of approximately $0.7 million. The remaining $5.5 million of intangible assets will not be amortized but will be subject to impairment tests. The $15.2 million excess of the original purchase price over the fair value of the net identifiable assets was recorded as goodwill and will not be deductible for tax purposes.

In May 2005 we acquired the 40% interest that we did not own in our Chinese joint venture, Suzhou KF Valve Co., (“SKVC”) located in Suzhou, China, for $6.8 million. SKVC will continue to be operated in our Energy Products segment and primarily manufactures ball valves for other entities within our Energy Products segment. Based on preliminary purchase price allocations, the excess of the purchase price over the fair value of the net identifiable assets was recorded as $1.9 million of goodwill and an increase to an existing intangible of $0.3 million. Purchase accounting will be finalized by the end of the second quarter of 2006 and may result in the identification of intangible assets that may be amortized and expensed over future periods and also may impact the amount currently recorded as identifiable assets and goodwill and will not be deductible for tax purposes.

On October 3, 2005, we acquired Industria S.A. (“Industria”) located in Paris, France, for approximately $10.2 million in cash. Industria produces solenoid valves and components for commercial and military aerospace applications and will operate as part of our Aerospace Products business unit with our Instrumentation and Thermal Fluid Controls product segment. The $5.9 million excess of the original purchase price over the fair value of the net identifiable assets was recorded as goodwill and will not be deductible for tax purposes. Purchase accounting will be finalized by the end of the second quarter of 2006 and may result in the identification of other intangible assets that may be amortized and expensed over future periods.

See Note 21 to the consolidated financial statements for information concerning subsequent acquisitions.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

The following table reflects unaudited pro forma consolidated results on the basis that Loud, Industria, Mallard, TSI, and DQS acquisitions took place and were recorded at the beginning of each of the respective periods presented (Unaudited, in thousands, except per share data):

	Year Ended December 31,		
	2005	2004	2003
Net revenue	$ 464,063	$ 417,413	$ 406,614
Net income	$ 20,553	$ 14,413	$ 20,760
Earnings per share: basic	$ 1.31	$ 0.95	$ 1.37
Earnings per share: diluted	$ 1.28	$ 0.92	$ 1.32

The unaudited pro forma consolidated results of operations may not be indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of each period, or of future operations of the consolidated companies under our ownership and management.

The following tables provide reconciliations of the net cash paid and goodwill recorded for acquisitions during the years ended December 31, 2005, 2004 and 2003 (In thousands):

	Year Ended December 31,		
	2005	2004	2003
Reconciliation of net cash paid:			
Fair value of assets acquired	$ 61,851	$ 14,707	$ 13,530
Purchase price escrow release payments	829	1,538	1,029
Acquisition escrow payments	5,400	–	–
Less: liabilities assumed	12,887	2,116	3,141
Less: accrued purchase price	985	–	–
Cash paid	54,208	14,129	11,418
Less: cash acquired	2,600	–	770
Net cash paid for acquired businesses	$ 51,608	$ 14,129	$ 10,648
Determination of goodwill:			
Cash paid, net of cash acquired	$ 51,608	$ 14,129	$ 10,648
Accrued purchase price	985	–	–
Liabilities assumed	12,887	2,116	3,141
Less: fair value of tangible assets acquired, net of cash acquired	36,194	8,404	5,335
Goodwill	$ 29,286	$ 7,841	$ 8,454

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

(4) Investments

All investments are designated as available for sale. Investments as of December 31, 2005 and investments at December 31, 2004 and 2004 are as follows (In thousands):

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2005:				
Guaranteed investment contracts maturing in various periods to December 2006 at rate of 2.5%	$ 86	$ –	$ –	$ 86
December 31, 2004:				
Guaranteed investment contracts maturing in various periods to December 2005 at rate of 2.25%	$ 4,155	$ –	$ –	$ 4,155

(5) Inventories

Inventories consist of the following (In thousands):

	December 31,	
	2005	2004
Raw materials	$ 36,774	$ 43,130
Work in process	40,352	33,221
Finished goods	30,561	28,799
	$ 107,687	$ 105,150

(6) Property, Plant and Equipment

Property, plant and equipment consists of the following (In thousands):

	December 31,	
	2005	2004
Land	$ 6,560	$ 6,546
Buildings and improvements	36,730	34,315
Manufacturing machinery and equipment	100,181	96,376
Computer equipment and software	12,891	11,842
Office equipment and motor vehicles	9,397	8,704
Construction in progress	827	1,087
	166,587	158,870
Accumulated depreciation	(103,236)	(99,568)
	$ 63,350	$ 59,302

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

(7) Goodwill and Other Intangible Assets

We completed our annual goodwill impairment valuation as of November 1, 2005 during the fourth quarter of 2005, and determined that the fair value of the reporting units' goodwill exceeded their carrying value and that no impairment existed for the annual evaluation as well.

The following table shows goodwill, by segment, net of accumulated amortization, as of December 31, 2004 and December 31, 2005 (In thousands):

	Instrumentation & Thermal Fluid Controls Products	Energy Products	Consolidated Total
Goodwill as of December 31, 2004	$ 101,291	$19,016	$ 120,307
Business acquisitions (see Note 3)	21,247	1,866	23,113
Purchase price adjustment of previous acquisitions (see Note 3)	533	296	829
Adjustments to preliminary purchase price allocation	–	(2,459)	(2,459)
Currency translation adjustments	(1,763)	152	(1,611)
Goodwill as of December 31, 2005	$ 121,308	$18,871	$ 140,179

The table below presents gross intangible assets and the related accumulated amortization as of December 31, 2005 (In thousands):

	Gross Carrying Amount	Accumulated Amortization
Patents	$ 5,140	$ (5,060)
Trademarks and trade names	510	(155)
Land use rights	1,846	(365)
Customer relationships	11,559	(345)
Brand names	6,662	–
Other	1,299	(150)
Total	$27,016	$ (6,075)
Net carrying value of intangible assets	$20,941	

The table below presents estimated amortization expense for intangible assets recorded as of December 31, 2005 (In thousands):

	2006	2007	2008	2009	2010	After 2010
Estimated amortization expense	$ 961	$ 907	$ 907	$ 907	$ 900	$ 9,614

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

(8) Income Taxes

The significant components of our deferred income tax liabilities and assets are as follows (In thousands):

	December 31, 2005	December 31, 2004
Deferred income tax liabilities:		
Excess tax over book depreciation	$ 6,510	$ 7,165
Inventory	1,538	2,050
Goodwill & other intangibles	11,045	3,033
Other	156	870
Total deferred income tax liabilities	19,249	13,118
Deferred income tax assets:		
Accrued expenses	7,409	5,522
Inventory	3,491	5,676
Net operating loss and credit carry-forward	11,754	1,692
Cost basis differences in intangible assets	279	575
Other	478	624
Total deferred income tax assets	23,411	14,089
Valuation allowance	11,071	950
Deferred income tax asset, net of valuation allowance	12,340	13,139
Deferred income tax (liability) asset, net	$ (6,909)	$ 21
The above components of deferred income taxes are classified in the consolidated balance sheets as follows: (In thousands)		
Net current deferred income tax asset	$ 4,328	$ 6,953
Net non-current deferred income tax liability	(11,237)	(6,932)
Deferred income tax (liability) asset, net	$ (6,909)	$ 21

The provision for income taxes is based on the following pre-tax income (In thousands):

	Year Ended December 31, 2005	2004	2003
Domestic	$ 13,548	$ 4,015	$ 13,401
Foreign	16,503	14,463	12,272
	$ 30,051	$ 18,478	$ 25,673

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

The provision for income taxes (benefit) consists of the following (In thousands):

	Year Ended December 31,		
	2005	2004	2003
Current tax expense:			
Federal	$3,294	$ 579	$2,188
Foreign	5,815	5,654	4,044
State	594	456	196
	9,703	6,689	6,428
Deferred tax expense (benefit):			
Federal	183	348	953
Foreign	(248)	(169)	284
State	30	(193)	135
	(35)	(14)	1,372
	$9,668	$6,675	$7,800

Actual income taxes reported from operations are different from those that would have been computed by applying the federal statutory tax rate to income before income taxes. The reasons for these differences are as follows:

	Year Ended December 31,		
	2005	2004	2003
Computed expected federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.3	0.9	0.8
Foreign tax rate differential and credits	(1.8)	5.5	(0.1)
Extraterritorial income exclusion (formerly FSC)	(1.8)	(3.0)	(2.9)
Research and experimental credit	(0.8)	(1.0)	(2.2)
Other, net	0.3	(1.3)	(0.2)
Effective Tax Rate	32.2%	36.1%	30.4%

At December 31, 2005, we had foreign net operating loss carry forwards of $0.3 million. The loss can be carried forward indefinitely. We also had foreign tax credits of $10.6 million, state net operating losses of $1.6 million and state tax credits of $1.1 million. The foreign tax credits if not utilized will expire in 2010 through 2015. The state net operating losses and state tax credits if not utilized will expire in 2014 through 2023. We had a valuation allowance of $11.1 million and $0.9 million as of December 31, 2005 and 2004, respectively, against the foreign tax credits, state operating losses, and state tax credits. 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.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Undistributed earnings of our foreign subsidiaries amounted to $26.3 million at December 31, 2005 and $30.1 million at December 31, 2004. Upon distribution of any those earnings, in the form of dividends or otherwise, we will be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of U.S. income tax liability that would be incurred is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce some portion of any U.S. income tax liability. Withholding taxes of $1.2 million would be payable upon remittance of all previously unremitted earnings at December 31, 2005.

Undistributed earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been recorded thereon.

(9) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (In thousands):

	December 31,	
	2005	2004
Customer deposits and obligations	$ 7,226	$ 7,558
Commissions and sales incentives payable	4,734	4,513
Professional fees	2,742	2,085
Insurance	1,134	2,064
Acquisition purchase price accrual	985	–
Accrued construction costs	948	–
Accrued special charges (See Note 19)	616	90
Other	7,646	6,209
	$ 26,031	$ 22,519

(10) Financing Arrangements

Long-term debt consists of the following (In thousands):

	December 31,	
	2005	2004
Senior unsecured notes, annual principal payments of $15.0 million through October 19, 2006, at a fixed interest rate of 8.23%	$ 15,000	$ 30,000
Industrial revenue bonds, maturing in December 2006 and August 2019, at variable interest rates of 3.60% and 3.65% at December 31, 2005, and 1.00% and 2.10% at December 31, 2004	12,260	12,260
Capital lease obligations	1,732	75
Other borrowings, at varying interest rates ranging from 3.67% to 6.25% in 2005 and 5.0% to 6.25% in 2004	4,499	545
Total long-term debt	33,491	42,880
Less: current portion	27,213	15,051
Total long-term debt, less current portion	$ 6,278	$ 27,829

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

On December 20, 2005, we entered into a Credit Agreement by and among the Company, as Borrower; certain domestic subsidiaries of the Company, as Subsidiary Guarantors. The Credit Agreement provides for a $95 million revolving line of credit and letter of credit facility and replaced our old $75 million facility. In accordance with the Credit Agreement, the rate of interest and facility fees we are charged vary based upon changes in our net debt leverage ratio. We can borrow at either the Euro dollar rate plus an applicable margin of 0.625% to 1.625% or at a base rate plus an applicable margin of 0% to 0.25%. The base rate for any day is the higher of the Fed Funds rate plus 0.50% or the lender's Prime Rate. We are also required to pay an unused facility fee that can range from 0.15% to 0.35% per annum and a utilization fee of 0.125% per annum if our borrowings exceed 50% of the credit facility limit. The facility expires on the earlier of December 20, 2010 or the date on which the revolving line of credit commitments are terminated by the lenders in accordance with the Credit Agreement.

At December 31, 2005 and 2004, we had $95 million and $75 million, respectively available from our senior unsecured revolving credit facilities to support our acquisition program, working capital requirements, and for general corporate purposes.

On October 19, 1999, we issued $75.0 million of unsecured notes that mature through annual principal payments from October 2002 – 2006. Proceeds from the notes and borrowings under the credit facility were used to repay $96.0 million of investments by, and advances from, Watts and the outstanding balance under a then existing term loan agreement. Beginning on October 19, 2002, we commenced making $15.0 million annual payments reducing the $75.0 million outstanding balance of our unsecured 8.23% senior notes, which mature in October 2006.

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; transfer assets among domestic and international entities and issue additional shares of our stock. We were in compliance with all covenants related to our existing debt obligations at December 31, 2005 and 2004. We expect to be in compliance with all covenants related to our debt obligations through 2006.

At December 31, 2005, minimum principal payments required during each of the next five years are as follows (In thousands):

	2006	2007	2008	2009	2010	After 2010
Minimum principal payments	$ 27,213	$ 400	$ 290	$ 386	$ 100	$ 5,102

(11) Stock-Based Compensation

The 1999 Stock Option and Incentive Plan (the "1999 Stock Plan") adopted by our Board of Directors permits the grant 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, stock appreciation rights ("SARs") and dividend equivalent rights. The 1999 Stock Plan provides for the issuance of up to 3,000,000 new 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 1 to 6 years and expire 10 years after the grant date.

During 2004, we began granting restricted stock units in lieu of a portion of employee stock option awards. We account for these RSUs by expensing the fair value at the date of issue of each RSU to selling, general and administrative expenses ratably over the three-year or five-year vesting periods. 76,100 and 40,100 RSUs with approximate fair values of $25.00 and $24.00 were granted during the years ended December 31, 2005, and 2004, 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. 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 restricted stock unit represents a right to receive one share of our common stock after a three-year vesting period. Restricted stock units are granted at a discount of 33% from the fair market value of the shares of common stock on the date of grant. This discount is amortized as compensation expense, to selling, general and administrative expenses, ratably over the three-year vesting period. 26,510, 52,948, and 20,130 restricted stock units with per unit fair values of $8.22, $7.84 and $4.95 were granted during the years ended December 31, 2005, 2004, and 2003, respectively.

At the spin-off date, vested and non-vested Watts options held by our employees terminated in accordance with their terms and new options of equivalent value were issued under the 1999 Stock Plan to replace the Watts options ("replacement options"). The vesting dates and exercise periods of these options were not affected by the replacement. Based on their original Watts grant date, the CIRCOR replacement options vested during the years 1999 to 2003 and expire 10 years after grant of the original Watts options. Additionally, at the spin-off date, vested and non-vested Watts restricted stock units and SARs held by our employees were converted into comparable restricted stock units and SARs based on our common stock. Vested restricted stock units will be distributed in shares of our common stock. Upon exercise, vested SARs will be payable in cash. At December 31, 2005, there were 256,072 restricted stock units and 9,600 SARs outstanding. Compensation expense related to restricted stock units and SARs for the years ended December 31, 2005, 2004, and 2003 was $1.0 million, $0.7 million, and $0.5 million, respectively.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

A summary of the status of all options granted to employees and non-employee directors at December 31, 2005, 2004, and 2003 and changes during the years then ended is presented in the table below (Options in thousands):

	December 31,					
	2005		2004		2003	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	1,273	$ 13.28	1,335	$ 12.24	1,498	$ 12.02
Granted	188	24.90	118	23.74	15	15.42
Exercised	(358)	10.55	(102)	12.06	(132)	9.59
Canceled	(23)	20.21	(78)	12.96	(46)	13.69
Options outstanding at end of period	1,080	$ 16.07	1,273	$ 13.28	1,335	$ 12.24
Options exercisable at end of period	654	$ 12.94	819	$ 11.65	738	$ 11.51
Weighted average fair value of options granted		$ 10.92		$ 8.98		$ 7.18

The following table summarizes information about stock options outstanding at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options (thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options (thousands)	Weighted Average Exercise Price
$ 7.17 – $ 9.55	79	3.7	$ 8.36	79	$ 8.36
9.56 – 11.95	155	3.8	10.38	155	10.38
11.96 – 14.34	391	5.4	13.64	290	13.55
14.35 – 16.73	169	5.8	16.32	111	16.32
19.12 – 21.51	3	7.6	19.75	–	–
21.52 – 23.90	108	8.1	23.77	19	23.80
23.91 – 26.29	175	9.2	24.94	–	–
$ 7.17 – $26.29	1,080	6.0	$ 16.07	654	$ 12.94

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

(12) Accumulated Other Comprehensive Income

The accumulated other comprehensive income as December 31, 2005 consists of the following (In thousands):

	December 31, 2005		
	Gross Item	Tax Effect	Net of Tax
Cumulative translation adjustment	$13,126	$ –	$13,126
Additional minimum pension liability	(247)	94	(153)
Total accumulated comprehensive income (loss)	$12,879	$ 94	$12,973

Accumulated other comprehensive income at December 31, 2004 consisted of only accumulated translation adjustments of and $20.6 million.

(13) Employee Benefit Plans

We maintain two pension benefit plans, a qualified noncontributory defined benefit plan that covers substantially all of our salaried and hourly non-union employees in the United States, 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. The annual measurement date for both of our plans is September 30th.

During 2005, we made $2.0 million in cash contributions to our qualified defined benefit pension plan. In 2006, we are not expecting to make voluntary cash contributions to our qualified defined benefit pension plan, although global capital market and interest rate fluctuations may impact future funding requirements.

Additionally, substantially all of our U.S. employees are eligible to participate in a 401(k) savings plan. Under this plan, we match a specified percentage of employee contributions, subject to certain limitations.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

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

	Year Ended December 31,		
	2005	2004	2003
Components of net benefit expense:			
Service cost-benefits earned	$ 2,159	$ 2,322	$1,822
Interest cost on benefits obligation	1,453	1,315	983
Net loss amortization	199	286	265
Transition asset amortization	(8)	(8)	(32)
Prior service cost amortization	98	98	98
Expected return on assets	(1,854)	(1,541)	(968)
Net periodic cost of defined benefits plans	2,047	2,472	2,168
Cost of 401(k) plan company match contributions	339	326	282
Net benefit plans expense	$ 2,386	$ 2,798	$2,450

The weighted average assumptions used in determining the net periodic benefit cost and benefit obligations and net benefit cost for the pension plans are shown below:

	Year Ended December 31,		
	2005	2004	2003
Net periodic benefit cost:			
Discount rate	5.80%	6.00%	6.75%
Expected return on plan assets	8.50%	8.75%	8.75%
Rate of compensation increase	4.00%	4.00%	4.00%
Benefit obligations:			
Discount rate	5.50%	5.80%	6.00%
Rate of compensation increase	4.00%	4.00%	4.00%

In selecting the expected long-term rate of return on assets, we considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of these plans. This included considering the trusts' asset allocation and the expected returns likely to be earned over the life of the plans. Discount rates are selected based upon rates of return at the measurement date utilizing benchmark pension discount rates currently available and expected to be available during the period to maturity of the pension benefits.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

The funded status of the defined benefit plan and amounts recognized in the balance sheet are as follows (In thousands):

	December 31,	
	2005	2004
Change in projected benefit obligation:		
Balance at beginning of year	$ 25,269	$ 22,093
Service cost	2,159	2,322
Interest cost	1,453	1,315
Actuarial loss	3,779	99
Benefits paid	(436)	(390)
Administrative expenses	(340)	(170)
Balance at end of year	$ 31,884	$ 25,269
Change in fair value of plan assets:		
Balance at beginning of year	$ 21,358	$ 17,424
Actual return on assets	2,931	2,194
Benefits paid	(436)	(390)
Administrative expenses	(340)	(170)
Employer contributions	2,000	2,300
Fair value of plan assets at end of year	$ 25,513	$ 21,358
Funded status:		
Excess of projected benefit obligation over the fair value of plan assets	$ (6,371)	$ (3,912)
Unrecognized transition asset	(22)	(31)
Unrecognized prior service cost	563	661
Unrecognized actuarial loss	6,970	4,469
Net prepaid benefit cost	$ 1,140	$ 1,187
Funded pension plan accumulated benefit obligation (“ABO”)	$ 24,891	$ 20,676
Unfunded pension plan ABO	1,806	1,248
Aggregate ABO	$ 26,697	$ 21,924
Plan assets for funded pension plan	$ 25,513	$ 21,358

At December 31, 2005, the benefit payments expected to be paid in each of the next five years and the aggregate for the five fiscal years thereafter are as follows (In thousands):

	2006	2007	2008	2009	2010	2011–2015
Expected benefit payments	$ 527	$ 613	$ 700	$ 819	$ 990	$ 8,396

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

The plan assets were held in the following accounts at year-end, expressed as a percent of total assets:

	2005	2004
Equity securities	70%	70%
Debt securities	30%	30%
	100%	100%

Our investment objectives for the portfolio of the Plan assets are to match, as closely as possible, the return of a composite benchmark comprised of: 40% of the Russell 1000 Index; 15% of the Russell 1000 Index; 15% of the Morgan Stanley Capital International EAFE Index; and 30% of the Lehman Brothers Aggregate Bond Index. We also seek to maintain a level of volatility (measured as standard deviation of returns) which approximates that of the composite benchmark returns. Rebalancing among asset classes will occur on an annual basis to ensure that the targeted asset allocations are maintained.

During the year ended December 31, 2005, a $0.3 million adjustment was made to record the minimum pension liability required to the extent the accumulated benefit obligations exceeded plan assets as of September 30, 2005, the plan measurement date. In conjunction with the adjustment to the liability account, a $0.1 million intangible asset was recorded up to the amount of unrecognized prior service cost for those plans. A $0.2 million corresponding charge, net of tax, was recorded to other accumulated comprehensive income.

(14) Contingencies, Environmental Remediation and Guarantees

We, like other worldwide manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain liability insurance coverage which we believe to be consistent with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims, which may arise from product defects and failures or from environmental liability.

We, like many other manufacturers of fluid control products, have been named as defendants in a growing number of product liability actions brought on behalf of individuals who seek compensation for their alleged exposure to airborne asbestos fibers. In particular, our subsidiaries, Leslie, Spence, and Hoke, collectively have been named as defendants or third-party defendants in asbestos related claims brought on behalf of approximately 22,000 plaintiffs typically against anywhere from 50 to 400 defendants. In some instances, we also have been named individually and/or as successor in interest to one or more of these subsidiaries. These cases have been brought in state courts in Alabama, California, Connecticut, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Montana, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington and Wyoming with the vast majority of claimants having brought their claims in Mississippi. The cases brought on behalf of the vast majority of claimants seek unspecified

compensatory and punitive damages against all defendants in the aggregate. However, the complaints filed on behalf of claimants who do seek specified compensatory and punitive damages typically seek millions or tens of millions of dollars in damages against the aggregate of defendants.

Of the approximately 22,000 plaintiffs who have brought claims against our subsidiaries, all but approximately 600 have been in Mississippi. Recently in Mississippi, the courts have rendered decisions and the legislature has passed legislation aimed at curbing certain abusive practices by plaintiff attorneys pursuant to which large numbers of unrelated plaintiffs (sometimes numbering in the thousands in a single case) would be grouped in the same case against hundreds of defendants. As a result of the recent changes, many of these “mass filings” (including some cases in which CIRCOR companies have been named defendant) have been or are expected to be dismissed. While it is possible that certain dismissed claims would be refiled in Mississippi or in other jurisdictions, any such refilings likely would be made on behalf of one or a small number of related individuals who can demonstrate actual injury and some connection to our subsidiaries’ products.

Any components containing asbestos formerly used in Leslie, Spence and Hoke products were entirely internal to the product and, we believe, would not give rise to ambient asbestos dust during normal operation or during normal inspection and repair procedures. Moreover, to date, our insurers have been paying the vast majority of the costs associated with the defense of these actions, particular with respect to Spence and Hoke for which insurance has paid all defense costs to date. As we previously have disclosed, we negotiated a revised cost sharing understanding with Leslie’s insurers which results in Leslie being responsible for 29% of its defense costs. In light of the foregoing, we currently believe that we have no basis on which to conclude that these cases may have a material adverse effect on our financial condition, results of operations or cash flows. However, due to the nature and number of variables associated with asbestos related claims, such as the rate at which new claims may be filed; the availability of insurance policies to continue to recover certain of our costs relating to the defense and payment of these claims; the impact of bankruptcies of other companies currently or historically defending asbestos claims including our co-defendants; the uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case; the impact of potential changes in legislative or judicial standards; the type and severity of the disease alleged to be suffered by each claimant; and increases in the expense of medical treatment, we are unable to reliably estimate the ultimate costs to us of these claims.

We have reviewed all of our pending judicial and legal proceedings, reasonably anticipated costs and expenses in connection with such proceedings, and availability and limits of our insurance coverage, and we have established reserves that we believe are appropriate in light of those outcomes that we believe are probable and estimable at this time.

Standby Letters of Credit

We execute stand-by 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 $12.0 million at December 31, 2005. Our historical experience with these types of instruments has been good and no claims have been paid in the current or past four fiscal years. We

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

believe that the likelihood of demand for payments relating to the outstanding instruments is remote. These instruments have expiration dates ranging from less than one month to four years from December 31, 2005.

The following table contains information related to standby letters of credit instruments outstanding as of December 31, 2005 (In thousands):

Term Remaining	Maximum Potential Future Payments
0–12 months	$ 6,522
Greater than 12 months	5,431
Total	$ 11,953

(15) 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 is minimal and, therefore, have no liabilities recorded from those agreements as of December 31, 2005.

In connection with our industrial revenue bond financing arrangements which benefit certain of our subsidiaries, we are obligated to indemnify the banks in connection with certain errors in the administration of these financing arrangements to the extent such errors are not willful and do not constitute gross negligence. This indemnification obligation is unlimited as to time and amount. We have never been required to make any payments pursuant to this indemnification. As a result, we believe the estimated fair value of this indemnification agreement is minimal. Accordingly, we have no liabilities recorded for those agreements as of December 31, 2005.

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 twelve months ended and as of December 31, 2005 (In thousands):

Balance at December 31, 2004	$1,864
Provisions	1,044
Claims settled	(972)
Acquired liability	371
Currency translation adjustments	(134)
Balance at December 31, 2005	$2,173

(16) 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. Investments are marked to market at the balance sheet date. The fair value of the senior unsecured notes, based on the value of comparable instruments brought to market, is approximately $15.4 million as of December 31, 2005. The fair value of our variable rate debt approximates its carrying value.

In the normal course of our business, we manage risk associated with foreign exchange rates through a variety of strategies, including the use of hedging transactions, executed in accordance with our policies. As a matter of policy, we ordinarily do not use derivative instruments unless there is an underlying exposure. Any change in the value of our derivative instruments would be substantially offset by an opposite change in the underlying hedged items. We do not use derivative instruments for speculative trading purposes.

Accounting Policies

Using qualifying criteria defined in Statement No. 133, derivative instruments are designated and accounted for as either a hedge of a recognized asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). For a fair value hedge, both the effective and ineffective portions of the change in fair value of the derivative instrument, along with an adjustment to the carrying amount of the hedged item for fair value changes attributable to the hedged risk, are recognized in earnings. For a cash flow hedge, changes in the fair value of the derivative instrument that are highly effective are deferred in accumulated other comprehensive income or loss until the underlying hedged item is recognized in earnings. If the effective portion of fair value or cash flow hedges were to cease to qualify for hedge accounting, or to be terminated, it would continue to be carried on the balance sheet at fair value until settled; however, hedge accounting would be discontinued prospectively. If forecasted transactions were no longer probable of occurring within the specified time period or within an additional 2 month period thereafter, amounts previously deferred in accumulated other comprehensive income or loss would be recognized immediately in earnings.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Foreign Currency Risk

We use forward contracts to manage the currency risk related to certain business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, the 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. Our foreign currency forward contracts have not been designated as hedging instruments and, therefore, did not qualify for fair value or cash flow hedge treatment under the criteria of Statement No. 133 for the years ended December 31, 2005 and 2004. Therefore, the unrealized gains and losses on our contracts have been recognized as a component of other expense in the consolidated statements of operations. There were no net unrealized gains attributable to foreign currency forward contracts at December 31, 2005 and 2004. As of December 31, 2004, we had one forward contract to buy currencies with a face value of $0.3 million. As of December 31, 2005, we had no forward contracts to buy or sell currencies.

Operating Lease Commitments

Rental expense under operating lease commitments amounted to: $5.0 million, $4.7 million and $4.4 million for the years ended December 31, 2005, 2004 and 2003, respectively. Minimum rental commitments due under non-cancelable operating leases, primarily for office and warehouse facilities, at December 31, 2005 were (In thousands):

	2006	2007	2008	2009	2010	After 2010
Minimum lease commitments	$ 4,370	$ 3,593	$ 2,838	$ 2,236	$ 369	$ 112

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

(17) Segment Information

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

	Instrumentation & Thermal Fluid Controls Products	Energy Products	Corporate/ Eliminations	Consolidated Total
Year Ended December 31, 2005				
Net revenues	$ 251,276	$199,255	$ –	$ 450,531
Inter-segment revenues	62	14	(76)	–
Operating income (loss)	27,842	19,081	(13,918)	33,005
Interest income				(579)
Interest expense				3,389
Other income, net				144
Income before income taxes				30,051
Identifiable assets	307,292	145,859	7,229	460,380
Capital expenditures	7,446	7,215	361	15,021
Depreciation and amortization	6,305	3,929	179	10,413
Year Ended December 31, 2004				
Net revenues	$ 218,656	$163,178	$ –	$ 381,834
Inter-segment revenues	417	–	(417)	–
Operating income (loss)	23,971	8,793	(10,830)	21,934
Interest income				(756)
Interest expense				4,446
Other income, net				(234)
Income before income taxes				18,478
Identifiable assets	307,105	179,172	(57,859)	428,418
Capital expenditures	2,614	2,510	163	5,287
Depreciation and amortization	5,551	4,107	198	9,856
Year Ended December 31, 2003				
Net revenues	$ 200,775	$158,678	$ –	$ 359,453
Inter-segment revenues	1,036	451	(1,487)	–
Operating income (loss)	22,218	15,151	(7,382)	29,987
Interest income				(775)
Interest expense				5,926
Other income, net				(837)
Income before income taxes				25,673
Identifiable assets	278,172	171,398	(25,707)	423,863
Capital expenditures	2,750	3,951	122	6,823
Depreciation and amortization	5,430	4,111	321	9,862

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

Each reporting segment is individually managed and has separate financial results that are reviewed by our chief operating decision-maker. Each segment contains closely related products that are unique to the particular segment. Refer to Note 1 for further discussion of the products included in each segment.

In calculating profit from operations for individual reporting segments, 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 Adjustments amounts 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 Adjustment column of the Segment Information footnote disclosures consists primarily of the following corporate expenses: compensation and fringe costs for executive management and other corporate staff; corporate development costs (relating to mergers & 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 of each respective operating segment have been reported as the Identifiable Assets for that segment, including inter-segment intercompany receivables, payables and investments in other CIRCOR companies. Identifiable assets reported in Corporate Adjustments includes both corporate assets, such as cash, deferred taxes, prepaid and other assets, fixed assets, plus the elimination of all inter-segment intercompany assets. The elimination of intercompany assets results in negative amounts reported in Corporate Adjustments for Identifiable Assets for the years ended December 31, 2004 and 2005. During 2005 certain investments and the related eliminations were moved from Corporate to the other segments resulting in a change from the negative amounts reported in prior years. Corporate Identifiable Assets after elimination of intercompany assets were $24.0 million, $39.0 million, and $41.8 million for the periods ended December 31, 2005, 2004 and 2003, respectively.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

All intercompany transactions have been eliminated, and inter-segment revenues are not significant. The following tables present net revenue and long-lived assets by geographic area. The net revenue amounts are based on shipments to each of the respective areas.

Net revenues by geographic area (In thousands)	Year Ended December 31, 2005	2004	2003
United States	$ 238,537	$ 194,295	$ 185,690
Canada	28,451	31,203	30,150
Germany	22,463	23,483	20,104
France	14,327	11,320	9,061
Netherlands	24,184	12,104	11,304
Other	122,569	109,429	103,144
Total revenues	$ 450,531	$ 381,834	$ 359,453

Long-lived assets by geographic area (In thousands)	December 31, 2005	2004
United States	$ 36,824	$ 38,032
China	9,032	4,540
Germany	8,012	9,074
Netherlands	3,274	1,946
France	2,464	1,286
Italy	3,083	3,596
Canada	647	783
Other	14	45
Total long-lived assets	$ 63,350	$ 59,302

Certain prior period amounts have been reclassified and net revenues, operating income, and identifiable assets are not materially different with this reclassification. During November and December 2003, we acquired DQS and TSI. During April 2004, we acquired Mallard. During January and October 2005 we acquired Loud and Industria.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

(18) Quarterly Financial Information (Unaudited, in thousands, except per share information)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 2005				
Net revenues	$ 102,238	$ 118,657	$ 109,222	$ 120,414
Gross profit	32,941	34,563	31,328	33,870
Net income	5,161	6,168	4,306	4,748
Earnings per common share:				
Basic	$ 0.33	$ 0.39	$ 0.27	$ 0.30
Diluted	0.32	0.38	0.27	0.29
Dividends per common share	$ 0.0375	$ 0.0375	$ 0.0375	$ 0.0375
Stock Price range:				
High	$ 26.40	$ 25.70	$ 28.00	$ 28.53
Low	21.19	22.49	24.40	24.53
Year ended December 31, 2004				
Net revenues	$ 90,697	$ 94,552	$ 89,760	$ 106,825
Gross profit	28,293	27,674	26,669	24,933
Net income	4,268	4,122	3,283	130
Earnings per common share:				
Basic	$ 0.28	$ 0.27	$ 0.21	$ 0.01
Diluted	0.27	0.26	0.21	0.01
Dividends per common share	$ 0.0375	$ 0.0375	$ 0.0375	$ 0.0375
Stock Price range:				
High	$ 24.15	$ 24.15	$ 20.60	$ 23.16
Low	21.45	17.72	17.10	18.70

(19) Special Charges

Special charges of $1.6 million recorded during the twelve months ended December 31, 2005 consisted of severance costs of $1.7 million related to announced consolidations at our French facility, Sart Von Rohr (“SART”), and our European Instrumentation facilities, within the Instrumentation and Thermal Fluid Controls Products segment, and our Mallard Control and Hydroseal Valve (collectively “Mallard”) facilities in Texas within the Energy Products segment. Special charges included $0.1 million of asset write down costs associated with the relocation of our SKVC and Mallard operations, within the Energy Products segment. These costs were offset by a reversal of $0.1 million of unutilized accruals originally recorded as a special charge expense in 2004 in connection with the closure of an Ohio facility and a gain of $0.1 million related to the sale of a European Instrumentation building in the Netherlands classified as held for sale, within the Instrumentation and Thermal Fluid Controls Products segment. As a result of the consolidations we have already reduced our force at Mallard and SART by 66 and 13 respectively. We expect there will be a reduction in force of approximately 20 employee positions during the next six months at our European Instrumentation operations.

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements – (Continued)

The following table sets forth our reserves and charges associated with the closure, consolidation and reorganization of certain manufacturing operations as follows (In thousands):

	Balance December 31, 2002	Charges 2003	Utilized 2003	Balance December 31, 2003	Charges 2004	Utilized 2004	Balance December 31, 2004	Charges 2005	Utilized 2005	Balance December 31, 2005
Special charges—										
Severance related	$ 66	$ 479	$ 352	$ 193	$ 79	$ 272	$ –	$ 1,717	$ 1,101	$ 616
Facility related	18	530	443	105	180	195	$ 90	(90)	–	–
Total reserve	$ 84	$ 1,009	$ 795	$ 298	$ 259	$ 467	$ 90	$ 1,627	$ 1,101	$ 616
Gain on sale (1)		–			194			110		
Asset write-downs		354			238			113		
Total special charges		$ 1,363			$ 303			$ 1,630		

(1) Gain on sale relates to assets classified as held for sale.

Reserves remaining at December 31, 2005 mainly represent severance and relocation costs, at SART, Mallard and European Instrumentation operations and should be settled by the end of the second quarter of 2006.

(20) Capital Structure

We have adopted a shareholder rights plan providing for the issuance of rights that will cause substantial dilution to a person or group of persons that acquires 15% or more of our shares of common stock, unless the rights are redeemed. These rights allow shareholders of our common stock to purchase a unit consisting of one ten thousandth of a share of our series A junior participating cumulative preferred stock, par value $0.01 per share, at a cash exercise price per unit of $48.00, subject to adjustments.

(21) Subsequent Events

On February 2, 2006, we purchased all of the outstanding stock of Sagebrush Pipeline Equipment Company (“Sagebrush”) for approximately $12 million. Sagebrush, based near Tulsa, Oklahoma, provides pipeline flow control and measurement equipment to the North American oil and gas markets and will operate within our Energy Products segment. Sagebrush specializes in the design, fabrication, installation and service of pipeline flow control and measurement equipment such as launchers/receivers, valve settings, liquid metering skids, manifolds and gas and liquid measurement meter runs. Sagebrush sells both directly to the end-user pipeline companies in North America and through engineering, procurement and construction companies. We borrowed approximately $5.0 million from our unsecured line of credit in February 2006 to fund this acquisition.

On February 6, 2006, we purchased all of the outstanding stock of Hale Hamilton Valves Limited and its subsidiary, Cambridge Fluid Systems (“Hale Hamilton”) for approximately $51 million. Hale Hamilton, headquartered outside of London in Uxbridge, Middlesex UK, is a leading provider of high pressure valves and flow control equipment to the naval defense, industrial gas and high-technology industrial

markets and will operate as part of our Instrumentation and Thermal Fluid Products segment. Hale Hamilton supplies a wide range of components and equipment to the marine industry and enjoys a long standing relationship with the UK Ministry of Defense and leading manufacturers of naval defense platforms. Hale Hamilton valves can be found on most submarines and warships within the UK Naval Fleet as well as other non-UK navies. In addition, the Cambridge Fluid Systems division designs and manufactures gas and liquid delivery systems for high technology industries. We borrowed approximately $51.0 million from our unsecured line of credit in February 2006 to fund this acquisition.

Schedule II — Valuation and Qualifying Accounts
CIRCOR INTERNATIONAL, INC.

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions (7)	Balance at End of Period
			(In thousands)		
Year ended					
December 31, 2005					
Deducted from asset account:					
Allowance for doubtful accounts	$ 2,549	$ 388	$ (321)(8)	$ 673	$ 1,943
Allowance for inventory	$ 14,832	$ 3,195	$ 645(6)	$ 10,945	$ 7,727
Year ended					
December 31, 2004					
Deducted from asset account:					
Allowance for doubtful accounts	$ 2,119	$ 377	$ 392(2)	$ 339	$ 2,549
Allowance for inventory	$ 7,896	$ 10,721(1)	$ 648(3)	$ 4,433	$14,832
Year ended					
December 31, 2003					
Deducted from asset account:					
Allowance for doubtful accounts	$ 2,041	$ 320	$ 33(4)	$ 275	$ 2,119
Allowance for inventory	$ 7,671	$ 4,218	$ 161(5)	$ 4,154	$ 7,896

(1) Includes $6,558 thousand of inventory charges discussed in Note 2 of the consolidated financial statements.
(2) Includes $(296) and $316 thousand acquired in connection with the acquisition of Mallard in 2004 and 2005, respectively.
(3) Includes $445 thousand acquired in connection with the acquisition of Mallard.
(4) Includes $44 thousand acquired in connection with the acquisition of TSI and DQS.
(5) Acquired in connection with the acquisition of TSI and DQS.
(6) Includes $229 and $537 thousand acquired in connection with the acquisition of Loud and Industria, respectively.
(7) Uncollectible accounts written off, net of recoveries and inventory write off charges.
(8) Includes $12 and $9 thousand acquired in connection with the acquisition of Loud and Industria, respectively.

Exhibit 10.13

CREDIT AGREEMENT

dated as of
December 20, 2005

among

CIRCOR INTERNATIONAL, INC.,
as Borrower,

THE OTHER CREDIT PARTIES PARTY HERETO,

THE LENDERS PARTY HERETO,
as Lenders,

KEYBANK NATIONAL ASSOCIATION,
as an LC Issuer, Swing Line Lender and as the Lead Arranger, Sole Bookrunner and Administrative Agent

and

BANK OF AMERICA, NA,
as Syndication Agent

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

THIS CREDIT AGREEMENT is entered into as of December 20, 2005, among the following:

(i) CIRCOR INTERNATIONAL, INC., a Delaware corporation (herein, together with its successors and assigns, the "Borrower");

(ii) each Domestic Subsidiary of the Borrower signatory hereto (herein, together with any other Domestic Subsidiary of the Borrower that becomes a party hereto by joinder supplement or otherwise after the date hereof and together with their respective successors and assigns, collectively, the "Subsidiary Guarantors" and, individually, "Subsidiary Guarantor");

(iii) the lenders from time to time party hereto (herein, together with their respective successors and assigns, collectively, the "Lenders" and, individually, "Lender");

(iv) KEYBANK NATIONAL ASSOCIATION, as the lead arranger, sole bookrunner and administrative agent (herein, together with its successors and assigns, the "Administrative Agent"), as the Swing Line Lender (as hereinafter defined) and an LC Issuer (as hereafter defined); and

(v) BANK OF AMERICA, NA, syndication agent (the "Syndication Agent").

RECITALS:

(1) The Borrower has requested that the Lenders, the Swing Line Lender and each LC Issuer extend credit to the Borrower to refinance certain of the Borrower's existing indebtedness and to provide working capital and funds for other general corporate purposes.

(2) Subject to and upon the terms and conditions set forth herein, the Lenders, the Swing Line Lender and each LC Issuer are willing to extend credit and make available to the Borrower the credit facility provided for herein for the foregoing purposes.

AGREEMENT:

In consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS AND TERMS

Section 1.01 Certain Defined Terms. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires:

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (i) the acquisition of all or substantially all of the assets of any Person, or any business or division of any Person, (ii) the acquisition or ownership of in excess of 50% of the Equity Interest of any Person, or (iii) the acquisition of another Person by a merger, consolidation, amalgamation or any other combination with such Person.

"Adjusted Eurodollar Rate" means with respect to each Interest Period for a Eurodollar Loan, (i) the rate per annum equal to the offered rate appearing on the applicable electronic page of Reuters (or on the appropriate page of any successor to or substitute for such service, or, if such rate is not available, on the appropriate page of any generally recognized financial information service, as selected by the

Administrative Agent from time to time) that displays an average British Bankers Association Interest Settlement Rate at approximately 11:00 A.M. (London time) two Business Days prior to the commencement of such Interest Period, for deposits in Dollars with a maturity comparable to such Interest Period, divided (and rounded to the nearest l/16th of 1%) by (ii) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves and without benefit of credits for proration, exceptions or offsets that may be available from time to time) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); *provided*, *however*, that if the rate referred to in clause (i) above is not available at any such time for any reason, then the rate referred to in clause (i) shall instead be the interest rate per annum, as determined by the Administrative Agent in its reasonable discretion, to be the average (rounded to the nearest l/16th of 1%) of the rates per annum at which deposits in Dollars in an amount equal to the amount of such Eurodollar Loan are offered to major banks in the London interbank market at approximately 11:00 A.M. (London time), two Business Days prior to the commencement of such Interest Period, for contracts that would be entered into at the commencement of such Interest Period for the same duration as such Interest Period.

"Adjusted Foreign Currency Rate" means with respect to each Interest Period for any Foreign Currency Loan, (i) the rate per annum equal to the offered rate appearing on the applicable electronic page of Reuters (or on the appropriate page of any successor to or substitute for such service, or, if such rate is not available, on the appropriate page of any generally recognized financial information service, as selected by the Administrative Agent from time to time) that displays an average British Bankers Acceptance Interest Settlement Rate at approximately 11:00 A.M. (London time) two Business Days prior to the commencement of such Interest Period for deposits in the applicable Designated Foreign Currency with a maturity comparable to such Interest Period, divided (and rounded to the nearest l/16th of 1%) by (ii) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves and without benefit of credits for proration, exceptions or offsets that may be available from time to time) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); *provided*, *however*, that if the rate referred to in clause (i) above is not available at any such time for any reason, then the rate referred to in clause (i) shall instead be the interest rate per annum, as determined by the Administrative Agent in its reasonable discretion, to be the average (rounded to the nearest 1/16th of 1%) of the rates per annum at which deposits in an amount equal to the amount of such Foreign Currency Loan in the applicable Designated Foreign Currency are offered to major banks in the London interbank market at approximately 11:00 A.M. (London time), two Business Days prior to the commencement of such Interest Period, for contracts that would be entered into at the commencement of such Interest Period for the same duration as such Interest Period.

"Administrative Agent" has the meaning provided in the first paragraph of this Agreement and includes any successor to the Administrative Agent appointed pursuant to Section 9.11.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such Person, or, in the case of any Lender that is an investment fund, the investment advisor thereof and any investment fund having the same investment advisor. A Person shall be deemed to control a second Person if such first Person possesses, directly or indirectly, the power (i) to vote 15% or more of the securities having ordinary voting power for the election of directors or managers of such second Person or (ii) to direct or cause the direction of the management and policies of such second Person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, any director or officer (or person functioning in a substantially similar role) of the Borrower or any of its Subsidiaries shall be deemed an Affiliate of the

Borrower and its Subsidiaries. Notwithstanding the foregoing, neither the Administrative Agent nor any Lender shall in any event be considered an Affiliate of the Borrower or any of its Subsidiaries.

"Aggregate Credit Facility Exposure" means, at any time, the sum of (i) the Aggregate Revolving Facility Exposure at such time and (ii) the aggregate principal amount of Swing Loans outstanding at such time.

"Aggregate Revolving Facility Exposure" means, at any time, the sum of (i) the Dollar Equivalent of the principal amounts of all Revolving Loans made by all Lenders and outstanding at such time and (ii) the Dollar Equivalent of the aggregate amount of the LC Outstandings at such time.

"Agreement" means this Credit Agreement, as the same may from time to time be amended, restated, supplemented or otherwise modified.

"Anti-Terrorism Law" means the USA Patriot Act or any other law pertaining to the prevention of future acts of terrorism, in each case as such laws may be amended from time to time.

"Applicable Facility Fee Rate" means:

(i) On the Closing Date and thereafter, until changed in accordance with the following provisions, the Applicable Facility Fee Rate shall be 12.50 basis points;

(ii) Commencing with the fiscal quarter of the Borrower ended on December 31, 2005, and continuing with each fiscal quarter thereafter, the Administrative Agent shall determine the Applicable Facility Fee Rate in accordance with the following matrix, based on the Leverage Ratio:

Leverage Ratio	Applicable Facility Fee Rate
Greater than or equal to 2.25 to 1.00	20.00 bps
Greater than or equal to 1.75 to 1.00, but less than 2.25 to 1.00	17.50 bps
Greater than or equal to 1.25 to 1.00, but less than 1.75 to 1.00	15.00 bps
Greater than or equal to 0.75 to 1.00, but less than 1.25 to 1.00	12.50 bps
Less than 0.75 to 1.00	10.00 bps

(iii) Changes in the Applicable Facility Fee Rate based upon changes in the Leverage Ratio shall become effective on the third Business Day following the receipt by the Administrative Agent pursuant to Section 6.01(a) or Section 6.0 l(b) of the financial statements of the Borrower for the Testing Period most recently ended, accompanied by a Compliance Certificate in accordance with Section 6.01(c), demonstrating the computation of the Leverage Ratio. Notwithstanding the foregoing provisions, if at any time, the Borrower has failed to deliver timely its consolidated financial statements referred to in Section 6.01(a) or Section 6.0 l(b), accompanied by a Compliance Certificate in accordance with Section 6.0 l(c), the Applicable Facility Fee Rate at such time shall be the highest number of basis points indicated therefor in the above matrix unless waived by the Administrative Agent and the Required Lenders, regardless of the Leverage Ratio at such time (*provided* that the Applicable Facility Fee Rate shall be determined based on the Leverage Ratio at and after such financial statements and Compliance Certificate are delivered to the Administrative Agent and the Lenders). The above matrix does not modify or waive, in any respect, the rights of the Administrative Agent and the Lenders to charge any

default rate of interest or any of the other rights and remedies of the Administrative Agent and the Lenders hereunder.

"Applicable Lending Office" means, with respect to each Lender, the office designated by such Lender to the Administrative Agent as such Lender's lending office for all purposes of this Agreement. A lender may have a different Applicable Lending Office for Base Rate Loans, Eurodollar Loans and Foreign Currency Loans.

"Applicable Margin" means:

(i) On the Closing Date and thereafter, until changed in accordance with the following provisions, the Applicable Margin shall be (A) 0.00 basis points for Base Rate Loans, and (B) 37.50 basis points for Fixed Rate Loans;

(ii) Commencing with the fiscal quarter of the Borrower ended on December 31, 2005, and continuing with each fiscal quarter thereafter, the Administrative Agent shall determine the Applicable Margin in accordance with the following matrix, based on the Leverage Ratio:

Leverage Ratio	Applicable Margin for Base Rate Loans	Applicable Margin for Fixed Rate Loans
Greater than or equal to 2.25 to 1.00	0.00 bps	60.00 bps
Greater than or equal to 1.75 to 1.00, but less than 2.25 to 1.00	0.00 bps	52.50 bps
Greater than or equal to 1.25 to 1.00, but less than 1.75 to 1.00	0.00 bps	45.00 bps
Greater than or equal to 0.75 to 1.00, but less than 1.25 to 1.00	0.00 bps	37.50 bps
Less than 0.75 to 1.00	0.00 bps	30.00 bps

(iii) Changes in the Applicable Margin based upon changes in the Leverage Ratio shall become effective on the third Business Day following the receipt by the Administrative Agent pursuant to Section 6.01(a) or Section 6.01(b) of the financial statements of the Borrower for the Testing Period most recently ended, accompanied by a Compliance Certificate in accordance with Section 6.01(c), demonstrating the computation of the Leverage Ratio. Notwithstanding the foregoing provisions, if at any time, the Borrower has failed to deliver timely its consolidated financial statements referred to in Section 6.01(a) or Section 6.01 (b), accompanied by a Compliance Certificate in accordance with Section 6.01(c), the Applicable Margin at such time shall be the highest number of basis points indicated therefor in the above matrix unless waived by the Administrative Agent and the Required Lenders, regardless of the Leverage Ratio at such time *(provided* that the Applicable Margin shall be determined based on the Leverage Ratio at and after such financial statements and Compliance Certificate are delivered to the Administrative Agent and the Lenders). The above matrix does not modify or waive, in any respect, the rights of the Administrative Agent and the Lenders to charge any default rate of interest or any of the other rights and remedies of the Administrative Agent and the Lenders hereunder.

"Approved Bank" has the meaning provided in subpart (ii) of the definition of "Cash Equivalents."

"Approved Fund" means a fund that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit and that is administered or managed by a Lender or an Affiliate of a Lender.

"Asset Sale" means the sale, lease, transfer or other disposition (including by means of Sale and Lease-Back Transactions, and by means of mergers, consolidations, amalgamations and liquidations of a corporation, partnership or limited liability company of the interests therein of the Borrower or any Subsidiary) by the Borrower or any Subsidiary to any Person of any of the Borrower's or such Subsidiary's respective assets, *provided* that the term Asset Sale specifically excludes any sales, transfers or other dispositions of inventory, or obsolete, worn-out or excess furniture, fixtures, equipment or other property, real or personal, tangible or intangible, in each case in the ordinary course of business.

"Assignment Agreement" means an Assignment and Assumption Agreement substantially in the form of Exhibit E.

"Assuming Lender" has the meaning provided in Section 2.16(c).

"Augmenting Lender" has the meaning provided in Section 2.02(b).

"Authorized Officer" means with respect to the Borrower or any Subsidiary, any of the following officers: the Chairman, the President, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, the Assistant Treasurer or the Corporate Controller or, in the case of any of the foregoing, such other Person as is authorized in writing to act on behalf of the Borrower or such Subsidiary and is reasonably acceptable to the Administrative Agent. Unless otherwise qualified, all references herein to an Authorized Officer shall refer to an Authorized Officer of the Borrower.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto, as hereafter amended.

"Base Rate" means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the greater of (i) the rate of interest established by KeyBank, from time to time, as its "prime rate," whether or not publicly announced, which interest rate may or may not be the lowest rate charged by it for commercial loans or other extensions of credit; or (ii) the Federal Funds Effective Rate in effect from time to time, determined one Business Day in arrears, plus 1/2 of 1% per annum.

"Base Rate Loan" means any Loan bearing interest at a rate based upon the Base Rate in effect from time to time.

"Benefited Creditors" means, with respect to the Borrower Guaranteed Obligations pursuant to Article X, each of the Administrative Agent, the Lenders, each LC Issuer and the Swing Line Lender and each Designated Hedge Creditor, and the respective successors and assigns of each of the foregoing.

"Borrower" has the meaning specified in the first paragraph of this Agreement.

"Borrower Guaranteed Obligations" has the meaning provided in Section 2.15(a).

"Borrowing" means a Revolving Borrowing, a Competitive Bid Borrowing or the incurrence of a Swing Loan.

"Business Day" means (i) any day other than Saturday, Sunday or any other day on which commercial banks in Cleveland, Ohio are authorized or required by law to close and (ii) with respect to any matters relating to (A) Eurodollar Loans, any day on which dealings in U.S. Dollars are carried on in the London interbank market, and (B) Foreign Currency Loans, any day on which commercial banks are open for international business (including the clearing of currency transfers in the relevant Designated

Foreign Currency) in the principal financial center of the home country of the applicable Designated Foreign Currency.

"Capital Distribution" means a payment made, liability incurred or other consideration given for the purchase, acquisition, repurchase, redemption or retirement of any Equity Interest of the Borrower or any of its Subsidiaries or as a dividend, return of capital or other distribution in respect of any of the Borrower's or such Subsidiary's Equity Interest.

"Capital Lease" as applied to any Person means any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, should be accounted for as a capital lease on the balance sheet of that Person.

"Capitalized Lease Obligations" means all obligations under Capital Leases of the Borrower or any of its Subsidiaries, without duplication, in each case taken at the amount thereof accounted for as liabilities identified as "capital lease obligations" (or any similar words) on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP.

"Cash Dividend" means a Capital Distribution of the Borrower payable in cash to the shareholders of the Borrower with respect to any class or series of Equity Interest of the Borrower.

"Cash Equivalents" means any of the following:

(i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (*provided* that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than 90 days from the date of acquisition;

(ii) U.S. dollar denominated time deposits, certificates of deposit and bankers' acceptances of (x) any Lender, (y) any domestic commercial bank of recognized standing having capital and surplus in excess of $500,000,000 or (z) any bank (or the parent company of such bank) whose short-term commercial paper rating from S&P is at least A-l, A-2 or the equivalent thereof or from Moody's is at least P-l, P-2 or the equivalent thereof (any such bank, an "Approved Bank"), in each case with maturities of not more than 90 days from the date of acquisition;

(iii) commercial paper issued by any Lender or Approved Bank or by the parent company of any Lender or Approved Bank and commercial paper issued by, or guaranteed by, any industrial or financial company with a short-term commercial paper rating of at least A-l or the equivalent thereof by S&P or at least P-l or the equivalent thereof by Moody's, or guaranteed by any industrial company with a long-term unsecured debt rating of at least A or A2, or the equivalent of each thereof, from S&P or Moody's, as the case may be, and in each case maturing within 90 days after the date of acquisition;

(iv) fully collateralized repurchase agreements entered into with any Lender or Approved Bank having a term of not more than 30 days and covering securities described in clause (i) above;

(v) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (iv) above;

(vi) investments in money market funds access to which is provided as part of "sweep" accounts maintained with a Lender or an Approved Bank;

(vii) investments in industrial development revenue bonds that (A) "re-set" interest rates not less frequently than quarterly, (B) are entitled to the benefit of a remarketing arrangement with an established broker dealer, and (C) are supported by a direct pay letter of credit covering principal and accrued interest that is issued by an Approved Bank;

(viii) investments in pooled funds or investment accounts consisting of investments of the nature described in the foregoing clause (vii); and

(ix) solely with respect to any Foreign Subsidiary of the Borrower, the approximate equivalent of clauses (i) through (viii) above in the jurisdiction in which such Foreign Subsidiary is organized or does business.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S.C. § 9601 *et seq*.

"Change of Control" means (i) the acquisition of, or, if earlier, the shareholder or director approval of the acquisition of, ownership or voting control, directly or indirectly, beneficially or of record, on or after the Closing Date, by any Person or group (within the meaning of Rule 13d-3 of the SEC under the 1934 Act, as then in effect), other than any of the Current Holder Group, of shares representing more than 35% of the aggregate ordinary Voting Power represented by the issued and outstanding capital stock of the Borrower; (ii) the occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (A) nominated by the Board of Directors of the Borrower nor (B) appointed by directors so nominated; or (iii) the occurrence of a "change in control", or other similar provision, under or with respect to any Material Indebtedness Agreement.

"Charges" has the meaning provided in Section 11.23.

"CIP Regulations" has the meaning provided in Section 9.07.

"Circor German Holdings" means Circor German Holdings L.L.C., a Delaware limited liability company.

"Claims" has the meaning set forth in the definition of "Environmental Claims."

"Closing Date" means the date on which all of the conditions set forth in Section 4.01 have been satisfied or waived in accordance with Section 11.12.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder. Section references to the Code are to the Code as in effect at the Closing Date and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Commercial Letter of Credit" means any letter of credit or similar instrument issued for the purpose of providing the primary payment mechanism in connection with the purchase of materials, goods or services in the ordinary course of business.

"Commitment" means (i) with respect to each Lender, its Revolving Commitment, and (ii) with respect to the Swing Line Lender, its Swing Line Commitment.

"Commodities Hedge Agreement" means a commodities contract purchased by the Borrower or any of its Subsidiaries in the ordinary course of business, and not for speculative purposes, with respect to raw materials necessary to the manufacturing or production of goods in connection with the business of the Borrower and its Subsidiaries.

"Competitive Bid Borrowing" means the borrowing of Competitive Bid Loans from each of the Lenders whose offer to make one or more Competitive Bid Loans as part such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Fixed Rate Loan" has the meaning provided in Section 2.03(b).

"Competitive Bid Loan" means, with respect to each Lender, any loan made by such Lender pursuant to Section 2.03.

"Competitive Bid Note" means a promissory note substantially in the form of Exhibit A-2.

"Compliance Certificate" has the meaning provided in Section 6.01(c).

"Confidential Information" has the meaning provided in Section 11.15(b).

"Consenting Lender" has the meaning provided in Section 2.16(b).

"Consideration" means, in connection with an Acquisition, the aggregate consideration paid, including borrowed funds, cash, the issuance of securities or notes, the assumption or incurring of liabilities (direct or contingent), the payment of consulting fees (excluding any fees payable to any investment banker in connection with such Acquisition) or fees for a covenant not to compete and any other consideration paid for the purchase.

"Consolidated Depreciation and Amortization Expense" means, for any period, all depreciation and amortization expenses of the Borrower and its Subsidiaries, including, without limitation, impairment charges incurred in accordance with FAS 142, all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" means, for any period, the sum, for the Borrower and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following:

(a) Consolidated Net Income (calculated before deducting Consolidated Income Tax Expense, Consolidated Interest Expense, Specified Restructuring Charges, extraordinary or unusual items, non-cash charges related to expensing employee stock options and other share-based payments as required by FAS 123(R), and income or loss attributable to the equity in Affiliates) for such period, plus

(b) Consolidated Depreciation and Amortization Expense (to the extent deducted in determining Consolidated Net Income) for such period;

provided, however, that Consolidated EBITDA for any Testing Period shall (y) include the EBITDA for any Person or business unit that has been acquired by the Borrower or any of its Subsidiaries for any portion of such Testing Period prior to the date of acquisition and (z) exclude the EBITDA for any Person

or business unit that has been disposed of by the Borrower or any of its Subsidiaries, for the portion of such Testing Period prior to the date of disposition.

"Consolidated Income Tax Expense" means, for any period, all provisions for taxes based on the net income of the Borrower or any of its Subsidiaries (including, without limitation, any additions to such taxes, and any penalties and interest with respect thereto), all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, for any period, the sum of (i) total interest expense (including, without limitation, that which is capitalized and that which is attributable to Capital Leases or Synthetic Leases) of the Borrower and its Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries plus (ii) the net amount payable (or minus the net amount receivable) under Interest Rate Protection Agreements to which Borrower or any of its Subsidiaries are a party during such period (irrespective of whether actually paid or received during such period).

"Consolidated Net Income" means for any period, the net income (or loss) of the Borrower and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP.

"Consolidated Net Worth" means at any time, all amounts that, in conformity with GAAP, would be included under the caption "total stockholders' equity" (or any like caption) on a consolidated balance sheet of the Borrower at such time.

"Consolidated Total Debt" means, on any date, the sum (without duplication) of (i) all Indebtedness of the Borrower and of its Subsidiaries, all as determined on a consolidated basis, minus (ii) the excess (if any) of (A) the aggregate amount of cash and Cash Equivalents of the Borrower on such date (as set forth in the Borrower's public filings made pursuant to the 1934 Act) over (B) $5,000,000.

"Continue," "Continuation" and "Continued" each refers to a continuation of a Fixed Rate Loan for an additional Interest Period as provided in Section 2.10.

"Convert," "Conversion" and "Converted" each refers to a conversion of Loans of one Type into Loans of another Type.

"Credit Event" means the making of any Borrowing, any Conversion or Continuation or any LC Issuance.

"Credit Facility" means the credit facility established under this Agreement pursuant to which (i) the Lenders shall make Revolving Loans to the Borrower, and shall participate in LC Issuances, pursuant to the Revolving Commitment of each such Lender, (ii) the Swing Line Lender shall make Swing Loans to the Borrower under the Swing Line Facility pursuant to the Swing Line Commitment, and (iii) each LC Issuer shall issue Letters of Credit for the account of the LC Obligors in accordance with the terms of this Agreement.

"Credit Facility Exposure" means, for any Lender at any time, the Dollar Equivalent of the sum of (i) such Lender's Revolving Facility Exposure at such time, and (ii) in the case of the Swing Line Lender, the principal amount of Swing Loans outstanding at such time.

"Credit Party" means the Borrower or any Subsidiary Guarantor.

"Creditors" means the Administrative Agent, each LC Issuer, the Lenders, Affiliates of the Lenders, the Designated Hedge Creditors, and the respective successors and assigns of each of the foregoing.

"Current Holder Group" means Timothy P. Horne, Frederic B. Horne, George B. Horne, Daniel W. Horne, Peter Horne and Deborah Horne and their respective spouses and descendants, including any trust for the benefit of one or more of the foregoing Persons.

"Default" means any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Default Rate" means, for any day, (i) with respect to any Loan, a rate per annum equal to 1% per annum above the interest rate that is or would be applicable from time to time to such Loan pursuant to Section 2.09(a)(i) or Section 2.09(b)(i), as applicable, and (ii) with respect to any other amount, a rate per annum equal to 1% per annum above the rate that would be applicable to Revolving Loans that are Base Rate Loans pursuant to Section 2.09(a)(i).

"Designated Foreign Currency" means Euros, Canadian Dollars, British pounds, Australian dollars or any other currency (other than Dollars) approved in writing by the Lenders and that is freely traded and exchangeable into Dollars.

"Designated Hedge Agreement" means any Hedge Agreement (other than a Commodities Hedge Agreement) to which the Borrower or any of its Subsidiaries is a party and as to which a Lender or any of its Affiliates is a counterparty that, pursuant to a written instrument signed by the Administrative Agent, has been designated as a Designated Hedge Agreement so that the Borrower's or such Subsidiary's counterparty's credit exposure thereunder will be entitled to share in the benefits of the Guaranty to the extent the Guaranty provides guarantees for creditors of the Borrower or any Subsidiary under Designated Hedge Agreements.

"Designated Hedge Creditor" means each Lender or Affiliate of a Lender that participates as a counterparty to any Credit Party pursuant to any Designated Hedge Agreement with such Lender or Affiliate of such Lender.

"Dollars," "U.S. Dollars" and the sign "$" each means lawful money of the United States.

"Dollar Equivalent" means, (i) with respect to any amount denominated in Dollars, such amount and (ii) with respect to a Foreign Currency Loan to be made, the Dollar equivalent of the amount of such Foreign Currency Loan, determined by the Administrative Agent on the basis of its spot rate at approximately 11:00 A.M. London time on the date two Business Days before the date such Foreign Currency Loan is to be made, for the purchase of the relevant Designated Foreign Currency with Dollars for delivery on the date such Foreign Currency Loan is to be made, (iii) with respect to any Letter of Credit to be issued in any Designated Foreign Currency, the Dollar equivalent of the Stated Amount of such Letter of Credit, determined by the applicable LC Issuer on the basis of its spot rate at approximately 11:00 A.M. London time on the date two Business Days before the issuance of such Letter of Credit, for the purchase of the relevant Designated Foreign Currency with Dollars for delivery on such date of issuance, and (iv) with respect to any other amount not denominated in Dollars, and with respect to Foreign Currency Loans and Letters of Credit issued in any Designated Foreign Currency at any other time, the Dollar equivalent of such amount, Foreign Currency Loan or Letter of Credit, as the case may be, determined by the Administrative Agent on the basis of its spot rate at approximately 11:00 A.M. London time on the date for which the Dollar equivalent amount of such amount, Foreign Currency Loan

or Letter of Credit, as the case may be, is being determined, for the purchase of the relevant Designated Foreign Currency with Dollars for delivery on such date.

"Domestic Credit Party" means the Borrower or any Subsidiary Guarantor.

"Domestic Subsidiary" means any Subsidiary organized under the laws of the United States of America, any State thereof, or the District of Columbia.

"EBITDA" means, with respect to any Person for any period, the net income for such Person for such period plus the sum of the amounts for such period included in determining such net income in respect of (i) interest expense, (ii) income tax expense, and (iii) depreciation and amortization expense, in each case as determined in accordance with GAAP.

"Eligible Assignee" means (i) a Lender, (ii) an Affiliate of a Lender, (iii) an Approved Fund, and (iv) any other Person (other than a natural Person) approved by (A) the Administrative Agent, (B) each LC Issuer, and (C) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); *provided, however*, that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Environmental Claims" means any and all administrative or judicial actions, suits, demand letters, claims, liens, orders, written notices of non-compliance or violation, or administrative or judicial proceedings asserted, issued or arising under any Environmental Law or any permit issued under any such law (hereafter "Claims"), including, without limitation, (i) any and all Claims by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the storage, treatment or Release of any Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, and rule of common law now or hereafter in effect and in each case as amended, and any binding and enforceable judicial interpretation thereof, including any judicial or administrative order, consent, decree or judgment issued to or rendered against the Borrower or any of its Subsidiaries relating to the environment, employee health and safety or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq*.; the Clean Air Act, 42 U.S.C. § 7401 *et seq*.; the Safe Drinking Water Act, 42 U.S.C. § 300f *et seq*.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 *et seq*.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. § 11001 *et seq*., the Hazardous Material Transportation Act, 49 U.S.C. § 5101 *et seq*. and the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq*. (to the extent it regulates occupational exposure to Hazardous Materials); and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"Equity Interest" means with respect to any Person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or non-voting) of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited) or any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership, but in no event will Equity Interest include any debt securities convertible or exchangeable into equity unless and until actually converted or exchanged.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the Closing Date and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" means each Person (as defined in Section 3(9) of ERISA), which together with the Borrower or a Subsidiary of the Borrower, would be deemed to be a "single employer" (i) within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(a)(14) or 4001(b)(i) of ERISA or (ii) as a result of the Borrower or a Subsidiary of the Borrower being or having been a general partner of such Person.

"Eurodollar Loan" means each Loan bearing interest at a rate based upon the Adjusted Eurodollar Rate.

"Event of Default" has the meaning provided in Section 8.01.

"Event of Loss" means, with respect to any property, (i) the actual or constructive total loss of such property or the use thereof, resulting from destruction, damage beyond repair, or the rendition of such property permanently unfit for normal use from any casualty or similar occurrence whatsoever, (ii) the destruction or damage of a portion of such property from any casualty or similar occurrence whatsoever under circumstances in which such damage cannot reasonably be expected to be repaired, or such property cannot reasonably be expected to be restored to its condition immediately prior to such destruction or damage, within 90 days after the occurrence of such destruction or damage, (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of, any property, or (iv) in the case of any property located upon a leasehold, the termination or expiration of such leasehold.

"Existing Credit Agreement" means the Credit Agreement, dated as of October 18, 1999 (as amended), by and among the Borrower, the lenders party thereto, ING Capital LLC, as agent for such lenders.

"Extension Date" has the meaning provided in Section 2.16(b).

"Facility Fees" has the meaning provided in Section 2.11 (a).

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"Fee Letter" means the letter, dated October 3, 2005, from KeyBank to the Borrower, which details certain fees payable by the Borrower in connection with this Agreement.

"Fees" means all amounts payable pursuant to, or referred to in, Section 2.11.

"Financial Projections" has the meaning provided in Section 5.07(b).

"Fixed Rate Loan" means any Eurodollar Loan or Foreign Currency Loan.

"Foreign Currency Loan" means each Revolving Loan denominated in a Designated Foreign Currency and bearing interest at a rate based upon the Adjusted Foreign Currency Rate.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, global tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or global powers or functions of or pertaining to government.

"Guarantor" means any of the Subsidiary Guarantors and any other person that executes and delivers a Guaranty to the Administrative Agent.

"Guaranty" means any of the following: (i) the guaranty by the Borrower in Section 2.15, (ii) the guaranty by the Subsidiary Guarantors in Article X and (iii) a guaranty, in form and substance reasonably satisfactory to the Administrative Agent, executed by one of more Persons in favor of the Administrative Agent for the benefit of the Creditors under which such Persons guarantee payment and performance of the Obligations.

"Guaranty Obligations" means as to any Person (without duplication) any obligation of such Person guaranteeing any Indebtedness ("primary Indebtedness") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary Indebtedness or any property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary Indebtedness or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary Indebtedness of the ability of the primary obligor to make payment of such primary Indebtedness, or (iv) otherwise to assure or hold harmless the owner of such primary Indebtedness against loss in respect thereof, *provided, however,* that the definition of Guaranty Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary Indebtedness in respect of which such Guaranty Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder).

"Hazardous Materials" means (i) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing regulated levels of polychlorinated biphenyls, and radon gas; and (ii) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "restricted hazardous materials," "extremely hazardous wastes," "restrictive hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar meaning and regulatory effect, under any applicable Environmental Law.

"Hedge Agreement" means (i) any Interest Rate Protection Agreement, (ii) any currency swap or option agreement, foreign exchange contract, forward currency purchase agreement or similar currency management agreement or arrangement or (iii) any Commodities Hedge Agreement.

"Immaterial Subsidiary" means, for any day, any Subsidiary of the Borrower that the Borrower has designated as an "Immaterial Subsidiary" for purposes of this Agreement in a written notice to the Administrative Agent; *provided* that the following are true on such day: (i) the aggregate assets of all such Subsidiaries (calculated on a book value basis) does not exceed 10% of the aggregate assets (calculated on a book value basis) of the Borrower and its Subsidiaries as of the most recent fiscal quarter-end of the Borrower, and (ii) that portion of Consolidated EBITDA attributable solely to such Subsidiaries for the period of four consecutive fiscal quarters most recently ended prior to such day does not exceed 10% of Consolidated EBITDA for the Borrower and its Subsidiaries for such period; and *further provided* that the Borrower may from time to time, by written notice to the Administrative Agent, cause any Subsidiary that it has designated as an "Immaterial Subsidiary" hereunder to be no longer treated as or deemed an "Immaterial Subsidiary" for purposes of this Agreement.

"Increasing Lender" has the meaning provided in Section 2.02(b).

"Indebtedness" of any Person means, without duplication, (i) all indebtedness of such Person for borrowed money; (ii) all bonds, notes, debentures and similar debt securities of such Person; (iii) the deferred purchase price of capital assets or services that in accordance with GAAP would be shown on the liability side of the balance sheet of such Person; (iv) all obligations, contingent or otherwise, of such Person in respect of letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder (for the avoidance of doubt, excluding specifically any obligations relating to letters of credit supporting obligations constituting Indebtedness hereunder); (v) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances; (vi) all indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such indebtedness has been assumed; (vii) all Capitalized Lease Obligations of such Person; (viii) the present value, determined on the basis of the implicit interest rate, of all basic rental obligations under all Synthetic Leases of such Person; (ix) all obligations of such Person with respect to asset securitization financing; (x) all net obligations of such Person under Hedge Agreements; (xi) the full outstanding balance of trade receivables, notes or other instruments sold with full recourse (and the portion thereof subject to potential recourse, if sold with limited recourse), other than in any such case any thereof sold solely for purposes of collection of delinquent accounts; and (xii) all Guaranty Obligations of such Person; *provided*, *however*, that (y) neither trade payables, deferred revenue, taxes nor other similar accrued expenses, in each case arising in the ordinary course of business, shall constitute Indebtedness; and (z) the Indebtedness of any Person shall in any event include (without duplication) the Indebtedness of any other entity (including any general partnership in which such Person is a general partner) to the extent such Person is liable thereon as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide expressly that such Person is not liable thereon.

"Indemnitees" has the meaning provided in Section 11.02.

"Insolvency Event" means, with respect to any Person, (i) the commencement of a voluntary case by such Person under the Bankruptcy Code or the seeking of relief by such Person under any bankruptcy or insolvency or analogous law in any jurisdiction outside of the United States; (ii) the commencement of an involuntary case against such Person under the Bankruptcy Code and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case; (iii) a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of such Person; (iv) such Person commences (including by way of applying for or consenting to the appointment of, or the taking of possession by, a rehabilitator, receiver, custodian, trustee, conservator or liquidator (collectively, a "conservator") of such Person or all or any substantial portion of its property) any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency, liquidation, rehabilitation, conservatorship or similar law of any jurisdiction

whether now or hereafter in effect relating to such Person; (v) any such proceeding of the type set forth in clause (iv) above is commenced against such Person to the extent such proceeding is consented to by such Person or remains undismissed for a period of 60 days; (vi) such Person is adjudicated insolvent or bankrupt; (vii) any order of relief or other order approving any such case or proceeding is entered; (viii) such Person suffers any appointment of any conservator or the like for it or any substantial part of its property that continues undischarged or unstayed for a period of 60 days; (ix) such Person makes a general assignment for the benefit of creditors or generally does not pay its debts as such debts become due; or (x) any corporate (or similar organizational) action is taken by such Person for the purpose of effecting any of the foregoing.

"Interest Coverage Ratio" means, for any Testing Period, the ratio of (i) Consolidated EBITDA to (ii) Consolidated Interest Expense.

"Interest Period" means, with respect to each Fixed Rate Loan, a period of one, two, three or six months (or nine or twelve months if offered by all Lenders) as selected by the Borrower; *provided, however,* that (i) the initial Interest Period for any Borrowing of such Fixed Rate Loan shall commence on the date of such Borrowing (the date of a Borrowing resulting from a Conversion or Continuation shall be the date of such Conversion or Continuation) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires; (ii) if any Interest Period begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month; (iii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; *provided, however,* that if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day; (iv) no Interest Period for any Fixed Rate Loan may be selected that would end after the Revolving Facility Termination Date; and (v) if, upon the expiration of any Interest Period, the Borrower has failed to (or may not) elect a new Interest Period to be applicable to the respective Borrowing of Fixed Rate Loans as provided above, the Borrower shall be deemed to have elected to Convert such Borrowing to Base Rate Loans effective as of the expiration date of such current Interest Period or, in the case of any Foreign Currency Loan, the Borrower shall be required to repay the same in full.

"Interest Rate Protection Agreement" means any interest rate swap agreement, any interest rate cap agreement, any interest rate collar agreement or other similar interest rate management agreement or arrangement, in each case providing for the transfer or mitigation of interest risks either generally or under specific contingencies.

"Investment" means (i) any direct or indirect purchase or other acquisition by a Person of any Equity Interest of any other Person; (ii) any loan, advance (other than deposits with financial institutions available for withdrawal on demand) or extension of credit to, guarantee or assumption of debt or purchase or other acquisition of any other Indebtedness of, any Person by any other Person; or (iii) the purchase, acquisition or investment of or in any stocks, bonds, mutual funds, notes, debentures or other securities, or any deposit account, certificate of deposit or other investment of any kind.

"Judgment Amount" has the meaning provided in Section 11.24.

"KeyBank" means KeyBank National Association.

"LC Commitment Amount" means $20,000,000 or the Dollar Equivalent thereof in Designated Foreign Currency.

"LC Documents" means, with respect to any Letter of Credit, any documents executed in connection with such Letter of Credit, including the Letter of Credit itself.

"LC Fee" means any of the fees payable pursuant to Section 2.11(c) or Section 2.11(d) in respect of Letters of Credit.

"LC Issuance" means the issuance of any Letter of Credit by any LC Issuer for the account of an LC Obligor in accordance with the terms of this Agreement, and shall include any amendment thereto that increases the Stated Amount thereof or extends the expiry date of such Letter of Credit.

"LC Issuer" means KeyBank or any of its Affiliates, or such other Lender that is requested by the Borrower and agrees to be an LC Issuer hereunder and is approved by the Administrative Agent.

"LC Obligor" means, with respect to each LC Issuance, the Borrower or the Subsidiary Guarantor for whose account such Letter of Credit is issued.

"LC Outstandings" means, at any time, the sum, without duplication, of (i) the Dollar Equivalent of the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the Dollar Equivalent of the aggregate amount of all Unreimbursed Drawings with respect to Letters of Credit.

"LC Participant" has the meaning provided in Section 2.05(g)(i).

"LC Participation" has the meaning provided in Section 2.05(g)(i).

"LC Request" has the meaning provided in Section 2.05(b).

"Leaseholds" of any Person means all the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" and "Lenders" have the meaning provided in the first paragraph of this Agreement and includes any other Person that becomes a party hereto pursuant to an Assignment Agreement, other than any such Person that ceases to be a party hereto pursuant to an Assignment Agreement. Unless the context otherwise requires, the term "Lenders" includes the Swing Line Lender.

"Lender Register" has the meaning provided in Section 2.08(b).

"Letter of Credit" means any Standby Letter of Credit or Commercial Letter of Credit, in each case issued by any LC Issuer under this Agreement pursuant to Section 2.05 for the account of any LC Obligor.

"Leverage Ratio" means, for any Testing Period, the ratio of (i) Consolidated Total Debt to (ii) Consolidated EBITDA.

"Lien" means any mortgage, pledge, security interest, hypothecation, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof).

"Loan" means any Revolving Loan, Competitive Bid Loan or Swing Loan.

"Loan Documents" means this Agreement, the Notes, each Guaranty, each Pledge Agreement (if any), the Fee Letter, each Letter of Credit and each other LC Document.

"Loss" has the meaning provided in Section 11.24.

"Margin Stock" has the meaning provided in Regulation U.

"Material Adverse Effect" means any or all of the following: (i) any material adverse effect on the business, operations, property or financial condition of the Borrower and its Subsidiaries, taken as a whole; (ii) any material adverse effect on the ability of the Borrower or the Credit Parties, taken as a whole, to perform its or their obligations under any of the Loan Documents; (iii) any material adverse effect on the ability of the Borrower and its Subsidiaries, taken as a whole, to pay their liabilities and obligations as they mature or become due; or (iv) any material adverse effect on the validity, effectiveness or enforceability, as against any Credit Party, of any of the Loan Documents to which it is a party.

"Material Agreements" means those agreements listed on Schedule 2.

"Material Indebtedness" means, as to the Borrower or any of its Subsidiaries, any particular Indebtedness of the Borrower or such Subsidiary (including any Guaranty Obligations) in excess of the aggregate principal amount of $25,000,000 (or the Dollar Equivalent thereof).

"Material Indebtedness Agreement" means any agreement governing or evidencing any Material Indebtedness.

"Maximum Rate" has the meaning provided in Section 11.23.

"Minimum Borrowing Amount" means (i) with respect to any Base Rate Loan, $500,000 (or the Dollar Equivalent thereof in any Designated Foreign Currency), with minimum increments thereafter of $1,000,000 (or the Dollar Equivalent thereof in any Designated Foreign Currency), (ii) with respect to any Eurodollar Loan or Foreign Currency Loan, $1,500,000 (or the Dollar Equivalent thereof in any Designated Foreign Currency), with minimum increments thereafter of $1,000,000 (or the Dollar Equivalent thereof in any Designated Foreign Currency), and (iii) with respect to Swing Loans, $500,000, with minimum increments thereafter of $100,000.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Multi-Employer Plan" means a multi-employer plan, as defined in Section 4001(a)(3) of ERISA to which the Borrower or any Subsidiary of the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means an employee benefit plan, other than a Multi-Employer Plan, to which the Borrower or any Subsidiary of the Borrower or any ERISA Affiliate, and one or more employers other than the Borrower or a Subsidiary of the Borrower or an ERISA Affiliate, is making or accruing an obligation to make contributions or, if any such plan has been terminated, to which the Borrower or a Subsidiary of the Borrower or an ERISA Affiliate made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

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

"Non-Consenting Lender" has the meaning provided in Section 2.16(b).

"Non-Increasing Lender" has the meaning in Section 2.02(b).

"Note" means a Revolving Facility Note, Competitive Bid Note or a Swing Line Note, as applicable.

"Notice of Borrowing" has the meaning provided in Section 2.06(b).

"Notice of Competitive Bid Borrowing" has the meaning provided in Section 2.03(b).

"Notice of Continuation or Conversion" has the meaning provided in Section 2.10(b).

"Notice of Swing Loan Refunding" has the meaning provided in Section 2.04(b).

"Notice Office" means the office of the Administrative Agent at 127 Public Square, Cleveland, Ohio 44114, Attention: Carolyn Zielski (facsimile: (216) 689-5962), or such other office as the Administrative Agent may designate in writing to the Borrower from time to time.

"Obligations" means all amounts, indemnities and reimbursement obligations, direct or indirect, contingent or absolute, of every type or description, and at any time existing, owing by the Borrower or any other Credit Party to the Administrative Agent, any Lender, the Swing Line Lender or any LC Issuer pursuant to the terms of this Agreement or any other Loan Document (including, but not limited to, interest and fees that accrue after the commencement by or against any Credit Party of any insolvency proceeding, regardless of whether allowed or allowable in such proceeding or subject to an automatic stay under Section 362(a) of the Bankruptcy Code).

"Operating Lease" as applied to any Person means any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is not accounted for as a Capital Lease on the balance sheet of that Person.

"Organizational Documents" means, with respect to any Person (other than an individual), such Person's Articles (Certificate) of Incorporation, or equivalent formation documents, and Regulations (Bylaws), or equivalent governing documents, and, in the case of any partnership, includes any partnership agreement, and, in the case of any limited liability company, includes any operating agreement, and, in each case, and any amendments to any of the foregoing.

"Original Due Date" has the meaning provided in Section 11.24.

"Payment Office" means the office of the Administrative Agent at 127 Public Square, Cleveland, Ohio 44114, Attention: Carolyn Zielski (facsimile: (216) 689-5962), or such other office(s), as the Administrative Agent may designate to the Borrower in writing from time to time.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permitted Acquisition" means any Acquisition as to which all of the following conditions are satisfied:

(i) such Acquisition involves a line or lines of business that is or are, in the good faith discretion of the Borrower's management, complementary to the lines of business in which the Borrower and its Subsidiaries, considered as an entirety, are engaged on the Closing Date;

(ii) no Default or Event of Default shall exist prior to or immediately after giving effect to such Acquisition;

(iii) the Borrower would, after giving effect to such Acquisition, on a *pro forma* basis (as determined in accordance with subpart (v) below), be in compliance with the financial covenants contained in Section 7.07;

(iv) the sum of (A) the Borrower's unrestricted cash and Cash Equivalents and (B) the amount of the Unused Commitment shall be equal to or greater than $5,000,000, both immediately before and after giving effect to such Acquisition; and

(v) at least five Business Days prior to the consummation of any such Acquisition in which the Consideration exceeds $20,000,000, the Borrower shall have delivered to the Administrative Agent (A) a certificate of an Authorized Officer demonstrating, in reasonable detail, the computation of the financial covenants referred to in Section 7.07 on a *pro forma* basis, such *pro forma* ratios being determined as if (y) such Acquisition had been completed at the beginning of the most recent Testing Period for which financial information for the Borrower and the business or Person to be acquired, is available, and (z) any such Indebtedness, or other Indebtedness incurred to finance such Acquisition, had been outstanding for such entire Testing Period, and (B) historical financial statements relating to the business or Person to be acquired and such other information as the Administrative Agent may reasonably request.

"Permitted Foreign Subsidiary Investments" means Investments by a Credit Party to or in a Foreign Subsidiary made on or after the Closing Date in the ordinary course of business, so long as the aggregate amount of all such Investments by all Credit Parties does not, at any time, exceed $75,000,000.

"Permitted Lien" means any Lien permitted by Section 7.03.

"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means any Multi-Employer Plan or Single-Employer Plan.

"Pledge Agreement" means each pledge agreement, share charge or similar agreement, in each case, in form and substance satisfactory to the Administrative Agent, executed and delivered by the Borrower and/or any Subsidiary Guarantor to the Administrative Agent, for the benefit of the Lenders pursuant to Section 6.08(b).

"primary Indebtedness" has the meaning provided in the definition of "Guaranty Obligations."

"primary obligor" has the meaning provided in the definition of "Guaranty Obligations."

"Purchase Date" has the meaning provided in Section 2.04(c).

"Quoted Rate" means, with respect to any Swing Loan, the interest rate quoted to the Borrower by the Swing Line Lender and agreed to by the Borrower as being the interest rate applicable to such Swing Loan.

"RCRA" means the Resource Conservation and Recovery Act, as the same may be amended from time to time, 42 U.S.C. § 6901 *et seq.*

"Real Property" of any Person shall mean all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" or "Released" has the meaning stated in Section 101(22) of CERCLA.

"Reportable Event" means an event described in Section 4043 of ERISA or the regulations thereunder with respect to a Plan, other than those events as to which the notice requirement is waived under subsection .22, .23, .25, .27, .28, .29, .30, .31, .32, .34, .35, .62, .63, .64, .65 or .67 of PBGC Regulation Section 4043.

"Required Lenders" means, (i) at any time prior to the date on which the Commitments have been terminated, Lenders whose Credit Facility Exposure and Unused Revolving Commitments constitute more than 50% of the sum of the Aggregate Credit Facility Exposure and the Unused Total Revolving Commitment, and (ii) at any time on or after the date on which the Commitments have been terminated, the Lender or Lenders that hold more than 50% of the sum of (A) the Aggregate Revolving Facility Exposure, (B) the outstanding principal amount of Swing Loans, and (C) the outstanding principal amount of Competitive Bid Loans.

"Restricted Payment" means (i) any Capital Distribution; or (ii) any amount paid by the Borrower or any of its Subsidiaries in repayment, redemption, retirement, repurchase, direct or indirect, of any Subordinated Indebtedness.

"Revolving Borrowing" means the incurrence of Revolving Loans consisting of one Type of Revolving Loan by the Borrower from all of the Lenders having Revolving Commitments in respect thereof on a *pro rata* basis on a given date (or resulting from Conversions or Continuations on a given date) in the same currency, having in the case of any Fixed Rate Loans the same Interest Period.

"Revolving Commitment" means, with respect to each Lender, the obligation of such Lender to make Revolving Loans and to participate in Letters of Credit in the amount set forth opposite such Lender's name in Schedule 1 as its "Revolving Commitment" or in the case of any Lender that becomes a party hereto pursuant to an Assignment Agreement, the amount set forth in such Assignment Agreement, as such commitment may be reduced from time to time pursuant to Section 2.12(c) or increased from time to time pursuant to Section 2.02(b) or adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 11.06.

"Revolving Facility Availability Period" means the period from the Closing Date until the Revolving Facility Termination Date.

"Revolving Facility Exposure" means, for any Lender at any time, the Dollar Equivalent of the sum of (i) the principal amount of Revolving Loans made by such Lender and outstanding at such time, and (ii) such Lender's share of the LC Outstandings at such time.

"Revolving Facility Note" means a promissory note substantially in the form of Exhibit A-1.

"Revolving Facility Percentage" means, at any time for any Lender, the percentage obtained by dividing such Lender's Revolving Commitment by the Total Revolving Commitment, *provided, however,* that if the Total Revolving Commitment has been terminated, the Revolving Facility Percentage for each Lender shall be determined by dividing such Lender's Revolving Commitment immediately prior to such termination by the Total Revolving Commitment immediately prior to such termination. The Revolving Facility Percentage of each Lender as of the Closing Date is set forth on Schedule 1.

"Revolving Facility Termination Date" means the earlier of (i) December 20, 2010, or (ii) the date that the Commitments have been terminated pursuant to Section 8.02.

"Revolving Loan" means, with respect to each Lender, any loan made by such Lender pursuant to Section 2.02.

"Sale and Lease-Back Transaction" means any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of the Borrower of any property (except for temporary leases for a term, including any renewal thereof, of not more than one year and except for leases between the Borrower and a Subsidiary or between Subsidiaries), which property has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., and its successors.

"SEC" means the United States Securities and Exchange Commission.

"SEC Regulation D" means Regulation D as promulgated under the Securities Act of 1933, as amended, as the same may be in effect from time to time.

"Single-Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, to which the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions or, if any such plan has been terminated, to which the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

"Special Subsidiary" means any of (i) Circor German Holdings and (ii) any Subsidiary of the Borrower substantially all of the assets of which are equity interests in one or more Foreign Subsidiaries of the Borrower.

"Specified Restructuring Charges" means, for any period, non-recurring restructuring or special charges taken (in accordance with GAAP) in connection with plant closings and/or the consolidation of operations that consist of (i) charges for severance payments, (ii) charges for moving and relocation expenses, and (iii) non-cash charges for the write-downs of the book value of assets.

"Standard Permitted Lien" means any of the following: (i) Liens for taxes not yet delinquent or Liens for taxes, assessments or governmental charges being contested in good faith and by appropriate proceedings for which adequate reserves in accordance with GAAP have been established; (ii) Liens in respect of property or assets imposed by law that were incurred in the ordinary course of business, such as carriers', suppliers', warehousemen's, materialmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, that do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries and do not secure any Indebtedness; (iii) Liens created by this Agreement or the other Loan Documents; (iv) Liens arising from judgments, decrees or attachments in

circumstances not constituting an Event of Default under Section 8.01(g); (v) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers compensation, unemployment insurance and other types of social security, and mechanic's Liens, carrier's Liens, and other Liens to secure the performance of tenders, statutory obligations, contract bids, government contracts, surety, appeal, customs, performance and return-of-money bonds and other similar obligations, incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money), whether pursuant to statutory requirements, common law or consensual arrangements; (vi) easements, rights-of-way, zoning or other restrictions, charges, encumbrances, defects in title, prior rights of other persons, and obligations contained in similar instruments, in each case that do not secure Indebtedness and do not involve, either individually or in the aggregate, (A) a substantial disruption of the business activities of the Borrower and its Subsidiaries considered as an entirety, or (B) a Material Adverse Effect; (vii) Liens arising from the rights of lessors under leases (including financing statements regarding property subject to lease) not in violation of the requirements of this Agreement, *provided* that such Liens are only in respect of the property subject to, and secure only, the respective lease (and any other lease with the same or an affiliated lessor); and (viii) rights of consignors of goods, whether or not perfected by the filing of a financing statement under the UCC.

"Standby Letter of Credit" means any standby letter of credit issued for the purpose of supporting workers compensation, liability insurance, releases of contract retention obligations, contract performance guarantee requirements and other bonding obligations or for other lawful purposes.

"Stated Amount" of each Letter of Credit means the maximum amount available to be drawn thereunder (regardless of whether any conditions or other requirements for drawing could then be met).

"Subordinated Indebtedness" means any Indebtedness that has been subordinated to the prior payment in full of all of the Obligations pursuant to a written agreement or written terms reasonably acceptable to the Administrative Agent (acting on instructions from the Required Lenders).

"Subordinated Obligations" has the meaning provided in Section 10.02.

"Subsidiary" of any Person means (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary Voting Power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have Voting Power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries, and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person directly or indirectly through Subsidiaries, owns more than 50% of the Equity Interests of such Person at the time or in which such Person, one or more other Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, has the power to direct the policies, management and affairs thereof. Unless otherwise expressly provided, all references herein to "Subsidiary" shall mean a Subsidiary of the Borrower.

"Subsidiary Guarantor" has the meaning provided in the first paragraph of this Agreement.

"Swing Line Commitment" means $10,000,000.

"Swing Line Facility" means the credit facility established under Section 2.04 pursuant to the Swing Line Commitment of the Swing Line Lender.

"Swing Line Lender" means KeyBank.

"Swing Line Note" means a promissory note substantially in the form of Exhibit A-3.

"Swing Loan" means any loan made by the Swing Line Lender under the Swing Line Facility pursuant to Section 2.04.

"Swing Loan Maturity Date" means, with respect to any Swing Loan, the earlier of (i) the last day of the period for such Swing Loan as established by the Swing Line Lender and agreed to by the Borrower, which shall be less than 30 days, and (ii) the Revolving Facility Termination Date.

"Swing Loan Participation" has the meaning provided in Section 2.04(c).

"Swing Loan Participation Amount" has the meaning provided in Section 2.04(c).

"Synthetic Lease" means any lease (i) that is accounted for by the lessee as an Operating Lease, and (ii) under which the lessee is intended to be the "owner" of the leased property for federal income tax purposes.

"Taxes" has the meaning provided in Section 3.03(a).

"Testing Period" means a single period consisting of the four consecutive fiscal quarters of the Borrower then last ended (whether or not such quarters are all within the same fiscal year), *except* that if a particular provision of this Agreement indicates that a Testing Period shall be of a different specified duration, such Testing Period shall consist of the particular fiscal quarter or quarters then last ended that are so indicated in such provision.

"Total Revolving Commitment" means the sum of the Revolving Commitments of the Lenders as the same may be decreased pursuant to Section 2.12(c) or increased pursuant to Section 2.02(b). As of the Closing Date, the amount of the Total Revolving Commitment is $95,000,000.

"Type" means any type of Loan determined with respect to the interest option and currency denomination applicable thereto, which in each case shall be a Base Rate Loan, a Eurodollar Loan or a Foreign Currency Loan.

"UCC" means the Uniform Commercial Code as in effect from time to time. Unless otherwise specified, the UCC shall refer to the UCC as in effect in the State of New York.

"United States" and "U.S." each means United States of America.

"Unreimbursed Drawing" means, with respect to any Letter of Credit, the aggregate Dollar or Dollar Equivalent amount, as applicable, of the draws made on such Letter of Credit that have not been reimbursed by the Borrower or the applicable LC Obligor or converted to a Revolving Loan pursuant to Section 2.05(f)(i), and, in each case, all interest that accrues thereon pursuant to this Agreement.

"Unused Commitment" means, at any time, the excess of (i) the Total Revolving Commitment at such time over (ii) the Aggregate Credit Facility Exposure at such time.

"Unused Revolving Commitment" means, for any Lender at any time, the excess of (i) such Lender's Revolving Commitment at such time over (ii) such Lender's Revolving Facility Exposure at such time.

"Unused Total Revolving Commitment" means, at any time, the excess of (i) the Total Revolving Commitment at such time over (ii) the Aggregate Revolving Facility Exposure at such time.

"USA Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001.

"Utilization Fees" has the meaning provided in Section 2.1l(b).

"Voting Power" means, with respect to any Person, the exclusive ability to control, through the ownership of shares of capital stock, partnership interests, membership interests or otherwise, the election of members of the board of directors or other similar governing body of such Person, and the holding of a designated percentage of Voting Power of a Person means the ownership of shares of capital stock, partnership interests, membership interests or other interests of such Person sufficient to control exclusively the election of that percentage of the members of the board of directors or similar governing body of such Person.

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each means "to but excluding" and the word "through" means "through and including."

Section 1.03 Accounting Terms. Except as otherwise specifically provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

Section 1.04 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Schedules and Exhibits shall be construed to refer to Sections of, and Schedules and Exhibits to, this Agreement, (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all Real Property, tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and interests in any of the foregoing, and (f) any reference to a statute, rule or regulation is to that statute, rule or regulation as now enacted or as the same may from time to time be amended, re-enacted or expressly replaced.

Section 1.05 Currency Equivalents. Except as otherwise specified herein, all references herein or in any other Loan Document to a dollar amount shall mean such amount in U.S. Dollars or, if the context so requires, the Dollar Equivalent of such amount in any Designated Foreign Currency. The Dollar Equivalent of any amount shall be determined in accordance with the definition of "Dollar Equivalent"; *provided, however,* that notwithstanding the foregoing or anything elsewhere in this Agreement to the contrary, in calculating the Dollar Equivalent of any amount for purposes of determining (i) the Borrower's obligation to prepay Loans or cash collateralize Letters of Credit pursuant

to Section 2.13(b), or (ii) the Borrower's ability to request additional Loans or Letters of Credit pursuant to the Commitments, the Administrative Agent may, in the case of either of the foregoing, in its discretion, calculate the Dollar Equivalent of such amount on any Business Day selected by the Administrative Agent.

ARTICLE II.

THE TERMS OF THE CREDIT FACILITY

Section 2.01 Establishment of the Credit Facility. On the Closing Date, and subject to and upon the terms and conditions set forth in this Agreement and the other Loan Documents, the Administrative Agent, the Lenders, the Swing Line Lender and each LC Issuer agree to establish the Credit Facility for the benefit of the Borrower; *provided*, *however*, that at no time will (i) the Aggregate Credit Facility Exposure exceed the Total Revolving Commitment, or (ii) the Credit Facility Exposure of any Lender exceed the aggregate amount of such Lender's Commitment.

Section 2.02 Revolving Facility.

(a) Generally. During the Revolving Facility Availability Period, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make a Revolving Loan or Revolving Loans to the Borrower from time to time pursuant to such Lender's Revolving Commitment, which Revolving Loans (i) may, except as set forth herein, at the option of the Borrower, be incurred and maintained as, or Converted into, Revolving Loans that are Base Rate Loans, Eurodollar Loans or Foreign Currency Loans, in each case denominated in Dollars or a Designated Foreign Currency, *provided* that all Revolving Loans made as part of the same Revolving Borrowing shall consist of Revolving Loans of the same Type; (ii) may be repaid or prepaid and reborrowed in accordance with the provisions hereof; and (iii) shall not be made if, after giving effect to any such Revolving Loan, (A) the Revolving Facility Exposure of any Lender would exceed such Lender's Revolving Commitment, (B) the sum of (1) the Aggregate Revolving Facility Exposure, (2) the outstanding principal amount of Swing Loans, and (3) the outstanding principal amount of Competitive Bid Loans, would exceed the Total Revolving Commitment, or (C) the Borrower would be required to prepay Loans or cash collateralize Letters of Credit pursuant to Section 2.13(b).

(b) Increase in Revolving Commitments. The Borrower may, by written notice to the Administrative Agent, request that the Total Revolving Commitment be increased by an amount not to exceed $30,000,000 in the aggregate for all such increases from the Closing Date until the Revolving Facility Termination Date, *provided* that no Default or Event of Default has occurred and is continuing at the time of such request and on the date of any such increase. The Administrative Agent shall deliver a copy of such request to each Lender. The Borrower shall set forth in such request the amount of the requested increase in the Total Revolving Commitment (which shall be in minimum increments of $10,000,000 and a minimum amount of $10,000,000) and the date on which such increase is requested to become effective (which shall be not less than 10 Business Days nor more than 60 days after the date of such notice and that, in any event, must be at least 180 days prior to the Revolving Facility Termination Date), and shall offer each Lender the opportunity to increase its Revolving Commitment by its Revolving Facility Percentage of the proposed increased amount. Each Lender shall, by notice to the Borrower and the Administrative Agent given not more than 10 days after the date of the Administrative Agent's notice, either agree to increase its Revolving Commitment by all or a portion of the offered amount (each such Lender so agreeing being an "Increasing Lender") or decline to increase its Revolving Commitment (and any such Lender that does not deliver such a notice within such period of 10 days shall be deemed to have declined to increase its Revolving Commitment and each Lender so declining or being deemed to have declined being a "Non-Increasing Lender"). If, on the 10th day after the Administrative

Agent shall have delivered notice as set forth above, the Increasing Lenders shall have agreed pursuant to the preceding sentence to increase their Revolving Commitments by an aggregate amount less than the increase in the Total Revolving Commitment requested by the Borrower, the Borrower may arrange for one or more banks or other entities that are Eligible Assignees, in each case reasonably acceptable to the Administrative Agent (each such Person so agreeing being an "Augmenting Lender"), to commit to making Revolving Loans pursuant to a Revolving Commitment hereunder in an amount no less than $10,000,000, and the Borrower and each Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence its Revolving Commitment and/or its status as a Lender with a Revolving Commitment hereunder. Any increase in the Total Revolving Commitment may be made in an amount that is less than the increase requested by the Borrower if the Borrower is unable to arrange for, or chooses not to arrange for, Augmenting Lenders.

Each of the parties hereto agrees that the Administrative Agent may take any and all actions as may be reasonably necessary to ensure that after giving effect to any increase in the Total Revolving Commitment pursuant to this Section 2.02, the outstanding Revolving Loans (if any) are held by the Lenders with Revolving Commitments in accordance with their new Revolving Facility Percentages. This may be accomplished at the discretion of the Administrative Agent: (w) by requiring the outstanding Loans to be prepaid with the proceeds of new Borrowings; (x) by causing the Non-Increasing Lenders to assign portions of their outstanding Loans to Increasing Lenders and Augmenting Lenders; (y) by permitting the Borrowings outstanding at the time of any increase in the Total Revolving Commitment pursuant to this Section 2.02(b) to remain outstanding until the last days of the respective Interest Periods therefor, even though the Lenders would hold such Borrowings other than in accordance with their new Revolving Facility Percentages; or (z) by any combination of the foregoing. Any prepayment or assignment described in this paragraph (b) shall be subject to Section 3.02, but otherwise without premium or penalty.

Section 2.03 Competitive Bid Loans.

(a) Generally. Each Lender severally agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the Closing Date until the date occurring 30 days prior to the Revolving Facility Termination Date in the manner set forth below; *provided* that Borrower shall not be permitted to request any Competitive Bid Borrowing (and no Lender shall be required to make any Competitive Bid Loan) if after giving effect thereto the sum of (1) the Aggregate Revolving Facility Exposure, (2) the outstanding principal amount of Swing Loans, and (3) the outstanding principal amount of Competitive Bid Loans, would exceed the Total Revolving Commitment.

(b) Requests for Competitive Bid Borrowings. The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Administrative Agent a written notice of such request substantially in the form of Exhibit B-2 (each such notice, a "Notice of Competitive Bid Borrowing"), specifying therein the requested (a) date of such proposed Competitive Bid Borrowing, (b) aggregate amount of such proposed Competitive Bid Borrowing, (c) interest rate basis and day count convention to be offered by the Lenders, (d) currency of such proposed Competitive Bid Borrowing, (e) in the case of a Competitive Bid Borrowing consisting of Fixed Rate Loans, the initial Interest Period, or in the case of a Competitive Bid Borrowing consisting of Competitive Bid Fixed Rate Loans, the maturity date for repayment of each Competitive Bid Fixed Rate Loan to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the earlier of (A) 180 days after the date of such Competitive Bid Borrowing and (B) the Revolving Facility Termination Date), (f) interest payment date or dates relating thereto, (g) location of the Borrower's account to which funds are to be advanced and (h) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (i) 1:00

P.M. (local time at its Notice Office) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Competitive Bid Loans comprising any such Competitive Bid Borrowing being referred to herein as "Competitive Bid Fixed Rate Loans") and that the Competitive Bid Loans comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, and (ii) 1:00 P.M. (local time at its Notice Office) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Competitive Bid Loans comprising such Competitive Bid Borrowing shall be Eurodollar Loans or Competitive Bid Fixed Rate Loans denominated in any Foreign Currency. Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on the Borrower. The Administrative Agent shall promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(c) Offers to Make Competitive Bid Loans. Upon the Borrower's request in accordance with subpart (b) above, each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Loans to the Borrower at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Administrative Agent, (i) before 11:00 A.M. (local time at its Notice Office) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Competitive Bid Fixed Rate Loans denominated in Dollars, and (ii) before 11:00 A.M. (local time at its Notice Office) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Eurodollar Loans or Competitive Bid Fixed Rate Loans denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Loan which such Lender would be willing to make as part of such Competitive Bid Borrowing (which amounts or the Dollar Equivalent thereof may, subject to the proviso to the first sentence of Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor. Notwithstanding the foregoing, no Lender shall make an offer to make any Competitive Bid Loan pursuant to this Section if the making of such Competitive Bid Loan would result in an obligation by the Borrower to reimburse or otherwise compensate such Lender for any withholding or other tax pursuant to Section 3.03 or otherwise reimburse, compensate or indemnify such Lender for any increased costs pursuant to Section 3.01 or otherwise. If any Lender shall elect not to make such an offer, such Lender shall so notify the Administrative Agent before 10:00 A.M. (local time at its Notice Office) on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Loan as part of such Competitive Bid Borrowing; *provided* that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Loan as part of such proposed Competitive Bid Borrowing.

(d) Acceptance or Cancellation of Competitive Bid Loan.

(i) The Borrower shall, (A) before 1:00 P.M. (local time at its Notice Office) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Competitive Bid Fixed Rate Loans denominated in Dollars, and (B) before 1:00 P.M. (local time at its Notice Office) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Eurodollar Loans or Competitive Bid Fixed Rate Loans denominated in any Foreign Currency, either:

(1) cancel such Competitive Bid Borrowing by giving the Administrative Agent notice to that effect, or

(2) accept one or more of the offers made by any Lender or Lenders pursuant to subpart (c) above, in its sole discretion, by giving notice to the Administrative Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Administrative Agent on behalf of such Lender for such Competitive Bid Loan pursuant to subpart (c) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to subpart (c) above by giving the Administrative Agent notice to that effect. The Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Loans in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(ii) If the Borrower proposing the Competitive Bid Borrowing notifies the Administrative Agent that such Competitive Bid Borrowing is cancelled pursuant to subpart (d)(i)(1) above, the Administrative Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(iii) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to (d)(i)(2) above, the Administrative Agent shall promptly notify (A) each Lender that has made an offer to make a Competitive Bid Loan, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any such offer or offers made by such Lender have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Loan as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Loan to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Loan as part of such Competitive Bid Borrowing, upon receipt, that the Administrative Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article IV.

(iv) If the Borrower notifies the Administrative Agent that it accepts one or more of the offers made by any Lender or Lenders to make a Competitive Bid Loan, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article IV, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Loan to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Loan, as a result of such failure, is not made on such date.

Section 2.04 Swing Line Facility.

(a) Swing Loans. During the Revolving Facility Availability Period, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make a Swing Loan or Swing Loans to the Borrower from time to time, which Swing Loans (i) shall be payable on the Swing Loan Maturity Date applicable to each such Swing Loan; (ii) shall be made only in U.S. Dollars; (iii) may be repaid or prepaid and reborrowed in accordance with the provisions hereof; (iv) may only be made if after giving effect thereto (A) the aggregate principal amount of Swing Loans outstanding does not exceed the Swing Line Commitment, and (B) the sum of (1) the Aggregate Revolving Facility Exposure, (2) the outstanding principal amount of Swing Loans, and (3) the outstanding principal amount of Competitive Bid Loans,

would exceed the Total Revolving Commitment; (v) shall not be made if, after giving effect thereto, the Borrower would be required to prepay Loans or cash collateralize Letters of Credit pursuant to Section 2.13(b); and (vi) shall not be made if the proceeds thereof would be used to repay, in whole or in part, any outstanding Swing Loan.

(b) Swing Loan Refunding. The Swing Line Lender may at any time, in its sole and absolute discretion, direct that the Swing Loans owing to it be refunded by delivering a notice to such effect to the Administrative Agent, specifying the aggregate principal amount thereof (a "Notice of Swing Loan Refunding"). Promptly upon receipt of a Notice of Swing Loan Refunding, the Administrative Agent shall give notice of the contents thereof to the Lenders with Revolving Commitments and, unless an Event of Default specified in Section 8.01(h) in respect of the Borrower has occurred, the Borrower. Each such Notice of Swing Loan Refunding shall be deemed to constitute delivery by the Borrower of a Notice of Borrowing requesting Revolving Loans consisting of Base Rate Loans in the amount of the Swing Loans to which it relates. Each Lender with a Revolving Commitment (including the Swing Line Lender) hereby unconditionally agrees (notwithstanding that any of the conditions specified in Section 4.02 or elsewhere in this Agreement shall not have been satisfied, but subject to the provisions of paragraph (d) below) to make a Revolving Loan to the Borrower in the amount of such Lender's Revolving Facility Percentage of the aggregate amount of the Swing Loans to which such Notice of Swing Loan Refunding relates. Each such Lender shall make the amount of such Revolving Loan available to the Administrative Agent in immediately available funds at the Payment Office not later than 1:00 P.M. (local time at the Payment Office), if such notice is received by such Lender prior to 11:00 A.M. (local time at its Domestic Lending Office), or not later than 1:00 P.M. (local time at the Payment Office) on the next Business Day, if such notice is received by such Lender after such time. The proceeds of such Revolving Loans shall be made immediately available to the Swing Line Lender and applied by it to repay the principal amount of the Swing Loans to which such Notice of Swing Loan Refunding relates.

(c) Swing Loan Participation. If prior to the time a Revolving Loan would otherwise have been made as provided above as a consequence of a Notice of Swing Loan Refunding, any of the events specified in Section 8.0l(h) shall have occurred in respect of the Borrower or one or more of the Lenders with Revolving Commitments shall determine that it is legally prohibited from making a Revolving Loan under such circumstances, each Lender (other than the Swing Line Lender), or each Lender (other than such Swing Line Lender) so prohibited, as the case may be, shall, on the date such Revolving Loan would have been made by it (the "Purchase Date"), purchase an undivided participating interest (a "Swing Loan Participation") in the outstanding Swing Loans to which such Notice of Swing Loan Refunding relates, in an amount (the "Swing Loan Participation Amount") equal to such Lender's Revolving Facility Percentage of such outstanding Swing Loans. On the Purchase Date, each such Lender or each such Lender so prohibited, as the case may be, shall pay to the Swing Line Lender, in immediately available funds, such Lender's Swing Loan Participation Amount, and promptly upon receipt thereof the Swing Line Lender shall, if requested by such other Lender, deliver to such Lender a participation certificate, dated the date of the Swing Line Lender's receipt of the funds from, and evidencing such Lender's Swing Loan Participation in, such Swing Loans and its Swing Loan Participation Amount in respect thereof. If any amount required to be paid by a Lender to the Swing Line Lender pursuant to the above provisions in respect of any Swing Loan Participation is not paid on the date such payment is due, such Lender shall pay to the Swing Line Lender on demand interest on the amount not so paid at the overnight Federal Funds Effective Rate from the due date until such amount is paid in full. Whenever, at any time after the Swing Line Lender has received from any other Lender such Lender's Swing Loan Participation Amount, the Swing Line Lender receives any payment from or on behalf of the Borrower on account of the related Swing Loans, the Swing Line Lender will promptly distribute to such Lender its ratable share of such amount based on its Revolving Facility Percentage of such amount on such date on account of its Swing Loan Participation (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); *provided*, *however*, that if

such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender.

(d) Obligations Unconditional. Each Lender's obligation to make Revolving Loans pursuant to Section 2.04(b) and/or to purchase Swing Loan Participations in connection with a Notice of Swing Loan Refunding shall be subject to the conditions that (i) such Lender shall have received a Notice of Swing Loan Refunding complying with the provisions hereof and (ii) at the time the Swing Loans that are the subject of such Notice of Swing Loan Refunding were made, the Swing Line Lender making the same had no actual written notice from another Lender that an Event of Default had occurred and was continuing, but otherwise shall be absolute and unconditional, shall be solely for the benefit of the Swing Line Lender that gives such Notice of Swing Loan Refunding, and shall not be affected by any circumstance, including, without limitation, (A) any set-off, counterclaim, recoupment, defense or other right that such Lender may have against any other Lender, any Credit Party, or any other Person, or any Credit Party may have against any Lender or other Person, as the case may be, for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default; (C) any event or circumstance involving a Material Adverse Effect; (D) any breach of any Loan Document by any party thereto; or (E) any other circumstance, happening or event, whether or not similar to any of the foregoing.

Section 2.05 Letters of Credit.

(a) LC Issuances. During the Revolving Facility Availability Period, the Borrower may request an LC Issuer at any time and from time to time to issue, for the account of the Borrower or any Subsidiary Guarantor, and subject to and upon the terms and conditions herein set forth, each LC Issuer agrees to issue from time to time Letters of Credit denominated and payable in Dollars or any Designated Foreign Currency and in each case in such form as may be approved by such LC Issuer and the Administrative Agent; *provided*, *however*, that notwithstanding the foregoing, no LC Issuance shall be made if, after giving effect thereto, (i) the LC Outstandings would exceed the LC Commitment Amount, (ii) the Revolving Facility Exposure of any Lender would exceed such Lender's Revolving Commitment, (iii) the sum of (A) the Aggregate Revolving Facility Exposure, (B) the outstanding principal amount of Swing Loans, and (C) the outstanding principal amount of Competitive Bid Loans, would exceed the Total Revolving Commitment, or (iv) the Borrower would be required to prepay Loans or cash collateralize Letters of Credit pursuant to Section 2.13(b). Subject to Section 2.05(c) below, each Letter of Credit shall have an expiry date (including any renewal periods) occurring not later than the earlier of (y) one year from the date of issuance thereof, or (z) 30 Business Days prior to the Revolving Facility Termination Date.

(b) LC Requests. Whenever the Borrower desires that a Letter of Credit be issued for its account or the account of any eligible LC Obligor, the Borrower shall give the Administrative Agent and the applicable LC Issuer written or telephonic notice (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent) which, if in the form of written notice, shall be substantially in the form of Exhibit B-4 (each such request, a "LC Request"), or transmit by electronic communication (if arrangements for doing so have been approved by the applicable LC Issuer), prior to 11:00 A.M. (local time at the Notice Office) at least three Business Days (or such shorter period as may be reasonably acceptable to the relevant LC Issuer) prior to the proposed date of issuance (which shall be a Business Day), which LC Request shall include such supporting documents that such LC Issuer customarily requires in connection therewith (including, in the case of a Letter of Credit for an account party other than the Borrower, an application for, and if applicable a reimbursement agreement with respect to, such Letter of Credit). In the event of any inconsistency between any of the terms or provisions of any LC Document and the terms and provisions of this Agreement respecting Letters of Credit, the terms and provisions of this Agreement shall control.

(c) Auto-Renewal Letters of Credit. If an LC Obligor so requests in any applicable LC Request, each LC Issuer shall agree to issue a Letter of Credit that has automatic renewal provisions; *provided*, *however*, that any Letter of Credit that has automatic renewal provisions must permit such LC Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Once any such Letter of Credit that has automatic renewal provisions has been issued, the Lenders shall be deemed to have authorized (but may not require) such LC Issuer to permit the renewal of such Letter of Credit at any time to an expiry date not later than 30 Business Days prior to the Revolving Facility Termination Date; *provided*, *however*, that such LC Issuer shall not permit any such renewal if (i) such LC Issuer has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof, or (ii) it has received notice (which may be by telephone or in writing) on or before the day that is two Business Days before the date that such LC Issuer is permitted to send a notice of non-renewal from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied.

(d) Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the applicable LC Issuer and the applicable LC Obligor, when a Letter of Credit is issued, (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance (including the International Chamber of Commerce's decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each Commercial Letter of Credit.

(e) Notice of LC Issuance. Each LC Issuer shall, on the date of each LC Issuance by it, give the Administrative Agent, each applicable Lender and the Borrower written notice of such LC Issuance, accompanied by a copy to the Administrative Agent of the Letter of Credit or Letters of Credit issued by it. Each LC Issuer shall provide to the Administrative Agent a quarterly (or monthly if requested by any applicable Lender) summary describing each Letter of Credit issued by such LC Issuer and then outstanding and an identification for the relevant period of the daily aggregate LC Outstandings represented by Letters of Credit issued by such LC Issuer.

(f) Reimbursement Obligations.

(i) The Borrower hereby agrees to reimburse (or cause any LC Obligor for whose account a Letter of Credit was issued to reimburse) each LC Issuer, by making payment directly to such LC Issuer in immediately available funds at the payment office of such LC Issuer, for any Unreimbursed Drawing with respect to any Letter of Credit immediately after, and in any event on the date on which, such LC Issuer notifies the Borrower (or any such other LC Obligor for whose account such Letter of Credit was issued) of such payment or disbursement (which notice to the Borrower (or such other LC Obligor) shall be delivered reasonably promptly after any such payment or disbursement), such payment to be made in Dollars or in the applicable Designated Foreign Currency in which such Letter of Credit is denominated, with interest on the amount so paid or disbursed by such LC Issuer. The Borrower will be deemed to have given a Notice of Borrowing for Revolving Loans that are Base Rate Loans in an aggregate Dollar Equivalent principal amount sufficient to reimburse such Unreimbursed Drawing (and the Administrative Agent shall promptly give notice to the Lenders of such deemed Notice of Borrowing), the Lenders shall, unless they are legally prohibited from doing so, make the Revolving Loans contemplated by such deemed Notice of Borrowing (which Revolving Loans shall be considered

made under Section 2.02), and the proceeds of such Revolving Loans shall be disbursed directly to the applicable LC Issuer to the extent necessary to effect such reimbursement and repayment of the Unreimbursed Drawing, with any excess proceeds to be made available to the Borrower in accordance with the applicable provisions of this Agreement. To the extent such Unreimbursed Drawing is not reimbursed prior to 1:00 P.M. (local time at the payment office of the applicable LC Issuer) on the date of such payment or disbursement, interest on such Unreimbursed Drawing shall accrue, from and including the date paid or disbursed to but not including the date such LC Issuer is reimbursed therefor at a rate per annum that shall be the rate then applicable to Revolving Loans pursuant to Section 2.09(a)(i) that are Base Rate Loans or, if not reimbursed on the date of such payment or disbursement because the Aggregate Revolving Facility Exposure exceeds the Revolving Commitment, then at the Default Rate, any such interest also to be payable on demand.

(ii) Obligations Absolute. Each LC Obligor's obligation under this Section to reimburse each LC Issuer with respect to Unreimbursed Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that such LC Obligor may have or have had against such LC Issuer, the Administrative Agent or any Lender, including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such drawing; *provided*, *however*, that no LC Obligor shall be obligated to reimburse an LC Issuer for any wrongful payment made by such LC Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such LC Issuer.

(g) LC Participations.

(i) Immediately upon each LC Issuance, the LC Issuer of such Letter of Credit shall be deemed to have sold and transferred to each Lender with a Revolving Commitment, and each such Lender (each an "LC Participant") shall be deemed irrevocably and unconditionally to have purchased and received from such LC Issuer, without recourse or warranty, an undivided interest and participation (an "LC Participation"), to the extent of such Lender's Revolving Facility Percentage of the Stated Amount of such Letter of Credit in effect at such time of issuance, in such Letter of Credit, each substitute Letter of Credit, each drawing made thereunder, the obligations of any LC Obligor under this Agreement with respect thereto (although LC Fees relating thereto shall be payable directly to the Administrative Agent for the account of the Lenders as provided in Section 2.11 and the LC Participants shall have no right to receive any portion of any fees of the nature contemplated by Section 2.1l(c), (d) or (e)), the obligations of any LC Obligor under any LC Documents pertaining thereto, and any security for, or guaranty pertaining to, any of the foregoing.

(ii) In determining whether to pay under any Letter of Credit, an LC Issuer shall not have any obligation relative to the LC Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an LC Issuer under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for such LC Issuer any resulting liability.

(iii) If an LC Issuer makes any payment under any Letter of Credit and the applicable LC Obligor shall not have reimbursed such amount in full to such LC Issuer pursuant to

Section 2.05(f), such LC Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each LC Participant of such failure, and each LC Participant shall promptly and unconditionally pay to the Administrative Agent for the account of such LC Issuer, the amount of such LC Participant's Revolving Facility Percentage of such payment in Dollars or in the applicable Designated Foreign Currency in which such Letter of Credit is denominated and in same-day funds; *provided*, *however*, that no LC Participant shall be obligated to pay to the Administrative Agent its Revolving Facility Percentage of such unreimbursed amount for any wrongful payment made by such LC Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such LC Issuer. If the Administrative Agent so notifies any LC Participant required to fund a payment under a Letter of Credit prior to 11:00 A.M. (local time at its Notice Office) on any Business Day, such LC Participant shall make available to the Administrative Agent for the account of the relevant LC Issuer such LC Participant's Revolving Facility Percentage of the amount of such payment on such Business Day in same-day funds. If and to the extent such LC Participant shall not have so made its Revolving Facility Percentage of the amount of such payment available to the Administrative Agent for the account of the relevant LC Issuer, such LC Participant agrees to pay to the Administrative Agent for the account of such LC Issuer, forthwith on demand, such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of such LC Issuer at the Federal Funds Effective Rate. The failure of any LC Participant to make available to the Administrative Agent for the account of the relevant LC Issuer its Revolving Facility Percentage of any payment under any Letter of Credit shall not relieve any other LC Participant of its obligation hereunder to make available to the Administrative Agent for the account of such LC Issuer its Revolving Facility Percentage of any payment under any Letter of Credit on the date required, as specified above, but no LC Participant shall be responsible for the failure of any other LC Participant to make available to the Administrative Agent for the account of such LC Issuer such other LC Participant's Revolving Facility Percentage of any such payment.

(iv) Whenever an LC Issuer receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of such LC Issuer any payments from the LC Participants pursuant to subpart (iii) above, such LC Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each LC Participant that has paid its Revolving Facility Percentage thereof, in same-day funds, an amount equal to such LC Participant's Revolving Facility Percentage of the principal amount thereof and interest thereon accruing after the purchase of the respective LC Participations, as and to the extent so received.

(v) The obligations of the LC Participants to make payments to the Administrative Agent for the account of each LC Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(A) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(B) the existence of any claim, set-off defense or other right that any LC Obligor may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, any LC Issuer, any Lender, or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated

herein or any unrelated transactions (including any underlying transaction between the applicable LC Obligor and the beneficiary named in any such Letter of Credit), other than any claim that the applicable LC Obligor may have against any applicable LC Issuer for gross negligence or willful misconduct of such LC Issuer in making payment under any applicable Letter of Credit;

(C) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(D) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents; or

(E) the occurrence of any Default or Event of Default.

(vi) To the extent any LC Issuer is not indemnified by the Borrower or any LC Obligor, the LC Participants will reimburse and indemnify such LC Issuer, in proportion to their respective Revolving Facility Percentages, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature that may be imposed on, asserted against or incurred by such LC Issuer in performing its respective duties in any way related to or arising out of LC Issuances by it; *provided, however,* that no LC Participants shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements resulting from such LC Issuer's gross negligence or willful misconduct.

Section 2.06 Notice of Borrowing.

(a) Time of Notice. Each Borrowing of a Loan (other than a Continuation or Conversion) shall be made upon notice in the form provided for below which shall be provided by the Borrower to the Administrative Agent at its Notice Office not later than (i) in the case of each Borrowing of a Fixed Rate Loan, 1:00 P.M. (local time at its Notice Office) at least three Business Days' prior to the date of such Borrowing, (ii) in the case of each Borrowing of a Base Rate Loan, prior to 1:00 P.M. (local time at its Notice Office) on the proposed date of such Borrowing, and (iii) in the case of any Borrowing under the Swing Line Facility, prior to 1:00 P.M. (local time at its Notice Office) on the proposed date of such Borrowing.

(b) Notice of Borrowing. Each request for a Borrowing (other than a Competitive Bid Borrowing or a Continuation or Conversion) shall be made by an Authorized Officer of the Borrower by delivering written notice of such request substantially in the form of Exhibit B-l (each such notice, a "Notice of Borrowing") or by telephone (to be confirmed immediately in writing by delivery by an Authorized Officer of the Borrower of a Notice of Borrowing), and in any event each such request shall be irrevocable and shall specify (i) the aggregate principal amount of the Loans to be made pursuant to such Borrowing, (ii) the date of the Borrowing (which shall be a Business Day), (iii) the Type of Loans such Borrowing will consist of, and (iv) if applicable, the initial Interest Period, the Swing Loan Maturity Date (which shall be less than 30 days) and Designated Foreign Currency applicable thereto. Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice permitted to be given hereunder, the Administrative Agent may act prior to receipt of written confirmation without liability upon the basis of such telephonic notice believed by the Administrative Agent in good faith to be from an Authorized Officer of the Borrower entitled to give telephonic notices under this Agreement on behalf of the Borrower. In each such case, the Administrative Agent's record of the terms of such telephonic notice shall be conclusive absent manifest error.

(c) Minimum Borrowing Amount. The aggregate principal amount of each Borrowing by the Borrower shall not be less than the Minimum Borrowing Amount.

(d) Maximum Borrowings. More than one Borrowing may be incurred by the Borrower on any day; *provided*, *however*, that (i) if there are two or more Borrowings on a single day by the Borrower that consist of Fixed Rate Loans, each such Borrowing shall have a different initial Interest Period, (ii) at no time shall there be more than seven Borrowings of Fixed Rate Loans outstanding hereunder, (iii) at no time shall there be more than two Borrowings of Swing Loans outstanding hereunder, and (iv) at no time shall there be more than 10 Borrowings outstanding hereunder.

Section 2.07 Funding Obligations; Disbursement of Funds.

(a) Several Nature of Funding Obligations. The Commitments of each Lender hereunder and the obligation of each Lender to make Loans, acquire and fund Swing Loan Participations, and LC Participations, as the case may be, are several and not joint obligations. No Lender shall be responsible for any default by any other Lender in its obligation to make Loans or fund any participation hereunder and each Lender shall be obligated to make the Loans provided to be made by it and fund its participations required to be funded by it hereunder, regardless of the failure of any other Lender to fulfill any of its Commitments hereunder. Nothing herein and no subsequent termination of the Commitments pursuant to Section 2.12 shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder and in existence from time to time or to prejudice any rights that the Borrower may have against any Lender as a result of any default by such Lender hereunder.

(b) Borrowings *Pro Rata*. Except with respect to the making of Swing Loans by the Swing Line Lender and the making of Competitive Bid Loans, all Loans hereunder shall be made and LC Participations acquired by each Lender on a *pro rata* basis based upon each Lender's Revolving Facility Percentage of the amount of such Revolving Borrowing or Letter of Credit in effect on the date the applicable Revolving Borrowing is to be made or the Letter of Credit is to be issued.

(c) Notice to Lenders. The Administrative Agent shall promptly give each Lender, as applicable, written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing, or Conversion or Continuation thereof, and LC Issuance, and of such Lender's proportionate share thereof or participation therein and of the other matters covered by the Notice of Borrowing, Notice of Continuation or Conversion, or LC Request, as the case may be, relating thereto.

(d) Funding of Loans.

(i) Loans Generally. No later than 1:00 P.M. (local time at the Payment Office) on the date specified in each Notice of Borrowing or Notice of Competitive Bid Borrowing, each Lender (or, in the case of any such Notice of Competitive Bid Borrowing, each Lender selected by the Borrower to make a Competitive Bid Loan, which has agreed to make such Loan in accordance with Section 2.03) will make available its amount, if any, of each Borrowing requested to be made on such date to the Administrative Agent at the Payment Office in Dollars or the applicable Designated Foreign Currency and in immediately available funds and the Administrative Agent promptly will make available to the Borrower by depositing to its account at the Payment Office (or such other account as the Borrower shall specify) the aggregate of the amounts so made available in the type of funds received.

(ii) Swing Loans. No later than 1:00 P.M. (local time at the Payment Office) on the date specified in each Notice of Borrowing, the Swing Line Lender will make available to the

Borrower by depositing to its account at the Payment Office (or such other account as the Borrower shall specify) the aggregate of Swing Loans requested in such Notice of Borrowing.

(e) Advance Funding. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made the same available to the Borrower, the Administrative Agent shall be entitled to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent at a rate per annum equal to (i) if paid by such Lender, the overnight Federal Funds Effective Rate or (ii) if paid by the Borrower, the then applicable rate of interest, calculated in accordance with Section 2.09, for the respective Loans (but without any requirement to pay any amounts in respect thereof pursuant to Section 3.02).

Section 2.08 Evidence of Obligations.

(a) Loan Accounts of Lenders. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Obligations of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) Loan Accounts of Administrative Agent; Lender Register. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan and Borrowing made hereunder, the Type thereof, the currency in which such Loan is denominated, the Interest Period and applicable interest rate and, in the case of a Swing Loan, the Swing Loan Maturity Date applicable thereto, (ii) the amount and other details with respect to each Letter of Credit issued hereunder, (iii) the amount of any principal due and payable or to become due and payable from the Borrower to each Lender hereunder, (iv) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof, and (v) the other details relating to the Loans, Letters of Credit and other Obligations. In addition, the Administrative Agent, on behalf of the Borrower, shall maintain a register (the "Lender Register") on or in which it will record the names and addresses of the Lenders, and the Commitments, and principal amount of the Loans owing to each of the Lenders pursuant to the terms hereof from time to time. Notwithstanding notice to the contrary, each Person whose name is recorded in the Lender Register pursuant to the terms hereof shall be treated as a Lender for all purposes hereunder. The Administrative Agent will make the Lender Register available to any Lender or the Borrower upon its request.

(c) Effect of Loan Accounts, etc. The entries made in the accounts maintained pursuant to Section 2.08(b) shall be *prima facie* evidence of the existence and amounts of the Obligations recorded therein; *provided*, that the failure of the Administrative Agent to maintain such accounts or any error (other than manifest error) therein shall not in any manner affect the obligation of any Credit Party to repay or prepay the Loans or the other Obligations in accordance with the terms of this Agreement.

(d) Notes. Upon request of any Lender or the Swing Line Lender, the Borrower will execute and deliver to such Lender or the Swing Line Lender, as the case may be, (i) a Revolving Facility Note with blanks appropriately completed in conformity herewith to evidence the Borrower's obligation to pay the principal of, and interest on, the Revolving Loans made to it by such Lender, and (ii) a Swing Line Note with blanks appropriately completed in conformity herewith to evidence the Borrower's obligation to pay the principal of, and interest on, the Swing Loans made to it by the Swing Line Lender; *provided*, *however*, that the decision of any Lender or the Swing Line Lender to not request a Note shall in no way detract from the Borrower's obligation to repay the Loans and other amounts owing by the Borrower to such Lender or the Swing Line Lender. The indebtedness of the Borrower resulting from each Competitive Bid Loan shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Loan.

Section 2.09 Interest; Default Rate.

(a) Interest on Revolving Loans. The outstanding principal amount of each Revolving Loan made by each Lender shall bear interest at a fluctuating rate per annum that shall at all times be equal to (i) during such periods as such Revolving Loan is a Base Rate Loan, the Base Rate plus the Applicable Margin in effect from time to time, (ii) during such periods as such Revolving Loan is a Eurodollar Loan, the relevant Adjusted Eurodollar Rate for such Eurodollar Loan for the applicable Interest Period plus the Applicable Margin in effect from time to time, and (iii) during such periods as a Revolving Loan is a Foreign Currency Loan, the relevant Adjusted Foreign Currency Rate for such Foreign Currency Loan for the applicable Interest Period plus the Applicable Margin in effect from time to time.

(b) Interest on Competitive Bid Loans. The outstanding principal amount of each Competitive Bid Loan shall bear interest from the date on which such Competitive Bid Loan was made to the date on which the principal amount of such Competitive Bid Loan is repaid in full, at the rate of interest for such Competitive Bid Loan specified by the Lender making such Competitive Bid Loan in its notice with respect thereto delivered pursuant to Section 2.03(a), payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Loan in the related Notice of Competitive Bid Borrowing, as provided in the Competitive Bid Note evidencing such Competitive Bid Loan.

(c) Interest on Swing Loans. The outstanding principal amount of each Swing Loan shall bear interest from the date of the Borrowing at a rate per annum that shall be equal to the Quoted Rate applicable thereto. Each Swing Loan shall bear interest for a minimum of one day.

(d) Default Interest. Notwithstanding the above provisions, if an Event of Default is in existence, upon written notice by the Administrative Agent (which notice the Administrative Agent shall give at the direction of the Required Lenders), (i) all outstanding amounts of principal and, to the extent permitted by law, all overdue interest, in respect of each Loan shall bear interest, payable on demand, at a rate per annum equal to the Default Rate, and (ii) the LC Fees shall be increased by an additional 1% per annum in excess of the LC Fees otherwise applicable thereto. In addition, if any amount (other than amounts as to which the foregoing subparts (i) and (ii) are applicable) payable by the Borrower under the Loan Documents is not paid when due, upon written notice by the Administrative Agent (which notice the Administrative Agent shall give at the direction of the Required Lenders), such amount shall bear interest, payable on demand, at a rate per annum equal to the Default Rate.

(e) Accrual and Payment of Interest. Interest shall accrue from and including the date of any Borrowing to but excluding the date of any prepayment or repayment thereof and shall be payable by the Borrower as follows: (i) in respect of each Base Rate Loan, quarterly in arrears on the last Business Day of each March, June, September and December, (ii) in respect of each Fixed Rate Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on

the dates that are successively three months after the commencement of such Interest Period, (iii) in respect of any Swing Loan, on the Swing Loan Maturity Date applicable thereto, and (iv) in respect of all other Loans, on (A) the date of any repayment or prepayment (other than a repayment or prepayment of a Revolving Loan that is a Base Rate Loan prior to the Revolving Facility Termination Date) on the amount repaid or prepaid, (B) the date of any Conversion on the amount Converted, and (C) the Revolving Facility Termination Date, (v) in respect of any interest not paid when due pursuant to any of the foregoing subparts, on demand, and (vi) in respect of any interest payable pursuant to Section 2.09(c), on demand.

(f) Computations of Interest. All computations of interest on Fixed Rate Loans and Swing Loans hereunder shall be made on the actual number of days elapsed over a year of 360 days. All computations of interest on Base Rate Loans and Unreimbursed Drawings hereunder shall be made on the actual number of days elapsed over a year of 365 or 366 days, as applicable. Notwithstanding the foregoing, all computations of interest in respect of Competitive Bid Loans shall be made as specified in the applicable Notice of Competitive Bid Borrowing.

(g) Information as to Interest Rates. The Administrative Agent, upon determining the interest rate for any Borrowing, shall promptly notify the Borrower and the Lenders thereof. Any changes in the Applicable Margin shall be determined by the Administrative Agent in accordance with the provisions set forth in the definition of "Applicable Margin" and the Administrative Agent will promptly provide notice of such determinations to the Borrower and the Lenders. Any such determination by the Administrative Agent shall be conclusive and binding absent manifest error.

Section 2.10 Conversion and Continuation of Loans.

(a) Conversion and Continuation of Revolving Loans. The Borrower shall have the right, subject to the terms and conditions of this Agreement, to (i) Convert all or a portion of the outstanding principal amount of Loans of one Type made to it into a Borrowing or Borrowings of another Type of Loans that can be made to it pursuant to this Agreement and (ii) Continue a Borrowing of Eurodollar Loans or Foreign Currency Loans, as the case may be, at the end of the applicable Interest Period as a new Borrowing of Eurodollar Loans or Foreign Currency Loans (in the same Designated Foreign Currency as the original Foreign Currency Loan) with a new Interest Period; *provided*, *however*, that (A) no Foreign Currency Loan may be Converted into a Base Rate Loan, Eurodollar Loan or a Foreign Currency Loan that is denominated in a different Designated Foreign Currency, and (B) any Conversion of Eurodollar Loans into Base Rate Loans shall be made on, and only on, the last day of an Interest Period for such Eurodollar Loans.

(b) Notice of Continuation and Conversion. Each Continuation or Conversion of a Loan shall be made upon notice in the form provided for below provided by the Borrower to the Administrative Agent at its Notice Office not later than (i) in the case of each Continuation of or Conversion into a Fixed Rate Loan, prior to 1:00 P.M. (local time at its Notice Office) at least three Business Days' prior to the date of such Continuation or Conversion, and (ii) in the case of each Conversion to a Base Rate Loan, prior to 1:00 P.M. (local time at its Notice Office) on the proposed date of such Conversion. Each such request shall be made by an Authorized Officer of the Borrower delivering written notice of such request substantially in the form of Exhibit B-3 (each such notice, a "Notice of Continuation or Conversion") or by telephone (to be confirmed immediately in writing by delivery by an Authorized Officer of the Borrower of a Notice of Continuation or Conversion), and in any event each such request shall be irrevocable and shall specify (A) the Borrowings to be Continued or Converted, (B) the date of the Continuation or Conversion (which shall be a Business Day), and (C) the Interest Period or, in the case of a Continuation, the new Interest Period. Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice permitted to be given hereunder, the Administrative Agent may

act prior to receipt of written confirmation without liability upon the basis of such telephonic notice believed by the Administrative Agent in good faith to be from an Authorized Officer of the Borrower entitled to give telephonic notices under this Agreement on behalf of the Borrower. In each such case, the Administrative Agent's record of the terms of such telephonic notice shall be conclusive absent manifest error.

Section 2.11 Fees.

(a) Facility Fees. The Borrower agrees to pay to the Administrative Agent, for the ratable benefit of each Lender based upon each such Lender's Revolving Facility Percentage, as consideration for the Revolving Commitments of the Lenders, facility fees (the "Facility Fees") for the period from the Closing Date to, but not including, the Revolving Facility Termination Date, computed for each day at a rate per annum equal to (i) the Applicable Facility Fee Rate in effect on such day times (ii) the Total Revolving Commitment in effect on such day. Accrued Facility Fees shall be due and payable in arrears on the last Business Day of each December, March, June and September and on the Revolving Facility Termination Date.

(b) Utilization Fees. The Borrower agrees to pay to the Administrative Agent utilization fees (the "Utilization Fees") for the account of each Lender (other than the Designated Bidders) that has a Commitment for each day on which the aggregate principal amount of outstanding Loans made by all Lenders exceeds 50% of the Total Revolving Commitment, computed for each such day at a rate per annum equal to (i) 0.10% times (ii) the aggregate Revolving Facility Exposure attributable to such Lender on such day. Accrued Utilization Fees, if any, shall be due and payable in arrears on the last Business Day of each December, March, June and September and on the Revolving Facility Termination Date.

(c) LC Fees.

(i) Standby Letters of Credit. The Borrower agrees to pay to the Administrative Agent, for the ratable benefit of each Lender with a Revolving Commitment based upon each such Lender's Revolving Facility Percentage, a fee in respect of each Letter of Credit issued hereunder that is a Standby Letter of Credit for the period from the date of issuance of such Letter of Credit until the expiration date thereof (including any extensions of such expiration date that may be made at the election of the account party or the beneficiary), computed for each day at a rate per annum equal to (A) the Applicable Margin for Revolving Loans that are Eurodollar Loans in effect on such day times (B) the Stated Amount of such Letter of Credit on such day. The foregoing fees shall be payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Revolving Facility Termination Date.

(ii) Commercial Letters of Credit. The Borrower agrees to pay to the Administrative Agent for the ratable benefit of each Lender based upon each such Lender's Revolving Facility Percentage, a fee in respect of each Letter of Credit issued hereunder that is a Commercial Letter of Credit in an amount equal to (A) the Applicable Margin for Revolving Loans that are Eurodollar Loans in effect on the date of issuance times (B) the Stated Amount of such Letter of Credit. The foregoing fees shall be payable on the date of issuance of such Letter of Credit.

(d) Fronting Fees. The Borrower agrees to pay directly to each LC Issuer, for its own account, a fee in respect of each Letter of Credit issued by it, payable on the date of issuance (or any increase in the amount, or renewal or extension) thereof, computed at the rate of 0.125% per annum on the Stated Amount thereof for the period from the date of issuance (or increase, renewal or extension) to the expiration date thereof (including any extensions of such expiration date which may be made at the election of the beneficiary thereof).

(e) Additional Charges of LC Issuer. The Borrower agrees to pay directly to each LC Issuer upon each LC Issuance, drawing under, or amendment, extension, renewal or transfer of, a Letter of Credit issued by it such amount as shall at the time of such LC Issuance, drawing under, amendment, extension, renewal or transfer be the processing charge that such LC Issuer is customarily charging for issuances of, drawings under or amendments, extensions, renewals or transfers of, letters of credit issued by it.

(f) Administrative Agent Fees. The Borrower shall pay to the Administrative Agent, on the Closing Date and thereafter, for its own account, the fees set forth in the Fee Letter.

(g) Computations of Fees. All computations of Facility Fees, LC Fees and other Fees hereunder shall be made on the actual number of days elapsed over a year of 360 days.

Section 2.12 Termination and Reduction of Revolving Commitments.

(a) Mandatory Termination of Revolving Commitments. All of the Revolving Commitments shall terminate on the Revolving Facility Termination Date.

(b) Voluntary Termination of the Total Revolving Commitment. Upon at least three Business Days' prior irrevocable written notice (or telephonic notice confirmed in writing) to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right to terminate in whole the Total Revolving Commitment, *provided* that (i) all outstanding Revolving Loans and Unreimbursed Drawings are contemporaneously prepaid in accordance with Section 2.13 and (ii) either there are no outstanding Letters of Credit or the Borrower shall contemporaneously cause all outstanding Letters of Credit to be surrendered for cancellation (any such Letters of Credit to be replaced by letters of credit issued by other financial institutions reasonably acceptable to each LC Issuer and the Revolving Lenders), *provided further*, that a notice of termination of the Total Revolving Commitment may state that such notice is conditioned on the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(c) Partial Reduction of Total Revolving Commitment. Upon at least three Business Days' prior irrevocable written notice (or telephonic notice confirmed in writing) to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right to partially and permanently reduce the Unused Total Revolving Commitment; *provided*, *however*, that (i) any such reduction shall apply to proportionately (based on each Lender's Revolving Facility Percentage) and permanently reduce the Revolving Commitment of each Lender, (ii) such reduction shall apply to proportionately and permanently reduce the LC Commitment Amount, but only to the extent that the Unused Total Revolving Commitment would be reduced below any such limits, (iii) no such reduction shall be permitted if the Borrower would be required to make a mandatory prepayment of Loans or cash collateralize Letters of Credit pursuant to Section 2.13, and (iv) any partial reduction shall be in the amount of at least $5,000,000 (or, if greater, in integral multiples of $ 1,000,000); *provided further* that the Unused Total Revolving Commitment shall not be reduced to an amount that is less than the aggregate principal amount of Competitive Bid Loans then outstanding.

Section 2.13 Voluntary, Scheduled and Mandatory Prepayments of Loans.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay from time to time any of the Loans (other than Competitive Bid Loans) owing by it, in whole or in part, without premium or penalty (except as specified in subparts (c) and (d) below). The Borrower shall give the Administrative

Agent at the Notice Office written or telephonic notice (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent) of its intent to prepay the Loans, the amount of such prepayment and (in the case of Fixed Rate Loans) the specific Borrowing(s) pursuant to which the prepayment is to be made, which notice shall be received by the Administrative Agent by (y) 11:00 A.M. (local time at the Notice Office) two Business Days prior to the date of such prepayment, in the case of any prepayment of Fixed Rate Loans, or (z) 11:00 A.M. (local time at the Notice Office) one Business Day prior to the date of such prepayment, in the case of any prepayment of Base Rate Loans, and which notice shall promptly be transmitted by the Administrative Agent to each of the affected Lenders, *provided* that:

(i) each partial prepayment shall be in an aggregate principal amount of at least (A) in the case of any prepayment of a Fixed Rate Loan, $1,500,000 (or, if less, the full amount of such Borrowing) or the Dollar Equivalent thereof, or an integral multiple of $1,000,000 or the Dollar Equivalent thereof in excess thereof, (B) in the case of any prepayment of a Base Rate Loan, $1,500,000 (or, if less, the full amount of such Borrowing) or the Dollar Equivalent thereof, or an integral multiple of $1,000,000 or the Dollar Equivalent thereof in excess thereof, and (C) in the case of any prepayment of a Swing Loan, in the full amount thereof; and

(ii) no partial prepayment of any Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of such Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto,

(b) Mandatory Payments. The Loans shall be subject to mandatory repayment or prepayment (in the case of any partial prepayment conforming to the requirements as to the amounts of partial prepayments set forth in Section 2.13(a) above), and the LC Outstandings shall be subject to cash collateralization requirements, in accordance with the following provisions:

(i) Maturity. The entire principal amount of all outstanding Revolving Loans shall be repaid in full on the Revolving Facility Termination Date. The Borrower shall repay each Competitive Bid Loan to the Administrative Agent for the account of the Lender that has made such Competitive Bid Loan, on the maturity date applicable to such Competitive Bid Loan, the then unpaid principal amount of such Competitive Bid Loan.

(ii) Loans Exceed the Commitments. If on any date (after giving effect to any other payments on such date) (A) the Revolving Facility Exposure of any Lender exceeds such Lender's Revolving Commitment, (B) the sum of (1) the Aggregate Revolving Facility Exposure, (2) the outstanding principal amount of Swing Loans, and (3) the outstanding principal amount of Competitive Bid Loans, exceeds the Total Revolving Commitment, or (C) the aggregate principal amount of Swing Loans outstanding exceeds the Swing Line Commitment, *then*, in the case of each of the foregoing, the Borrower shall, on such day, prepay on such date the principal amount of Loans and, after Loans have been paid in full, Unreimbursed Drawings, in an aggregate amount at least equal to such excess.

(iii) LC Outstandings Exceed LC Commitment If on any date the LC Outstandings exceed the LC Commitment Amount, *then* the applicable LC Obligor or the Borrower shall, on such day, pay to the Administrative Agent an amount in cash equal to such excess and the Administrative Agent shall hold such payment as security for the reimbursement obligations of the applicable LC Obligors hereunder in respect of Letters of Credit pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent, each LC Issuer and the Borrower (which shall permit certain investments in Cash Equivalents reasonably satisfactory to the Administrative Agent, each LC Issuer and the

Borrower until the proceeds are applied to any Unreimbursed Drawing or to any other Obligations in accordance with any such cash collateral agreement and which shall provide for regular remittance to the Borrower of any interest accrued on such cash collateral amount).

(c) Particular Loans to be Prepaid. With respect to each repayment or prepayment of Loans made or required by this Section, the Borrower shall designate the Types of Loans that are to be repaid or prepaid and the specific Borrowing(s) pursuant to which such repayment or prepayment is to be made; *provided, however*, that (i) the Borrower shall first so designate all Loans that are Base Rate Loans and Fixed Rate Loans with Interest Periods ending on the date of repayment or prepayment prior to designating any other Fixed Rate Loans for repayment or prepayment, and (ii) if the outstanding principal amount of Fixed Rate Loans made pursuant to a Borrowing is reduced below the applicable Minimum Borrowing Amount as a result of any such repayment or prepayment, then all the Loans outstanding pursuant to such Borrowing shall, in the case of Eurodollar Loans, be Converted into Base Rate Loans and, in the case of Foreign Currency Loans, be repaid in full. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs owing under Article III.

(d) Breakage and Other Compensation. Any prepayment made pursuant to this Section 2.13 shall be accompanied by any amounts payable in respect thereof under Article III.

Section 2.14 Method and Place of Payment.

(a) Generally. All payments made by the Borrower hereunder (including any payments made with respect to the Borrower Guaranteed Obligations under Article X) under any Note or any other Loan Document, shall be made without setoff, counterclaim or other defense.

(b) Application of Payments. Except as specifically set forth elsewhere in this Agreement and subject to Section 8.03, (i) all payments and prepayments of Revolving Loans and Unreimbursed Drawings with respect to Letters of Credit shall be applied by the Administrative Agent on a *pro rata* basis based upon each Lender's Revolving Facility Percentage of the amount of such prepayment, and (ii) all payments or prepayments of Swing Loans shall be applied by the Administrative Agent to pay or prepay such Swing Loans.

(c) Payment of Obligations. Except as specifically set forth elsewhere in this Agreement, all payments under this Agreement with respect to any of the Obligations shall be made to the Administrative Agent on the date when due and shall be made at the Payment Office in immediately available funds and, except as set forth in the next sentence, shall be made in Dollars. With respect to any Foreign Currency Loan, all payments (including prepayments) to any Lender of the principal of or interest on such Foreign Currency Loan shall be made in the same Designated Foreign Currency as the original Loan and with respect to any Letter of Credit issued in a Designated Foreign Currency, all Unreimbursed Drawings with respect to each such Letter of Credit shall be made in the same Designated Foreign Currency in which each such Letter of Credit was issued.

(d)) Timing of Payments. Any payments under this Agreement that are made later than 11:00 A.M. (local time at the Payment Office) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

(e) Distribution to Lenders. Upon the Administrative Agent's receipt of payments hereunder, the Administrative Agent shall immediately distribute to each Lender or the applicable LC Issuer, as the case may be, its ratable share, if any, of the amount of principal, interest, and Fees received by it for the account of such Lender. Payments received by the Administrative Agent in Dollars shall be delivered to the Lenders or the applicable LC Issuer, as the case may be, in Dollars in immediately available funds. Payments received by the Administrative Agent in any Designated Foreign Currency shall be delivered to the Lenders or the applicable LC Issuer, as the case may be, in such Designated Foreign Currency in same-day funds; *provided, however*, that if at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, Unreimbursed Drawings, interest and Fees then due hereunder then, except as specifically set forth elsewhere in this Agreement and subject to Section 8.03, such funds shall be applied, *first*, towards payment of interest and Fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and Fees then due to such parties, and *second*, towards payment of principal and Unreimbursed Drawings then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and Unreimbursed Drawings then due to such parties.

Section 2.15 Guaranty by the Borrower.

(a) Borrower Guaranteed Obligations. The Borrower hereby unconditionally guarantees, for the benefit of the Benefited Creditors, all of the following (collectively, the "Borrower Guaranteed Obligations"): all amounts, indemnities and reimbursement obligations, direct or indirect, contingent or absolute, of every type or description, and at any time existing owing by any Subsidiary of the Borrower under any Designated Hedge Agreement or any other document or agreement executed and delivered in connection therewith to any Designated Hedge Creditor, in all cases whether now existing or hereafter incurred or arising, including any such interest or other amounts incurred or arising during the pendency of any bankruptcy, insolvency, reorganization, receivership or similar proceeding, regardless of whether allowed or allowable in such proceeding or subject to an automatic stay under Section 362(a) of the Bankruptcy Code). Upon failure by any Credit Party to pay punctually any of the Borrower Guaranteed Obligations, the Borrower shall forthwith on demand by the Administrative Agent pay the amount not so paid at the place and in the currency and otherwise in the manner specified in this Agreement or any other applicable agreement or instrument.

(b) Additional Undertaking. As a separate, additional and continuing obligation, the Borrower unconditionally and irrevocably undertakes and agrees, for the benefit of the Benefited Creditors that, should any Borrower Guaranteed Obligations not be recoverable from the Borrower under Section 2.15(a) for any reason whatsoever (including, without limitation, by reason of any provision of any Loan Document or any other agreement or instrument executed in connection therewith being or becoming void, unenforceable, or otherwise invalid under any applicable law) then, notwithstanding any notice or knowledge thereof by any Lender, the Administrative Agent, any of their respective Affiliates, or any other person, at any time, the Borrower as sole, original and independent obligor, upon demand by the Administrative Agent, will make payment to the Administrative Agent, for the account of the Benefited Creditors, of all such obligations not so recoverable by way of full indemnity, in such currency and otherwise in such manner as is provided in the Loan Documents or any other applicable agreement or instrument.

(c) Guaranty Unconditional. The obligations of the Borrower under this Section 2.15 shall be unconditional and absolute and, without limiting the generality of the foregoing shall not be released, discharged or otherwise affected by the occurrence, one or more times, of any of the following:

(i) any extension, renewal, settlement, compromise, waiver or release in respect to the Borrower Guaranteed Obligations under any agreement or instrument, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to this Agreement, any Note, any other Loan Document, or any agreement or instrument evidencing or relating to any Borrower Guaranteed Obligation;

(iii) any release, non-perfection or invalidity of any direct or indirect security for the Borrower Guaranteed Obligations under any agreement or instrument evidencing or relating to any Borrower Guaranteed Obligations;

(iv) any change in the corporate existence, structure or ownership of any Credit Party or other Subsidiary or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Credit Party or other Subsidiary or its assets or any resulting release or discharge of any obligation of any Credit Party or other Subsidiary contained in any agreement or instrument evidencing or relating to any of the Borrower Guaranteed Obligations;

(v) the existence of any claim, set-off or other rights which the Borrower may have at any time against any other Credit Party, the Administrative Agent, any Lender, any Affiliate of any Lender or any other Person, whether in connection herewith or any unrelated transactions;

(vi) any invalidity or unenforceability relating to or against any other Credit Party for any reason of any agreement or instrument evidencing or relating to any of the Borrower Guaranteed Obligations, or any provision of applicable law or regulation purporting to prohibit the payment by any Credit Party of any of the Borrower Guaranteed Obligations; or

(vii) any other act or omission of any kind by any other Credit Party, the Administrative Agent, any Lender or any other Person or any other circumstance whatsoever which might, but for the provisions of this Section 2.15, constitute a legal or equitable discharge of the Borrower's obligations under this Section other than the irrevocable payment in full of all Borrower Guaranteed Obligations.

(d) Borrower Obligations to Remain in Effect; Restoration. The Borrower's obligations under this Section 2.15 shall remain in full force and effect until the Commitments shall have terminated, and the principal of and interest on the Notes and other Borrower Guaranteed Obligations, and all other amounts payable by the Borrower, any other Credit Party or other Subsidiary, under the Loan Documents or any other agreement or instrument evidencing or relating to any of the Borrower Guaranteed Obligations, shall have been paid in full. If at any time any payment of any of the Borrower Guaranteed Obligations is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of such Credit Party, the Borrower's obligations under this Section 2.15 with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

(e) Waiver of Acceptance, etc. The Borrower irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any person against any other Credit Party or any other Person, or against any collateral or guaranty of any other Person.

(f) Subrogation. Until the indefeasible payment in full of all of the Obligations and the termination of the Commitments hereunder, the Borrower shall have no rights, by operation of law or

otherwise, upon making any payment under this Section to be subrogated to the rights of the payee against any other Credit Party with respect to such payment or otherwise to be reimbursed, indemnified or exonerated by any such Credit Party in respect thereof.

(g) Effect of Stay. If acceleration of the time for payment of any amount payable by any Credit Party under any of the Borrower Guaranteed Obligations is stayed upon insolvency, bankruptcy or reorganization of such Credit Party, all such amounts otherwise subject to acceleration under the terms of any applicable agreement or instrument evidencing or relating to any of the Borrower Guaranteed Obligations shall nonetheless be payable by the Borrower under this Section 2.15 forthwith on demand by the Administrative Agent.

Section 2.16 Extension of Termination Date. (a) At least 45 days but not more than 90 days prior to the fourth anniversary of the Closing Date (or any anniversary of the Closing Date occurring thereafter), the Borrower, by written notice to the Administrative Agent, may request an extension of the Revolving Facility Termination Date in effect at such time by one year from its then scheduled expiration. The Administrative Agent shall promptly notify each Lender of such request, and each Lender shall in turn, in its sole discretion, at least 30 days prior to the applicable anniversary date, notify the Borrower and the Administrative Agent in writing as to whether such Lender will consent to such extension. If any Lender shall fail to notify the Administrative Agent and the Borrower in writing of its consent to any such request for extension of the Revolving Facility Termination Date at least 20 days prior to the Revolving Facility Termination Date, such Lender shall be deemed to be a Non-Consenting Lender with respect to such request. The Administrative Agent shall notify the Borrower not later than 15 days prior to the applicable anniversary date of the decision of the Lenders regarding the Borrower's request for an extension of the Revolving Facility Termination Date.

(b) If all the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.16, the Revolving Facility Termination Date in effect at such time shall, effective as at the applicable anniversary date (the "Extension Date"), be extended for one year; *provided* that on each Extension Date the applicable conditions set forth in Section 4.02 shall be satisfied. If less than all of the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.16, the Revolving Facility Termination Date in effect at such time shall, effective as at the applicable Extension Date and subject to subsection (d) of this Section 2.16, be extended as to those Lenders that so consented (each a "Consenting Lender") but shall not be extended as to any other Lender (each a "Non-Consenting Lender"). To the extent that the Revolving Facility Termination Date is not extended as to any Lender pursuant to this Section 2.16 and the Commitment of such Lender is not assumed in accordance with subsection (c) of this Section 2.16 on or prior to the applicable Extension Date, the Commitment of such Non-Consenting Lender shall automatically terminate in whole on such unextended Revolving Facility Termination Date without any further notice or other action by the Borrower, such Lender or any other Person; *provided* that such Non-Consenting Lender's rights under Sections 3.01, 11.01 or 11.02, and its obligations under Section 9.09, shall survive the Revolving Facility Termination Date for such Lender as to matters occurring prior to such date. It is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Borrower for any requested extension of the Revolving Facility Termination Date.

(c) If less than all of the Lenders consent to any such request pursuant to subsection (a) of this Section 2.16, the Administrative Agent shall promptly so notify the Consenting Lenders, and each Consenting Lender may, in its sole discretion, give written notice to the Administrative Agent not later than 10 days prior to the Revolving Facility Termination Date of the amount of the Non-Consenting Lenders' Commitments for which it is willing to accept an assignment. If the Consenting Lenders notify the Administrative Agent that they are willing to accept assignments of Commitments in an aggregate amount that exceeds the amount of the Commitments of the Non-Consenting Lenders, such Commitments

shall be allocated among the Consenting Lenders willing to accept such assignments in such amounts as are agreed between the Borrower and the Administrative Agent. If after giving effect to the assignments of Commitments described above there remains any Commitments of Non-Consenting Lenders, the Borrower may arrange for one or more Consenting Lenders or other Eligible Assignees (each, an "Assuming Lender") to assume, effective as of the Extension Date, any Non-Consenting Lender's Commitment and all of the obligations of such Non-Consenting Lender under this Agreement thereafter arising, without recourse to or warranty by, or expense to, such Non-Consenting Lender; *provided, however,* that the amount of the Commitment of any such Assuming Lender as a result of such substitution shall in no event be less than $10,000,000 unless the amount of the Commitment of such Non-Consenting Lender is less than $10,000,000, in which case such Assuming Lender shall assume all of such lesser amount; and *provided further* that:

(i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Consenting Lender (A) the aggregate principal amount of, and any interest accrued and unpaid to the effective date of the assignment on, the Revolving Credit Exposure, if any, of such Non-Consenting Lender plus (B) any accrued but unpaid Fees owing to such Non-Consenting Lender as of the effective date of such assignment;

(ii) all additional costs reimbursements, expense reimbursements and indemnities payable to such Non-Consenting Lender, and all other accrued and unpaid amounts owing to such Non-Consenting Lender hereunder, as of the effective date of such assignment shall have been paid to such Non-Consenting Lender; and

(iii) with respect to any such Assuming Lender, the applicable processing and recordation fee required under Section 11.06(c)(i)(D) for such assignment shall have been paid;

provided further that such Non-Consenting Lender's rights under Sections 3.01, 11.01 or 11.02, and its obligations under Section 9.09, shall survive such substitution as to matters occurring prior to the date of substitution. At least three Business Days prior to any Extension Date, (A) each such Assuming Lender, if any, shall have delivered to the Borrower and the Administrative Agent an Assumption Agreement, duly executed by such Assuming Lender, such Non-Consenting Lender, the Borrower and the Administrative Agent, (B) any such Consenting Lender shall have delivered confirmation in writing satisfactory to the Borrower and the Administrative Agent as to the increase in the amount of its Commitment and (C) each Non-Consenting Lender being replaced pursuant to this Section 2.16 shall have delivered to the Administrative Agent any Note or Notes held by such Non-Consenting Lender. Upon the payment or prepayment of all amounts referred to in clauses (i), (ii) and (iii) of the immediately preceding sentence, each such Consenting Lender or Assuming Lender, as of the Extension Date, will be substituted for such Non-Consenting Lender under this Agreement and shall be a Lender for all purposes of this Agreement, without any further acknowledgment by or the consent of the other Lenders, and the obligations of each such Non-Consenting Lender hereunder shall, by the provisions hereof, be released and discharged.

(d) If (after giving effect to any assignments or assumptions pursuant to subsection (c) of this Section 2.16) Lenders having Commitments equal to at least 50% of the Commitments in effect immediately prior to the Extension Date consent in writing to a requested extension (whether by execution or delivery of an Assumption Agreement or otherwise) not later than one Business Day prior to such Extension Date, the Administrative Agent shall so notify the Borrower, and, subject to the satisfaction of the applicable conditions in Section 4.02, the Revolving Facility Termination Date then in effect shall be extended for the additional one-year period as described in subsection (a) of this Section 2.16, and all references in this Agreement, and in the Notes, if any, to the "Revolving Facility Termination Date" shall, with respect to each Consenting Lender and each Assuming Lender for such

Extension Date, refer to the Revolving Facility Termination Date as so extended. Promptly following each Extension Date, the Administrative Agent shall notify the Lenders (including, without limitation, each Assuming Lender) of the extension of the scheduled Revolving Facility Termination Date in effect immediately prior thereto and shall thereupon record in the Lender Register the relevant information with respect to each such Consenting Lender and each such Assuming Lender.

ARTICLE III.

INCREASED COSTS, ILLEGALITY AND TAXES

Section 3.01 Increased Costs, Illegality, etc.

(a) Subject to Section 3.05, if (y) in the case of clause (i) below, the Administrative Agent or (z) in the case of clauses (ii) and (iii) below, any Lender, shall have determined on a reasonable basis (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the interest rate applicable to any Fixed Rate Loan for any Interest Period that, by reason of any changes arising after the Closing Date, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in this Agreement for such Fixed Rate Loan; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable by it hereunder in an amount that such Lender deems material with respect to any Fixed Rate Loans (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges) because of (x) any change since the date such Lender becomes party to this Agreement in any applicable law, governmental rule, regulation, guideline, order or request (whether or not having the force of law), or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline, order or request (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves already includable in the interest rate applicable to such Fixed Rate Loan pursuant to this Agreement) or (y) other circumstances arising after the date such Lender becomes party to this Agreement adversely affecting the London interbank market or the position of such Lender in any such market; or

(iii) at any time, that the making or continuance of any Fixed Rate Loan has become unlawful by compliance by such Lender in good faith with any change since the date such Lender becomes party to this Agreement in any law, governmental rule, regulation, guideline or order, or the interpretation or application thereof, or would conflict with any thereof not having the force of law but with which such Lender customarily complies, or has become impracticable as a result of a contingency occurring after the date such Lender becomes party to this Agreement that materially adversely affects the London interbank market;

then, and in each such event, such Lender (or the Administrative Agent in the case of clause (i) above) shall (1) on or promptly following such date or time and (2) within 10 Business Days of the date on which such event no longer exists give notice (by telephone confirmed in writing) to the Borrower and to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, the affected Type of Fixed Rate Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent

no longer exist, and any Notice of Borrowing, Notice of Competitive Bid Borrowing or Notice of Continuation or Conversion given by the Borrower with respect to such Type of Fixed Rate Loans that have not yet been incurred, Converted or Continued shall be deemed rescinded by the Borrower or, in the case of a Notice of Borrowing other than a Borrowing of Foreign Currency Loans, shall, at the option of the Borrower, be deemed converted into a Notice of Borrowing for Base Rate Loans to be made on the date of Borrowing contained in such Notice of Borrowing, (y) in the case of clause (ii) above, the Borrower shall pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing the basis for the calculation thereof, which basis must be reasonable, submitted to the Borrower by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 3.01(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Fixed Rate Loan is affected by the circumstances described in Section 3.01(a)(ii) or (iii), the Borrower may (and in the case of a Fixed Rate Loan affected pursuant to Section 3.01(a)(iii) the Borrower shall) either (i) if the affected Fixed Rate Loan is then being made pursuant to a Borrowing, by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Borrower was notified by a Lender pursuant to Section 3.01(a)(ii) or (iii), cancel said Borrowing, or, in the case of any Borrowing other than a Borrowing of Foreign Currency Loans, convert the related Notice of Borrowing into one requesting a Borrowing of Base Rate Loans or require the affected Lender to make its requested Loan as a Base Rate Loan, or (ii) if the affected Fixed Rate Loan is then outstanding, upon at least one Business Day's notice to the Administrative Agent, require the affected Lender to Convert each such Fixed Rate Loan into a Base Rate Loan or, in the case of a Foreign Currency Loan, prepay in full such Foreign Currency Loan; *provided, however,* that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 3.01(b).

(c) If any Lender shall have determined that after the date such Lender becomes party to this Agreement, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged by law with the interpretation or administration thereof, or compliance by such Lender or its parent corporation with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank, or comparable agency, in each case made subsequent to the date such Lender becomes party to this Agreement, has or would have the effect of reducing by an amount reasonably deemed by such Lender to be material to the rate of return on such Lender's or its parent corporation's capital or assets as a consequence of such Lender's commitments or obligations hereunder to a level below that which such Lender or its parent corporation could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent corporation's policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent corporation for such reduction. Any affected Lender, upon determining in good faith that any additional amounts are payable pursuant to this Section 3.01(c), will give prompt written notice thereof to the Borrower, which notice shall set forth, in reasonable detail, the basis of the calculation of such additional amounts, which basis must be reasonable, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 3.0l(c) upon the subsequent receipt of such notice.

(d) Notwithstanding anything in this Agreement to the contrary, (i) no Lender shall be entitled to compensation or payment or reimbursement of other amounts under Section 3.01 or Section 3.04 for any amounts incurred or accruing more than 90 days prior to the giving of notice to the Borrower of additional costs or other amounts of the nature described in such Sections, and (ii) no Lender shall demand compensation for any reduction referred to in Section 3.01(c) or payment or reimbursement of other amounts under Section 3.04 if it shall not at the time be the general policy or practice of such Lender to demand such compensation, payment or reimbursement of borrowers in similar circumstances under comparable provisions of other credit agreements.

Section 3.02 Breakage Compensation. The Borrower shall compensate any Lender (including the Swing Line Lender), upon its written request (which request shall set forth the detailed basis for requesting and the method of calculating such compensation), for all reasonable losses, costs, expenses and liabilities (including, without limitation, any loss, cost, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Fixed Rate Loans or Swing Loans and costs associated with foreign currency hedging obligations incurred by such Lender in connection with any Fixed Rate Loan) which such Lender has incurred in connection with any of the following: (i) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of Fixed Rate Loans or Swing Loans does not occur on a date specified therefor in a Notice of Borrowing, a Notice of Competitive Bid Borrowing or a Notice of Continuation or Conversion (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 3.01 (a)); (ii) if any repayment, prepayment, Conversion or Continuation of any Fixed Rate Loan occurs on a date that is not the last day of an Interest Period applicable thereto or any Swing Loan is paid prior to the Swing Loan Maturity Date applicable thereto; (iii) if any prepayment of any of its Fixed Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower; (iv) as a result of an assignment by a Lender of any Fixed Rate Loan other than on the last day of the Interest Period applicable thereto pursuant to a request by the Borrower pursuant to Section 3.05(b); or (v) as a consequence of (y) any other default by the Borrower to repay or prepay any Fixed Rate Loans when required by the terms of this Agreement or (z) an election made pursuant to Section 3.05(b). The written request of any affected Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such request within 10 days after receipt thereof.

Section 3.03 Net Payments.

(a) Except as provided for in Section 3.03(b), all payments made by the Borrower hereunder, under any Note or any other Loan Document, including all payments made by the Borrower pursuant to its guaranty obligations under Section 2.15, will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, with respect to the Administrative Agent, any Lender, or any other recipient of any payment made by the Borrower hereunder, (i) any tax imposed on or measured by the net income or net profits of such Person and franchise taxes imposed on it pursuant to the laws of the jurisdiction under which such Lender is organized or the jurisdiction in which the principal office or Applicable Lending Office of such Lender, as applicable, is located or in which it is otherwise doing business or any subdivision thereof or therein, and (ii) any branch profits or similar taxes imposed by any jurisdiction in which such Person is located) and all interest, penalties or similar liabilities with respect to such non-excluded taxes, levies imposts, duties, fees, assessments or other charges other than those resulting from the gross negligence or willful misconduct of the Administrative Agent, any Lender, or any other recipient of any payment made by the Borrower hereunder (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other

charges being referred to collectively as "Taxes"). If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes and such additional amounts (including additional amounts to compensate for withholding on amounts paid pursuant to this Section 3.03) as may be necessary so that every payment by it of all amounts due hereunder, under any Note or under any other Loan Document, after withholding or deduction of any Taxes will not be less than the amount provided for herein or in such Note or in such other Loan Document. The Borrower will indemnify and hold harmless any Lender, and reimburse such Lender upon its written request, for the amount of any Taxes imposed on and paid by such Lender. The Borrower will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes, or any withholding or deduction on account thereof, is due pursuant to applicable law certified copies of tax receipts, or other evidence reasonably satisfactory to the respective Lender, evidencing such payment by the Borrower.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for federal income tax purposes and that is entitled to claim an exemption from or reduction in United States withholding tax with respect to a payment by Borrower agrees to provide to the Borrower and the Administrative Agent on or prior to the Closing Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 11.06 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer and such Lender is in compliance with the provisions of this Section), on or prior to the date of such assignment or transfer to such Lender, and from time to time thereafter if required by the Borrower or the Administrative Agent two accurate and complete original signed copies of Internal Revenue Service Forms W-8BEN, W-8ECI, W-8EXP or W-8IMY (or successor, substitute or other appropriate forms and, in the case of Form W-8IMY, complete with accompanying Forms W-8BEN with respect to beneficial owners of the payment) certifying to such Lender's entitlement to exemption from or a reduced rate of withholding of United States withholding tax with respect to payments to be made under this Agreement, any Note or any other Loan Document, along with any other appropriate documentation establishing such exemption or reduction (such as statements certifying qualification for exemption with respect to portfolio interest). In addition, each Lender agrees that from time to time after the Closing Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of the applicable Internal Revenue Service form establishing such exemption or reduction (such as statements certifying qualification for exemption with respect to portfolio interest) and any related documentation as may be required to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax if the Lender continues to be so entitled. No Lender shall be required by this Section 3.03(b) to deliver a form or certificate that it is not legally entitled to deliver. The Borrower shall not be obligated pursuant to Section 3.03(a) to pay additional amounts on account of or indemnify with respect to Taxes to the extent that such Taxes arise solely due to a Lender's failure to deliver forms that it was legally entitled to but failed to deliver under this Section 3.03(b). The Borrower agrees to pay additional amounts and indemnify each Lender in the manner set forth in Section 3.03(a) in respect of any Taxes deducted or withheld by it as a result of any changes after the date such Lender becomes party to this Agreement in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

(c) Each Lender or Administrative Agent that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) for federal income tax purposes shall deliver at the time(s) and in the manner(s) prescribed by applicable law, to the Borrower and the Administrative Agent (as applicable), a properly completed and duly executed Internal Revenue Service Form W-9 or any successor form, certifying that such Person is exempt from United States backup withholding tax on payments made hereunder. The Borrower shall not be obligated pursuant to Section 3.03(a) to pay additional amounts on account of or indemnify with respect to Taxes to the extent that such Taxes arise

solely due to a Person's failure to deliver forms that it was legally entitled to but failed to deliver under this Section 3.03(c).

(d) If any Lender, in its reasonable discretion, determines that it has finally and irrevocably received or been granted a refund in respect of any Taxes as to which indemnification has been paid by the Borrower pursuant to this Section 3.03, it shall promptly remit such refund (including any interest received in respect thereof), net of all out-of-pocket costs and expenses to the Borrower; *provided*, *however*, that the Borrower agrees to promptly return any such refund (plus interest) to such Lender in the event such Lender is required to repay such refund to the relevant taxing authority. Any such Lender shall provide the Borrower with a copy of any notice of assessment from the relevant taxing authority (redacting any unrelated confidential information contained therein) requiring repayment of such refund. Nothing contained herein shall impose an obligation on any Lender to apply for any such refund.

Section 3.04 Increased Costs to LC Issuers. If after the date an LC Issuer or Lender becomes party to this Agreement, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any LC Issuer or any Lender with any request or directive (whether or not having the force of law) by any such authority, central bank or comparable agency (in each case made subsequent to the Closing Date) shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by such LC Issuer or such Lender's participation therein, or (ii) impose on such LC Issuer or any Lender any other conditions affecting this Agreement, any Letter of Credit or such Lender's participation therein; and the result of any of the foregoing is to increase the cost to such LC Issuer or such Lender of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such LC Issuer or such Lender hereunder (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges), then, upon demand to the Borrower by such LC Issuer or such Lender (a copy of which notice shall be sent by such LC Issuer or such Lender to the Administrative Agent), the Borrower shall pay to such LC Issuer or such Lender such additional amount or amounts as will compensate any such LC Issuer or such Lender for such increased cost or reduction. A certificate submitted to the Borrower by any affected LC Issuer or Lender, as the case may be (a copy of which certificate shall be sent by such LC Issuer or such Lender to the Administrative Agent), setting forth, in reasonable detail, the basis for the determination of such additional amount or amounts necessary to compensate such LC Issuer or such Lender as aforesaid shall be conclusive and binding on the Borrower absent manifest error, although the failure to deliver any such certificate shall not release or diminish the Borrower's obligations to pay additional amounts pursuant to this Section 3.04.

Section 3.05 Change of Lending Office; Replacement of Lenders.

(a) Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Sections 3.01(a)(ii) or (iii), 3.01(c), 3.03 or 3.04 requiring the payment of additional amounts to the Lender, such Lender will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another Applicable Lending Office for any Loans or Commitments affected by such event; *provided*, *however*, that such designation is made on such terms that such Lender and its Applicable Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section.

(b) If (i) any Lender requests any compensation, reimbursement or other payment under Sections 3.01(a)(ii) or (iii), 3.01(c) or 3.04 with respect to such Lender, or (ii) the Borrower is required to pay any additional amount to any Lender or Governmental Authority pursuant to Section 3.03, then the

Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with the restrictions contained in Section 11.06(c)), all its interests, rights and obligations under this Agreement to an Eligible Assignee that shall assume such obligations; *provided*, *however*, that (1) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld or delayed, (2) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts, including any breakage compensation under Section 3.02), and (3) in the case of any such assignment resulting from a claim for compensation, reimbursement or other payments required to be made under Section 3.01(a)(ii) or (iii), Section 3.01(c) or Section 3.04 with respect to such Lender, or resulting from any required payments to any Lender or Governmental Authority pursuant to Section 3.03, such assignment will result in a reduction in such compensation, reimbursement or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

(c) Nothing in this Section 3.05 shall affect or postpone any of the obligations of the Borrower or the right of any Lender provided in Sections 3.01, 3.03 or 3.04.

ARTICLE IV.

CONDITIONS PRECEDENT

Section 4.01 Conditions Precedent at Closing Date. The obligation of the Lenders to make Loans, and of any LC Issuer to issue Letters of Credit, is subject to the satisfaction of each of the following conditions on or prior to the Closing Date:

(i) Credit Agreement. This Agreement shall have been executed by the Borrower, the Subsidiary Guarantors, the Administrative Agent, each LC Issuer and each of the Lenders.

(ii) Notes. The Borrower shall have executed and delivered to the Administrative Agent the appropriate Note or Notes for the account of each Lender that has requested the same.

(iii) Fees. The Borrower shall have paid (A) to the Administrative Agent, for its own account, the fees required to be paid by it on the Closing Date described in the Fee Letter, (B) all fees payable to the Lenders on the Closing Date agreed to by the Borrower on or prior to the Closing Date, and (C) all reasonable fees and expenses of the Administrative Agent and of special counsel to the Administrative Agent that have been invoiced on or prior to the Closing Date in connection with the preparation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby.

(iv) Corporate Resolutions and Approvals. The Administrative Agent shall have received certified copies of the resolutions of the Board of Directors of the Borrower and each Subsidiary Guarantor approving the Loan Documents to which the Borrower or any such Subsidiary Guarantor, as the case may be, is or may become a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the execution, delivery and performance by the Borrower or any such Subsidiary Guarantor of the Loan Documents to which it is or may become a party.

(v) Incumbency Certificates. The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of the Borrower and of each Subsidiary Guarantor certifying the names and true signatures of the officers of the Borrower or such Subsidiary Guarantor, as the case may be, authorized to sign the Loan Documents to which the Borrower or such Subsidiary Guarantor is a party and any other documents to which the Borrower or any such other Subsidiary Guarantor is a party that may be executed and delivered in connection herewith.

(vi) Opinions of Counsel. The Administrative Agent shall have received such opinions of counsel from counsel to the Borrower and the Subsidiary Guarantors as the Administrative Agent shall request, each of which shall be addressed to the Administrative Agent and each of the Lenders and dated the Closing Date and in form and substance reasonably satisfactory to the Administrative Agent.

(vii) Search Reports. The Administrative Agent shall have received the results of UCC and other search reports from one or more commercial search firms reasonably acceptable to the Administrative Agent, listing all of the effective financing statements filed against any Credit Party, together with copies of such financing statements.

(viii) Corporate Charter and Good Standing Certificates. The Administrative Agent shall have received: (A) an original certified copy of the Certificate or Articles of Incorporation or equivalent formation document of the Borrower and any and all amendments and restatements thereof, certified as of a recent date by the relevant Secretary of State; (B) an original good standing certificate for each Credit Party from the Secretary of State of the state of its incorporation or formation, dated as of a recent date, listing all charter documents affecting such Credit Party and certifying as to the good standing of such Credit Party; and (C) copies of the Certificate or Articles of Incorporation or equivalent formation document of each Credit Party and any and all amendments and restatement thereof, certified by the Secretary (or equivalent officer) of such Credit Party.

(ix) Closing Certificate. The Administrative Agent shall have received a certificate substantially in the form of Exhibit D, dated the Closing Date, of an Authorized Officer of the Borrower, certifying that, at and as of the Closing Date, (A) both before and after giving effect to the initial Borrowings hereunder and the application of the proceeds thereof, (1) no Default or Event of Default has occurred or is continuing and (2) all representations and warranties of the Credit Parties contained herein or in the other Loan Documents are true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is true and correct in all respects); and (B) attached as Annex 1 to such certificate is the list of Immaterial Subsidiaries (which annex shall include calculations demonstrating that such Subsidiaries comply with the definition of “Immaterial Subsidiary” in Section 1.01).

(x) Existing Indebtedness. On the Closing Date, after giving effect to the transactions contemplated herein, the Borrower and its Subsidiaries shall have outstanding no Indebtedness other than (A) the Loans and (B) Indebtedness permitted under Section 7.04. All other Indebtedness and agreements in respect thereof, including, without limitation, the Existing Credit Agreement, shall be terminated and all Liens securing such Indebtedness shall be released or arrangements, to the satisfaction of the Administrative Agent, shall have been made for such release.

(xi) Material Agreements, etc. The Borrower shall have delivered to the Administrative Agent copies of any and all Material Agreements, and the Administrative Agent shall be satisfied with such agreements.

(xii) Proceedings and Documents. All corporate and other proceedings and all documents incidental to the transactions contemplated hereby shall be in form and substance reasonably satisfactory to the Administrative Agent and the Lenders and the Administrative Agent and its special counsel and the Lenders shall have received all such counterpart originals or certified or other copies of such documents as the Administrative Agent or its special counsel or any Lender may reasonably request.

(xiii) Miscellaneous. The Credit Parties shall have provided to the Administrative Agent and the Lenders such other items and shall have satisfied such other conditions as may be reasonably required by the Administrative Agent or the Lenders.

Section 4.02 Conditions Precedent to All Credit Events. The obligations of the Lenders, the Swing Line Lender and each LC Issuer to make or participate in each Credit Event is subject, at the time thereof, to the satisfaction of the following conditions:

(a) Notice. The Administrative Agent (and in the case of subpart (iii) below, the applicable LC Issuer) shall have received, as applicable, (i) a Notice of Borrowing meeting the requirements of Section 2.06(b) with respect to any Borrowing (other than a Continuation or Conversion), (ii) a Notice of Continuation or Conversion meeting the requirements of Section 2.10(b) with respect to a Continuation or Conversion, or (iii) an LC Request meeting the requirements of Section 2.05(b) with respect to each LC Issuance.

(b) No Default; Representations and Warranties. At the time of each Credit Event and also after giving effect thereto, (i) there shall exist no Default or Event of Default and (ii) all representations and warranties of the Credit Parties contained herein or in the other Loan Documents shall be true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty shall be true and correct in all respects) with the same effect as though such representations and warranties had been made on and as of the date of such Credit Event, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty shall be true and correct in all respects) as of the date when made.

The acceptance of the benefits of each Credit Event shall constitute a representation and warranty by the Borrower to the Administrative Agent, the Swing Line Lender, each LC Issuer and each of the Lenders that all of the applicable conditions specified in Section 4.01 and Section 4.02 have been satisfied as of the times referred to in such Sections.

Section 4.03 Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Loan on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Loan as part of such Competitive Bid Borrowing is subject, at the time thereof, to the satisfaction of the following conditions:

(a) the Administrative Agent shall have received a Notice of Competitive Bid Borrowing meeting the requirements of Section 2.03(b) with respect to such Competitive Bid Borrowing;

(b) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Administrative Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Loans to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Loan to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Loan in accordance with Section 2.03; and

(c) at the time of the making of each Competitive Bid Loan and also after giving effect thereto, (i) there shall exist no Default or Event of Default and (ii) all representations and warranties of the Credit Parties contained herein or in the other Loan Documents shall be true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty shall be true and correct in all respects) with the same effect as though such representations and warranties had been made on and as of the date of such Competitive Bid Loan, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty shall be true and correct in all respects) as of the date when made.

The acceptance of the benefits of each Competitive Bid Loan shall constitute a representation and warranty by the Borrower to the Administrative Agent, the Swing Line Lender, each LC Issuer and each of the Lenders that all of the applicable conditions specified in Section 4.01 and Section 4.03 have been satisfied as of the times referred to in such Sections.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent, the Lenders and each LC Issuer to enter into this Agreement and to make the Loans and to issue and to participate in the Letters of Credit provided for herein, the Borrower and the other Credit Parties each makes the following representations and warranties to, and agreements with, the Administrative Agent, the Lenders and each LC Issuer, all of which shall survive the execution and delivery of this Agreement and each Credit Event:

Section 5.01 Corporate Status. Each of the Borrower and its Subsidiaries (other than any Immaterial Subsidiaries) (i) is a duly organized or formed and validly existing corporation, partnership or limited liability company, as the case may be, in good standing or in full force and effect under the laws of the jurisdiction of its formation and has the corporate, partnership or limited liability company power and authority, as applicable, to own its property and assets and to transact the business in which it is engaged and presently proposes to engage, and (ii) has duly qualified and is authorized to do business in all jurisdictions where it is required to be so qualified or authorized except where the failure to be so qualified would not have a Material Adverse Effect. Schedule 5.01 lists, as of the Closing Date, each Subsidiary of the Borrower (and the direct and indirect ownership interest of the Borrower therein).

Section 5.02 Corporate Power and Authority. Each Credit Party has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of the Loan Documents to which it is party and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is party. Each Credit Party has duly executed and delivered each Loan Document to which it is party and each Loan Document to which it is party constitutes the legal, valid and binding agreement and obligation of such Credit Party enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws

generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

Section 5.03 No Violation. Neither the execution, delivery and performance by any Credit Party of the Loan Documents to which it is party nor compliance with the terms and provisions thereof (i) will contravene any provision of any law, statute, rule, regulation, order, writ, injunction or decree of any Governmental Authority applicable to such Credit Party, (ii) will conflict with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of such Credit Party pursuant to the terms of any promissory note, bond, debenture, indenture, mortgage, deed of trust, credit or loan agreement, or any other Material Agreement, or (iii) will violate any provision of the Organizational Documents of such Credit Party.

Section 5.04 Governmental Approvals. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority is required to authorize or is required as a condition to (i) the execution, delivery and performance by any Credit Party of any Loan Document to which it is a party or any of its obligations thereunder, or (ii) the legality, validity, binding effect or enforceability of any Loan Document to which any Credit Party is a party.

Section 5.05 Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened with respect to the Borrower or any of its Subsidiaries (i) that have had, or could reasonably be expected to have, a Material Adverse Effect, or (ii) that question the validity or enforceability of any of the Loan Documents, or of any action to be taken by the Borrower or any of the other Credit Parties pursuant to any of the Loan Documents.

Section 5.06 Use of Proceeds; Margin Regulations.

(a) The proceeds of all Loans and LC Issuances shall be utilized to refinance Indebtedness under the Existing Credit Agreement, provide funds for Permitted Acquisitions and provide working capital and funds for general corporate purposes, in each case, not inconsistent with the terms of this Agreement.

(b) No part of the proceeds of any Credit Event will be used directly or indirectly to purchase or carry Margin Stock, or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, in violation of any of the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. At no time would more than 25% of the value of the assets of the Borrower or of the Borrower and its consolidated Subsidiaries that are subject to any "arrangement" (as such term is used in Section 221.2(g) of such Regulation U) hereunder be represented by Margin Stock.

Section 5.07 Financial Statements.

(a) The Borrower has furnished to the Administrative Agent and the Lenders complete and correct copies of (i) the audited consolidated balance sheets of the Borrower and its consolidated Subsidiaries for the fiscal year ended December 31, 2004 and the related audited consolidated statements of income, shareholders' equity, and cash flows of the Borrower and its consolidated Subsidiaries for the fiscal year of the Borrower then ended, accompanied by the report thereon of KPMG LLP; and (ii) the condensed consolidated balance sheets of the Borrower and its consolidated Subsidiaries for the fiscal quarters ended April 3, 2005 and July 3, 2005 and the related condensed consolidated statements of

income of cash flows of the Borrower and its consolidated Subsidiaries for each of the fiscal periods then ended. All such financial statements have been prepared in accordance with GAAP, consistently applied (except as stated therein), and fairly present the financial position of the Borrower and its Subsidiaries as of the respective dates indicated and the consolidated results of their operations and cash flows for the respective periods indicated, subject in the case of any such financial statements that are unaudited, to normal audit adjustments, none of which shall be material. The Borrower and its Subsidiaries did not have, as of the date of the latest financial statements referred to above, and will not have as of the Closing Date after giving effect to the incurrence of Loans or LC Issuances hereunder, any material or significant contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the foregoing financial statements or the notes thereto in accordance with GAAP and that in any such case is material in relation to the business, operations, properties, assets, financial or other condition or prospects of the Borrower and its Subsidiaries.

(b) The financial projections of the Borrower and its Subsidiaries for the fiscal years 2006 through 2010 prepared by the Borrower and delivered to the Administrative Agent and the Lenders (the "Financial Projections") were prepared on behalf of the Borrower in good faith after taking into account historical levels of business activity of the Borrower and its Subsidiaries, known trends, including general economic trends, and all other information, assumptions and estimates considered by management of the Borrower and its Subsidiaries to be pertinent thereto; *provided*, *however*, that no representation or warranty is made as to the impact of future general economic conditions or as to whether the Borrower's projected consolidated results as set forth in the Financial Projections will actually be realized, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results for the periods covered by the Financial Projections may differ materially from the Financial Projections. No facts are known to the Borrower as of the Closing Date which, if reflected in the Financial Projections, would result in a material adverse change in the assets, liabilities, results of operations or cash flows reflected therein.

Section 5.08 Solvency. The Borrower has received consideration that is the reasonable equivalent value of the obligations and liabilities that the Borrower has incurred to the Administrative Agent, each LC Issuer and the Lenders under the Loan Documents. The Borrower now has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is now solvent and able to pay its debts as they mature and the Borrower, as of the Closing Date, owns property having a value, both at fair valuation and at present fair salable value, greater than the amount required to pay the Borrower's debts; and the Borrower is not entering into the Loan Documents with the intent to hinder, delay or defraud its creditors.

Section 5.09 No Material Adverse Change. Since October 2, 2005, there has been no change in the financial condition, business or operations of the Borrower and its Subsidiaries taken as a whole, *except* for changes none of which, individually or in the aggregate, has had or could reasonably be expected to have, a Material Adverse Effect.

Section 5.10 Tax Returns and Payments. The Borrower and each of its Subsidiaries has filed all federal income tax returns and all other tax returns, domestic and foreign, required to be filed by it and has paid all material taxes and assessments payable by it that have become due, other than those not yet delinquent and except for those contested in good faith. The Borrower and each of its Subsidiaries has established on its books such charges, accruals and reserves in respect of taxes, assessments, fees and other governmental charges for all fiscal periods as are required by GAAP.

Section 5.11 Title to Properties, etc. The Borrower and each of its Subsidiaries has good and marketable title, in the case of Real Property, and good title (or valid Leaseholds, in the case of any

leased property), in the case of all other property, to all properties and assets necessary to the conduct of its respective business free and clear of Liens other than Permitted Liens.

Section 5.12 Lawful Operations, etc. The Borrower and each of its Subsidiaries: (i) hold all necessary foreign, federal, state, local and other governmental licenses, registrations, certifications, permits and authorizations necessary to conduct its business; and (ii) is in compliance with all requirements imposed by law, regulation or rule, whether foreign, federal, state or local, that are applicable to it, its operations, or its properties and assets, including, without limitation, applicable requirements of Environmental Laws, *except*, in each case, for any failure to obtain and maintain in effect, or noncompliance that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.13 Environmental Matters.

(a) The Borrower and each of its Subsidiaries is in compliance with all applicable Environmental Laws, except to the extent that any such failure to comply (together with any resulting penalties, fines or forfeitures) is not reasonably likely to have a Material Adverse Effect. All licenses, permits, registrations or approvals required for the conduct of the business of the Borrower and its Subsidiaries under any Environmental Law have been secured and the Borrower and its Subsidiaries are in substantial compliance therewith, except for such licenses, permits, registrations or approvals the failure to secure or to comply therewith is not reasonably likely to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries has received written notice, or otherwise knows, that it is in any respect in noncompliance with, breach of or default under any applicable writ, order, judgment, injunction, or decree to which the Borrower or such Subsidiary is a party or that would affect the ability of the Borrower or such Subsidiary to operate any Real Property and no event has occurred and is continuing that, with the passage of time or the giving of notice or both, would constitute noncompliance, breach of or default thereunder, except in each such case, such noncompliance, breaches or defaults as are not reasonably likely to, in the aggregate, have a Material Adverse Effect. There are no Environmental Claims pending or, to the best knowledge of any Borrower, threatened against the Borrower or any of its Subsidiaries or any Real Property of the Borrower or any of its Subsidiaries wherein an unfavorable decision, ruling or finding is reasonably likely to have a Material Adverse Effect. There are no facts, circumstances, conditions or occurrences on any Real Property now or at any time owned, leased or operated by the Borrower or any of its Subsidiaries or on any property adjacent to any such Real Property, that are known by the Borrower or as to which the Borrower or any such Subsidiary has received written notice, that are reasonably likely: (i) to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any Real Property of the Borrower or any of its Subsidiaries; or (ii) to cause such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Real Property under any Environmental Law, except in each such case, such Environmental Claims or restrictions that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect.

(b) Hazardous Materials have not at any time been (i) generated, used, treated or stored on, or transported to or from, any Real Property of the Borrower or any of its Subsidiaries or (ii) Released on any such Real Property, in each case where such occurrence or event is not in compliance with Environmental Laws and is reasonably likely to have a Material Adverse Effect.

Section 5.14 Compliance with ERISA. Compliance by the Borrower with the provisions hereof and Credit Events contemplated hereby will not involve any prohibited transaction within the meaning of ERISA or Section 4975 of the Code. Except as set forth on Schedule 5.14, the Borrower and each of its Subsidiaries and each ERISA Affiliate (i) has fulfilled all obligations under the minimum funding standards of ERISA and the Code with respect to each Plan that is not a Multi-Employer Plan or

a Multiple Employer Plan, (ii) has satisfied all contribution obligations in respect of each Multi-Employer Plan and each Multiple Employer Plan, (iii) is in compliance in all material respects with all other applicable provisions of ERISA and the Code with respect to each Plan, that is not a Multi-Employer Plan or a Multiple Employer Plan, and (iv) has not incurred any liability under Title IV of ERISA to the PBGC with respect to any Plan, any Multi-Employer Plan, any Multiple Employer Plan, or any trust established thereunder. No Plan or trust created thereunder has been terminated, and there have been no Reportable Events, with respect to any Plan or trust created thereunder or with respect to any Multi-Employer Plan or Multiple Employer Plan, which termination or Reportable Event will or could give rise to a material liability of the Borrower or any ERISA Affiliate in respect thereof. Except as set forth on Schedule 5.14, neither the Borrower nor any Subsidiary of the Borrower nor any ERISA Affiliate is at the date hereof, or has been at any time within the five years preceding the date hereof, an employer required to contribute to any Multi-Employer Plan or Multiple Employer Plan, or a "contributing sponsor" (as such term is defined in Section 4001 of ERISA) in any Multi-Employer Plan or Multiple Employer Plan. Neither the Borrower nor any Subsidiary of the Borrower nor any ERISA Affiliate has any contingent liability with respect to any post-retirement "welfare benefit plan" (as such term is defined in ERISA) except as has been disclosed to the Administrative Agent and the Lenders in writing.

Section 5.15 Intellectual Property, etc. The Borrower and each of its Subsidiaries has obtained or has the right to use all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights with respect to the foregoing necessary for the present and planned future conduct of its business, without any known conflict with the rights of others, *except* for such patents, trademarks, service marks, trade names, copyrights, licenses and rights, the loss of which, and such conflicts which, in any such case individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 5.16 Investment Company Act, etc. Neither the Borrower nor any of its Subsidiaries is subject to regulation with respect to the creation or incurrence of Indebtedness under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, or any applicable state public utility law.

Section 5.17 Insurance. The Borrower and each of its Subsidiaries maintains insurance coverage by such insurers and in such forms and amounts and against such risks as are generally consistent with industry standards and in each case in compliance with the terms of Section 6.03.

Section 5.18 True and Complete Disclosure. All factual information (taken as a whole) furnished by or on behalf of the Borrower or any of its Subsidiaries in writing to the Administrative Agent or any Lender in connection with this Agreement, other than the Financial Projections (as to which representations are made only as provided in Section 5.07(b)), is true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided, except that any such future information consisting of financial projections prepared by the Borrower or any of its Subsidiaries is only represented herein as being based on good faith estimates and assumptions believed by such persons to be reasonable at the time made, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ materially from the projected results.

Section 5.19 Defaults. No Default or Event of Default exists as of the Closing Date hereunder, nor will any Default or Event of Default begin to exist immediately after the execution and delivery hereof.

Section 5.20 Anti-Terrorism Law Compliance. Neither the Borrower nor any of its Subsidiaries is in violation of any law or regulation, or is identified in any list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or the USA Patriot Act), in each case, that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender or LC Issuer from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Borrower.

Section 5.21 Indebtedness Agreements and Liens.

(a) A complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary) (other than any agreements or arrangements relating to Indebtedness or extensions of credit between the Borrower and any Subsidiary or any Subsidiary with any other Subsidiary), in each case in respect of Indebtedness not less than $1,000,000 and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Schedule 5.21(a).

(b) A complete and correct list, as of the date of this Agreement, of each Lien securing Indebtedness in excess of $1,000,000 of any Person and covering any property of the Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary), and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Schedule 5.21(b).

ARTICLE VI.

AFFIRMATIVE COVENANTS

The Borrower and the other Credit Parties each hereby covenants and agrees that on the Closing Date and thereafter, so long as this Agreement is in effect and until such time as the Commitments have been terminated, no Notes remain outstanding and the Loans, together with interest, Fees and all other Obligations incurred hereunder and under the other Loan Documents, have been paid in full, as follows:

Section 6.01 Reporting Requirements. The Borrower will furnish to the Administrative Agent and each Lender:

(a) Annual Financial Statements. As soon as available and in any event within 90 days after the close of each fiscal year of the Borrower, the consolidated balance sheets of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income, of stockholders' equity and of cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, all in reasonable detail and accompanied by the opinion with respect to such consolidated financial statements of independent public accountants of recognized national standing selected by the Borrower, which opinion shall be unqualified and shall (i) state that such accountants audited such consolidated financial statements in accordance with generally accepted auditing standards, that such accountants believe that such audit provides a reasonable basis for their opinion, and that in their opinion such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Borrower and its consolidated subsidiaries as at the end of such fiscal year and the consolidated results of their operations and cash flows for such fiscal year in conformity with generally accepted accounting principles, or (ii) contain such statements as are customarily included in unqualified reports of independent accountants in conformity with the

recommendations and requirements of the American Institute of Certified Public Accountants (or any successor organization); *provided*, *however*, that the Borrower may also comply with this subpart by publishing such statements and reports on its internet website or in another publicly accessible electronic database and giving the Administrative Agent and each Lender notice thereof.

(b) Quarterly Financial Statements. As soon as available and in any event within 50 days after the close of each of the quarterly accounting periods in each fiscal year of the Borrower, the unaudited consolidated balance sheets of the Borrower and its consolidated Subsidiaries as at the end of such quarterly period and the related unaudited consolidated statements of income and of cash flows for such quarterly period and/or for the fiscal year to date, and setting forth, in the case of such unaudited consolidated statements of income and of cash flows, comparative figures for the related periods in the prior fiscal year, and which shall be certified on behalf of the Borrower by the Chief Financial Officer of the Borrower, subject to changes resulting from normal year-end audit adjustments; *provided*, *however*, that the Borrower may also comply with this subpart by publishing such statements and reports on its internet website or in another publicly accessible electronic database and giving the Administrative Agent and each Lender notice thereof.

(c) Officer's Compliance Certificates. At the time of the delivery of the financial statements provided for in subparts (a) and (b) above, a certificate (a "Compliance Certificate"), substantially in the form of Exhibit C, signed by the Chief Financial Officer or Corporate Controller of the Borrower to the effect that (i) no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and the actions the Borrower has taken or proposes to take with respect thereto, and (ii) the representations and warranties of the Credit Parties are true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is true and correct in all respects), except to the extent that any relate to an earlier specified date, in which case, such representations were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all respects) as of the date made, which certificate shall set forth the calculations required to establish compliance with the provisions of Section 7.07.

(d) Budgets and Forecasts. Not later than 90 days after the commencement of any fiscal year of the Borrower and its Subsidiaries, commencing with the fiscal year ending December 31, 2006, a consolidated budget in reasonable detail for each of the four fiscal quarters of such fiscal year, and (if and to the extent prepared by management of the Borrower) for any subsequent fiscal years, as customarily prepared by management for its internal use, setting forth, with appropriate discussion, the forecasted balance sheet, income statement, operating cash flows and capital expenditures of the Borrower and its Subsidiaries for the period covered thereby, and the principal assumptions upon which forecasts and budget are based.

(e) Notices. Promptly, and in any event within three Business Days, after the Borrower obtains knowledge thereof, notice of:

(i) the occurrence of any event that constitutes a Default or Event of Default, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto; and/or

(ii) the commencement of, or any other material development concerning, any litigation or governmental or regulatory proceeding pending against the Borrower or any of its Subsidiaries or the occurrence of any other event, if the same would be reasonably likely to have a Material Adverse Effect.

(f) ERISA. As soon as possible, and in any event within 30 days after the Borrower knows or has reason to believe that any of the events or conditions specified below with respect to any Plan or Multi-Employer Plan has occurred or exists, a statement signed by an Authorized Officer of the Borrower setting forth details respecting such event or condition and the action, if any, that the Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Borrower or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in Section 4043(c) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (*provided* that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code); and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by the Borrower or an ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from a Multi-Employer Plan that such action has been taken by PBGC with respect to such Multi-Employer Plan;

(iv) the complete or partial withdrawal from a Multi-Employer Plan by the Borrower or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by the Borrower or any ERISA Affiliate of notice from a Multi-Employer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multi-Employer Plan against the Borrower or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days; and

(vi) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Borrower or an ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections.

(g) SEC Reports and Registration Statements. Promptly after transmission thereof or other filing with the SEC, copies of all registration statements (other than the exhibits thereto and any registration statement on Form S-8 or its equivalent) and all annual, quarterly or current reports that the Borrower or any of its Subsidiaries files with the SEC on Form 10-K, 10-Q or 8-K (or any successor forms); *provided, however*, that the Borrower may also comply with this subpart by publishing such statements and reports on its internet website or in another publicly accessible electronic database and giving the Administrative Agent and each Lender notice thereof.

(h) Annual, Quarterly and Other Reports. Promptly after transmission thereof to its stockholders, copies of all annual, quarterly and other reports and all proxy statements that the Borrower furnishes to its stockholders generally; *provided*, *however*, that the Borrower may also comply with this subpart by publishing such statements and reports on its internet website or in another publicly accessible electronic database and giving the Administrative Agent and each Lender notice thereof.

(i) Auditors' Internal Control Comment Letters, etc. Promptly upon receipt thereof, a copy of each letter or memorandum commenting on internal accounting controls and/or accounting or financial reporting policies followed by the Borrower and/or any of its Subsidiaries which is submitted to the Borrower by its independent accountants in connection with any annual or interim audit made by them of the books of the Borrower or any of its Subsidiaries.

(j) Other Notices. Promptly after the transmission or receipt thereof, as applicable, copies of all notices received or sent by the Borrower or any Subsidiary to or from the holders of any Material Indebtedness or any trustee with respect thereto.

(k) Other Information. Within 10 days after a request therefor, such other information or documents (financial or otherwise) relating to the Borrower or any of its Subsidiaries as the Administrative Agent or any Lender may reasonably request from time to time.

Section 6.02 Books, Records and Inspections.

(a) The Borrower will, and will cause each of its Subsidiaries (other than any Immaterial Subsidiaries) to, (i) keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower or such Subsidiary, as the case may be, in accordance with GAAP.

(b) The Borrower will, and will cause each of its Subsidiaries to, permit officers and designated representatives of the Administrative Agent or any of the Lenders to visit and inspect any of the properties or assets of the Borrower and its Subsidiaries in whomsoever's possession (but only to the extent the Borrower or such Subsidiary has the right to do so to the extent in the possession of another Person), to examine the books of account of the Borrower and any of its Subsidiaries, and make copies thereof and take extracts therefrom, and to discuss the affairs, finances and accounts of the Borrower and of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants and independent actuaries, if any, all to the extent reasonably requested in advance by the Administrative Agent or any of the Lenders and in any event no more than one time per year during normal business hours (*provided* that no such restrictions shall apply when an Event of Default has occurred and is continuing, except that any such visit or inspection must be during normal business hours).

Section 6.03 Insurance. The Borrower will, and will cause each of its Subsidiaries to, (i) maintain insurance coverage by such insurers and in such forms and amounts and against such risks as are generally consistent with the insurance coverage maintained by the Borrower and its Subsidiaries as of the Closing Date, and (ii) forthwith upon the Administrative Agent's or any Lender's written request, furnish to the Administrative Agent or such Lender such information about such insurance as the Administrative Agent or such Lender may from time to time reasonably request, which information shall be prepared in form and detail reasonably satisfactory to the Administrative Agent or such Lender and certified by an Authorized Officer of the Borrower.

Section 6.04 Payment of Taxes and Claims. The Borrower will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges

or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims that, if unpaid, might become a Lien or charge upon any properties of the Borrower or any of its Subsidiaries; *provided*, *however*, that neither the Borrower nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim that is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with GAAP. Without limiting the generality of the foregoing, the Borrower will, and will cause each of its Subsidiaries to, pay in full all of its wage obligations to its employees in accordance with the Fair Labor Standards Act (29 U.S.C. Sections 206-207) and any comparable provisions of applicable law.

Section 6.05 Corporate Franchises. The Borrower will do, and will cause each of its Subsidiaries (other than any Immaterial Subsidiaries) to do, or cause to be done, all things necessary to preserve and keep in full force and effect its corporate existence, rights and authority; *provided*, *however*, that nothing in this Section shall be deemed to prohibit any transaction permitted by Section 7.02.

Section 6.06 Compliance with Statutes, etc. The Borrower will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities in respect of the conduct of its business and the ownership of its property, other than those the noncompliance with which would not be reasonably expected to have a Material Adverse Effect.

Section 6.07 Compliance with Environmental Laws. Without limitation of the covenants contained in Section 6.06:

(a) The Borrower will comply in all material respects, and will cause each of its Subsidiaries to comply in all material respects, with all Environmental Laws applicable to its or their ownership, lease or use of all Real Property now or hereafter owned, leased or operated by the Borrower or any of its Subsidiaries, and will promptly pay or cause to be paid all costs and expenses incurred in connection with such compliance, *except* to the extent that such compliance with Environmental Laws is being contested in good faith and by appropriate proceedings and for which adequate reserves have been established to the extent required by GAAP, and an adverse outcome in such proceedings is not reasonably likely to have a Material Adverse Effect.

(b) The Borrower will keep or cause to be kept, and will cause each of its Subsidiaries to keep or cause to be kept, all Real Property now or hereafter owned by the Borrower or any of its Subsidiaries free and clear of any Liens imposed pursuant to Environmental Laws other than Permitted Liens.

(c) Neither the Borrower nor any of its Subsidiaries will generate, use, treat, store, Release or dispose of Hazardous Materials on any Real Property now or hereafter owned, leased or operated by the Borrower or any of its Subsidiaries or transport or arrange for transport of Hazardous Materials to or from any such Real Property other than in compliance with applicable Environmental Laws and in the ordinary course of business, except for such noncompliance as is not reasonably likely to have a Material Adverse Effect.

(d) If required to do so under any applicable order issued under any Environmental Law by any Governmental Authority, the Borrower will undertake, and cause each of its Subsidiaries to undertake, any clean up, removal, remedial or other action necessary to remove and clean up any Hazardous Materials from any Real Property owned, leased or operated by the Borrower or any of its Subsidiaries in accordance with, in all material respects, the requirements of all applicable Environmental Laws and in accordance with, in all material respects, such orders of all Governmental Authorities, except

to the extent that the Borrower or such Subsidiary is contesting such order in good faith and by appropriate proceedings and for which adequate reserves have been established to the extent required by GAAP.

Section 6.08 Additional Subsidiary Guarantors and Foreign Pledges.

(a) The Borrower will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries of the Borrower (other than Foreign Subsidiaries, Immaterial Subsidiaries and Special Subsidiaries) are Subsidiary Guarantors. Without limiting the generality of the foregoing, if the Borrower or any of its Subsidiaries shall form or acquire any new Subsidiary (other than Foreign Subsidiaries, Immaterial Subsidiaries and Special Subsidiaries), the Borrower or the respective Subsidiary will cause such new Subsidiary to become a "Subsidiary Guarantor" hereunder pursuant to a written instrument in form and substance reasonably satisfactory to the Administrative Agent, and to deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Subsidiary Guarantor pursuant to Section 4.01 on the Closing Date or as the Administrative Agent shall have reasonably requested.

(b) If at any time the Leverage Ratio is equal to or greater than 2.50 to 1.00, then each (i) Domestic Credit Party and/or (ii) Domestic Subsidiary that is a Special Subsidiary (other than Circor German Holdings), which creates, acquires or directly holds a Foreign Subsidiary on or after such time shall immediately execute and deliver to the Administrative Agent a Pledge Agreement pursuant to which such Domestic Credit Party or Special Subsidiary, as applicable, shall pledge to the Administrative Agent, for the benefit of the Lenders, 65% of the capital stock or other equity interests of each such Foreign Subsidiary and shall take all actions necessary to ensure that such pledge provides the Administrative Agent, for the benefit of the Lenders, with a first priority perfected Lien (including, without limitation, delivery of all certificates that evidence such stock or other equity interests and transfer powers duly executed in blank, any registration or notarization required under the laws of the jurisdiction of organization of any applicable Foreign Subsidiary and delivery of legal opinions, in form and substance reasonably satisfactory to the Administrative Agent, by counsel that is authorized to practice law in such foreign jurisdiction, regarding, among other things, the enforceability of such pledge under the laws of such foreign jurisdiction). In addition, each such Domestic Credit Party or Special Subsidiary, as applicable, shall authorize the Administrative Agent to file UCC financing statements, in form and substance reasonably satisfactory to the Administrative Agent, with respect to the collateral pledged under the Pledge Agreement that such Domestic Credit Party or Special Subsidiary has executed.

Section 6.09 Senior Debt. The Obligations shall, and the Borrower shall take all necessary action to ensure that the Obligations shall, at all times rank at least *pari passu* in right of payment (to the fullest extent permitted by law) with all other senior Indebtedness of the Borrower and its Subsidiaries.

ARTICLE VII.

NEGATIVE COVENANTS

The Borrower and the other Credit Parties each hereby covenants and agrees that on the Closing Date and thereafter, so long as this Agreement is in effect and until such time as the Commitments have been terminated, no Notes remain outstanding and the Loans, together with interest, Fees and all other Obligations incurred hereunder and under the other Loan Documents, have been paid in full, as follows:

Section 7.01 Changes in Business. Neither the Borrower nor any of its Subsidiaries will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Borrower and its Subsidiaries, would be substantially changed from the general nature of the business engaged in by the Borrower and its Subsidiaries on the Closing Date.

Section 7.02 Consolidation, Merger, Acquisitions, Asset Sales, etc. The Borrower will not, and will not permit any Subsidiary to, (i) wind up, liquidate or dissolve its affairs, (ii) enter into any transaction of merger or consolidation, (iii) make or otherwise effect any Acquisition, (iv) make or otherwise effect any Asset Sale, or (v) agree to do any of the foregoing at any future time, *except* that, if no Default or Event of Default shall have occurred and be continuing or would result therefrom, each of the following shall be permitted:

(a) the merger, consolidation or amalgamation of (i) any Subsidiary of the Borrower with or into the Borrower, *provided* the Borrower is the surviving or continuing or resulting corporation; (ii) any Immaterial Subsidiary into any other Immaterial Subsidiary, *provided* that if any such Immaterial Subsidiary is a Subsidiary Guarantor, such Subsidiary Guarantor shall be the surviving or continuing or resulting Person; (iii) any Subsidiary of the Borrower with or into any other Subsidiary (other than an Immaterial Subsidiary), *provided* that the surviving or continuing or resulting Person is not a Foreign Subsidiary and is or becomes a Subsidiary Guarantor; or (iv) any Foreign Subsidiary of the Borrower with or into any other Foreign Subsidiary of the Borrower;

(b) any Asset Sale by (i) the Borrower to any other Domestic Credit Party, (ii) any Subsidiary of the Borrower to any Domestic Credit Party; (iii) any Domestic Credit Party (other than the Borrower) to any Foreign Subsidiary of the Borrower, *provided* that the aggregate fair market value of all such Asset Sales shall not at any time exceed $75,000,000; (iv) any Immaterial Subsidiary that is not a Subsidiary Guarantor to any other Immaterial Subsidiary or any Foreign Subsidiary; or (v) any Foreign Subsidiary of the Borrower to any other Foreign Subsidiary of the Borrower;

(c) the Borrower or any Subsidiary may make any Acquisition that is a Permitted Acquisition, *provided* that all of the conditions contained in the definition of the term Permitted Acquisition are satisfied; and

(d) the Borrower or any Subsidiary may consummate any Asset Sale of any Real Property which is not necessary to the conduct of its respective business;

(e) in addition to any Asset Sale permitted above, the Borrower or any of its Subsidiaries may consummate any Asset Sale, *provided* that (i) the consideration for each such Asset Sale represents fair value and at least 90% of such consideration consists of cash; (ii) in the case of any Asset Sale involving consideration in excess of $10,000,000, at least five Business Days prior to the date of completion of such Asset Sale, the Borrower shall have delivered to the Administrative Agent an officer's certificate executed by an Authorized Officer, which certificate shall contain (A) a description of the proposed transaction, the date such transaction is scheduled to be consummated, the estimated sale price or other consideration for such transaction, and (B) a certification that no Default or Event of Default has occurred and is continuing, or would result from consummation of such transaction; and (iii) the aggregate amount of all Asset Sales made pursuant to this subpart during any fiscal year of the Borrower shall not exceed $25,000,000; and

(f) any Immaterial Subsidiary may be dissolved or wound up.

Section 7.03 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind of the Borrower or any such Subsidiary whether now owned or hereafter acquired, *except*:

(a) any Standard Permitted Lien;

(b) Liens in existence on the Closing Date that are listed in Schedule 7.03;

(c) Liens (i) that are placed upon fixed or capital assets, acquired, constructed or improved by the Borrower or any Subsidiary, *provided* that (A) such Liens only secure Indebtedness permitted by Section 7.04(c), (B) such Liens and the Indebtedness secured thereby are incurred prior to or within 120 days after such acquisition or the completion of such construction or improvement, (C) the Indebtedness secured thereby does not exceed 80% of the cost of acquiring, constructing or improving such fixed or capital assets; and (D) such Liens shall not apply to any other property or assets of the Borrower or any Subsidiary; or (ii) arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any such Liens, *provided* that the principal amount of such Indebtedness is not increased and such Indebtedness is not secured by any additional assets;

(d) any Lien granted to the Administrative Agent securing any of the Obligations or any other Indebtedness of the Credit Parties under the Loan Documents or any Indebtedness under any Designated Hedge Agreement;

(e) Liens on property of any Person that becomes a Subsidiary of the Borrower after the Closing Date pursuant to a Permitted Acquisition, *provided* that such Liens are in existence at the time such Person becomes a Subsidiary of the Borrower and were not created in anticipation thereof; and

(f) in addition to any Lien permitted above, Liens created after the Closing Date, *provided* that the aggregate outstanding amount of Indebtedness secured thereby and incurred after the Closing Date shall not exceed $10,000,000 at any time.

Section 7.04 Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness of the Borrower or any of its Subsidiaries, *except*:

(a) Indebtedness incurred under this Agreement and the other Loan Documents;

(b) the Indebtedness in existence on the Closing Date and identified in Schedule 7.04, and any refinancing, extension, renewal or refunding of any such Indebtedness not involving an increase in the principal amount thereof;

(c) any intercompany loans (i) made by the Borrower or any Subsidiary of the Borrower to any Domestic Credit Party; (ii) made by any Domestic Credit Party to Circor German Holdings not at any time in excess of $18,000,000, in the aggregate; or (iii) made by any Foreign Subsidiary of the Borrower to any other Foreign Subsidiary of the Borrower;

(d) Guaranty Obligations permitted by Section 7.05 that constitute Indebtedness;

(e) Indebtedness of any Person that becomes a Subsidiary of the Borrower after the Closing Date pursuant to a Permitted Acquisition, *provided* that such Indebtedness is in existence at the time such Person becomes a Subsidiary of the Borrower and was not created in anticipation thereof; and

(f) additional Indebtedness of the Borrower or any of its Subsidiaries to the extent not permitted by any of the foregoing clauses (including, without limitation, Capital Lease Obligations and other Indebtedness secured by Liens referred to in Section 7.03(c)), *provided* that the aggregate outstanding principal amount of all such Indebtedness does not exceed $10,000,000 at any time.

Section 7.05 Investments and Guaranty Obligations. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, (i) make or commit to make any Investment or (ii) be or become obligated under any Guaranty Obligations, *except*:

(a) Investments in cash and Cash Equivalents;

(b) any endorsement of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business;

(c) to the extent not permitted by any of the other subparts in this Section, Investments existing as of the Closing Date and described in Schedule 7.05;

(d) any Guaranty Obligations of the Borrower or any Subsidiary in favor of the Administrative Agent, each LC Issuer, the Lenders and/or the Designated Hedge Creditors pursuant to the Loan Documents;

(e) Investments in Interest Rate Protection Agreements;

(f) Investments (i) of the Borrower or any of its Subsidiaries in any Subsidiary existing as of the Closing Date, (ii) of the Borrower in any Domestic Credit Party made after the Closing Date, (iii) of any Domestic Credit Party in any other Domestic Credit Party (other than the Borrower) made after the Closing Date, or (iv) Investments of any Foreign Subsidiary in any other Subsidiary of the Borrower;

(g) Permitted Foreign Subsidiary Investments;

(h) intercompany loans permitted by Section 7.04(c);

(i) the Acquisitions permitted by Section 7.02;

(j) any Guaranty Obligation incurred by any Domestic Credit Party with respect to Indebtedness of another Domestic Credit Party which Indebtedness is permitted by Section 7.04;

(k) any Guaranty Obligation incurred by any Foreign Subsidiary with respect to Indebtedness of another Foreign Subsidiary; and

(l) other Investments by the Borrower or any Subsidiary of the Borrower in any other Person (other than the Borrower or any of its Subsidiaries) made after the Closing Date and not permitted pursuant to the foregoing subparts, *provided* that (i) at the time of making any such Investment no Default or Event of Default shall have occurred and be continuing, or would result therefrom, and (ii) the maximum cumulative amount of all such Investments that are so made pursuant to this subpart and outstanding at any time shall not exceed an aggregate of $5,000,000, taking into account the repayment of any loans or advances comprising such Investments.

Section 7.06 Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, *except*:

(a) the Borrower or any of its Subsidiaries may declare and pay or make Capital Distributions that are payable solely in additional shares of its common stock (or warrants, options or other rights to acquire additional shares of its common stock);

(b) (i) any Subsidiary of the Borrower may declare and pay or make Capital Distributions to any Domestic Credit Party, and (ii) any Foreign Subsidiary of the Borrower may declare and pay or make Capital Distributions to any other Foreign Subsidiary, any Special Subsidiary or any Domestic Credit Party; and

(c) the Borrower may declare and pay or make Cash Dividends and may repurchase capital stock or other equity interests of the Borrower or its Subsidiaries, *provided* that (i) no Default or Event of Default shall have occurred and be continuing or would result therefrom.

Section 7.07 Financial Covenants.

(a) Leverage Ratio. The Borrower will not permit at any time the Leverage Ratio to be greater than 3.00 to 1.00.

(b) Interest Coverage Ratio. The Borrower will not permit at any time the Interest Coverage Ratio to be less than 3.00 to 1.00.

Section 7.08 Limitation on Certain Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist or become effective, any "negative pledge" covenant or other agreement, restriction or arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or suffer to exist any Lien upon any of its property or assets as security for Indebtedness, or (b) the ability of any such Subsidiary to make Capital Distributions or any other interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or a Subsidiary of the Borrower, or to make loans or advances to the Borrower or any of the Borrower's other Subsidiaries, or transfer any of its property or assets to the Borrower or any of the Borrower's other Subsidiaries, *except* for such restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Loan Documents, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest, (iv) customary provisions restricting assignment of any licensing agreement entered into in the ordinary course of business, (v) customary provisions restricting the transfer or further encumbering of assets subject to Liens permitted under Section 7.03(c), (vi) customary restrictions affecting only a Subsidiary of the Borrower under any agreement or instrument governing any of the Indebtedness of a Subsidiary permitted pursuant to Section 7.04, (vii) restrictions affecting any Foreign Subsidiary of the Borrower under any agreement or instrument governing any Indebtedness of such Foreign Subsidiary permitted pursuant to Section 7.04, and customary restrictions contained in "comfort" letters and guarantees of any such Indebtedness, (viii) any document relating to Indebtedness secured by a Lien permitted by Section 7.03, insofar as the provisions thereof limit grants of junior liens on the assets securing such Indebtedness, and (ix) any Operating Lease or Capital Lease, insofar as the provisions thereof limit grants of a security interest in, or other assignments of, the related leasehold interest to any other Person.

Section 7.09 Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction or series of transactions with any Affiliate (other than, in the case

of the Borrower, any Subsidiary, and in the case of a Subsidiary, the Borrower or another Subsidiary) other than in the ordinary course of business of and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate, *except* (i) sales of goods to an Affiliate for use or distribution outside the United States that in the good faith judgment of the Borrower comply with any applicable legal requirements of the Code, (ii) agreements and transactions with and payments to officers, directors and shareholders that are either (A) entered into in the ordinary course of business and not prohibited by any of the provisions of this Agreement, or (B) entered into outside the ordinary course of business, approved by the directors or shareholders of the Borrower, and not prohibited by any of the provisions of this Agreement or in violation of any law, rule or regulation, and (iii) repurchases of capital stock or other equity interests of the Borrower or its Subsidiaries as permitted pursuant to Section 7.06.

Section 7.10 Plan Terminations, Minimum Funding, etc. The Borrower will not, and will not permit any Subsidiary of the Borrower or ERISA Affiliate to, (i) terminate any Single-Employer Plan or Multiple Employer Plan so as to result in liability of the Borrower or any ERISA Affiliate to the PBGC in excess of, in the aggregate, the amount that is equal to 5% of the Borrower's Consolidated Net Worth as of the date of the then most recent financial statements furnished to the Lenders pursuant to the provisions of this Agreement, (ii) permit to exist one or more events or conditions that present a material risk of the termination by the PBGC of any Single-Employer Plan or Multiple Employer Plan with respect to which the Borrower or any Subsidiary of the Borrower or ERISA Affiliate would, in the event of such termination, incur liability to the PBGC in excess of such amount in the aggregate, (iii) fail to comply with the minimum funding standards of ERISA and the Code with respect to any Plan, or (iv) except as set forth on Schedule 5.14, have an obligation to contribute to, or become a contributing sponsor (as such term is defined in Section 4001 of ERISA) in, any Multi-Employer Plan or Multiple Employer Plan.

Section 7.11 Anti-Terrorism Laws. Neither the Borrower nor any of its Subsidiaries shall be subject to or in violation of any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or the USA Patriot Act) that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender or LC Issuer from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Borrower.

Section 7.12 Material Agreements. The Borrower will not, nor will it permit any of its Subsidiaries to, consent to any modification, supplement or waiver of any of the provisions of any Material Agreement, which modification, supplement or waiver is materially adverse to the interests of any Lender, without the prior consent of the Administrative Agent (with the approval of the Required Lenders).

ARTICLE VIII.

EVENTS OF DEFAULT

Section 8.01 Events of Default. Any of the following specified events shall constitute an Event of Default (each an "Event of Default"):

(a) Payments: the Borrower shall (i) default in the payment when due (whether at maturity, on a date fixed for a scheduled repayment, on a date on which a required prepayment is to be made, upon acceleration or otherwise) of any principal of the Loans or any reimbursement obligation in respect of any

Unreimbursed Drawing; or (ii) default, and such default shall continue for three or more days, in the payment when due of any interest on the Loans, any Fees or any other Obligations; or

(b) Representations, etc.: any representation, warranty or statement made by the Borrower or any other Credit Party herein or in any other Loan Document or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

(c) Certain Covenants: the Borrower shall default in the due performance or observance by it of any term, covenant or agreement contained in Sections 6.01, 6.02(b), 6.03 or 6.09 or Article VII; or

(d) Other Covenants: any Credit Party shall default in the due performance or observance by it of any term, covenant or agreement contained in this Agreement or any other Loan Document (other than those referred to in Section 8.01(a) or (b) or (c) above) and such default is not remedied within 30 days after the earlier of (i) an Authorized Officer of any Credit Party obtaining knowledge of such default or (ii) the Borrower receiving written notice of such default from the Administrative Agent or the Required Lenders; or

(e) Cross Default Under Other Agreements: the Borrower or any of its Subsidiaries shall (i) default in any payment with respect to any Material Indebtedness (other than the Obligations), and such default shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Material Indebtedness, or (ii) default in the observance or performance of any agreement or condition relating to any such Material Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto (and all grace periods applicable to such observance, performance or condition shall have expired), or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Material Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause any such Material Indebtedness to become due prior to its stated maturity; or any such Material Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable, or shall be required to be prepaid (other than by a regularly scheduled required prepayment or redemption, prior to the stated maturity thereof); or (iii) without limitation of the foregoing clauses, default in any payment obligation under a Designated Hedge Agreement, and such default shall continue after the applicable grace period, if any, specified in such Designated Hedge Agreement or any other agreement or instrument relating thereto; or

(f) Invalidity of Loan Documents: any provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or under such Loan Document or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Credit Party or any other Person contests in any manner the validity or enforceability of any provision of any Loan Document; or any Credit Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(g) Judgments: (i) one or more judgments, orders or decrees shall be entered against the Borrower and/or any of its Subsidiaries involving a liability (other than a liability covered by insurance, as to which the carrier has adequate claims paying ability and has not effectively reserved its rights) of $25,000,000 or more in the aggregate for all such judgments, orders and decrees for the Borrower and its Subsidiaries, and any such judgments or orders or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or (ii) one or more judgments, orders or decrees shall be entered against the Borrower and/or any of its Subsidiaries involving a required divestiture of any material properties, assets or business reasonably estimated to have a fair value in excess of $25,000,000, and any such judgments, orders or decrees shall not have been vacated, discharged

or stayed or bonded pending appeal within 30 days (or such longer period, not in excess of 60 days, during which enforcement thereof, and the filing of any judgment lien, is effectively stayed or prohibited) from the entry thereof; or

(h) Insolvency Event: any Insolvency Event shall occur with respect to the Borrower or any of its Subsidiaries (other than an Immaterial Subsidiary); or

(i) ERISA: an event or condition specified in Section 6.01(f) shall occur or exist with respect to any Plan or Multiple Employer Plan and as a result of such event or condition, together with all other such events or conditions, the Borrower or any ERISA Affiliate shall incur a liability to a Plan, a Multiple Employer Plan or PBGC (or any combination of the foregoing) that, in the reasonable determination of the Required Lenders, would (either individually or in the aggregate) have a Material Adverse Effect; or

(j) Environmental Claim: there shall have been asserted against the Borrower or any of its Subsidiaries, or any predecessor in interest of the Borrower or any of its Subsidiaries or Affiliates, an Environmental Claim that in the reasonable judgment of the Required Lenders is reasonably likely to be determined adversely to the Borrower or any of its Subsidiaries, and the amount thereof (either individually or in the aggregate) is reasonably likely to have a Material Adverse Effect (insofar as such amount is payable by the Borrower or any of its Subsidiaries but after deducting any portion thereof that is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor); or

(k) Change of Control: if there occurs a Change of Control.

Section 8.02 Remedies. Upon the occurrence of any Event of Default, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower or any other Credit Party in any manner permitted under applicable law:

(a) declare the Commitments terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately without any other notice of any kind;

(b) declare the principal of and any accrued interest in respect of all Loans, all Unreimbursed Drawings and all other Obligations owing hereunder and/or under any other Loan Document to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower;

(c) terminate any Letter of Credit that may be terminated in accordance with its terms; or

(d) exercise any other right or remedy available under any of the Loan Documents or applicable law;

provided that, if an Event of Default specified in Section 8.01(h) shall occur, the result that would occur upon the giving of written notice by the Administrative Agent as specified in clauses (a) and/or (b) above shall occur automatically without the giving of any such notice.

Section 8.03 Application of Certain Payments and Proceeds. All payments and other amounts received by the Administrative Agent or any Lender through the exercise of remedies hereunder or under the other Loan Documents shall, unless otherwise required by the terms of the other Loan Documents or by applicable law, be applied as follows:

(i) *first*, to the payment of that portion of the Obligations constituting fees, indemnities and expenses and other amounts (including attorneys' fees and amounts due under Article III) payable to the Administrative Agent in its capacity as such;

(ii) *second*, to the payment of that portion of the Obligations constituting fees, indemnities and expenses (including attorneys' fees and amounts due under Article III) payable to each Lender or each LC Issuer, ratably among them in proportion to the aggregate of all such amounts;

(iii) *third*, to the payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and Unreimbursed Drawings with respect to Letters of Credit, ratably among the Lenders in proportion to the aggregate of all such amounts;

(iv) *fourth*, *pro rata* to the payment of (A) that portion of the Obligations constituting unpaid principal of the Loans and Unreimbursed Drawings, ratably among the Lenders and each LC Issuer in proportion to the aggregate of all such amounts, and (B) the amounts due to Designated Hedge Creditors under Designated Hedge Agreements subject to confirmation by the Administrative Agent that any calculations of termination or other payment obligations are being made in accordance with normal industry practice;

(v) *fifth*, to the Administrative Agent for the benefit of each LC Issuer to cash collateralize the Stated Amount of outstanding Letters of Credit;

(vi) *sixth*, to the payment of all other Obligations of the Credit Parties owing under or in respect of the Loan Documents that are then due and payable to the Administrative Agent, each LC Issuer, the Swing Line Lender, and the Lenders, ratably based upon the respective aggregate amounts of all such Obligations owing to them on such date; and

(vii) *finally*, any remaining surplus after all of the Obligations have been paid in full, to the Borrower or to whomsoever shall be lawfully entitled thereto.

ARTICLE IX.

THE ADMINISTRATIVE AGENT

Section 9.01 Appointment. Each Lender hereby irrevocably designates and appoints KeyBank to act as specified herein and in the other Loan Documents, and each such Lender hereby irrevocably authorizes KeyBank as the Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor any fiduciary relationship with any Lender or LC Issuer, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise

exist against the Administrative Agent. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and no Credit Party shall have any rights as a third-party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower or any of its Subsidiaries.

Section 9.02 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, sub-agents or attorneys-in-fact, and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents, sub-agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 9.03.

Section 9.03 Exculpatory Provisions. Neither the Administrative Agent nor any of its Related Parties shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Related Parties' own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its Subsidiaries or any of their respective officers contained in this Agreement, any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any Subsidiary of the Borrower or any of their respective officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any Subsidiary of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any Loan Document or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower or any of its Subsidiaries to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

Section 9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, e-mail or other electronic transmission, facsimile transmission, telex or teletype message, statement, order or other document or conversation believed by it, in good faith, to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower or any of its Subsidiaries), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, as applicable, as to any matter

that, pursuant to Section 11.12, can only be effectuated with the consent of all Required Lenders, or all applicable Lenders, as the case may be), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

Section 9.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; *provided*, *however*, that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

Section 9.06 Non-Reliance. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its Related Parties has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including, without limitation, any review of the affairs of the Borrower or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent, or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and its Subsidiaries and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent, or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and its Subsidiaries. The Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other conditions, prospects or creditworthiness of the Borrower or any of its Subsidiaries that may come into the possession of the Administrative Agent or any of its Related Parties.

Section 9.07 No Reliance on Administrative Agent's Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Administrative Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with the Borrower or any of its Subsidiaries, any of their respective Affiliates or agents, the Loan Documents or the transactions hereunder: (a) any identity verification procedures, (b) any record keeping, (c) any comparisons with government lists, (d) any customer notices or (e) any other procedures required under the CIP Regulations or such other laws.

Section 9.08 USA Patriot Act. Each Lender or assignee or participant of a Lender that is not organized under the laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and the applicable regulations because it is both (a) an affiliate of a depository institution or foreign bank that maintains a

physical presence in the United States or foreign country, and (b) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to the Administrative Agent the certification, or, if applicable, recertification, certifying that such Lender is not a "shell" and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (i) within 10 days after the Closing Date, and (ii) at such other times as are required under the USA Patriot Act.

Section 9.09 Indemnification. The Lenders agree to indemnify the Administrative Agent and its Related Parties, ratably according to their *pro rata* share of the Aggregate Credit Facility Exposure (excluding Swing Loans), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of the Obligations) be imposed on, incurred by or asserted against the Administrative Agent or such Related Parties in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent or such Related Parties under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; *provided, however,* that no Lender shall be liable to the Administrative Agent or any of its Related Parties for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting solely from the Administrative Agent's or such Related Parties' gross negligence or willful misconduct. If any indemnity furnished to the Administrative Agent or any such Related Parties for any purpose shall, in the opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreements in this Section shall survive the payment of all Obligations.

Section 9.10 The Administrative Agent in Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower, its Subsidiaries and their Affiliates as though not acting as Administrative Agent hereunder. With respect to the Loans made by it and all Obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 9.11 Successor Administrative Agent. The Administrative Agent may resign at any time upon not less than 30 days notice to the Lenders, each LC Issuer and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and each LC Issuer, appoint a successor Administrative Agent; *provided, however*, that if the Administrative Agent shall notify the Borrower and the Lenders that no such successor is willing to accept such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or any LC Issuer under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and LC Issuer directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as

Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 11.02 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Section 9.12 Other Agents. Any Lender identified herein as a Co-Agent, Syndication Agent, Documentation Agent, Managing Agent, Manager, Lead Arranger, Arranger or any other corresponding title, other than "Administrative Agent," shall have no right, power, obligation, liability, responsibility or duty under this Agreement or any other Loan Document except those applicable to all Lenders as such. Each Lender acknowledges that it has not relied, and will not rely, on any Lender so identified in deciding to enter into this Agreement or in taking or not taking any action hereunder.

ARTICLE X.

GUARANTY

Section 10.01 Guaranty by the Subsidiary Guarantors, etc.

(a) Each Subsidiary Guarantor, jointly and severally, irrevocably and unconditionally guarantees to the Administrative Agent, each LC Issuer, the Lenders, and each Designated Hedge Creditor, as applicable, the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all of the Obligations. Such guaranty is an absolute, unconditional, present and continuing guaranty of payment and not of collectibility and is in no way conditioned or contingent upon any attempt to collect from the Borrower or any other Subsidiary or Affiliate of the Borrower, or any other action, occurrence or circumstance whatsoever. If an Event of Default shall occur and be continuing hereunder or any payment default shall occur and be outstanding under any Designated Hedge Agreement, each Subsidiary Guarantor will, immediately upon (and in any event no later than one Business Day following) its receipt of written notice from the Administrative Agent demanding payment hereunder, pay to the Administrative Agent, for the benefit of the Creditors, in immediately available funds, at the Payment Office, such amount of the Obligations as the Administrative Agent shall specify in such notice.

(b) In addition to the foregoing, each Subsidiary Guarantor, jointly and severally, unconditionally and irrevocably, guarantees to the Creditors the payment of any and all Obligations, whether or not due or payable by the obligor thereon, upon the occurrence of an Insolvency Event in respect of the Borrower or such other Credit Party, and unconditionally and irrevocably, jointly and severally, promises to pay the Obligations to the Administrative Agent, for the benefit of the Creditors, on demand, in such currency and otherwise in such manner as is provided in the Loan Documents governing the Obligations.

(c) As a separate, additional and continuing obligation, each Subsidiary Guarantor unconditionally and irrevocably undertakes and agrees, for the benefit of the Creditors, that, should any amounts constituting Obligations not be recoverable from the Borrower or any other Credit Party for any reason whatsoever (including, without limitation, by reason of any provision of any Loan Document or any other agreement or instrument executed in connection therewith being or becoming, at any time,

voidable, void, unenforceable, or otherwise invalid under any applicable law), then notwithstanding any notice or knowledge thereof by the Administrative Agent, any other Creditor, any of their respective Affiliates, or any other Person, each Subsidiary Guarantor, jointly and severally, as sole, original and independent obligor, upon demand by the Administrative Agent, will make payment to the Administrative Agent, for the account of the Creditors, of all such obligations not so recoverable by way of full indemnity.

(d) All payments by each Subsidiary Guarantor under this Article X shall be made to the Administrative Agent, for the benefit of the Creditors, in such currency and otherwise in such manner as is provided in the Loan Documents to which such payments relate.

Section 10.02 Subordination.

(a) Any Indebtedness or other obligations or liabilities of the Borrower now or hereafter held by any Subsidiary Guarantor (collectively, "Subordinated Obligations") are hereby subordinated to the Indebtedness of the Borrower to any Creditor; and such Subordinated Obligations of the Borrower to any Subsidiary Guarantor, if the Administrative Agent, after an Event of Default has occurred, so requests, shall be collected, enforced and received by such Subsidiary Guarantor as trustee for the Administrative Agent and the other Creditors and be paid over to the Administrative Agent, for the benefit of the Creditors, on account of the Indebtedness of the Borrower owing under the Loan Documents to the Administrative Agent and to the other Creditors, but without affecting or impairing in any manner the liability of such Subsidiary Guarantor under the other provisions of this Article X. Prior to the transfer by any Subsidiary Guarantor of any note or negotiable instrument evidencing any Subordinated Obligation of the Borrower to such Subsidiary Guarantor, such Subsidiary Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination.

(b) If and to the extent that any Subsidiary Guarantor makes any payment to the Administrative Agent or any other Creditor or to any other Person pursuant to or in respect of this Article X, any reimbursement or similar claim that such Subsidiary Guarantor may have against the Borrower by reason thereof shall be subject and subordinate to the prior termination of all of the Commitments and indefeasible payment in full of all Obligations.

Section 10.03 Subsidiary Guarantors' Obligations Absolute. The obligations of each Subsidiary Guarantor under this Article X shall be absolute and unconditional, shall not be subject to any counterclaim, setoff, deduction or defense based on any claim such Subsidiary Guarantor may have against the Borrower or any other Person, including, without limitation, the Administrative Agent, any other Creditor, any of their respective Affiliates, or any other Guarantor, and shall remain in full force and effect without regard to, and shall not be released, suspended, abated, deferred, reduced, limited, discharged, terminated or otherwise impaired or adversely affected by any circumstance or occurrence whatsoever, other than indefeasible payment in full of, and complete performance of, all of the Obligations, including, without limitation:

(a) any increase in the amount of the Obligations outstanding from time to time, including, without limitation, any increase in the aggregate outstanding amount of the Loans and Letters of Credit above any specific maximum amount referred to in this Agreement as in effect on the date hereof, and any increase in any interest rate, Fee or other amount applicable to any portion of the Obligations or otherwise payable under any Loan Document;

(b) any direction as to the application of any payment by the Borrower or by any other Person;

(c) any incurrence of additional Obligations at any time or under any circumstances, including, without limitation, (i) during the continuance of a Default or Event of Default, (ii) at any time when all conditions to such incurrence have not been satisfied, or (iii) in excess of any borrowing base, sublimit or other limitations contained in this Agreement or any of the other Loan Documents;

(d) any renewal or extension of the time for payment or maturity of any of the Obligations, or any amendment or modification of, or addition or supplement to, or deletion from, this Agreement, any other Loan Document, or any other instrument or agreement applicable to the Borrower or any other Person, or any part thereof, or any assignment, transfer or other disposition of any thereof;

(e) any failure of this Agreement, any other Loan Document, or any other instrument or agreement applicable to the Borrower or any other Person, to constitute the legal, valid and binding agreement or obligation of any party thereto, enforceable in accordance with its terms, or any irregularity in the form of any Loan Document;

(f) any waiver, consent, extension, indulgence or other action or inaction (including, without limitation, any lack of diligence, any failure to mitigate damages or marshal assets, or any election of remedies) under or in respect of (i) this Agreement, any other Loan Document, or any such other instrument or agreement, or (ii) any obligation or liability of the Borrower or any other Person;

(g) any payment made to the Administrative Agent or any other Creditor on the Obligations that the Administrative Agent or any other Creditor repays, returns or otherwise restores to the Borrower or any other applicable obligor pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding;

(h) any sale, exchange, release, surrender or foreclosure of, or any realization upon, or other dealing with, in any manner and in any order, any property, rights or interests by whomsoever at any time granted, assigned, pledged or mortgaged to secure, or howsoever securing, the Obligations, or any other liabilities or obligations (including any of those hereunder), or any portion of any thereof;

(i) any release of any security or any guaranty by or at the direction of the Administrative Agent or any other Creditor, or any release or discharge of, or limitation of recourse against, any Person furnishing any security or guaranty, including, without limitation, any release or discharge of any Guarantor from this Article X;

(j) any Insolvency Event relating to the Borrower or to any of its properties or assets;

(k) any assignment, transfer or other disposition, in whole or in part, by the Borrower or any other Person of its interest in any of the property, rights or interests constituting security for all or any portion of the Obligations or any other Indebtedness, liabilities or obligations;

(l) any lack of notice to, or knowledge by, any Subsidiary Guarantor of any of the matters referred to above; or

(m) to the fullest extent permitted under applicable law now or hereafter in effect, any other circumstance or occurrence, whether similar or dissimilar to any of the foregoing, that could or might constitute a defense available to, or a discharge of the obligations of, a guarantor or other surety.

Section 10.04 Waivers. Each Subsidiary Guarantor unconditionally waives, to the maximum extent permitted under any applicable law now or hereafter in effect, insofar as its obligations under this Article X are concerned, (a) notice of any of the matters referred to in Section 10.03, (b) all

notices required by statute, rule of law or otherwise to preserve any rights against such Subsidiary Guarantor hereunder, including, without limitation, any demand, presentment, proof or notice of dishonor or non-payment of any Obligation, notice of acceptance of the Guaranty provided under this Article X, notice of the incurrence of any Obligation, notice of any failure on the part of the Borrower, any of its Subsidiaries or Affiliates, or any other Person, to perform or comply with any term or provision of this Agreement, any other Loan Document or any other agreement or instrument to which the Borrower or any other Person is a party, or notice of the commencement of any proceeding against any other Person or its any of its property or assets, (c) any right to the enforcement, assertion or exercise against the Borrower or against any other Person or any collateral of any right, power or remedy under or in respect of this Agreement, the other Loan Documents or any other agreement or instrument, and (d) any requirement that such Guarantor be joined as a party to any proceedings against the Borrower or any other Person for the enforcement of any term or provision of this Agreement, the other Loan Documents, or any other agreement or instrument.

Section 10.05 Subrogation Rights. Until such time as the Obligations have been paid in full in cash and otherwise fully performed and all of the Commitments under this Agreement have been terminated, each Subsidiary Guarantor hereby irrevocably waives all rights of subrogation that it may at any time otherwise have as a result of this Article X (whether contractual, under Section 509 of the Bankruptcy Code, or otherwise) to the claims of the Administrative Agent and/or the other Creditors against the Borrower, any other Guarantor or any other guarantor of or surety for the Obligations and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from the Borrower or any other Guarantor that it may at any time otherwise have as a result of this Article X.

Section 10.06 Separate Actions. A separate action or actions may be brought and prosecuted against any Guarantor whether or not action is brought against any other Guarantor, any other guarantor or the Borrower, and whether or not any other Guarantor, any other guarantor of the Borrower or the Borrower be joined in any such action or actions.

Section 10.07 Subsidiary Guarantors Familiar with Borrower's Affairs. Each Guarantor confirms that it has made its own independent investigation with respect to the creditworthiness of the Borrower and its other Subsidiaries and Affiliates and is not executing this Agreement in reliance on any representation or warranty by the Administrative Agent or any other Creditor or any other Person acting on behalf of the Administrative Agent or any other Creditor as to such creditworthiness. Each Guarantor expressly assumes all responsibilities to remain informed of the financial condition of the Borrower and its other Subsidiaries and Affiliates and any circumstances affecting (a) the Borrower's or any other Subsidiary's or Affiliate's ability to perform its obligations under this Agreement and the other Loan Documents to which it is a party, or (b) any collateral securing, or any other guaranty for, all or any part of the Borrower's or such other Subsidiary's or Affiliate's payment and performance obligations thereunder; and each Subsidiary Guarantor further agrees that the Administrative Agent and the other Creditors shall have no duty to advise any Subsidiary Guarantor of information known to them regarding such circumstances or the risks such Subsidiary Guarantor undertakes in this Article X.

Section 10.08 Solvency. Each Subsidiary Guarantor represents and warrants to the Administrative Agent and each of the other Creditors that as of the date such Guarantor has become a party to this Agreement, (i) such Subsidiary Guarantor has received consideration that is the reasonable equivalent value of the obligations and liabilities that such Subsidiary Guarantor has incurred to the Administrative Agent and the other Creditors under this Article X and the other Loan Documents to which such Subsidiary Guarantor is a party; (ii) such Subsidiary Guarantor has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is solvent and able to pay its debts as they mature; (iii) such Subsidiary Guarantor owns property having a value, both at fair valuation and at present fair salable value, greater than the amount required to pay its

debts; and (iv) such Subsidiary Guarantor is not entering into the Loan Documents to which it is a party with the intent to hinder, delay or defraud its creditors.

Section 10.09 Continuing Guaranty; Remedies Cumulative, etc. The guaranty provided under this Article X is a continuing guaranty, all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon, and this Article X shall remain in full force and effect until terminated as provided in Section 10.18. No failure or delay on the part of the Administrative Agent or any other Creditor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies that the Administrative Agent or any other Creditor would otherwise have. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or any other Creditor to any other or further action in any circumstances without notice or demand. It is not necessary for, and neither the Administrative Agent nor any other Creditor, undertakes any obligation or duty to, inquire into the capacity or powers of the Borrower or any of its Subsidiaries or the officers, directors, partners or agents acting or purporting to act on its behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

Section 10.10 Application of Payments and Recoveries. All amounts received by the Administrative Agent pursuant to, or in connection with the enforcement of, this Article X, together with all amounts and other rights and benefits realized by any Creditor (or to which any Creditor may be entitled) by virtue of this Article X, shall be applied as provided in Section 8.03.

Section 10.11 Enforcement Expenses. The Guarantors hereby jointly and severally agree to pay, to the extent not paid pursuant to Section 11.01, all out-of-pocket costs and expenses of the Administrative Agent and each other Creditor in connection with the enforcement of this Article X and any amendment, waiver or consent relating hereto (including, without limitation, the fees and disbursements of a single counsel employed by the Administrative Agent and the other Creditors for each applicable jurisdiction, unless such counsel has a conflict of interest prohibiting it from representing one or more of the Creditors, in which case the fees and disbursements of separate counsel for such Creditors shall also be paid by the Guarantors as aforesaid).

Section 10.12 Right of Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default after any applicable notice and grace period, each Creditor is hereby authorized at any time or from time to time, without notice to any Subsidiary Guarantor or to any other Person, any such notice being expressly waived, to the fullest extent permitted under applicable law now or hereafter in effect, to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Creditor to or for the credit or the account of such Subsidiary Guarantor, against and on account of the obligations and liabilities of such Subsidiary Guarantor to such Creditor under this Article X, irrespective of whether or not the Administrative Agent or such Creditor shall have made any demand hereunder and although said obligations, liabilities, deposits or claims, or any of them, shall be contingent or unmatured. Each Creditor agrees to promptly notify the relevant Subsidiary Guarantor after any such set off and application, *provided*, *however*, that the failure to give such notice shall not affect the validity of such set off and application.

Section 10.13 Reinstatement. If a claim is ever made upon the Administrative Agent or any other Creditor for recission, repayment, recovery or restoration of any amount or amounts received by the Administrative Agent or any other Creditor in payment or on account of any of the Obligations and any of

the aforesaid payees repays all or part of said amount by reason of (a) any judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property, or (b) any settlement or compromise of any such claim effected by such payee with any such claimant, then and in such event (i) any such judgment, decree, order, settlement or compromise shall be binding upon each Subsidiary Guarantor, notwithstanding any revocation hereof or other instrument evidencing any liability of the Borrower, (ii) each Subsidiary Guarantor shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or otherwise recovered or restored to the same extent as if such amount had never originally been received by any such payee, and (iii) this Article X shall continue to be effective or be reinstated, as the case may be, all as if such repayment or other recovery had not occurred.

Section 10.14 Sale of Capital Stock of a Guarantor. If all of the capital stock of one or more Subsidiary Guarantors is sold or otherwise disposed of or liquidated in compliance with the requirements of Section 7.02 (or such sale or other disposition has been approved in writing by the Required Lenders (or all Lenders, as applicable, if required by Section 11.12)) and the proceeds of such sale, disposition or liquidation are applied, to the extent applicable, in accordance with the provisions of this Agreement, such Subsidiary Guarantor shall, in accordance with Section 11.12, be released from this Article X and this Article X shall, as to each such Subsidiary Guarantor or Subsidiary Guarantors, terminate, and have no further force or effect.

Section 10.15 Contribution Among Guarantors. Each Subsidiary Guarantor, in addition to the subrogation rights it shall have against the Borrower under applicable law as a result of any payment it makes hereunder, shall also have a right of contribution against all other Subsidiary Guarantors in respect of any such payment pro rata among the same based on their respective net fair value as enterprises, provided any such right of contribution shall be subject and subordinate to the prior payment in full of the Obligations (and such Subsidiary Guarantor's obligations in respect thereof).

Section 10.16 Full Recourse Obligations; Effect of Fraudulent Transfer Laws, etc. It is the desire and intent of each Subsidiary Guarantor, the Administrative Agent and the other Creditors that this Article X shall be enforced as a full recourse obligation of each Subsidiary Guarantor to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If and to the extent that the obligations of any Subsidiary Guarantor under this Article X would, in the absence of this sentence, be adjudicated to be invalid or unenforceable because of any applicable state or federal law relating to fraudulent conveyances or transfers, then the amount of such Subsidiary Guarantor's liability hereunder in respect of the Obligations shall be deemed to be reduced *ab initio* to that maximum amount that would be permitted without causing such Subsidiary Guarantor's obligations hereunder to be so invalidated.

Section 10.17 Payments Free and Clear of Setoffs, Counterclaims and Taxes, etc.

(a) All payments made by any Subsidiary Guarantor hereunder will be made without setoff, counterclaim or other defense and, except as provided for in this Section 10.17, all such payments will be made free and clear of, and without deduction or withholding for, any present or future Taxes. If any Taxes are so levied or imposed, the applicable Subsidiary Guarantor agrees to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment by it of all amounts due hereunder, after withholding or deduction for or on account of any Taxes will not be less than the amount provided for herein. The applicable Subsidiary Guarantor will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes, or any withholding or deduction on account thereof, is due pursuant to applicable law certified copies of tax receipts, or other evidence reasonably satisfactory to the applicable Creditor, evidencing such payment by the applicable Subsidiary Guarantor. Each applicable Subsidiary Guarantor will indemnify and hold harmless the Administrative Agent and each Creditor, and reimburse the Administrative Agent or such Creditor upon its written request, for the

amount of any Taxes so levied or imposed on and paid or withheld by such Creditor in respect of payments by the applicable Subsidiary Guarantor hereunder.

(b) Notwithstanding anything to the contrary contained in this Section 10.17, (i) any applicable Subsidiary Guarantor shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or other similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from any amounts payable hereunder for the account of any Creditor that is not a United States Person (as such term is defined in Section 7701(a)(30) of the Code) for United States federal income tax purposes and that has not provided to the Borrower such forms that establish a complete exemption from such deduction or withholding; and (ii) any applicable Subsidiary Guarantor shall not be obligated pursuant to this Section 10.17 hereof to gross-up payments to be made to a Creditor in respect of income or similar taxes imposed by the United States or any additional amounts with respect thereto if such Creditor has not provided to the Borrower such forms.

Section 10.18 Termination. After the termination of all of the Commitments, when no LC Outstandings exist and when all Loans and other Obligations (other than unasserted indemnity obligations) have been paid in full, this guaranty provided under this Article X will terminate and the Administrative Agent, at the request and expense of the Borrower and/or any of the Subsidiary Guarantors, will execute and deliver to the Subsidiary Guarantors an instrument or instruments acknowledging such termination.

Section 10.19 Enforcement Only by Administrative Agent. The Creditors agree that the guaranty provided under this Article X may be enforced only by the action of the Administrative Agent, acting upon the instructions of the Required Lenders, and that no Creditor shall have any right individually to seek to enforce or to enforce the guaranty provided under this Article X, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent, for the benefit of the Creditors, upon the terms of this Article X.

Section 10.20 Effect of Stay. If acceleration of the time for payment of any amount payable by any Subsidiary Guarantor under any of the Obligations is stayed upon insolvency, bankruptcy or reorganization of such Subsidiary Guarantor, all such amounts otherwise subject to acceleration under the terms of any applicable agreement or instrument evidencing or relating to any of the Obligations shall nonetheless be payable by such Subsidiary Guarantor under this Article forthwith on demand by the Administrative Agent.

ARTICLE XI.

MISCELLANEOUS

Section 11.01 Payment of Expenses etc. The Borrower agrees to pay (or reimburse the Administrative Agent, the Lenders or their Affiliates, as the case may be, for) all of the following: (i) whether or not the transactions contemplated hereby are consummated, for all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the negotiation, preparation, syndication, administration and execution and delivery of the Loan Documents and the documents and instruments referred to therein and the syndication of the Commitments; (ii) all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Lenders in connection with any amendment, waiver or consent relating to any of the Loan Documents that are requested by any Credit Party; (iii) all reasonable out-of-pocket costs and expenses of the Administrative Agent, the Lenders and their Affiliates in connection with the enforcement of any of the Loan Documents or the other documents and instruments referred to therein, including, without limitation, the reasonable fees and disbursements of any individual counsel to the Administrative Agent and any Lender (including, without limitation,

allocated costs of internal counsel); and (iv) subject to Section 3.03, any and all present and future stamp and other similar taxes with respect to the foregoing matters and save the Administrative Agent and each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to any such indemnified Person) to pay such taxes.

Section 11.02 Indemnification. The Borrower agrees to indemnify the Administrative Agent, each Lender, and their respective Related Parties (collectively, the "Indemnitees") from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses reasonably incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of (i) any investigation, litigation or other proceeding related to the entering into and/or performance of any Loan Document or the use of the proceeds of any Loans hereunder or the consummation of any transactions contemplated in any Loan Document, other than any such investigation, litigation or proceeding arising out of transactions solely between any of the Lenders or the Administrative Agent, transactions solely involving the assignment by a Lender of all or a portion of its Loans and Commitments, or the granting of participations therein, as provided in this Agreement, or arising solely out of any examination of a Lender by any regulatory or other Governmental Authority having jurisdiction over it, or (ii) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property owned, leased or operated by the Borrower or any of its Subsidiaries, the Release, generation, storage, transportation, handling or disposal of Hazardous Materials at any location, whether or not owned or operated by the Borrower or any of its Subsidiaries, if the Borrower or any such Subsidiary could have or is alleged to have any responsibility in respect thereof, the non-compliance of any Real Property owned, leased or operated by the Borrower or any of its Subsidiaries with foreign, federal, state and local laws, regulations and ordinances (including applicable permits thereunder) applicable thereto, or any Environmental Claim asserted against the Borrower or any of its Subsidiaries, in respect of any such Real Property, including, in the case of each of (i) and (ii) above, without limitation, the reasonable documented fees and disbursements of counsel (such costs of counsel to be limited to one counsel to the Administrative Agent for each applicable jurisdiction and one single counsel for all other Indemnitees for each applicable jurisdiction unless such counsel has a conflict of interest prohibiting it from representing one or more of such Indemnitees, in which case the fees and disbursements of separate counsel for such Indemnitees shall also be paid by the Borrower as aforesaid) incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence, willful misconduct or breach of its obligations under any Loan Document of the Person to be indemnified or of any other Indemnitee who is such Person or an Affiliate of such Person). To the extent that the undertaking to indemnify, pay or hold harmless any Person set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities that is permissible under applicable law.

Section 11.03 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, each Lender and each LC Issuer is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Lender or such LC Issuer (including, without limitation, by branches, agencies and Affiliates of such Lender or LC Issuer wherever located) to or for the credit or the account of the Borrower against and on account of the Obligations and liabilities of the Borrower to such Lender or LC Issuer under this Agreement or under any of the other Loan Documents, including, without limitation, all claims of any nature or description arising out of or connected with this Agreement or any other Loan

Document, irrespective of whether or not such Lender or LC Issuer shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured. Each Lender and LC Issuer agrees to promptly notify the Borrower after any such set off and application, *provided*, *however*, that the failure to give such notice shall not affect the validity of such set off and application.

Section 11.04 Equalization.

(a) Equalization. If at any time any Lender receives any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Loan Documents, or otherwise) that is applicable to the payment of the principal of, or interest on, the Loans (other than Swing Loans), LC Participations, Swing Loan Participations or Fees (other than Fees that are intended to be paid solely to the Administrative Agent or an LC Issuer and amounts payable to a Lender under Article III), of a sum that with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, *then* such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount.

(b) Recovery of Amounts. If any amount paid to any Lender pursuant to subparts (i) or (ii) above is recovered in whole or in part from such Lender, such original purchase shall be rescinded, and the purchase price restored ratably to the extent of the recovery.

(c) Consent of Borrower. The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 11.05 Notices.

(a) Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subpart (c) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(i) if to the Borrower, to it at 25 Corporate Drive, Burlington, Massachusetts 01803, Attention: Corporate Secretary (Facsimile No. (781) 270-1299);

(ii) if to any other Credit Party, to it c/o the Borrower at 25 Corporate Drive, Burlington, Massachusetts 01803, Attention: Corporate Secretary (Facsimile No. (781) 270-1299);

(iii) if to the Administrative Agent, to it at the Notice Office; and

(iv) if to a Lender, to it at its address (or facsimile number) set forth next to its name on the signature pages hereto or, in the case of any Lender that becomes a party to this Agreement by way of assignment under Section 11.06, to it at the address set forth in the Assignment Agreement to which it is a party;

(b) Receipt of Notices. Notices and communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent and receipt has been confirmed by telephone. Notices delivered through electronic communications to the extent provided in subpart (c) below shall be effective as provided in said subpart (c).

(c) Electronic Communications. Notices and other communications to the Administrative Agent, an LC Issuer or any Lender hereunder and required to be delivered pursuant to Sections 6.01(a), (b), (c), (d), (g), (h) or (i) may be delivered or furnished by electronic communication (including e-mail and Internet or intranet web sites) pursuant to procedures approved by the Administrative Agent. The Administrative Agent and the Borrower may, in their discretion, agree in a separate writing to accept notices and other communications to them hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet web site shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the web site address therefor.

(d) Change of Address, Etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to each of the other parties hereto in accordance with Section 11.05(a).

Section 11.06 Successors and Assigns.

(a) Successors and Assigns Generally. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns; *provided, however*, that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of all the Lenders, *provided, further*, that any assignment or participation by a Lender of any of its rights and obligations hereunder shall be effected in accordance with this Section 11.06.

(b) Participations. Each Lender may at any time grant participations in any of its rights hereunder or under any of the Notes to an Eligible Assignee, *provided* that in the case of any such participation,

(i) the participant shall not have any rights under this Agreement or any of the other Loan Documents, including rights of consent, approval or waiver (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto),

(ii) such Lender's obligations under this Agreement (including, without limitation, its Commitments hereunder) shall remain unchanged,

(iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations,

(iv) such Lender shall remain the holder of the Obligations owing to it and of any Note issued to it for all purposes of this Agreement, and

(v) the Borrower, the Administrative Agent, and the other Lenders shall continue to deal solely and directly with the selling Lender in connection with such Lender's rights and obligations under this Agreement, and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation, except that the participant shall be entitled to the benefits of Article III to the extent that such Lender would be entitled to such benefits if the participation had not been entered into or sold,

and, *provided further*, that no Lender shall transfer, grant or sell any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Loan Document except to the extent such amendment or waiver would (x) extend the final scheduled maturity of the date of any of the Loans in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates), or reduce the principal amount thereof, or increase such participant's participating interest in any Commitment over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of any such Commitment), (y) release all or any substantial portion of any collateral securing the Obligations, or release any guarantor from its guaranty of any of the Obligations, except strictly in accordance with the terms of the Loan Documents, or (z) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement.

(c) Assignments by Lenders.

(i) Any Lender may assign all, or if less than all, a fixed portion, of its Loans, LC Participations, Swing Loan Participations and/or Commitments and its rights and obligations hereunder to one or more Eligible Assignees, each of which shall become a party to this Agreement as a Lender by execution of an Assignment Agreement; *provided*, *however*, that

(A) except in the case of (x) an assignment of the entire remaining amount of the assigning Lender's Loans and/or Commitments or (y) an assignment to another Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender, the aggregate amount of the Commitment so assigned (which for this purpose includes the Loans outstanding thereunder) shall not be less than $7,500,000 (or an integral multiple of $1,000,000 in excess thereof);

(B))at the time of any such assignment the Lender Register shall be modified to reflect the Commitments of such new Lender and of the existing Lenders (and no assignment shall be effective hereunder unless recorded in the Lender Register as provided herein);

(C) upon surrender of the old Notes, if any, upon request of the new Lender, new Notes will be issued, at the Borrower's expense, to such new Lender and to the assigning Lender, to the extent needed to reflect the revised Commitments; and

(D) unless waived by the Administrative Agent, the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Lender, the payment of a non-refundable assignment fee of $3,500.

(ii) To the extent of any assignment pursuant to this subpart (c), the assigning Lender shall be relieved of its obligations hereunder with respect to its assigned Commitments.

(iii) At the time of each assignment pursuant to this subpart (c), to a Person that is not already a Lender hereunder, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the applicable Internal Revenue Service Forms (and any necessary additional documentation) described in Section 3.03(b) or (c), as appropriate.

(iv) With respect to any Lender, the transfer of any Commitment of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitment shall not be effective until such transfer is recorded on the Lender Register maintained by the Administrative Agent with respect to ownership of such Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitment and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by the Administrative Agent on the Lender Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment Agreement pursuant to this subpart (c).

(v) Nothing in this Section shall prevent or prohibit (A) any Lender that is a bank, trust company or other financial institution from pledging its Notes or Loans to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank, or (B) any Lender that is a trust, limited liability company, partnership or other investment company from pledging its Notes or Loans to a trustee or agent for the benefit of holders of certificates or debt securities issued by it. No such pledge, or any assignment pursuant to or in lieu of an enforcement of such a pledge, shall relieve the transferor Lender from its obligations hereunder.

(d) No SEC Registration or Blue Sky Compliance. Notwithstanding any other provisions of this Section, no transfer or assignment of the interests or obligations of any Lender hereunder or any grant of participation therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any State.

(e) Representations of Lenders. Each Lender initially party to this Agreement hereby represents, and each Person that becomes a Lender pursuant to an assignment permitted by this Section will, upon its becoming party to this Agreement, represents that it is a commercial lender, other financial institution or other "accredited" investor (as defined in SEC Regulation D) that makes or acquires loans in the ordinary course of its business and that it will make or acquire Loans for its own account in the ordinary course of such business; *provided, however*, that subject to the preceding Sections 11.06(b) and (c), the disposition of any promissory notes or other evidences of or interests in Indebtedness held by such Lender shall at all times be within its exclusive control.

Section 11.07 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Loan Document and no course of dealing between the Borrower and the Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand. Without limiting the generality of the foregoing, the making of a Loan or any LC Issuance shall not be construed as a waiver of any Default

or Event of Default, regardless of whether the Administrative Agent, any Lender or any LC Issuer may have had notice or knowledge of such Default or Event of Default at the time. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies that the Administrative Agent or any Lender would otherwise have.

Section 11.08 Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial.

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW). TO THE FULLEST EXTENT PERMITTED BY LAW, THE BORROWER AND THE CREDIT PARTIES EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK GOVERNS THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. Any legal action or proceeding with respect to this Agreement or any other Loan Document may be brought in the Supreme Court of the State of New York sitting in New York City or in the United States District Court of the Southern District of New York, and, by execution and delivery of this Agreement, the Borrower and the other Credit Parties each hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Borrower and the other Credit Parties each hereby further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower or any of the Credit Parties, as applicable, at its address for notices pursuant to Section 11.05, such service to become effective 30 days after such mailing or at such earlier time as may be provided under applicable law. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower and/or any of the Credit Parties in any other jurisdiction.

(b) The Borrower and the other Credit Parties each hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Loan Document brought in the courts referred to in Section 11.08(a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) **EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS (INCLUDING, WITHOUT LIMITATION, ANY AMENDMENTS, WAIVERS OR OTHER MODIFICATIONS RELATING TO ANY OF THE FOREGOING), OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.**

Section 11.09 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same agreement. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

Section 11.10 Integration. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent, for its own account and benefit and/or for the account, benefit of, and distribution to, the Lenders, constitute the entire contract among the parties relating to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof or thereof.

Section 11.11 Headings Descriptive. The headings of the several Sections and other portions of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 11.12 Amendment or Waiver.

(a) Neither this Agreement nor any other Loan Document, nor any terms hereof or thereof, may be amended, changed, waived or otherwise modified unless such amendment, change, waiver or other modification is in writing and signed by the Borrower, the Administrative Agent, and the Required Lenders or by the Administrative Agent acting at the written direction of the Required Lenders; *provided, however*, that

(i) no change, waiver or other modification shall:

(A) increase the amount of any Commitment of any Lender hereunder (other than as provided in Section 2.02(b)), without the written consent of such Lender or increase the Total Revolving Commitment without the consent of all the Lenders;

(B) extend or postpone the Revolving Facility Termination Date or the maturity date provided for herein that is applicable to any Loan of any Lender, extend or postpone the expiration date of any Letter of Credit as to which such Lender is an LC Participant beyond the latest expiration date for a Letter of Credit provided for herein, or extend or postpone any scheduled expiration or termination date provided for herein that is applicable to a Commitment of any Lender (other than as provided in Section 2.16), without the written consent of such Lender;

(C) reduce the principal amount of any Loan made by any Lender, or reduce the rate or extend the time of payment of, or excuse the payment of, interest thereon (other than as a result of (x) waiving the applicability of any post-default increase in interest rates or (y) any amendment or modification of defined terms used in financial covenants), without the written consent of such Lender;

(D) reduce the amount of any Unreimbursed Drawing as to which any Lender is an LC Participant, or reduce the rate or extend the time of payment of, or excuse the payment of, interest thereon (other than as a result of waiving the applicability of any post-default increase in interest rates), without the written consent of such Lender; or

(E) reduce the rate or extend the time of payment of, or excuse the payment of, any Fees to which any Lender is entitled hereunder, without the written consent of such Lender; and

(ii) no change, waiver or other modification or termination shall, without the written consent of each Lender affected thereby,

(A) release the Borrower from any of its obligations hereunder;

(B) release the Borrower from its guaranty obligations under Article X or release any Credit Party from the Guaranty to which it is a party, *except*, in the case of a Subsidiary Guarantor, in accordance with a transaction permitted under this Agreement;

(C) release all or any substantial portion of any collateral securing the Obligations, *except* in connection with a transaction permitted under this Agreement;

(D) amend, modify or waive any provision of this Section 11.12, Section 8.03, or any other provision of any of the Loan Documents pursuant to which the consent or approval of all Lenders, or a number or specified percentage or other required grouping of Lenders or Lenders having Commitments, is by the terms of such provision explicitly required;

(E) reduce the percentage specified in, or otherwise modify, the definition of Required Lenders; or

(F) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement.

Any waiver or consent with respect to this Agreement given or made in accordance with this Section shall be effective only in the specific instance and for the specific purpose for which it was given or made.

(b) No provision of Section 2.05 or any other provision in this Agreement specifically relating to Letters of Credit may be amended without the consent of any LC Issuer adversely affected thereby.

(c) No provision of Article IX may be amended without the consent of the Administrative Agent and no provision of Section 2.04 may be amended without the consent of the Swing Line Lender.

(d) To the extent the Required Lenders (or all of the Lenders, as applicable, as shall be required by this Section) waive the provisions of Section 7.02 with respect to the sale, transfer or other disposition of any property or assets, or any property are assets are sold, transferred or disposed of as permitted by Section 7.02, and such property or assets includes all of the capital stock of a Subsidiary that is a party to a Guaranty such Subsidiary shall be released from such Guaranty; and the Administrative Agent shall be authorized to take actions deemed appropriate by it to effectuate the foregoing.

Section 11.13 Survival of Indemnities. All indemnities set forth herein including, without limitation, in Article III (subject to the limitations set forth Section 3.01(d)), Section 9.09 or Section 11.02 shall survive the execution and delivery of this Agreement and the making and repayment of the Obligations.

Section 11.14 Domicile of Loans. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender; *provided*, *however*, that the Borrower shall not be responsible for costs arising under Section 3.01 resulting from any such transfer (other than a transfer pursuant to Section 3.05) to the extent not otherwise applicable to such Lender prior to such transfer.

Section 11.15 Confidentiality.

(a) Each of the Administrative Agent, each LC Issuer and the Lenders agrees to maintain the confidentiality of the Confidential Information, *except* that Confidential Information may be disclosed (1) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (2) to any direct or indirect contractual counterparty in any Hedge Agreement (or to any such contractual counterparty's professional advisor), so long as such contractual counterparty (or such professional advisor) agrees to be bound by the provisions of this Section, (3) to the extent requested by any regulatory authority, (4) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (5) to any other party to this Agreement, (6) to any other creditor of any Credit Party that is a direct or intended beneficiary of any of the Loan Documents, (7) in connection with the exercise of any remedies hereunder or under any of the other Loan Documents, or any suit, action or proceeding relating to this Agreement or any of the other Loan Documents or the enforcement of rights hereunder or thereunder, (8) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or participant in any of its rights or obligations under this Agreement, (9) with the consent of the Borrower, or (10) to the extent such Confidential Information (i) becomes publicly available other than as a result of a breach of this Section, or (ii) becomes available to the Administrative Agent, any LC Issuer or any Lender on a non-confidential basis from a source other than a Credit Party and not otherwise in violation of this Section.

(b) As used in this Section, "Confidential Information" shall mean all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, any LC Issuer or any Lender on a non-confidential basis prior to disclosure by the Borrower; *provided*, *however*, that, in the case of information received from the Borrower after the Closing Date, such information is clearly identified at the time of delivery as confidential.

(c) Any Person required to maintain the confidentiality of Confidential Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Confidential Information as such Person would accord to its own confidential information. The Borrower hereby agrees that the failure of the Administrative Agent, any LC Issuer or any Lender to comply with the provisions of this Section shall not relieve the Borrower, or any other Credit Party, of any of its obligations under this Agreement or any of the other Loan Documents.

Section 11.16 Limitations on Liability of the LC Issuers. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letters of Credit. Neither any LC Issuer nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by an LC Issuer against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to

bear any reference or adequate reference to such Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, *except* that the LC Obligor shall have a claim against an LC Issuer, and an LC Issuer shall be liable to such LC Obligor, to the extent of any direct, but not consequential, damages suffered by such LC Obligor that such LC Obligor proves were caused by (i) such LC Issuer's willful misconduct or gross negligence in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit or (ii) such LC Issuer's willful failure to make lawful payment under any Letter of Credit after the presentation to it of documentation strictly complying with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, an LC Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation.

Section 11.17 General Limitation of Liability. No claim may be made by any Credit Party, any Lender, the Administrative Agent, any LC Issuer or any other Person against the Administrative Agent, any LC Issuer, or any other Lender or the Affiliates, directors, officers, employees, attorneys or agents of any of them for any damages other than actual compensatory damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any of the other Loan Documents, or any act, omission or event occurring in connection therewith; and the Borrower, each Lender, the Administrative Agent and each LC Issuer hereby, to the fullest extent permitted under applicable law, waive, release and agree not to sue or counterclaim upon any such claim for any special, consequential or punitive damages, whether or not accrued and whether or not known or suspected to exist in their favor.

Section 11.18 No Duty. All attorneys, accountants, appraisers, consultants and other professional persons (including the firms or other entities on behalf of which any such Person may act) retained by the Administrative Agent or any Lender with respect to the transactions contemplated by the Loan Documents shall have the right to act exclusively in the interest of the Administrative Agent or such Lender, as the case may be, and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to the Borrower, to any of its Subsidiaries, or to any other Person, with respect to any matters within the scope of such representation or related to their activities in connection with such representation. The Borrower agrees, on behalf of itself and its Subsidiaries, not to assert any claim or counterclaim against any such persons with regard to such matters, all such claims and counterclaims, now existing or hereafter arising, whether known or unknown, foreseen or unforeseeable, being hereby waived, released and forever discharged.

Section 11.19 Lenders and Agent Not Fiduciary to Borrower, etc. The relationship among the Borrower and its Subsidiaries, on the one hand, and the Administrative Agent, each LC Issuer and the Lenders, on the other hand, is solely that of debtor and creditor, and the Administrative Agent, each LC Issuer and the Lenders have no fiduciary or other special relationship with the Borrower and its Subsidiaries, and no term or provision of any Loan Document, no course of dealing, no written or oral communication, or other action, shall be construed so as to deem such relationship to be other than that of debtor and creditor.

Section 11.20 Survival of Representations and Warranties. All representations and warranties herein shall survive the making of Loans and all LC Issuances hereunder, the execution and delivery of this Agreement, the Notes and the other documents the forms of which are attached as Exhibits hereto, the issue and delivery of the Notes, any disposition thereof by any holder thereof, and any investigation made by the Administrative Agent or any Lender or any other holder of any of the Notes or on its behalf. All statements contained in any certificate or other document delivered to the Administrative Agent or any Lender or any holder of any Notes by or on behalf of the Borrower or any of its Subsidiaries pursuant hereto or otherwise specifically for use in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrower hereunder, made as

of the respective dates specified therein or, if no date is specified, as of the respective dates furnished to the Administrative Agent or any Lender.

Section 11.21 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 11.22 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action, event, condition or circumstance is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations or restrictions of, another covenant, shall not avoid the occurrence of a Default or an Event of Default if such action is taken or event, condition or circumstance exists.

Section 11.23 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate'") that may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Base Rate to the date of repayment, shall have been received by such Lender.

Section 11.24 Judgment Currency. If the Administrative Agent, on behalf of the Lenders, obtains a judgment or judgments against the Borrower or any other Credit Party in a Designated Foreign Currency, the obligations of the Borrower or such Credit Party in respect of any sum adjudged to be due to the Administrative Agent or the Lenders hereunder or under the Notes (the "Judgment Amount") shall be discharged only to the extent that, on the Business Day following receipt by the Administrative Agent of the Judgment Amount in the Designated Foreign Currency, the Administrative Agent, in accordance with normal banking procedures, may purchase Dollars with the Judgment Amount in such Designated Foreign Currency. If the amount of Dollars so purchased is less than the amount of Dollars that could have been purchased with the Judgment Amount on the date or dates the Judgment Amount (excluding the portion of the Judgment Amount which has accrued as a result of the failure of the Borrower or any other Credit Party to pay the sum originally due hereunder or under the Notes when it was originally due hereunder or under the Notes) was originally due and owing (the "Original Due Date") to the Administrative Agent or the Lenders hereunder or under the Notes (the "Loss"), the Borrower and the other Credit Parties each agrees as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender, as the case may be, against the Loss, and if the amount of Dollars so purchased exceeds the amount of Dollars that could have been purchased with the Judgment Amount on the Original Due Date, the Administrative Agent or such Lender agrees to remit such excess to the Borrower.

Section 11.25 USA Patriot Act. Each Lender subject to the USA Patriot Act hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the USA Patriot Act.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

CIRCOR INTERNATIONAL, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Senior VP, CFO & Treasurer

SUBSIDIARY GUARANTORS:

AERODYNE CONTROLS, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

CIRCLE SEAL CONTROLS, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

CIRCOR, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

CIRCOR BUSINESS TRUST

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Trustee and Vice President

CIRCOR ENERGY PRODUCTS, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

CIRCOR IP HOLDING CO.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

CIRCOR SECURITIES CORP.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

DOPAK, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

HOKE, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

LESLIE CONTROLS, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

LOUD ENGINEERING AND
MANUFACTURING, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

SPENCE ENGINEERING COMPANY, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

TEXAS SAMPLING, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Vice President

LENDERS:

KEYBANK NATIONAL ASSOCIATION,
as a Lender, LC Issuer, Swing Line Lender, and
as the Lead Arranger, Sole Bookrunner and Administrative Agent

By: /s/ Mary Young
Name: Mary Young
Title: Vice President

[Signature Page to Circor Credit Agreement]

BANK OF AMERICA, NA

Address: 100 Federal Street
Boston, Massachusetts 02110
Attn: Christopher S. Allen
Facsimile: (617) 434-8102

By: /s/ Christopher S. Allen
Name: Christopher S. Allen
Title: Senior Vice President

[Signature Page to Circor Credit Agreement]

CITIZENS BANK OF MASSACHUSETTS

Address: 331 Montvale Avenue
Woburn, Massachusetts 01801
Attn: James Tzouvelis
Facsimile: (781) 932-8073

By: /s/ James Tzouvelis
Name: James Tzouvelis
Title: Vice President

[Signature Page to Circor Credit Agreement]

SUNTRUST BANK

Address: 303 Peachtree Street, N.E.,
10th Floor
Atlanta, Georgia 30308
Attn: Laura Kahn
Facsimile: (404) 588-8505

By: /s/ Robert Maddox
Name: Robert Maddox
Title: Vice President

EXHIBIT A-l

FORM OF
REVOLVING FACILITY NOTE

$_____ _____, 20__
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of [_____] (the "Lender") the principal sum of _____ ($_____) or, if less, the then unpaid principal amount of all Revolving Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement, in Dollars or in the applicable Designated Foreign Currency and in immediately available funds, at the Payment Office on the Revolving Facility Termination Date.

The Borrower also promises to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Revolving Loan made by the Lender from the date of such Revolving Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Revolving Facility Note is one of the Notes referred to in the Credit Agreement, dated as of December 20, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Revolving Facility Note is subject to mandatory repayment prior to the Revolving Facility Termination Date, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Revolving Facility Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Revolving Facility Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS REVOLVING FACILITY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS REVOLVING FACILITY NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

EXHIBIT A-2

FORM OF
COMPETITIVE BID NOTE

$_____ _____, 20__
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of [_____] (the "Lender"), on _____, 200__, the principal amount of [$ _____] [**for a Competitive Bid Loan in a Foreign Currency, list currency and amount of such Loan**].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: ____ % per annum (calculated on the basis of a year of ____ days for the actual number of days elapsed).

Both principal and interest are payable in lawful money of _____ to the Lender at its office at _____ in same day funds.

This Competitive Bid Note is one of the Notes referred to in the Credit Agreement, dated as of December 20, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Competitive Bid Note is subject to mandatory repayment prior to maturity, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Competitive Bid Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Revolving Facility Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS COMPETITIVE BID NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS COMPETITIVE BID NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

EXHIBIT A-3

FORM OF
SWING LINE NOTE

$_____ _____, 20__
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of KEYBANK NATIONAL ASSOCIATION (the "Swing Line Lender") the principal sum of [_____] ($ _____) or, if less, the then unpaid principal amount of all Swing Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Swing Line Lender to the Borrower pursuant to the Credit Agreement, in Dollars and in immediately available funds, at the Payment Office, on the Swing Loan Maturity Date applicable to each such Swing Loan.

The Borrower promises also to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Swing Loan made by the Swing Line Lender from the date of such Swing Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Swing Line Note is one of the Notes referred to in the Credit Agreement, dated as of December 20, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Swing Line Note is subject to mandatory repayment prior to the Swing Loan Maturity Date applicable to each Swing Loan, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Swing Line Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Swing Line Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS SWING LINE NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS SWING LINE NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

EXHIBIT B-l

NOTICE OF BORROWING

_____, 20__

KeyBank National Association,
as Administrative Agent
127 Public Square
Cleveland, Ohio 44114
Attention: _____

Re: Notice of Borrowing

Ladies and Gentlemen:

The undersigned, CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), refers to the Credit Agreement, dated as of December 20, 2005 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among the Borrower, the lenders from time to time party thereto, and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent, and hereby gives you notice, irrevocably, pursuant to Section 2.06(b) of the Credit Agreement, that the undersigned hereby requests one or more Borrowings under the Credit Agreement, and in that connection therewith sets forth on Annex 1 hereto the information relating to each such Borrowing (collectively the "Proposed Borrowing") as required by Section 2.06(b) of the Credit Agreement.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties of the Credit Parties contained in the Credit Agreement and the other Loan Documents are and will be true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is and will be true and correct in all qualified respects), before and after giving effect to the Proposed Borrowing and to the application of the proceeds thereof, as though made on such date, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all qualified respects) as of the date when made; and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds thereof.

Very truly yours,

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

Annex 1
to
Notice of Borrowing

1. The Business Day of the Proposed Borrowing is [_____].

2. The Type of Loan[s] comprising the Proposed Borrowing [is a][are] [Base Rate Loan[s]] [Eurodollar Loan[s]] [Foreign Currency Loan[s]] [Swing Loan[s]].

3. The Aggregate amount of [the] [each] Loan is [as follows]:

   (a) [Base Rate Loan: $ _____.]

   (b) [Eurodollar Loan: $ _____.]

   (c) [Foreign Currency Loan: $ _____.]

   (d) [Swing Loan: $ _____.]

4. [The Interest Period for the [respective] Loan is [set forth below opposite such Loan]:

   (a) [Eurodollar Loan: _____.]

   (b) [Foreign Currency Loan: _____.]

5. [The Designated Foreign Currency for the Foreign Currency Loan[s] is _____.]

6. [The Swing Loan Maturity Date for the Swing Loan[s] is _____.]

EXHIBIT B-2

NOTICE OF
COMPETITIVE BED BORROWING

_____, 20__

KeyBank National Association,
as Administrative Agent
127 Public Square
Cleveland, Ohio 44114
Attention: _____

Re: Notice of Competitive Bid Borrowing

Ladies and Gentlemen:

The undersigned, CIRCOR INTERNATIONAL, INC., a Delaware corporation, refers to the Credit Agreement, dated as of December 20, 2005 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, the lenders from time to time party thereto, and KEYBANK NATIONAL ASSOCIATION, as Administrative Agent, and hereby gives you notice, irrevocably, pursuant to Section 2.03(b) of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

(i)	Date of Competitive Bid Borrowing	_____
(ii)	Amount of Competitive Bid Borrowing	_____
(iii)	[Maturity Date] [Interest Period]	_____
(iv)	Interest Rate Basis	_____
(v)	Day Count Convention	_____
(vi)	Interest Payment Date(s)	_____
(vii)	Currency	_____
(viii)	Borrower's Account Location	_____
(ix)	_____	_____

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(A) the representations and warranties of the Credit Parties contained in the Credit Agreement and the other Loan Documents are and will be true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is and will be true and correct in all qualified respects), before and after giving effect to the Proposed Borrowing and to the application of the proceeds thereof, as though made on such date, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all qualified respects) as of the date when made; and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Competitive Bid Borrowing or from the application of the proceeds thereof.

Very truly yours,

CIRCOR INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

EXHIBIT B-3

NOTICE OF
CONTINUATION OR CONVERSION

_____, 20__

KeyBank National Association,
as Administrative Agent
127 Public Square
Cleveland, Ohio 44114
Attention: _____

Re: Notice of Continuation or Conversion

Ladies and Gentlemen:

The undersigned, CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), refers to the Credit Agreement, dated as of December 20, 2005 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among the Borrower, the lenders from time to time party thereto, and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent, and hereby gives you notice, irrevocably, pursuant to Section 2.10(b) of the Credit Agreement, that the undersigned hereby requests one or more Continuations or Conversions of Loans, consisting of one Type of Loan, pursuant to Section 2.10(b) of the Credit Agreement, and in that connection therewith has set forth on Annex 1 hereto the information required pursuant to such Section 2.10(b) of the Credit Agreement relating to each such Continuation or Conversion.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Continuation or Conversion:

(A) the representations and warranties of the Credit Parties contained in the Credit Agreement and the other Loan Documents are and will be true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is and will be true and correct in all qualified respects), before and after giving effect to the Continuation or Conversion, as though made on such date, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all qualified respects) as of the date when made; and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Continuation or Conversion.

Very truly yours,

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

1. The Type[s] of Loan[s] to be [Continued] [Converted] [is a] [are] [Eurodollar Loan[s]] [Foreign Currency Loan[s]].
2. The date on which the [respective] Loan to be [Continued] [Converted] was made is [set forth below opposite such Loan]:
   (a) [Eurodollar Loan: $ _____.]
   (b) [Foreign Currency Loan: $ _____.]
3. The date on which the [respective] Loan is to be [Continued] [Converted] is [set forth below opposite such Loan]:
   (a) [Eurodollar Loan: $ _____.]
   (b) [Foreign Currency Loan: $ _____.]
4. The Aggregate amount of [the] [each] Loan is [as follows]:
   (a) [Eurodollar Loan: $ _____.]
   (b) [Foreign Currency Loan: $ _____.]
5. [[The [new] Interest Period for the [respective] Loan is [set forth opposite such Loan]:
   (a) [Eurodollar Loan: _____.]
   (b) [Foreign Currency Loan: _____.]]

[6. The Type of Loan into which the [respective] Loan[s] [is] [are] to be Converted is [set forth below opposite such Loan]:]
   (a) [Eurodollar Loan: _____.]
   (b) [Foreign Currency Loan: _____.]]

EXHIBIT B-4

LC REQUEST

_____, 20__

KeyBank National Association,
as Administrative Agent
127 Public Square
Cleveland, Ohio 44114
Attention: _____

Ladies and Gentlemen:

The undersigned, CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), refers to the Credit Agreement, dated as of December 20, 2005 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among the Borrower, the lenders from time to time party thereto, and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent.

Pursuant to Section 2.05(b) of the Credit Agreement, the undersigned hereby requests that KEYBANK NATIONAL ASSOCIATION, as LC Issuer, issue a Letter of Credit on [_____, 20__] (the "Date of Issuance") in the aggregate face amount of [$_____], for the account of _____ _____ (the "LC Obligor").

The beneficiary of the requested Letter of Credit will be _____, and such Letter of Credit will be in support of _____ and will have a stated termination date of _____.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the Date of Issuance:

(A) the representations and warranties of the Credit Parties contained in the Credit Agreement and the other Loan Documents are and will be true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is and will be true and correct in all qualified respects), before and after giving effect to the issuance of the Letter of Credit, as though made on such date, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all qualified respects) as of the date when made; and

(B) no Default or Event of Default has occurred and is continuing, or would result after giving effect to the issuance of the Letter of Credit requested hereby.

Copies of all documentation with respect to the supported transaction are attached hereto in accordance with Section 2.05(b) of the Credit Agreement.

Very truly yours,

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

EXHIBIT C

COMPLIANCE CERTIFICATE

_____, 20__

KeyBank National Association,
as Administrative Agent
127 Public Square
Cleveland, Ohio 44114
Attention: _____

Each Lender party to the Credit Agreement referred to below

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of December 20, 2005, among CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), the lenders from time to time party thereto (the "Lenders"), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"; terms defined therein being used herein as therein defined). Pursuant to Section 6.01(c) of the Credit Agreement, the undersigned hereby certifies to the Administrative Agent and the Lenders as follows:

(a) I am the duly elected Chief Financial Officer of the Borrower.

(b) I am familiar with the terms of the Credit Agreement, and I have made, or have caused to be made under my supervision, a review of the financial condition of the Borrower and its Subsidiaries during the accounting period covered by the attached financial statements.

(c) The review described in paragraph (b) above did not disclose, and I have no knowledge of, the existence of any condition or event that constitutes or constituted a Default or Event of Default at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate.

(d) The representations and warranties of the Credit Parties contained in the Credit Agreement and in the other Loan Documents are true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is and will be true and correct in all qualified respects) with the same effect as though such representations and warranties had been made on and at the date hereof, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all qualified respects) as of the date when made.

(e) Set forth on Attachment I hereto are calculations of the financial covenants set forth in Section 7.07 of the Credit Agreement, which calculations show compliance with the terms thereof for the fiscal quarter of the Borrower ending [_____].

Very truly yours,

CIRCOR INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

EXHIBIT D

CLOSING CERTIFICATE

CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby certifies that the officer executing this Closing Certificate is an Authorized Officer (as defined in the Credit Agreement referred to below) of the Borrower and that such officer is duly authorized to execute this Closing Certificate, which is hereby delivered on behalf of the Borrower pursuant to Section 4.01(ix) of the Credit Agreement, dated as of December 20, 2005 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among the Borrower, the lenders from time to time party thereto, and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent.

The undersigned further certifies that at and as of the Closing Date and both before and after giving effect to the initial Borrowings under the Credit Agreement and the application of the proceeds thereof:

1. no Default or Event of Default has occurred and is continuing;

2. all representations and warranties of the Credit Parties contained in the Credit Agreement and in the other Loan Documents are true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty is true and correct in all qualified respects) with the same effect as though such representations and warranties had been made on and as of the Closing Date, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties were true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty was true and correct in all qualified respects) as of the date when made;

3. all of the conditions precedent to the effectiveness of the Credit Agreement set forth in Section 4.01 of the Credit Agreement have been satisfied or waived; and

4. attached hereto as Annex 1 is a list of all Immaterial Subsidiaries and the calculations demonstrating that such Subsidiaries comply with the definition of "Immaterial Subsidiary" in Section 1.01 of the Credit Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Closing Certificate to be executed by its [**Insert title of Authorized Officer**] thereunto duly authorized, on and as of [_____], 2005.

Very truly yours,

CIRCOR INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

EXHIBIT E

ASSIGNMENT AND ASSUMPTION AGREEMENT

Date: _____, 20__

This Assignment and Assumption (this "Assignment Agreement") is dated as of the Effective Date set forth below and is entered into by and between [***Insert name of Assignor***] (the "Assignor") and [***Insert name of Assignee***] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement (as defined below), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto (the "Standard Terms and Conditions") are hereby agreed to and incorporated herein by reference and made a part of this Assignment Agreement as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other Loan Documents and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation, any Letters of Credit, guarantees, Competitive Bid Loans, and Swing Loans and any Participations in any of the foregoing included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other Loan Document and any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment Agreement, without representation or warranty by the Assignor.

1.	Assignor:	_____
2.	Assignee:	_____ [and is an Affiliate/Approved Fund of [*identify Lender*][1]]
3.	Borrower:	CIRCOR INTERNATIONAL, INC.
4.	Administrative Agent:	KEYBANK NATIONAL ASSOCIATION, as the administrative agent under the Credit Agreement.
5.	Credit Agreement:	The Credit Agreement, dated as of December 20, 2005 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the lenders from time to time party thereto, and the Administrative Agent.

[1] Select as applicable.

6. Assigned Interest:

Facility Assigned[2]	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/Loans[3]	CUSIP Number (if any)
	$	$	%	
	$	$	%	
	$	$	%	

[7. Trade Date: _____][4]

Effective Date: _____ __, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment Agreement are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

Accepted:

KEYBANK NATIONAL ASSOCIATION,
as Administrative Agent

By: _____
Name:
Title:

[CIRCOR INTERNATIONAL, INC.
as the Borrower][5]

By: _____
Name:
Title:

[2] Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Commitment," etc.)

[3] Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

[4] To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

[5] If required.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AGREEMENT

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is not a United States Person (as defined in Section 7701(a)(30) of the Code), attached to this Assignment Agreement is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment Agreement may be executed in any number of counterparts, which together shall constitute one instrument. Delivery

of an executed counterpart of a signature page of this Assignment Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment Agreement. This Assignment Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to principles of conflicts of laws (other than section 5-1401 of the New York General Obligations Law).

****

Schedule 1

Lenders and Commitments

Lender	Revolving Commitment	Revolving Facility Percentage as of the Closing Date
KeyBank National Association	$30,000,000	31.579%
Bank of America, NA	$30,000,000	31.579%
Citizens Bank of Massachusetts	$20,000,000	21.053%
SunTrust Bank	$15,000,000	15.789%
Total:	$95,000,000	100.00%

SCHEDULE 2
MATERIAL AGREEMENTS

$75,000,000 8.23% Senior Notes due October 19, 2006, issued pursuant to that certain Note Purchase Agreement dated October 19, 1999 between CIRCOR International, Inc. and the Senior Note Holders party thereto.

Trust Indenture from Village of Walden Industrial Development Agency to The First National Bank of Boston, as Trustee, dated June 1,1994, relating to the $7,500,000 Village of Walden Industrial Development Agency Industrial Development Revenue Refunding Bonds (Spence Engineering Company Project), Series 1994.

Trust Indenture from Hillsborough County Industrial Development Authority to the First National Bank of Boston, as Trustee, dated July 1, 1994 related to the $4,765,000 Hillsborough County Industrial Development Authority Industrial Development Revenue Refunding Bonds (Leslie Controls, Inc. Project), Series 1994.

Loan Agreement dated as of July 1, 1994 between the Hillsborough County Industrial Development Authority, as issuer and Leslie Controls, Inc., related to the $4,765,000 Hillsborough County Industrial Development Authority Industrial Development Revenue Refunding Bonds (Leslie Controls, Inc. Project), Series 1994.

Letter or Credit, Reimbursement and Guaranty Agreement dated as of March 3, 2004 among Leslie Controls, Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and Sun Trust National Bank as Letter of Credit Provider (relative to then outstanding $4,760,000 Leslie Controls IRB Project).

Letter or Credit, Reimbursement and Guaranty Agreement dated as of March 3, 2004 among Spence Engineering Company, Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and Sun Trust National Bank as Letter of Credit Provider (relative to $7,500,000 Spence IRB Project).

Shareholder Rights Agreement, dated as of March 16, 1999, between CIRCOR International, Inc. and BankBoston, N.A., as Rights Agent.

Agreement of Substitution and Amendment of Shareholder Rights Agent Agreement dated as of November 1,2002 between CIRCOR International, Inc. and American Stock Transfer and Trust Company.

Distribution Agreement between Watts Industries, Inc. and CIRCOR International, Inc. dated as of October 1, 1999.

SCHEDULE 5.01
SUBSIDIARIES

Subsidiaries of Circor International, Inc.
Spence Engineering Company, Inc., a Delaware Corporation
Leslie Controls, Inc., a New Jersey Corporation
Circle Seal Controls, Inc., a Delaware Corporation
Circor Energy Products, Inc., an Oklahoma Corporation
Circor, Inc., a Massachusetts Corporation
Societe Alsacienne Regulaves Thermiques von Rohr, SAS, a French Limited Liability Company
Circor (Jersey) Ltd., a United Kingdom Company (80% ownership)
U.S. Para Plate Acquisition Corp., a Delaware Corporation
CIRCOR Business Trust, A Massachusetts Business Trust
DQS International B.V., a Netherlands Corporation
Texas Sampling Inc., a Texas Corporation
Patriot Holdings, Inc., a Nevada corporation
Industria S. A., a French limited liability company

Subsidiaries of Circle Seal Controls, Inc.:
CIRCOR IP Holding Co., a Delaware Corporation
Aerodyne Controls Inc., a Delaware Corporation
Hoke, Inc., a New York Corporation
Circor Luxembourg Holdings Sarl., a Luxembourg limited liability company (approx. 10%)

Subsidiaries of Hoke, Inc.:
Hoke Controls, Ltd., a Canadian Corporation
CIRCOR German Holdings Management GmbH, a German Closed Corporation
Circor (Jersey) Ltd., a United Kingdom Company (20% ownership)
Circor Instrumentation Ltd., a United Kingdom Company
Dopak Inc., a Texas Corporation

Subsidiaries of Circor Energy Products, Inc.:
Circor Luxembourg Holdings Sarl., a Luxembourg limited liability company (approx. 90%)

Subsidiaries of Patriot Holdings, Inc.
Loud Engineering & Manufacturing, Inc.

Subsidiaries of Pibiviesse Srl:
De Martin Giuseppe & Figli Srl, an Italian Company (80%)

Subsidiaries of Societe Alsacienne Regulaves Thermiques von Rohr, SAS:
SCI MMC, a French Limited Liability Partnership

Subsidiaries of Circor (Jersey), Ltd.:
Circor German Holdings, LLC, a Massachusetts Limited Liability Company

Subsidiaries of Circor German Holdings, LLC:
Circor German Holdings GmbH & Co. KG

Subsidiaries of Circor German Holdings GmbH & Co. KG
Hoke GmbH, a German Corporation
Regeltechnik Kornwestheim GmbH, a German Closed Corporation

Subsidiaries of Regeltechnik Kornwestheim GmbH:
RTK Control Systems Limited, a United Kingdom Corporation

Subsidiaries of Circor Business Trust:
Circor Securities Corp., a Massachusetts Corporation

Subsidiaries of DOS International B.V. B.V
Dovianus B.V., a Netherlands Corporation
DQS Vastgoed, a Netherlands Corporation
Keofitt Holding A.S., A Denmark Corporation (50% ownership)

Subsidiaries of Circor Luxembourg Holdings, Sarl.
CEP Holdings Sarl., a Luxembourg limited liability company
Circor Energy Products (Canada) ULC, an Alberta unlimited liability company
Suzhou KF Valve Co., Ltd., a Chinese Wholly Foreign Owned Enterprise[1]

Subsidiaries of CEP Holdings. Sarl.
Pibiviesse Srl, an Italian Company

[1] Pursuant to an internal restructuring currently in process, the equity interests in Suzhou KF Valve Co., Ltd. are being transferred to Pibiviesse Srl. The restructuring is expected to be completed by December 31, 2005.

SCHEDULE 5.14
ERISA

The Company is party to a collective bargaining agreement pursuant to which it makes contributions to the I.A.M. and A. Labor Management Pension Fund, a multiemployer plan. The current contribution rate is $6.80 per day but no more than $34 per week that an employee receives pay.

The Company currently intends to freeze its defined benefit pension plan and to enhance its defined contribution (401(k)) plan in lieu thereof. The Company also may freeze or terminate its Supplemental Executive Retirement Plan. It currently is anticipated that any such changes will occur by the end of the second quarter of the 2006 fiscal year.

SCHEDULE 5.21(A)
SPECIFIC INDEBTEDNESS AGREEMENTS

$75,000,000 8.23% Senior Notes due October 19, 2006, issued pursuant to that certain Note Purchase Agreement dated October 19, 1999 between CIRCOR International, Inc. and the Senior Note Holders party thereto.

Trust Indenture from Village of Walden Industrial Development Agency to The First National Bank of Boston, as Trustee, dated June 1, 1994, relating to the $7,500,000 Village of Walden Industrial Development Agency Industrial Development Revenue Refunding Bonds (Spence Engineering Company Project), Series 1994.

Trust Indenture from Hillsborough County Industrial Development Authority to the First National Bank of Boston, as Trustee, dated July 1, 1994 related to the $4,765,000 Hillsborough County Industrial Development Authority Industrial Development Revenue Refunding Bonds (Leslie Controls, Inc. Project), Series 1994.

Loan Agreement dated as of July 1, 1994 between the Hillsborough County Industrial Development Authority, as issuer and Leslie Controls, Inc., related to the $4,765,000 Hillsborough County Industrial Development Authority Industrial Development Revenue Refunding Bonds (Leslie Controls, Inc. Project), Series 1994.

Letter or Credit, Reimbursement and Guaranty Agreement dated as of March 3, 2004 among Leslie Controls, Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and Sun Trust National Bank as Letter of Credit Provider (relative to the then outstanding $4,760,000 Leslie Controls IRB Project).

Letter or Credit, Reimbursement and Guaranty Agreement dated as of March 3, 2004 among Spence Engineering Company, Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and Sun Trust National Bank as Letter of Credit Provider (relative to $7,500,000 Spence IRB Project).

Pibivesse has credit facilities with the following institutions for the following amounts (in Euros):

Banca di Legnano, credit facility in the amount of $3,300,000
San Paolo IMI, credit facility in the amount of $5,500,000
Banca Popolare Milano, credit facility in the amount of $5,500,000
Credito Bergamasco, credit facility in the amount of $4,700,000
Banca Nazionale Lavoro, credit facility in the amount of $3,106,000
Credito Italiano, credit facility in the amount of $1,491,000

5.21(B)

SPECIFIC LIENS

Liens granted to the Trustee (as defined in such Sale Agreement) in connection with that certain Sale Agreement between Village of Walden Industrial Development Agency and Spence Engineering Company, Inc., relating to the $7,500,000 Village of Walden Industrial Development Agency Industrial Development Revenue Refunding Bonds (Spence Engineering Company Project), Series 1994.

Liens granted to the Trustee (as defined in such Loan Agreement) in connection with that certain Loan Agreement dated as of July 1, 1994 between the Hillsborough County Industrial Development Authority, as issuer and Leslie Controls, Inc., relating to the $4,765,000 Hillsborough County Industrial Development Authority Industrial Development Revenue Refunding Bonds (Leslie Controls, Inc. Project), Series 1994.

SCHEDULE 7.03
PERMITTED LIENS

Liens granted to the Trustee (as defined in such Sale Agreement) in connection with that certain Sale Agreement between Village of Walden Industrial Development Agency and Spence Engineering Company, Inc., relating to the $7,500,000 Village of Walden Industrial Development Agency Industrial Development Revenue Refunding Bonds (Spence Engineering Company Project), Series 1994.

Liens granted to the Trustee (as defined in such Loan Agreement) in connection with that certain Loan Agreement dated as of July 1, 1994 between the Hillsborough County Industrial Development Authority, as issuer and Leslie Controls, Inc., relating to the $4,765,000 Hillsborough County Industrial Development Authority Industrial Development Revenue Refunding Bonds (Leslie Controls, Inc. Project), Series 1994.

SCHEDULE 7.04
PERMITTED INDEBTEDNESS

Schedule 5.21A is incorporated by reference.

Loud Engineering is a party to capital leases for machinery and equipment having a current outstanding value of $689,253 as of November 30, 2005.

Circor Energy Products is a party to capital leases for machinery and equipment having a current outstanding value of $33,792 as of November 30, 2005.

Hoke US has deferred purchase price obligations in an approximate amount of $430,938 incurred in connection with the 1999 acquisition of Go Regulator.

Pibivesse has credit facilities with the following institutions for the following amounts (in Euros):

Banca di Legnano, credit facility in the amount of $3,300,000
San Paolo IMI, credit facility in the amount of $5,500,000
Banca Popolare Milano, credit facility in the amount of $5,500,000
Credito Bergamasco, credit facility in the amount of $4,700,000
Banca Nazionale Lavoro, credit facility in the amount of $3,106,000
Credito Italiano, credit facility in the amount of $1,491,000

7.05

PERMITTED INVESTMENTS

Investments of the Loan Parties in their respective in their subsidiaries, as of the Closing Date, as shown on Schedule 5.01

CIRCOR International, Inc. is party to an executed letter of intent pursuant to which the Company intends to acquire 100% of the equity of Hale Hamilton Valves, Ltd. (“Hale Hamilton”) and its indirect subsidiary, Cambridge Fluid Systems Ltd. for no more than 30 million Pounds Sterling (net of acquired cash). The acquisition will be effected through an acquisition of the UK holding company of Hale Hamilton by a UK acquisition subsidiary established under Circor Luxembourg Holdings Sarl. The transaction is expected to be completed in January 2006.

REVOLVING FACILITY NOTE

$30,000,000 December 20, 2005
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of KEYBANK NATIONAL ASSOCIATION (the "Lender") the principal sum of THIRTY MILLION AND 00/100 DOLLARS ($30,000,000) or, if less, the then unpaid principal amount of all Revolving Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement, in Dollars or in the applicable Designated Foreign Currency and in immediately available funds, at the Payment Office on the Revolving Facility Termination Date.

The Borrower also promises to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Revolving Loan made by the Lender from the date of such Revolving Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Revolving Facility Note is one of the Notes referred to in the Credit Agreement, dated as of December____, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Revolving Facility Note is subject to mandatory repayment prior to the Revolving Facility Termination Date, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Revolving Facility Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Revolving Facility Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS REVOLVING FACILITY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS REVOLVING FACILITY NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Sr. VP, CFO & Treasurer

REVOLVING FACILITY NOTE

$15,000,000 December 20, 2005
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of SUNTRUST BANK (the "Lender") the principal sum of FIFTEEN MILLION AND 00/100 DOLLARS ($15,000,000) or, if less, the then unpaid principal amount of all Revolving Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement, in Dollars or in the applicable Designated Foreign Currency and in immediately available funds, at the Payment Office on the Revolving Facility Termination Date.

The Borrower also promises to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Revolving Loan made by the Lender from the date of such Revolving Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Revolving Facility Note is one of the Notes referred to in the Credit Agreement, dated as of December __, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Revolving Facility Note is subject to mandatory repayment prior to the Revolving Facility Termination Date, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Revolving Facility Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Revolving Facility Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS REVOLVING FACILITY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS REVOLVING FACILITY NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Sr. VP, CFO & Treasurer

REVOLVING FACILITY NOTE

$20,000,000 December 20, 2005
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of CITIZENS BANK OF MASSACHUSETTS (the "Lender") the principal sum of TWENTY MILLION AND 00/100 DOLLARS ($20,000,000) or, if less, the then unpaid principal amount of all Revolving Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement, in Dollars or in the applicable Designated Foreign Currency and in immediately available funds, at the Payment Office on the Revolving Facility Termination Date.

The Borrower also promises to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Revolving Loan made by the Lender from the date of such Revolving Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Revolving Facility Note is one of the Notes referred to in the Credit Agreement, dated as of December __, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Revolving Facility Note is subject to mandatory repayment prior to the Revolving Facility Termination Date, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Revolving Facility Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Revolving Facility Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS REVOLVING FACILITY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS REVOLVING FACILITY NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Sr. VP, CFO & Treasurer

REVOLVING FACILITY NOTE

$30,000,000 December 20, 2005
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of BANK OF AMERICA (the "Lender") the principal sum of THIRTY MILLION AND 00/100 DOLLARS ($30,000,000) or, if less, the then unpaid principal amount of all Revolving Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement, in Dollars or in the applicable Designated Foreign Currency and in immediately available funds, at the Payment Office on the Revolving Facility Termination Date.

The Borrower also promises to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Revolving Loan made by the Lender from the date of such Revolving Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Revolving Facility Note is one of the Notes referred to in the Credit Agreement, dated as of December __, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), and KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Revolving Facility Note is subject to mandatory repayment prior to the Revolving Facility Termination Date, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Revolving Facility Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Revolving Facility Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS REVOLVING FACILITY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS REVOLVING FACILITY NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Sr. VP, CFO & Treasurer

SWING LINE NOTE

$10,000,000 December 20, 2005
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned CIRCOR INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of KEYBANK NATIONAL ASSOCIATION (the "Swing Line Lender") the principal sum of TEN MILLION AND 00/100 DOLLARS ($10,000,000) or, if less, the then unpaid principal amount of all Swing Loans (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Swing Line Lender to the Borrower pursuant to the Credit Agreement, in Dollars and in immediately available funds, at the Payment Office, on the Swing Loan Maturity Date applicable to each such Swing Loan.

The Borrower promises also to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of each Swing Loan made by the Swing Line Lender from the date of such Swing Loan until paid at the rates and at the times provided in Section 2.09 of the Credit Agreement.

This Swing Line Note is one of the Notes referred to in the Credit Agreement, dated as of December __, 2005, among the Borrower, the lenders from time to time party thereto (including the Lender), KEYBANK NATIONAL ASSOCIATION, as the Administrative Agent (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), and is entitled to the benefits thereof and of the other Loan Documents. As provided in the Credit Agreement, this Swing Line Note is subject to mandatory repayment prior to the Swing Loan Maturity Date applicable to each Swing Loan, in whole or in part.

If an Event of Default shall occur and be continuing, the principal of and accrued interest on this Swing Line Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Swing Line Note, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS SWING LINE NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS SWING LINE NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

CIRCOR INTERNATIONAL, INC.

By: /s/ Kenneth W. Smith
Name: Kenneth W. Smith
Title: Sr. VP, CFO & Treasurer

Exhibit 10.31

DATED 6 February 2006

(1) DAVID HAMILTON FOX AND OTHERS

- and -

(2) KLEINWORT CAPITAL TRUST PLC

- and -

(3) HOWITZER ACQUISITION LIMITED

- and -

(4) CIRCOR INTERNATIONAL, INC

AGREEMENT

relating to

the sale and purchase of the entire issued share capital of Hale Hamilton Holdings Limited and 60,000 B ordinary shares of the issued share capital of Hale Hamilton Limited

CONTENTS

Agreed Form Documents

THIS AGREEMENT is made on 6 February 2006

BETWEEN

(1) **THE PERSONS** whose names and addresses are set out in part 1 of schedule 1 (**"Holdings Vendors"**);

(2) **THE PERSON** whose name and address is set out in part 2 of schedule 1 (**"HHL Vendor"**);

(3) **HOWITZER ACQUISITION LIMITED** a company registered in England and Wales with number 05684497 whose registered office is at 20 Black Friars Lane, London EC4V 6HD (**"Purchaser"**); and

(4) **CIRCOR INTERNATIONAL, INC** a company registered in Delaware, the United States of America whose registered agent is at 1209 Orange Street, Wilmington, Delaware, United States of America (**"Circor"**).

BACKGROUND

A Hale Hamilton Holdings Limited (**"Holdings"**) and Hale Hamilton Limited (**"HHL"**) are both private companies limited by shares. Further information relating to Holdings, HHL and its Subsidiaries is set out in schedule 2.

B The Holdings Vendors are the legal owners or are otherwise able to procure the transfer of the numbers of Holdings Shares set opposite their respective names in column (2) of part 1 of schedule 1.

C The HHL Vendor is the beneficial owner of the number of HHL Shares set opposite its name in column (2) of part 2 of schedule 1.

D The Holdings Vendors have agreed to sell and the Purchaser has agreed to purchase the Holdings Shares, and the HHL Vendor has agreed to sell and the Purchaser has agreed to purchase the HHL Shares, each for the consideration and upon the terms and conditions set out in this agreement. Circor is entering into this agreement to guarantee to the Holdings Vendors, the Warrantors and the HHL Vendor the obligations of the Purchaser hereunder.

IT IS HEREBY AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 In this agreement the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"1985 Act" means the Companies Act 1985;

"1989 Act" means the Companies Act 1989;

"Accounts Date" means 30 September 2005;

"Approved" means exempt approved by the Board of Inland Revenue for the purposes of either chapter I or chapter IV of part XIV of the Taxes Act and references to "**Approval**" shall be construed accordingly;

"Asset Confirmation Date" means the date upon which, pursuant to schedule 10, part 1, paragraph 4.6, the final confirmation of Completion Net Worth shall be issued;

"Balancing Payment Date" means the date falling five Business Days after the Asset Confirmation Date;

"Business Day" means a day other than a Saturday or Sunday on which banks are open for commercial business in the City of London and New York;

"Business Intellectual Property" means all Intellectual Property owned by any member of the Hale Group;

"Claim" means any Holdings Warranty Claim or any HHL Warranty Claim;

"Companies Acts" means the 1985 Act, the 1989 Act and the Companies Consolidation (Consequential Provisions) Act 1985;

"Completion" means the performance of all the obligations of the parties to this agreement set out in clause 5;

"Completion Board Minutes" means minutes of meetings of the boards of directors of Holdings, HHL and the Subsidiaries in the agreed form;

"Completion Date" means the date of this agreement;

"Completion Net Asset Statement" means the statement of assets and liabilities of HHL and the Subsidiaries as at the close of business on 31 January 2006, on a consolidated basis, which shall be drawn up in the form shown in schedule 10, part 2 and prepared, reviewed and confirmed in accordance with schedule 10, part 1;

"Completion Net Worth" means the sum computed in accordance with schedule 10, part 1, paragraph 3;

"Compliance Liability" means a breach of Environmental Laws and/or Environmental Permits at or prior to Completion;

"Computer Systems" means the hardware, software and information and communication technology used by or for the benefit of any member of the Hale Group at the date hereof or in the preceding 12 months, or computer processors, associated and peripheral equipment, computer programs, technical and other documentation and data entered into or created by the foregoing;

"Confidential Information" means information (however stored) relating to or connected with the business, customers or financial or other affairs of the Hale Group details of which are not in the public domain including, without limitation, information concerning or relating to:

(a) the Business Intellectual Property and any other property used or owned by or licensed to the Hale Group in the nature of Intellectual Property;

(b) any technical processes, future projects, business development or planning, commercial relationships and negotiations; and

(c) the marketing of goods or services including, without limitation, customer, client and supplier lists, price lists, sales targets, sales statistics, market share statistics, market research reports and surveys and advertising or other promotional materials and details of contractual arrangements and any other matters concerning the clients or customers of or other persons having dealings with the Hale Group;

"Confirmation" has the meaning given in schedule 10, part 1, paragraph 4.1;

"Connected Person" has the meaning given to that expression in s839 ICTA;

“Consideration” means the consideration for the Shares set out in clause 3 and as adjusted pursuant to clause 3.2;

“Defective Products” means Products delivered to customers prior to Completion which are defective. For the purposes of this definition, “defective” means (a) in respect of claims or complaints raised by customers, a failure to meet the terms and conditions as to quality and specification under which the Products were sold to such customers, or (b) in respect of claims raised by ultimate consumers, a failure to meet the standards of care reasonably required in the manufacture of Products of the same nature as the Products which results in death or personal injury;

“Defective Services” means Services provided to customers prior to Completion which are defective. For the purposes of this definition, “defective” means in respect of claims or complaints raised by customers, a failure to meet the terms and conditions as to quality and specification under which the Services were sold to such customers;

“Disclosed” means disclosed by the Disclosure Letter with sufficient particularity to enable a reasonable person in the position of the Purchaser to make an assessment of the extent to which the relevant matter, fact or circumstance disclosed qualifies the warranty and “Disclosure” shall be construed accordingly;

“Disclosure Letter” means the letter of even date with this agreement from the Warrantors to the Purchaser relating to the Holdings Warranties and the HHL Warranties together with any documents annexed to it;

“Encumbrance” means any mortgage, charge, pledge, lien, restriction, assignment, hypothecation, security interest, title retention or any other agreement or arrangement the effect of which is the creation of security; or any other interest, equity or other right of any person (including any right to acquire, option, right of first refusal or right of pre-emption); or any agreement or arrangement to create any of the same;

“Environment” means any of the following media namely air, water or land including without limitation those media within buildings or other natural or man made structures above or below ground;

“Environmental Claim” means a claim under the provisions of clause 8.1;

"Environmental Condition" means pollution or contamination of the Environment in existence on or before Completion (including, without limitation, pollution or contamination of the Environment at, on, under, arising or transported from the Properties);

"Environmental Insurance Policy" means the Pollution Legal Liability Insurance Policy issued by AIG Europe (UK) Limited on the date hereof;

"Environmental Law" means any applicable law, including without limitation any common law, statute, statutory instrument, treaty, regulation, directive, decision, by-law, circular, code, guidance, order, notice, demand, injunction, resolution or judgment which relates to Environmental Matters to the extent they are legally binding and enforceable in England at or prior to Completion;

"Environmental Matters" means any of the following:

(a) protection, pollution or contamination of the Environment;

(b) the production, generation, manufacture, processing, handling, keeping, possession, presence, storage, distribution, use (including as a building material), treatment, supply, receipt, sale, purchase, removal, transport, importation, exportation, disposal, release, spillage, deposit, escape, discharge, leak, emission, leaching or migration of any Hazardous Substance;

(c) the creation of any noise, vibration, radiation, common law or statutory nuisance, which has or may have an impact on the Environment; and/or

(d) any other matter relating to the protection, maintenance, restoration or remediation of the Environment or any part of it.

"Environmental Permits" means all those authorisations, certificates, approvals, permits, licences, registrations, notifications, or consents (and all conditions attaching thereto) required at or prior to Completion under any Environmental Law for the operation of the business of the Hale Group and/or the occupation or use of any of Properties for the purposes for which they are occupied or used at or prior to Completion;

"Escrow Release Date" means the second anniversary of Completion;

"Hale Group" means Holdings, HHL and the Subsidiaries and references to a "member of the Hale Group" or a "Hale Group member" shall be construed accordingly;

"Hale Hamilton Germany" means Hale Hamilton Gastechnology GmbH;

"Hazardous Substance" means any substance (whether in solid, liquid or gaseous form and whether alone or in combination with any other substance) which is capable of causing harm to the Environment (including without limitation genetically modified organisms, radioactive substances, asbestos and biocides) and any electricity, heat and any waste material;

"HHL Accounts" means the audited consolidated accounts of HHL comprising (inter alia) the audited consolidated balance sheet as at the Accounts Date and the audited consolidated profit and loss account for the period ended on the Accounts Date, the notes and the cash flow statement relating thereto and the reports of the directors and auditors thereon;

"HHL Group" means HHL and the Subsidiaries and references to a "member of the HHL Group" or a "HHL Group member" shall be construed accordingly;

"HHL Management Accounts" means the unaudited consolidated balance sheets and the profit and loss accounts of HHL and the Subsidiaries as at the Management Accounts Date for the period from 1 October 2005 to the Management Accounts Date, in the agreed form;

"HHL Shares" means the 60,000 B ordinary shares of £1 each in the issued share capital of HHL registered in the name of the HHL Vendor;

"HHL Share Warranties" means the warranties contained in parts 2, 3 and 4 of schedule 4;

"HHL Tax Covenant" means the covenant set out in parts 3 of schedule 6;

"HHL Tax Warranties" means the warranties contained in parts 2, of schedule 6;

"HHL Title Claim" means any claim for breach of or non-compliance with any of the HHL Title Warranties;

"HHL Title Warranties" means the warranties set out in part 1 of schedule 4;

"HHL Vendor's Representative" has the meaning given to it in clause 24;

"HHL Warranties" means the HHL Share Warranties and to the extent that they pertain to HHL and/or the Subsidiaries the Tax Warranties;

"HHL Warranty Claim" means any claim for breach of or non-compliance with any of the HHL Share Warranties;

"Holdings Accounts" means the audited consolidated accounts of Holdings comprising (inter alia) the audited consolidated balance sheet as at the Accounts Date and the audited consolidated profit and loss account for the period ended on the Accounts Date, the notes and the cash flow statement relating thereto and the reports of the directors and auditors thereon;

"Holdings Management Accounts" means the unaudited balance sheet as at the Management Accounts Date and the profit and loss accounts of Holdings for the period from 1 October 2005 to the Management Accounts Date, in the agreed form;

"Holdings Shares" means the 32,463 A ordinary shares of £1 each and the 87,093 B ordinary shares of £1 each in the capital of Holdings, comprising the whole of the issued share capital of Holdings;

"Holdings Share Warranties" means the warranties contained in part 2 of schedule 3;

"Holdings Tax Covenant" means the covenant set out in part 3 of schedule 5;

"Holdings Tax Warranties" means the warranties set out in part 2 of schedule 5;

"Holdings Title Warranties" means the warranties set out in part 1 of schedule 3;

"Holdings Vendors Escrow" means 20 per cent of the Consideration as adjusted pursuant to clause 3.2;

"Holdings Vendor Warranties" means the HHL Share Warranties, the Holdings Title Warranties, the Holdings Share Warranties and the Tax Warranties;

"Holdings Vendors' Representative" has the meaning given to it in clause 24.5;

"Holdings Warranties" means the Holdings Share Warranties and, to the extent that they pertain to Holdings, the Tax Warranties;

"Holdings Warranty Claim" means any claim for breach of or non-compliance with any of the Holdings Share Warranties;

"ICTA" means the Income and Corporation Taxes Act 1988;

"Indemnity Claims" means a claim under the provisions of clause 7;

"Insurance Policies" means each current insurance and indemnity policy in respect of which the members of the HHL Group have an interest (including any active historic policies which provide cover on a losses occurring basis);

"Insured Benefits" means the benefits to be obtained upon HHL entering into an agreement with Legal & General Assurance Society Limited to provide the benefits as set out in the Quotation and Terms of Business;

"Intellectual Property" includes patents, inventions, know-how, trade secrets and other confidential information, registered designs, copyrights, data, database rights, design rights, rights affording equivalent protection to copyright, database rights and design rights, semiconductor topography rights, trade marks, service marks, logos, domain names, business names, trade names, moral rights, and all registrations or applications to register any of the aforesaid items, rights in the nature of any of the aforesaid items in any country or jurisdiction, rights in the nature of unfair competition rights and rights to sue for passing-off;

"Joint Account" means the interest bearing joint account opened with The Royal Bank of Scotland Plc in the names of the Vendors' Solicitors and the Purchaser's Solicitors and operated in accordance with the provisions of clause 4;

"Kleinwort Capital" means Kleinwort Capital Limited of 10 Bedford Street, Covent Garden, London WC2E 9HE;

"Leases" means the leases listed in Part 2 of Schedule 8;

"Letter of Instructions" means the letter of instructions relating to the operation of the Joint Account from the Vendors and the Purchaser to the Vendors' Solicitors and the Purchaser's Solicitors, in the agreed form;

"Losses" in respect of any matter, event or circumstance means all awards, damages, payments, losses, costs, reasonable fees and expenses (including reasonable professional and legal fees, costs and expenses) or other liabilities;

"Main Scheme" has the meaning given in part 4 of Schedule 4;

"Management Accounts Date" means 31 December 2005;

"Non HHL Vendors' Shares" means the 400,000 A ordinary shares of £1 each in the issued share capital of HHL registered in the name of Holdings;

"Pre-Completion Distribution" means any distribution made since the Accounts Date at or prior to Completion by any member of the Hale Group to its shareholders, whether by way of dividend, redemption or otherwise;

"Proceedings" means any proceedings, suit or action arising out of or in connection with this agreement;

"Product" means any product, item of equipment, hardware, software, micro-processor or embedded control system (or other item containing, using or dependent on any of the foregoing) designed, manufactured and/or sold by any member of the Hale Group;

"Properties" means the freehold and leasehold land and premises described in schedule 8 and any part or parts thereof;

"Purchaser's Accountants" means KPMG LLP of 1 Puddle Dock, London EC4V 3PD;

"Purchaser's Group" means the Purchaser and its subsidiary undertakings or parent undertakings for the time being or a subsidiary undertaking for the time being of a parent undertaking of the Purchaser and includes, for the avoidance of doubt, and with effect from Completion each member of the Hale Group and references to a **"member of the Purchaser's Group"** shall be construed accordingly;

"Purchaser's Solicitors" means Mayer, Brown, Rowe & Maw LLP of 11 Pilgrim Street, London EC4V 6RW;

"Quotation and Terms of Business" means the quotation issued on 20 January 2006 by Legal and General Assurance Society Limited and the terms of business

referred to therein in the agreed form which provides for Legal and General Assurance Society Limited to take over responsibility for the payment of certain benefits as set out therein upon payment of the quotation price (as adjusted);

"Relevant Accounting Standard" means, in relation to the HHL Accounts, the Holdings Accounts or the Completion Net Asset Statement, United Kingdom Generally Accepted Accounting Principles, Statements of Standard Accounting Practice and Financial Reporting Standards in force on the relevant Accounts Date or Completion as the case may be;

"Relevant Authority" means any government, government agency, local authority or any other person or entity having regulatory authority under Environmental Law and/or any court of law or tribunal and, in relation to each of the Leases, includes any person having rights or powers under that Lease;

"Remediation" means:

(a) investigating, surveying, sampling, monitoring, assessing, analysing, removing, remedying, cleaning up, ameliorating, abating, containing or controlling an Environmental Condition; and/or

(b) measures to ensure that the conduct of the business of the Hale Group as carried on at Completion and/or the condition, use or occupation of the relevant Property as it was at Completion is in compliance with all Environmental Law and Environmental Permits.

"Resultant Health and Safety Liability" means any harm to human health caused by a Compliance Liability and/or an Environmental Condition;

"Service" means any service provided by any member of the Hale Group;

"Shares" means any or all of the Holdings Shares or the HHL Shares, as the case may be, which are set out against the Vendors' names in part 1 and part 2 of schedule 1;

"Subsidiaries" means all the subsidiary undertakings of HHL at the date hereof further details of which are set out in part 3 of schedule 2 and "Subsidiary" shall mean any of them;

"Tax Claim" means any claim for breach of or non-compliance with any of the Tax Warranties and any claim under or pursuant to the Tax Covenants;

"Tax Covenants" means the HHL Tax Covenant and the HHH Tax Covenant;

"Tax Warranties" means the HHL Tax Warranties and the HHH Tax Warranties;

"Trigger Condition" means (i) any lawful direction, claim or action of any Relevant Authority relating to any Compliance Liability and/or any Environmental Condition (including in respect of any Remediation); or (ii) any claim made by a third party in respect of any Compliance Liability and/or any Environmental Condition; or (iii) in respect of any Compliance Liability and/or Environmental Condition, any Remediation that, if not carried out, would prevent the continued use or occupation of the relevant Property as it was at Completion, in compliance with Environmental Law and Environmental Permits;

"Trusts" means the IF Hamilton 1962 Settlement Trust and the JD Hamilton 1957 Settlement Trust;

"Unsatisfied Relevant Holdings Claims" means at the Escrow Release Date (save in relation to clause 7.6, where it shall be as at 15 March 2007) an amount equal to the aggregate of:

(a) the whole or relevant part of a Claimed Amount pursuant to a Notice of Claim made before that date for which the Warrantors have accepted liability or for which it has been finally decided the Warrantors are liable but which liability has not in either case been satisfied by payment out of the Joint Account or otherwise; and

(b) any remaining Claimed Amount pursuant to a Notice of Claims made before that date which the Purchaser has not withdrawn and for which the Warrantors have not accepted liability and in respect of which it shall not have been finally decided whether or not the Warrantors are liable;

"Uxbridge Site" means the freehold land described in part 1 of schedule 8;

"VAT" means value added tax as provided for by Council Directive 77/388/EEC of 17 May 1997 as amended together with any Tax Statute which implements the

provisions of that directive in any jurisdiction or any similar sales or other Tax in any jurisdiction;

"Vendors" means each and any of the Holdings Vendors and the HHL Vendor;

"Vendors' Accountants" means Horwath Clark Whitehill LLP of Kennet House, 80 Kings Road, Reading, Berkshire RG1 3BL;

"Vendors' Solicitors" means DLA Piper Rudnick Gray Cary UK LLP of 3 Noble Street, London EC2V 7EE; and

"Warranties" means the Holdings Title Warranties, the Holdings Share Warranties, the HHL Title Warranties, the HHL Share Warranties and the Tax Warranties and **"Warranty"** shall be construed accordingly;

"Warrantors" means David Hamilton Fox and Charles Ouin as trustees of the IF Hamilton 1962 Settlement Trust and David Hamilton Fox and Charles Ouin as trustees of the J D Hamilton 1957 Settlement Trust.

1.2 In this agreement where the context admits:

1.2.1 words and phrases which are defined or referred to in or for the purposes of the Companies Acts have the same meanings in this agreement (unless otherwise expressly defined in this agreement);

1.2.2 sections 5, 6 and 8 of and schedule 1 to the Interpretation Act 1978 apply in the same way as they do to statutes;

1.2.3 reference to a statutory provision includes reference to:

1.2.3.1 any order, regulation, statutory instrument or other subsidiary legislation at any time made under it for the time being in force (whenever made);

1.2.3.2 any modification, amendment, consolidation, re-enactment or replacement of it or provision of which it is a modification, amendment, consolidation, re-enactment or replacement except to the extent that any modification, amendment, consolidation, re-enactment or replacement made after the date of this agreement would increase the liability of any of the parties hereto;

1.2.4 reference to statutory obligations shall include obligations arising under Articles of the Treaty establishing the European Community and regulations and directives of the European Union as well as United Kingdom acts of Parliament and subordinate legislation;

1.2.5 reference to a clause, schedule or paragraph is to a clause, schedule or a paragraph of a schedule of or to this agreement respectively;

1.2.6 reference to the parties to this agreement includes their respective successors, permitted assigns and personal representatives;

1.2.7 reference to any party to this agreement comprising more than one person includes each person constituting that party;

1.2.8 reference to any gender includes the other genders;

1.2.9 the index and headings are for ease of reference only and shall not affect the construction or interpretation of this agreement;

1.2.10 this agreement incorporates the schedules to it;

1.2.11 a person shall be deemed to be connected with another if that person is so connected within the meaning of section 839 of the Taxes Act;

1.2.12 unless otherwise expressly provided, all covenants, warranties, representations, undertakings and indemnities given or made by the Warrantors in their capacity as Warrantors in this agreement are given or made jointly. For the avoidance of doubt, joint liability means that all the Warrantors shall be joined in any action by the Purchaser, but notwithstanding the foregoing, each Warrantor may be liable for the full amount of any such claim by the Purchaser;

1.2.13 unless otherwise expressly provided, all covenants, warranties, representations, undertakings and indemnities given or made by the Holdings Vendors (other than those who are Warrantors in their capacity as Warrantors) and the HHL Vendor are given or made severally;

1.2.14 in clause 6 and schedules 4 and 6 references to “HHL” shall, in addition to HHL, include every Subsidiary to the intent and effect that the provisions of

clause 6 and the Warranties set out in schedule 4 and schedule 6 shall apply to and be given in respect of each Subsidiary as well as HHL;

1.2.15 where any statement is qualified by the expression "to the best of the knowledge information and belief of the Warrantors" or "so far as the Warrantors are aware" or any similar expression each Warrantor shall be deemed to have knowledge of:

1.2.15.1 anything of which the other Warrantor has knowledge or is deemed by clause 1.2.15.2 to have knowledge; and

1.2.15.2 anything of which he would have had knowledge had he made reasonable enquiry immediately before giving the Holdings Vendor Warranties of Peter Wayte, Barry Dean, Allan Goodbrand, Philip Hunter, Stephen Hales, Graham Johnson, Bill Dormer, Ian Davies, Chris Wazynski and the Vendors' Accountants;

1.2.16 the "agreed form" in relation to any document means the form agreed between the parties to this agreement and, for the purposes of identification only, initialled by or on behalf of such parties;

1.2.17 general words shall not be given a restrictive interpretation by reason of their being preceded or followed by words indicating a particular class of acts, matters or things; and

1.2.18 reference to indemnity and to indemnifying any person against any Losses by reference to an event or circumstance means indemnifying and keeping him indemnified against all Losses from time to time, suffered or incurred by that person which are either a direct consequence of, or an indirect consequence which at the date of the event or circumstances is reasonably foreseeable of, that event or circumstance.

2. SALE AND PURCHASE OF SHARES

2.1 Each of the Vendors shall sell or procure the sale of with full title guarantee those Shares set opposite his name in column (2) of part 1 or column (2) of part 2 of schedule 1 (as the case may be) and the Purchaser shall purchase the Shares free from all Encumbrances and together with all rights of any nature which are now or which may at any time hereafter become attached to them or accrue in respect of them

including all dividends and distributions declared paid or made in respect of them after Completion.

2.2 The HHL Vendor covenants that:

2.2.1 it has full power and the right to transfer the legal and beneficial title in the Shares set opposite its name in column (2) of part 2 of Schedule 1;

2.2.2 the HHL Shares shall on Completion be free from all Encumbrances and from all other rights exercisable by third parties; and

2.2.3 it will at Completion execute at its own cost and expense such documents as the Purchaser considers necessary to transfer the legal and beneficial ownership in the HHL Shares to the Purchaser and secure to the Purchaser the rights attaching to the HHL Shares.

2.3 Each of the Holding Vendors severally covenants that:

2.3.1 he has full power and the right to transfer the legal title in the Holdings Shares set out opposite his name in column (2) of part 1 of schedule 1 free from the interests of the beneficiaries under any trust;

2.3.2 the Holdings Shares set out opposite his name in column (2) of part 1 of schedule 1 shall on Completion be free from all Encumbrances and from all other rights exercisable by third parties; and

2.3.3 he will at Completion execute at his own cost and expense such documents as the Purchaser considers necessary to transfer the legal and beneficial ownership in the Holdings Shares set out opposite his name in column (2) of part 1 of schedule 1 to the Purchaser and secure to the Purchaser the rights attaching the Holdings Shares set out opposite his name in column (2) of part 1 of schedule 1 .

2.4 Each of the Holdings Vendors hereby waives any right of pre-emption or other restriction on transfer in respect of the Holdings Shares or any of them conferred on him under the articles of association of Holdings or otherwise and agrees to procure before Completion the irrevocable waiver of any such right or restriction conferred on any other person.

2.5 The HHL Vendor shall (and the Holdings Vendors shall procure that Holdings shall) irrevocably waive any right of pre-emption or other restriction on transfer in respect of the HHL Shares or any of them conferred on Holdings or the HHL Vendor (as the case may be) under the articles of association of HHL or otherwise and the HHL Vendor and the Holdings Vendors agree to procure before Completion the irrevocable waiver of any such right or restriction conferred on any other person.

3. CONSIDERATION

3.1 The Consideration for the sale and purchase of the Shares shall be the sum of £28,500,000, adjusted in accordance with clause 3.2. The Consideration shall be satisfied on Completion, by the transfer of funds through a UK clearing bank:

3.1.1 as to £22,800,000 (the **"Initial Payment"**) to the Vendors' Solicitors which shall be received by the Vendors' Solicitors on behalf of the Vendors in the amounts set opposite their names in column (3) of part 1 and part 2 of schedule 1; and

3.1.2 as to £5,700,000 into the Joint Account,

in each case in accordance with the provisions of schedule 6.

3.2 Notwithstanding any other provision of this agreement, if the Completion Net Worth is less than £7,075,000, the Warrantors shall be liable to pay to the Purchaser out of the Joint Account, by the Balancing Payment Date, the full amount of the shortfall and the parties shall procure that the Vendors' Solicitors and the Purchaser's Solicitors are instructed to instruct The Royal Bank of Scotland Plc to release such amount from the Joint Account to the Purchaser. In the event that the amount of any such shortfall is not paid on or before the earlier of the date Joint Resolution is issued and the date on which the Independent Accountants are engaged, in each case pursuant to schedule 10, interest shall accrue on such amount for the period beginning from such date and ending on the date of actual payment (both before and after judgment) at the rate of 2% per annum above the base rate from time to time of The Royal Bank of Scotland Plc. Interest shall be calculated on the basis of a year of 365 days and for the actual number of days elapsed and shall accrue from day to day.

3.3 Receipt by the Vendors' Solicitors of any monies or completed documentation to be provided by the Purchaser in satisfaction of any of the obligations of the Purchaser

under this agreement shall be accepted by the Vendors as a receipt by them and the Purchaser shall not be concerned with the basis upon which those monies or documents are distributed between the Vendors by the Vendors' Solicitors.

4. JOINT ACCOUNT

4.1 The Joint Account shall be operated jointly by the Vendors' Solicitors and the Purchaser's Solicitors in accordance with the Letter of Instructions.

4.2 The Vendors and the Purchaser agree that upon either or both of them becoming entitled in accordance with the agreement to payment of any amount out of the Joint Account they each shall within seven days after the date the entitlement arises give joint written instructions to the Vendors' Solicitors and the Purchaser's Solicitors to release such amount from the Joint Account in accordance with the terms of this agreement.

4.3 No amount (including interest) shall be paid out of the Joint Account save as expressly permitted under this agreement or the Letter of Instructions. Interest shall be paid out to and amongst the Vendors upon it being credited and the Letter of Instruction shall provide the instructions in regard to interest shall be given by the Warrantors alone.

4.4 On each occasion that the Purchaser wishes to make any Claim, Indemnity Claim, Environmental Claim, Tax Claim or any claim under clause 3.2 of this agreement (**"Relevant Holdings Claim"**) the Purchaser shall serve notice on the Holdings Vendors' Representative (copied to the Vendors' Solicitors) (**"Notice of Claim"**) setting out the Purchaser's genuine pre-estimate of the Warrantors' liability in respect of a Relevant Holdings Claim (including the Purchaser's reasonable costs and expenses in connection with enforcing the Relevant Holdings Claim) (**"Claimed Amount"**). For the avoidance of doubt, the Purchaser may serve a Notice of Claim even where required to pursue a third party (including any insurer) pursuant to paragraph 3 of Schedule 9.

4.5 The parties shall procure that the Vendors' Solicitors and the Purchaser's Solicitors are instructed to instruct The Royal Bank of Scotland Plc to release from the Joint Account to the Warrantors on the Escrow Release Date the principal amount standing to the credit of the Joint Account less the aggregate amount of all Unsatisfied Relevant Holdings Claims in respect of any Claimed Amounts.

4.6 Upon a Notice or Notices of Claim being served, the Claimed Amount shall be retained in the Joint Account until such time as any Relevant Holdings Claim then asserted has been settled. Following settlement of any Relevant Holdings Claim, the parties shall procure that the Vendors' Solicitors and the Purchaser's Solicitors are instructed to instruct The Royal Bank of Scotland Plc to make a payment out of the Joint Account to the Purchaser of an amount equal to the amount due to it in respect of the settlement of the Relevant Holdings Claim.

4.7 If at or at any time after the Escrow Release Date the amount standing to the credit of the Joint Account exceeds the aggregate amount of all Unsatisfied Relevant Holdings Claim in respect of any Claimed Amounts the excess shall be paid to the Warrantors from the Joint Account and shall belong to them in the proportions in which they are entitled to the Consideration.

4.8 Any interest earned on the sums standing to the credit of the Joint Account from time to time shall belong to the Warrantors in the proportions in which they are entitled to the Consideration and shall be paid to them as soon as practicable after the same shall be credited to the Joint Account.

4.9 A Relevant Holdings Claim shall be treated as settled or finally decided for the purposes of this clause if:

4.9.1 the Holdings Vendors and the Purchaser shall so agree in writing; or

4.9.2 a court of competent jurisdiction has awarded judgment in respect of the Relevant Holdings Claim and no right of appeal lies in respect of such judgment or the parties are debarred by passage of time or otherwise from making any appeal.

4.10 Other than as set out in clause 6 and schedule 9 neither the amount of the Holdings Vendors Escrow nor the other provisions of this clause shall be regarded as imposing:

4.10.1 any limit on the amount of any Claim, Indemnity Claim, Environmental Claim, Tax Claim or any other claim under clause 3.2 of this agreement;

4.10.2 any restriction on the remedies available to the Purchaser insofar as following exhaustion of the Holdings Vendors Escrow there remain unsatisfied liabilities in relation to any Claim, Indemnity Claim,

Environmental Claim, Tax Claim or any other claim under clause 3.2 of this agreement.

4.11 When the Joint Account is used in settlement of a claim pursuant to clause 3.2 of this agreement the Warrantors shall procure that there is paid into the Joint Account forthwith following such settlement such sum as is necessary to make the principal amount standing to the credit of the Joint Account 20% of the Consideration as adjusted pursuant to clause 3.2 (ignoring for these purposes any other Claimed Amounts), which sum shall be deemed to be part of the Holdings Vendors Escrow and dealt with in accordance with this clause 4.

4.12 Any amount due to the Purchaser to satisfy any Claimed Amount shall first be satisfied by payment out of the principal amount (but not any interest) standing to the credit of the Joint Account. For the avoidance of doubt the Warrantors shall not be liable to make any payment to the Purchaser to satisfy any Claimed Amount unless and until the principal amount standing to the credit of the Joint Account has been exhausted and no funds in the Joint Account shall be utilised to satisfy any HHL Title Claim.

5. COMPLETION

5.1 Completion shall take place at the offices of the Vendors' Solicitors on the Completion Date when each of the parties shall comply with the provisions of schedule 6.

5.2 The Purchaser shall not be obliged to complete the purchase of the Shares under this agreement unless the Vendors comply fully with their obligations under schedule 6 and unless the purchase of all the Shares is completed simultaneously (but so that completion of the purchase of some of the Shares will not affect the rights of the Purchaser with respect to the others).

6. WARRANTIES

6.1 The Warrantors warrant to the Purchaser as at the date of this agreement that each of the Holdings Vendor Warranties are, save as Disclosed, true and accurate in all respects.

6.2 The HHL Vendor warrants to the Purchaser as the date of this agreement that each of the HHL Title Warranties are true and accurate in all respects.

6.3 Each of the Warranties shall be construed as a separate and independent warranty and (except where this agreement provides otherwise) shall not be limited or restricted by reference to or inference from any other term of this agreement or any other Warranty, as the case may be.

6.4 The Vendors agree that the rights and remedies of the Purchaser in respect of any breach of any of the Warranties, as the case may be, shall not be affected or limited by Completion.

6.5 Each of the Vendors:

6.5.1 waives and may not enforce any right which he may have in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by any Hale Group member or their officers or employees in enabling the Warrantors to give the Holdings Vendor Warranties and the HHL Vendor to give the HHL Title Warranties or to prepare the Disclosure Letter; and

6.5.2 agrees that each member of the Hale Group and their respective officers, employees, advisers and agents may enforce the provisions of this clause 6.5 pursuant to the Contracts (Rights of Third Parties) Act 1999 provided that:

6.5.2.1 this agreement (other than this clause) may be varied from time to time without the consent of all or any of those persons; and

6.5.2.2 none of those persons may assign any of their respective rights under this clause 6.5 either in whole or in part.

6.6 Without restricting the rights of the Purchaser or the ability of the Purchaser to claim damages for breach of contract in the event of any breach of any of the Warranties, the Warrantors shall indemnify the Purchaser for itself and as trustee for each member of the Hale Group for:

6.6.1 the amount by which the value of an asset (including one warranted to exist but not in fact existing) or contract of any member of the Hale Group is less than its value would have been if the Holdings Vendor Warranties had not been breached;

6.6.2 the amount of any liability or increase in any liability which any member of the Hale Group has incurred and which it would not have incurred or which would not have increased if the Holdings Vendor Warranties had not been breached;

6.6.3 the amount by which the profits of any member of the Hale Group are less or its losses are greater than would have been the case if Holdings Vendor Warranties had not been breached ;

6.6.4 an amount equal to any Losses incurred as a result of any deficiency or diminution in value of any asset or contract or any liability or increased liability, as the case may be, referred to in clause 6.6.1 or 6.6.2; and

6.6.5 any other amount necessary to put any member of the Hale Group into the position it would have been had the Holdings Vendor Warranties not been breached,

provided that the Purchaser (for itself and as trustee of each member of the Hale Group) shall not be entitled to recover more than once in respect of the same loss.

6.7 Any liability of the Warrantors to the Purchaser and/or to any member of the Hale Group and/or any right of the Purchaser under this agreement may, in whole or in part, be released, compounded or compromised or time or indulgence may be given by the Purchaser in respect of it without in any way prejudicing or affecting either its rights under this agreement against the Warrantors concerned in respect of any other liability of those Warrantors or right of the Purchaser or any member of the Hale Group or its rights under this agreement against any other Warrantors in respect of the same or any other liability of those Warrantors or right of the Purchaser or any member of the Hale Group.

7. UNDERTAKINGS AND INDEMNITIES

7.1 The Warrantors undertake to indemnify the Purchaser against, or as the case may be, covenant to pay the Purchaser a sum equal to, any Losses suffered by the Purchaser or any member of the Hale Group in connection with Hale Hamilton Germany or any subsidiary undertakings of Hale Hamilton Germany, other than any Losses arising from the trading relationship between the Hale Group and Hale Hamilton Germany since its disposal by the Hale Group.

7.2 The Warrantors undertake to indemnify the Purchaser against, or as the case may be, covenant to pay the Purchaser a sum equal to, any Losses suffered by the Purchaser or any member of the Hale Group in connection with the manufacture and supply of Defective Products and/or Defective Services but only to the extent such Losses are not recovered by the Purchaser or any member of the Hale Group from insurers.

7.3 The Warrantors undertake to indemnify the Purchaser against, or as the case may be, covenant to pay the Purchaser a sum equal to, any Losses suffered by the Purchaser or any member of the Hale Group as a result of any Pre-Completion Distribution but such indemnity shall not include the loss to any member of the Hale Group of the cash the subject of any Pre-Completion Distribution.

7.4 The Warrantors undertake to indemnify the Purchaser against, or as the case may be, covenant to pay the Purchaser a sum equal to, the full cost (less any Corporation Tax relief obtainable by any member of the Hale Group) of obtaining the Insured Benefits over and above that accrued or otherwise reflected in the Completion Net Asset Statement or paid prior to Completion.

7.5 Notwithstanding any other provision of this agreement, only those limitations set out in paragraphs 1.1, 1.6, 2.2, 2.3, 3, 4 and 5 of Schedule 9 shall apply to limit or exclude, as the case may be, the liability of the Warrantors in respect of any claims pursuant to clauses 7.1 and 7.4.

7.6 The Warrantors covenant and undertake to the Purchaser that they will retain in the Trusts:

7.6.1 until midnight on 15 March 2007 an amount equal to twenty per cent. of the Consideration as adjusted pursuant to clause 3.2 less any payments made by the Warrantors (other than out of the Joint Account) to satisfy any claims under this agreement, for the period from the Completion Date until midnight on 15 March 2007; and

7.6.2 after 15 March 2007 an amount equal to the aggregate of Unsatisfied Relevant Holdings Claims at that date for which they may be liable and which exceed the principal amount standing to the credit of the Joint Account at that date and in the two years from the second anniversary of the Completion Date to the fourth anniversary of the Completion Date £1,000,000 less any payments made by the Warrantors in that period to

satisfy any Tax Claims for the period of two years from the second anniversary of the Completion Date to the fourth anniversary of the Completion Date.

8. ENVIRONMENTAL INDEMNITY

8.1 The Warrantors undertake to indemnify the Purchaser against, or as the case may be, covenant to pay the Purchaser a sum equal to, any Losses (including without limitation the full cost of Remediation from time to time) suffered by the Purchaser or any member of the Hale Group after Completion as a result of any Compliance Liability and/or Environmental Condition (including without limitation any Resultant Health and Safety Liability) in connection with the ownership or the occupation of the Properties and/or carrying on of the operations of any member of the Hale Group, whether or not such Compliance Liability and/or Environmental Condition are known to the Warrantors, any member of the Hale Group or the Purchaser at the date hereof, but in circumstances only where the Trigger Condition has been satisfied and only to the extent that such Losses are not recovered by the Purchaser or any member of the Hale Group under the Environmental Insurance Policy.

8.2 Notwithstanding any other provision of this agreement, only those limitations and provisions set out in paragraphs 1.1, 1.6, 2.2, 2.3, 3 and 5 of Schedule 9 shall apply to limit or exclude, as the case may be, the liability of the Warrantors in respect of any Environmental Claims.

8.3 The Purchaser undertakes not to and shall procure that no member of the Purchaser's Group shall attempt to vary the terms and conditions of the Environmental Insurance Policy without the written consent of the Warrantors, such consent not to be unreasonably withheld or delayed if the matter has no adverse impact on the Warrantors. Once the Warrantors have no further liabilities under clause 8.1, the Warrantors consent shall not be required should the Purchaser or any member of the Purchaser's Group wish to vary the terms and conditions of the Environmental Insurance Policy, so long as such variation does not increase any liability or obligation of the Warrantors pursuant to such Environmental Insurance Policy.

8.4 The deductibles in relation to the Environmental Insurance Policy shall be the sole and exclusive liability of the Warrantors and the Warrantors shall indemnify the

Purchaser against, or as the case may be, covenant to pay the Purchaser a sum equal to, any deductible due to the insurer under the Environmental Insurance Policy.

8.5 The Purchaser shall keep the Warrantors informed of the progress of any claim under the Environmental Insurance Policy and shall provide reasonable access to and copies of any reports, correspondence, documents or other information in the possession of the Purchaser that is relevant to the subject matter of the claim.

8.6 All monies paid under the Environmental Insurance Policy in respect of any claim shall be applied towards meeting or reimbursement of the liability incurred in respect of any Environmental Claim.

8.7 The Purchaser shall comply and the Purchaser shall procure that the members of the Hale Group following Completion shall comply with the terms and conditions of the Environmental Insurance Policy. Where the Purchaser vitiates the Environmental Insurance Policy or payment of a claim is refused due to the failure of the Purchaser or any member of the Hale Group following Completion to comply with the terms and conditions of the Environmental Insurance Policy, to the extent that monies which would otherwise be payable under the Environmental Insurance Policy are not recovered, the Warrantors shall not be liable to that extent in respect of any Environmental Claims. Where due to the failure of any member of the Hale Group or its directors, officers or other employees to accurately complete the application form for the Environmental Insurance Policy (including the failure to disclose any matters required to be disclosed to the insurers under the Environmental Insurance Policy) any monies which would otherwise be payable under the Environmental Insurance Policy are not recovered, the Warrantors shall be liable for an Environmental Claim.

8.8 The Warrantors shall not be liable for an Environmental Claim to the extent that the liability is attributable to the Purchaser or any member of the Purchaser's Group or any director, employee, agent or consultant of the Purchaser or of any member of the Purchaser's Group volunteering information concerning any actual or potential Environmental Condition to a Relevant Authority or other third party (other than to insurers or their agents pursuant to any claim or potential claim under any applicable insurance policy and other than to the legal or other professional advisers of the insured or the insurer under the Environmental Insurance Policy and the Purchaser or any member of the Purchaser's Group) except:

(i) where imminent significant harm or damage to health or the Environment is likely to result; or

(ii) where disclosure is required by a Relevant Authority or under any Environmental Laws or under the Environmental Insurance Policy; or

(iii) where the Warrantors have given their prior written consent to the disclosure of the information.

8.9 The Warrantors shall not be liable for an Environmental Claim to the extent that the liability is attributable to or otherwise caused by:

8.9.1 any voluntary act or omission of the Purchaser or any member of the Purchaser's Group after Completion which is not in the ordinary course of the business of the Hale Group as carried on at the date hereof and which the Purchaser knew would give rise to an Environmental Claim, other than in respect of any failure to act in relation to any Environmental Condition and/or Compliance Liability in existence at or prior to Completion or an act or omission required by any applicable law or done or omitted to be done pursuant to a binding obligation in force at the date of this agreement or required under the Environmental Insurance Policy; or

8.9.2 any failure on the part of the Purchaser or any member of the Purchaser's Group to maintain the state of repair of the structure of any building and hardstanding of the relevant Property, and of the banks of the River Fray at the relevant Property, in each instance, to a standard equivalent to that at the date hereof;

8.9.3 a change of use or redevelopment of any of the Properties for a purpose other than the purpose for which that Property was used immediately prior to Completion or a proposed change of use or redevelopment of the relevant Property for a purpose other than the purpose for which that Property was used immediately prior to Completion and as a result there is either a requirement for Remediation which would not otherwise have arisen or for Remediation of a higher standard than would have been required if that Property had continued to be used for the same purpose as it was used immediately prior to Completion.

8.10 The Purchaser shall have the right (but not the obligation) at any time to conduct any Remediation the subject of an Environmental Claim. The Purchaser shall notify the Holdings Vendors' Representative in writing if the Purchaser determines that it requires the Warrantors to undertake any such Remediation and the Warrantors shall commence such Remediation in accordance with the provisions of clause 8.11 in a timely manner.

8.11 The person having conduct of any Remediation as provided for above (the **"Conduct Party"**) shall ensure that (subject to appropriate arrangements to maintain confidentiality and privilege):

8.11.1 upon the request of the other party, three cost quotes are obtained from relevant consultants or engineers for any material Remediation and that the consultant or engineer providing the average cost quote of the three cost quotes shall be contracted to undertake the Remediation;

8.11.2 reasonably frequent and detailed reports shall be provided to the other party regarding the progress of such Remediation;

8.11.3 copies of all relevant correspondence and documents in relation to such Remediation shall be provided to the other party;

8.11.4 reasonable instructions and requests of the other party in relation to such Remediation are given due consideration;

8.11.5 the other party is allowed a reasonable opportunity to review and comment in advance on formal documents to be prepared and provided to the Relevant Authority or third party;

8.11.6 the other party is invited to attend all relevant meetings with the Relevant Authority or third party as an observer (if such attendance is permitted by the Relevant Authority or third party);

8.11.7 where the Warrantors are the Conduct Party, reasonable efforts shall be made to avoid any adverse effect on the carrying on of business at the relevant Property.

The other party shall provide or procure the provision to the Conduct Party of all such information and assistance (including access to the relevant Property) as the Conduct Party may reasonably request.

8.12 In the circumstances whereby the Warrantors may have a liability to the Purchaser in respect of a claim under the provisions of clause 8.1, the Warrantors shall have the right (insofar as permitted by the Relevant Authority) to be involved in any agreement that may be reached with any Relevant Authority acting under and in accordance with Part IIA of the Environmental Protection Act 1990 (**"Part IIA"**) as to Remediation required under Part IIA at any of the Properties and the Purchaser shall procure that no member of the Hale Group shall agree with any such Relevant Authority to any such Remediation for which the Warrantors are liable under the terms of this clause 8 without the consent of the Warrantors, such consent not to be unreasonably withheld or delayed. Should the Warrantors fail to agree with such Relevant Authority as to the Remediation required under Part IIA and the Relevant Authority serves a remediation notice or the Relevant Authority serves a remediation notice irrespective of agreement, for the avoidance of doubt, the provisions of this clause 8 shall apply to the Remediation lawfully required under such remediation notice.

8.13 In respect of any claim by a third party (excluding the conduct of any Remediation) in respect of which the Warrantors may have a liability to the Purchaser under the provisions of clause 8.1, the Purchaser shall keep the Warrantors fully and promptly informed of all material developments and not settle or compromise any such claim on terms that involve the Warrantors in any liability or obligation to the third party claimant or under this agreement without the prior written consent of the Warrantors (such consent not to be unreasonably withheld or delayed). Without prejudice to the foregoing, the Purchaser shall fully and promptly consult with the Warrantors as to the most effective way to approach the conduct of negotiations and/or proceedings relating to the third party claim (including how to avoid, contest, dispute, resist, appeal, compromise or defend the same), and take reasonable account of its proposals and suggestions.

8.14 The provisions of clauses 8.8, 8.9.1, 8.10, 8.11, 8.12 and 8.13 are subject to the rights of the insurer under the terms of the Environmental Insurance Policy and failure to comply with the provisions of clauses 8.8, 8.9.1, 8.10, 8.11, 8.12 and 8.13 caused by

such insurer invoking its rights under the Environmental Insurance Policy shall not be deemed to be a breach of this agreement.

9. LIMITATION ON THE VENDORS' LIABILITY

Subject to the provisions of clauses 7.5 and 8.2 of this agreement, the provisions of schedule 9 shall apply to limit or exclude, as the case may be, the liability of the Vendors and the Warrantors in respect of any claims under this agreement but only to the extent therein stated. For the avoidance of doubt, the limitations contained in Schedule 9 shall not apply to any claims under this agreement against a Warrantor which arise as the consequence of fraud on the part of that Warrantor.

10. TAXATION

The provisions of schedule 5 shall apply with respect to the matters contained or referred to therein in respect of HHH and the provisions of schedule 6 shall apply with respect to the matters contained or referred to therein in respect of the HHL Group.

11. FURTHER ASSURANCE AND ATTORNEY

11.1 On and after Completion, the Vendors shall at the request of the Purchaser, execute such deeds and documents as may be necessary to give effect to the transfer of the Shares as provided for by this agreement.

11.2 On and after Completion, at the request of the Purchaser, the Vendors shall execute or procure the execution under seal or as a deed of a power of attorney in the agreed form in favour of the Purchaser or such person as may be nominated by the Purchaser generally in respect of the Shares and in particular to enable the Purchaser (or its nominee) to attend and vote at general meetings of Holdings and/or HHL during the period prior to the name of the Purchaser (or its nominee) being entered on the register of members of Holdings and HHL in respect of the Shares.

12. ANNOUNCEMENTS AND CONFIDENTIALITY

12.1 Subject to clause 12.2, no press or public announcements, circulars or communications relating to this agreement or the subject matter of it shall be made or sent by any of the parties without the prior written approval of the Purchaser, the Holdings Vendors' Representative and the HHL Vendor's Representative, such approval not to be unreasonably withheld or delayed.

12.2 Any party may make press or public announcements or issue a circular or communication concerning this agreement or the subject matter of it if required by law or by any securities exchange or regulatory or governmental body to which that party is subject (including without limitation the New York Stock Exchange and the Securities and Exchange Commission) provided that the party making it shall use all reasonable endeavours to consult with, as relevant, the Purchaser, the Holdings Vendors' Representative and the HHL Vendor's Representative, prior to its making or despatch.

12.3 Nothing in this agreement will prohibit the Purchaser from making or sending after Completion any announcement to a customer, client or supplier of any member of the Hale Group informing it that the Purchaser has purchased the Shares (but not any further details of such purchase).

12.4 Subject to clause 12.5, all of the parties shall treat as strictly confidential all information received or obtained as a result of entering into or performing this agreement which relates to:

12.4.1 the provisions of this agreement, or any document or agreement entered into pursuant to this agreement; or

12.4.2 the negotiations relating to this Agreement.

Subject to clause 12.5 the Vendors shall also treat as strictly confidential all Confidential Information and all other information received or obtained by them regarding the Hale Group as a result of being the owner of the Shares and all know-how comprised in the Intellectual Property.

12.5 Any of the parties may disclose information referred to in clause 12.4 which would otherwise be confidential if and to the extent the disclosure is:

12.5.1 required by the law of any relevant jurisdiction;

12.5.2 required by any securities exchange or regulatory or governmental body to which any of the parties is subject or reasonably submits, wherever situated, including (without limitation) the New York Stock Exchange and the Securities and Exchange Commission, whether or not the requirement for disclosure has the force of law;

12.5.3 required to vest in that party the full benefit of this agreement;

12.5.4 disclosed to the professional advisers, auditors or bankers of that party or any other any member of the Purchasers' Group (in the case of the Purchaser);

12.5.5 disclosed to the officers or employees of that party or any other member of the Purchasers' Group (in the case of the Purchaser), does not include the details of this agreement and is subject to the condition that the party making the disclosure shall procure that those persons comply with clause 12.4 as if they were parties to this agreement;

12.5.6 of information that has already come into the public domain through no fault of that party; or

12.5.7 approved by all of the other parties in writing in advance.

12.6 The restrictions contained in this clause shall continue to apply following Completion.

13. COSTS

13.1 Each of the parties shall bear and pay its own legal, accountancy, actuarial, investment banking, corporate finance and other fees and expenses incurred in and incidental to the preparation and implementation of this agreement and of all other documents in the agreed form (save that the costs associated with the operation of the Joint Account shall be dealt with in accordance with the Letter of Instructions).

13.2 The parties acknowledge and agree that the fees of Horwarth Clark Whitehill (in the amount of up to £11,775), Environ (in the amount of up to £23,750), Heath Lambert Consulting and Cartwright Consulting Limited (in the amount of up to £13,100) and Cavendish Corporate Finance (in the amount of £40,000), in each case net of VAT and paid or payable in connection with the sale and purchase the subject of this agreement and borne by HHH and/or HHL are properly payable by and have been paid by HHH and/or HHL.

14. SUCCESSORS ASSIGNMENT AND GUARANTEE

14.1 Except as otherwise expressly provided, all rights and benefits under this agreement are personal to the parties and may not be assigned at law or in equity without the prior written consent of each other party.

14.2 Circor hereby guarantees to the Vendors and the Warrantors all the obligations of the Purchaser under this agreement. If the Purchaser fails to comply with any of the provisions of this agreement, then Circor shall forthwith upon written demand by any of the Vendors or the Warrantors either procure that the Purchaser shall perform its obligations hereunder or shall perform them in its place.

15. ENTIRE AGREEMENT

15.1 This agreement (including the schedules to it) and any documents in the agreed form and the Disclosure Letter (**"Acquisition Documents"**) constitute the entire agreement between the parties with respect to the subject matter of this agreement.

15.2 Except for any misrepresentation or breach of warranty which constitutes fraud:

15.2.1 the Acquisition Documents supersede and extinguish all previous agreements between the parties relating to the subject matter thereof and any representations and warranties previously given or made other than those contained in the Acquisition Documents;

15.2.2 each party acknowledges to the other (and shall execute the Acquisition Documents in reliance on such acknowledgement) that it has not been induced to enter into any such documents by nor relied on any representation or warranty other than the representations and/or warranties contained in such documents;

15.2.3 each party hereby irrevocably and unconditionally waives any right it may have to claim damages or to rescind this agreement or any of the other Acquisition Documents by reason of any misrepresentation and/or warranty not set forth in any such document.

15.3 The Purchaser agrees that it shall have no right to rescind this agreement.

15.4 Each of the parties acknowledges and agrees for the purposes of the Misrepresentation Act 1967 and the Unfair Contract Terms Act 1977 that the provisions of this clause 15 are reasonable.

16. TIME FOR PERFORMANCE

Time shall not be of the essence of this agreement but following failure by any party to comply with any provision of this agreement time may be made of the essence by any other party giving to the party in default two Business Days' notice to that effect.

17. VARIATIONS

No variation of this agreement or any of the Acquisition Documents shall be valid unless it is in writing and signed by or on behalf of each of the parties to such Acquisition Document.

18. WAIVER

No waiver by the Purchaser of any breach or non-fulfilment by the Vendors of any provisions of this agreement shall be deemed to be a waiver of any subsequent or other breach of that or any other provision and no failure to exercise or delay in exercising any right or remedy under this agreement shall constitute a waiver thereof. No single or partial exercise of any right or remedy under this agreement shall preclude or restrict the further exercise of any such right or remedy. The rights and remedies of the Purchaser provided in this agreement are cumulative and not exclusive of any rights and remedies provided by law.

19. AGREEMENT CONTINUES IN FORCE

This agreement shall remain in full force and effect so far as concerns any matter remaining to be performed at Completion even though Completion shall have taken place.

20. SEVERABILITY

The invalidity, illegality or unenforceability of any provisions of this agreement shall not affect the continuation in force of the remainder of this agreement.

21. NOTICES

21.1 Any notice to be given pursuant to the terms of this agreement shall be given in writing to the party due to receive such notice at the address set out below or such other address as may have been notified to the Holdings Vendors' Representative, the

HHL Vendor's Representative or the Purchaser (as the case may be) in accordance with this clause 21.

Party :	HHL Vendor's Representative
Address :	c/o Kleinwort Capital Trust Plc 10 Fenchurch Street London EC3M 3LB
Facsimile No :	020 7632 8201
Email Address:	ian.grant@kleinwortcapital.com
Marked for the Attention of :	Ian Grant

Party :	Holdings Vendors' Representative
Address :	Allnuts The Street Brightwell-cum-Sotwell, Wallingford Oxfordshire, OX10 ORR
Facsimile No :	01491 833 522
Email Address:	DFoxUK@aol.com
Marked for the Attention of :	David Fox

Party :	Purchaser
Address :	c/o Circor International, Inc 25 Corporate Dr., Ste.130 Burlington MA 01803
Facsimile No :	+ 1 (781) 270 1291
Email Address:	aglass@circor.com
Marked for the Attention of :	Alan Glass

With a copy to the Purchaser's Lawyers:

Address :	Mayer, Brown, Rowe & Maw LLP 11 Pilgrim Street London SW11 2AL
Facsimile No :	020 7782 8779
Email Address:	rhamill@mayerbrownrowe.com.

21.2 Notice shall be delivered personally or sent by first class prepaid recorded delivery or registered post (airmail if overseas), by facsimile transmission or by email transmission and shall be deemed to be given in the case of delivery personally on delivery and in the case of posting (in the absence of evidence of earlier receipt) 48 hours after posting (six days if sent by airmail) and in the case of facsimile transmission or email transmission on completion of the transmission provided that the sender shall have received printed confirmation of transmission.

21.3 Circor agrees that any notice to be given pursuant to the terms of this agreement may be sufficiently and effectively served on it in connection with any Proceedings in England by service on its agent, the Purchaser, in accordance with the provisions of clause 21. In the event of the Purchaser (or any replacement agent) ceasing so to act or ceasing to have an address in England, Circor undertakes to promptly appoint another person as its agent for that purpose and to procure that notice of that

appointment is given to the Holdings Vendors' Representative in accordance with the provisions of clause 21.

21.4 If any of the parties (being an individual) dies, then until receipt by the other parties of a certified copy of the grant of representation to the estate of the deceased, any notice or other communication addressed to the deceased or to his personal representatives and sent or delivered in accordance with this clause 21 shall for all purposes be deemed sufficient service of that communication on the deceased and his personal representatives and shall be effectual as if the deceased were still living.

22. COUNTERPARTS

This agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

23. THIRD PARTY RIGHTS

Other than as provided in clause 6.5, a person who is not party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

24. GOVERNING LAW AND JURISDICTION

24.1 This agreement shall be governed by and construed in accordance with the laws of England.

24.2 Save as specifically provided in Schedule 10, the parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this agreement and that accordingly, any Proceedings shall be brought in such courts.

24.3 The Holdings Vendors appoint David Fox and the HHL Vendor appoints Kleinwort Capital, to accept service on their behalf of any Proceedings which may be commenced pursuant to this clause in the courts of England, and of all other notices and requests for consent or approval which may be served pursuant to this agreement.

25. VENDORS' REPRESENTATIVES

25.1 Each Holdings Vendor hereby appoints David Fox to be his representative (the **"Holdings Vendors' Representative"**) for the purposes of this Agreement.

25.2 The HHL Vendor hereby appoints Kleinwort Capital to be its representative (the **"HHL Vendor's Representative"**) for the purposes of this Agreement.

25.3 The Holdings Vendors may change the Holdings Vendors' Representative and the HHL Vendor may change the HHL Vendor's Representative by written notice to the other parties.

IN WITNESS of which the parties or their duly authorised representatives have executed this agreement as a deed at the end of the schedules.

SCHEDULE 1

Details of the Vendors, the Shares and the Consideration

Part 1

Holdings Vendors

(1) Name and address	(2) No. and class of Holdings Shares		(3) Cash Receivable at Completion	(4) Amount of Escrow
	A Ordinary	B Ordinary		
David Hamilton Fox Charles Ouin (The JD Hamilton 1957 Settlement Fund) Allnuts The Street Brightwell-cum-Sotwell Wallingford Oxfordshire OX10 0RR	17,634	47,309	£10,008,149.52	£3,453,801.00
Katrina Ormsby McCrossan Angela Ormsby Chiswell Rosemary Ormsby David (Ormsby Charitable Trust) Wasing Old Rectory Shalford Hill Aldermaston Reading Berkshire RG7 4NB	1,310	3,519	£ 1,000,997.17	Nil

(1) Name and address	(2) No. and class of Holdings	Shares	(3) Cash Receivable at Completion	(4) Amount of Escrow
Katrina Ormsby McCrossan D P McCrossan B J McCrossan (Warwick Charitable Trust) Wasing Old Rectory Shalford Hill Aldermaston Reading Berkshire RG7 4NB	616	1,649	£ 469,508.92	Nil
Angela Ormsby Chiswell Nicholas John Chiswell Gilcroft Bradley’s Street Checkendon Berks	616	1,649	£ 469,508.92	Nil
David Hamilton Fox Charles Ouin (The IF Hamilton 1962 Settlement Trust) Allnuts The Street Brightwell-cum-Sotwell Wallingford Oxfordshire OX10 0RR	11,467	30,769	£ 6,508,846.85	£ 2,246,199.00

(1) Name and address	(2) No. and class of Holdings Shares		(3) Cash Receivable at Completion	(4) Amount of Escrow
Rosemary Ormsby David	820	2,198	£625,597.32	Nil
Peter David				
Firs House				
Ramsdell				
Nr Basingstoke				
Hants				
RG26 5ST				

Part 2

HHL Vendor

(1) Name and address	(2) No. and class of HHL Shares	(3) Cash Receivable at Completion
Kleinwort Capital Trust Plc 10 Fenchurch Street London EC3M 3LB	60,000	£3,717,391.30

SCHEDULE 2

Part 1

Holdings

1.	Registered number:	00438491
2.	Date of incorporation:	8 July 1947
3.	Place of incorporation:	London
4.	Registered office:	Kennet House, 80 Kings Road, Reading Berkshire RG1 3BL
5.	Principal business:	Holding Company
6.	Authorised share capital:	£425,000
	Description:	“A” and “B” ordinary shares of £1 each
	Number of shares:	35,802 “A” ordinary shares; and 389,198 “B” ordinary shares
7.	Issued share capital:	£119,556
	Description:	“A” and “B” ordinary shares of £1 each
	Number of shares:	32,463 “A” ordinary shares; and 87,093 “B” ordinary shares
	Amount paid up:	£119,556
8.	Issued loan capital:	N/A
9.	Directors - full names and usual residential addresses:	Angela Ormsby Chiswell Gilcroft Checkendon Reading Berks RG8 0NG Rosemary Ormsby David Firs House Ramsdell Basingstoke Hampshire RG26 5ST

		Katrina Ormsby McCrossan Wasing Old Rectory Shalford Hill Aldermaston Reading Berkshire RG7 4NB Peter Bernard Wayte The Old Rectory Lower Gravenhurst Bedfordshire MK4 4JR
10.	Secretary - full name and usual residential address:	Katrina Ormsby McCrossan Wasing Old Rectory Shalford Hill Aldermaston Reading Berkshire RG7 4NB
11.	Accounting reference date:	30 September
12.	Auditors:	Horwath Clark Whitehill LLP
13.	Charges:	None

Part 2

HHL

1.	Registered number:	03246262
2.	Date of incorporation:	5 September 1996
3.	Place of incorporation:	Cardiff
4.	Registered office:	Frays Mill Works Cowley Road Uxbridge Middlesex UB8 2AF
5.	Principal business:	non-trading company
6.	Authorised share capital:	£507,000
	Description:	“A” ordinary shares, “B” ordinary shares and “C” ordinary shares of £1 each
	Number of shares:	400,000 “A” ordinary shares; 60,000 “B” ordinary shares and 47,000 “C” ordinary shares
7.	Issued share capital:	£460,000
	Description:	“A” ordinary shares, “B” ordinary shares and “C” ordinary shares of £1 each
	Number of shares:	400,000 “A” ordinary; and 60,000 “B” ordinary shares
	Amount paid up:	Fully paid
8.	Issued loan capital:	N/A
9.	Directors - full names and usual residential addresses:	Rosemary Ormsby David Firs House Ramsdell Basingstoke Hampshire RG26 5ST Barry Malcolm Dean Sandpit Cottage 4 High Street Ditchling Sussex BN6 8TA

		Allan John Goodbrand Flat 8 Maxwell Place Maxwell Road Beaconsfield Buckinghamshire HP9 1AQ Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL Graham David Johnson 34 Elm Trees Long Crendon Aylesbury Buckinghamshire HP18 9DF Stephen William Hales 10 Denmark Road Cottenham Cambridge CB4 8QS
10.	Secretary - full name and usual residential address:	Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL
11.	Accounting reference date:	30 September
12.	Auditors:	Horwarth Clark Whitehill LLP
13.	Charges:	None

Part 3

Subsidiaries

Hale Hamilton Valves Limited

1.	Registered number:	01563775
2.	Date of incorporation:	26 May 1981
3.	Place of incorporation:	Cardiff
4.	Registered office:	Frays Mill Works Cowley Road Uxbridge Middlesex UB8 2AF
5.	Principal business:	non-trading company
6.	Authorised share capital:	£507,000
	Description:	“A” ordinary shares, “B”
	Number of shares:	400,000 “A” ordinary shares; 60,000 “B” ordinary shares and 47,000 “C” ordinary shares
7.	Issued share capital:	£476,500
	Description:	“A” ordinary shares, “B” ordinary shares and “C” ordinary shares of £1 each
	Number of shares:	400,000 “A” ordinary shares; 60,000 “B” ordinary shares; and 16,500 “C” ordinary shares
	Amount paid up:	Fully paid
8.	Issued loan capital:	N/A
9.	Directors - full names and usual residential addresses:	Ian Davies Chapel Lane Farmhouse Chapel Lane Thornborough Buckinghamshire MK18 2DJ

		William Robert Dormer Little Silver House High Bickington Umber Leigh Devon EX37 9BG Allan John Goodbrand Flat 8 Maxwell Place Maxwell Road Beaconsfield Buckinghamshire HP9 1AQ Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL Graham David Johnson 34 Elm Trees Long Crendon Aylesbury Buckinghamshire HP18 9DF Christopher Michael Skarbek-Wazynski 14 Clement Road Marple Bridge Stockport Cheshire SK6 5AF
10.	Secretary - full name and usual residential address:	Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL
11.	Accounting reference date:	30 September
12.	Auditors:	Horwarth Clark Whitehill LLP
13.	Charges:	None

Fluid Systems International Limited

1.	Registered number:	02614803
2.	Date of incorporation:	6 December 1991
3.	Place of incorporation:	Cardiff
4.	Registered office:	
5.	Principal business:	Holding Company
6.	Authorised share capital:	£40,625
	Description:	“A” ordinary shares of £1 each “B” ordinary shares of £1 each
	Number of shares:	40,625 A Shares
7.	Issued share capital:	£40,625
	Description:	“A” ordinary shares of £1 each and “B” ordinary shares of £1 each
	Number of shares:	32,500 “A” Ordinary Shares 8,125 “B” Ordinary Shares
	Amount paid up:	Fully paid
8.	Issued loan capital:	N/A
	Description:	
	Principal amount:	
9.	Directors - full names and usual residential addresses:	Allan John Goodbrand Flat 8 Maxwell Place Maxwell Road Beaconsfield Buckinghamshire HP9 1AQ Stephen William Hales 10 Denmark Road Cottenham Cambridge CB4 8QS

		Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL
10.	Secretary - full name and usual residential address:	Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL
11.	Accounting reference date:	30 September
12.	Auditors:	Horwarth Clark Whitehill LLP
13.	Charges:	None

Cambridge Fluid Systems Limited

1.	Registered number:	02129153
2.	Date of incorporation:	7 May 1987
3.	Place of incorporation:	Cardiff
4.	Registered office:	
5.	Principal business:	other manufacturing
6.	Authorised share capital:	£1,000,000
	Description:	ordinary shares divided into “A”, “B”, “C” and “D” ordinary shares of £0.05
	Number of shares:	8,000,000 “A” ordinary shares; 3,000,000 “B” ordinary shares; 4,000,000 “C” ordinary shares; and 5,000,000 “D” ordinary shares
7.	Issued share capital:	£59,375
	Description:	“A”, “B” and “C” ordinary shares
	Number of shares:	700,000 “A” ordinary shares; 187,500 “B” ordinary shares and 300,000 “C” ordinary shares
	Amount paid up:	Fully paid
8.	Issued loan capital:	N/A
	Description:	
	Principal amount:	
9.	Directors - full names and usual residential addresses:	Allan John Goodbrand Flat 8 Maxwell Place Maxwell Road Beaconsfield Buckinghamshire HP9 1AQ

		Stephen William Hales 10 Denmark Road Cottenham Cambridge CB4 8QS Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL
10.	Secretary - full name and usual residential address:	Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL
11.	Accounting reference date:	30 September
12.	Auditors:	Horwarth Clark Whitehill LLP
13.	Charges:	None

CFS Technology Pte Ltd.

1.	Registered number:	199506454E
2.	Date of incorporation:	11 September 1995
3.	Place of incorporation:	Singapore
4.	Registered office:	18 Cross Street, # 07-04 March & McLennan Centre, Singapore 048423
5.	Principal business:	Trading in fluid control values and associated equipment, project management and the installation, repair and service of equipment
6.	Authorised share capital:	S$100,000
	Description:	Ordinary shares of S$1 each
	Number of shares:	100,000
7.	Issued share capital:	S$58,824
	Description:	Ordinary shares of S$1 each
	Number of shares:	58,824
	Amount paid up:	$58,824
8.	Issued loan capital:	N/A
	Description:	
	Principal amount:	
9.	Directors - full names and usual residential addresses:	Allan John Goodbrand Flat 8 Maxwell Place Maxwell Road Beaconsfield Buckinghamshire HP9 1AQ Ian Davies Chapel Lane Farmhouse Chapel Lane Thornborough Buckinghamshire MK18 2DJ

		Philip John Danby Hunter 18 Claremont Road Claygate Esher Surrey KT10 0PL Tan Eng Kiam Daniel Blk 110 Leng Kong Tiga #06-227 Singapore 410110
10.	Secretary - full name and usual residential address:	Catherine Lim Siok Ching Blk 156 Toa Payoh Lorong 1# 03-1183 Singapore 310156
11.	Accounting reference date:	30 September
12.	Auditors:	Cho Lim & Associates
13.	Charges:	None

SCHEDULE 3

The Holdings Warranties

Part 1

Holdings Title Warranties

1. CAPACITY AND OWNERSHIP OF SHARES

1.1 The Holdings Vendors have full power and authority and have taken all action necessary to execute and deliver and to exercise their rights and perform their obligations under this agreement and each of the documents in the agreed form to be executed on or before Completion which constitute valid and binding obligations on each of the Holdings Vendors in accordance with their terms.

1.2 The Holdings Shares constitute the whole of the allotted and issued share capital of Holdings and have been properly allotted and issued.

1.3 There is no Encumbrance on, over or affecting the Holdings Shares or any of them or any unissued shares in the capital of Holdings and there is no agreement or commitment to give or create any Encumbrance or negotiations which may lead to such an agreement or commitment and no claim has been made by any person to be entitled to an Encumbrance in relation thereto.

1.4 The Holdings Vendors are entitled to sell and transfer the full legal and beneficial ownership in the Holdings Shares to the Purchaser free from the interests of the beneficiaries under the corresponding trusts and such sale will not result in any breach of or default under the documents governing the constitution of the corresponding trusts, any agreement or other obligation binding upon the Holdings Vendors or any of them or any of their respective property.

1.5 Other than this agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, transfer, redemption or repayment of, or the grant to any person of the right (whether conditional or not) to require the allotment, issue, transfer, redemption or repayment of, any shares in the capital of Holdings (including, without limitation, an option or right of pre-emption or conversion).

1.6 There is no litigation, arbitration, prosecution, administrative or other legal proceedings or dispute in existence or threatened against any of the Holdings Vendors in respect of the Holdings Shares or the Holdings Vendors' entitlement to dispose of the Holdings Shares and there are no facts which might give rise to any such proceedings or any such dispute.

1.7 Holdings has not received any notice or any application or notice of any intended application under the provisions of the Companies Acts for the rectification of the register of members of Holdings.

1.8 Holdings has not exercised nor purported to exercise or claim any lien over the Holdings Shares and no call on the Holdings Shares is outstanding and all the Holdings Shares are fully paid up.

Part 2

General

1. Holdings

1.1 The information set out in part 1 of schedule 2 is true and accurate.

2. CONSTITUTIONAL DOCUMENTS, CORPORATE REGISTERS AND MINUTE BOOKS

2.1 **Memorandum and Articles of Association**

The copy of the memorandum and articles of association of Holdings annexed to the Disclosure Letter is accurate and complete in all respects, includes copies of all resolutions and documents required to be incorporated therein and fully sets out all rights attaching to each class of the share capital of Holdings. Holdings was incorporated in accordance with its memorandum and articles of association and is validly existing and is entitled to carry on the business now carried on by it.

2.2 **Registers of Members**

The register of members of Holdings has been properly kept and contains accurate records of the members of Holdings and Holdings has not received any notice or allegation that the relevant register is incorrect or incomplete or should be rectified.

2.3 **Statutory Books**

The statutory books and minute books of the Holdings have been kept up to date, in its possession and are accurate in accordance with the law and Holdings has not received any notice or allegation that any of them is incorrect or should be rectified.

2.4 **Filings**

All resolutions, annual returns and other documents required to be delivered to the Registrar of Companies or to any other governmental or regulatory body or to any local authority for Holdings have been properly prepared and filed.

3. ACCOUNTS AND LIABILITIES

3.1 Holdings Accounts

3.1.1 All the accounts, ledgers and other financial records of Holdings are up to date and in its possession or under its control; there are no material inaccuracies or discrepancies contained or reflected therein.

3.1.2 The Holdings Accounts have been prepared in accordance with the requirements of the relevant statutes and on a basis consistent with that adopted in the preparation of the audited accounts of Holdings for each of the last three preceding financial years of Holdings and in accordance with all Relevant Accounting Standards and give a true and fair view of the assets and liabilities and state of affairs of Holdings and the Hale Group as at the Accounts Date and its profits and losses for the relevant period ended on the Accounts Date.

3.1.3 Except as stated in the audited balance sheets and profit and loss accounts of Holdings for each of the last three preceding financial years of Holdings ended on the Accounts Date, no changes in the policies of accounting have been made therein for any of those three financial years.

3.1.4 The profits shown by the audited profit and loss accounts of Holdings for each of the last three preceding financial years ended on the Accounts Date have not (except as disclosed therein) been affected by any exceptional item.

3.1.5 Sufficient provision has been made in a deferred taxation account for any corporation tax on chargeable gains and balancing charges which would arise on a sale of all fixed assets at the values attributed to them in the Holdings Accounts.

3.1.6 The Holdings Management Accounts have been properly prepared in accordance with the same accounting principles and standards applied in the preparation of the Holdings Accounts and on a basis consistent with the previous quarterly management accounts of Holdings and give a true and fair view of the assets, liabilities, profits and losses of Holdings as at the Management Accounts Date and for the period ended on the Management

Accounts Date and are not affected by any exceptional or non recurring items.

3.2 **Indebtedness**

Except as disclosed in the Holdings Accounts and the Holdings Management Accounts Holdings does not have outstanding, nor has it agreed to create or incur any loan capital, borrowing or indebtedness in the nature of borrowing.

3.3 **Other Liabilities**

Except as disclosed in the Holdings Accounts and the Holdings Management Accounts there are no actual or contingent, present or future, liabilities or commitments of Holdings other than liabilities Disclosed.

4. ASSETS

Holdings does not have any assets or property other than the Non HHL Vendors' Shares and cash.

5. CONTRACTS

Holdings is not a party to or subject to any contract, transaction, arrangement, understanding or obligation other than as Disclosed and does not otherwise conduct any business other than the holding of the Non HHL Vendors' Shares.

6. EMPLOYEES AND EMPLOYEE BENEFITS

6.1 **No employees**

Holdings does not have, and has not had in the last two years any employees nor made any payments to its directors (other than those referred to in the Disclosure Letter) or its secretary and there are no outstanding offers of employment with Holdings and no person has accepted an offer of employment with Holdings but not yet taken up the position accepted.

6.2 **No consultancy arrangements**

Holdings is not party to any consultancy arrangements and there are no outstanding offers of engagement to provide consultancy services to Holdings.

6.3 **No benefit arrangements**

Holdings does not participate in or contribute towards any pension scheme including personal pension schemes, individual pension arrangements or any scheme or arrangement for the provision of employee benefits such as life assurance, accident, permanent injury and medical insurance or similar arrangements.

7. CONDUCT OF HOLDINGS' AFFAIRS

7.1 Holdings conducts its business in material compliance with all applicable laws, bye-laws and regulations and Holdings is not in material breach of any such laws, bye-laws and regulations.

7.2 There is no investigation, disciplinary proceeding or enquiry by, or order, decree, decision or judgment of, any court, tribunal, arbitrator, governmental agency or regulatory body outstanding or anticipated against Holdings or any person for whose acts or defaults it may be vicariously liable.

7.3 Holdings has not received in the last 2 years any notice or other communication (official or otherwise) from any court, tribunal, arbitrator, governmental agency or regulatory body with respect to an alleged, actual or potential violation and/or failure to comply with any applicable law, bye-law or regulation, or requiring it to take or omit any action.

8. LITIGATION

8.1 **Current Proceedings**

Holdings is not involved whether as claimant or defendant in any claim, legal action, proceeding, suit, litigation, prosecution, investigation, enquiry, mediation or arbitration.

8.2 **Pending or Threatened Proceedings**

So far as the Holdings Vendors are aware, no claim, legal action, proceeding, suit, litigation, prosecution, investigation, enquiry, mediation or arbitration is pending or threatened by or against Holdings and the Holdings Vendors are not aware of any circumstances which might give rise thereto.

9. IMPORTANT BUSINESS ISSUES SINCE THE HOLDINGS ACCOUNTS DATE

Since the Accounts Date:

9.1 the business of Holdings has been continued in the ordinary course;

9.2 Holdings has not declared, made or paid any dividend or other distribution to its members except as Disclosed;

9.3 Holdings has not issued or allotted or agreed to issue or allot any share capital or any other security giving rise to a right over its capital;

9.4 Holdings has not redeemed or purchased or agreed to redeem or purchase any of its share capital except as Disclosed; and

9.5 Holdings has not incurred any additional borrowings or incurred any other indebtedness.

10. INSOLVENCY ETC.

10.1 Holdings is not insolvent or unable to pay its debts, including its future and prospective debts within the meaning of Section 123 of the Insolvency Act 1986.

10.2 Holdings has not proposed nor intends to propose any arrangement of any type with its creditors or any group of creditors whether by court process or otherwise under which such creditors shall receive or be paid less than the amounts contractually or otherwise due to them.

10.3 Neither Holdings nor any director, secretary or creditor of Holdings has presented any petition, application or other proceedings for administration, creditors' voluntary arrangement or similar relief by which the affairs, business or assets of the company concerned are managed by a person appointed for the purpose by a court, governmental agency or similar body, or by any director, secretary or creditor or by Holdings itself nor has any such order or relief been granted or appointment made.

10.4 No order has been made, petition or application presented, resolution passed or meeting convened for the purpose of winding up Holdings or whereby the assets of Holdings are to be distributed to creditors or shareholders or other contributories of Holdings.

10.5 No receiver (including an administrative receiver), liquidator, trustee, administrator, supervisor, nominee, custodian or any similar or analogous officer or official in any jurisdiction has been appointed in respect of the whole or any part of the business or assets of Holdings nor has any step been taken for or with a view to the appointment of such a person nor has any event taken place or is likely to take place as a consequence of which such an appointment might be made.

10.6 No creditor of Holdings has taken, or is entitled to take any steps to enforce, or has enforced any security over any assets of Holdings or is so far as the Holdings Vendors are aware likely to do so in the immediate future.

10.7 No action has been or is being taken by the Registrar of Companies to strike Holdings off the register under Section 652 of The Companies Act 1985.

10.8 Holdings has not entered into any transaction which was at an undervalue as defined in Section 238 of the Insolvency Act 1986 nor has it given any preference as defined in Section 239 of the Insolvency Act 1986.

SCHEDULE 4

The HHL Warranties

Part 1

HHL Title Warranties

1. CAPACITY AND OWNERSHIP OF SHARES

1.1 The HHL Vendor has full power and authority and have taken all action necessary to execute and deliver and to exercise its rights and perform its obligations under this agreement and each of the documents in the agreed form to be executed on or before Completion which constitute valid and binding obligations of the HHL Vendor in accordance with their terms.

1.2 There is no Encumbrance on, over or affecting the HHL Shares or any of them and there is no agreement or commitment to give or create any Encumbrance or negotiations which may lead to such an agreement or commitment and no claim has been made by any person to be entitled to an Encumbrance in relation thereto.

1.3 The HHL Vendor is entitled to sell and transfer the full legal and beneficial ownership in the HHL Shares to the Purchaser and such sale will not result in any breach of or default under any agreement or other obligation binding upon the HHL Vendor or any of its property.

1.4 There is no litigation, arbitration, prosecution, administrative or other legal proceedings or dispute in existence or threatened against the HHL Vendor in respect of the HHL Shares or the HHL Vendor’s entitlement to dispose of the HHL Shares and there are no facts which might give rise to any such proceedings or any such dispute.

1.5 HHL has not exercised nor purported to exercise or claim any lien over the HHL Shares and no call on the HHL Shares is outstanding and all the HHL Shares are fully paid up.

Part 2

General

1. OWNERSHIP OF SHARES

1.1 The HHL Shares and the Non HHL Vendors Shares constitute the whole of the allotted and issued share capital of HHL and have been properly allotted and issued.

1.2 There is no Encumbrance on, over or affecting the Non HHL Vendors Shares or any of them or any unissued shares in the capital of HHL and there is no agreement or commitment to give or create any Encumbrance or negotiations which may lead to such an agreement or commitment and no claim has been made by any person to be entitled to an Encumbrance in relation thereto.

1.3 Other than this agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, transfer, redemption or repayment of, or the grant to any person of the right (whether conditional or not) to require the allotment, issue, transfer, redemption or repayment of, any shares in the capital of HHL (including, without limitation, an option or right of pre-emption or conversion).

1.4 HHL has not received any notice or any application or notice of any intended application under the provisions of the Companies Acts for the rectification of the register of members of HHL.

1.5 HHL has not exercised nor purported to exercise or claim any lien over the HHL Shares or the Non HHL Vendors Shares and no call on the Holdings Shares is outstanding and all the HHL Shares and the Non HHL Vendors Shares are fully paid up.

2. HHL ACCOUNTS

2.1 The HHL Accounts have been prepared in accordance with the requirements of the relevant statutes and on a basis consistent with that adopted in the preparation of the audited accounts of HHL for each of the last three preceding financial years of HHL and in accordance with all Relevant Accounting Standards and give a true and fair view of the assets and liabilities and state of affairs of HHL and the HHL Group as at the Accounts Date and its profits and losses for the relevant period ended on the Accounts Date.

2.2 The rate of depreciation adopted in the HHL Accounts for each of the last three preceding financial years of HHL ended on the Accounts Date was sufficient for each of the fixed assets of HHL to be written down to nil by the end of its useful life and in the HHL Accounts each of the fixed assets is included at a value which is net of depreciation at the rate applied in the preceding three financial years of HHL ended on the Accounts Date.

2.3 All stock and inventory included in the HHL Accounts is recorded at the lower of costs and net realisable value.

2.4 Except as stated in the audited balance sheets and profit and loss accounts of HHL for each of the last three preceding financial years of HHL ended on the Accounts Date, no changes in the policies of accounting have been made therein for any of those three financial years and the method of valuing stock and work in progress and the basis of depreciation and amortisation adopted has been consistent during each of these three financial years.

2.5 The profits shown by the audited profit and loss accounts of HHL for each of the last three preceding financial years ended on the Accounts Date have not (except as disclosed therein) been affected by any exceptional item.

2.6 Sufficient provision has been made in a deferred taxation account for any corporation tax on chargeable gains and balancing charges which would arise on a sale of all fixed assets at the values attributed to them in the HHL Accounts.

2.7 The Management Accounts have been properly prepared in accordance with the same accounting principles and standards applied in the preparation of the Accounts and on a basis consistent with the previous quarterly management accounts of HHL and give a true and fair view of the assets, liabilities, profits and losses of HHL as at the Management Accounts Date and for the period ended on the Management Accounts Date and are not affected by any exceptional items.

3. POSITION SINCE ACCOUNTS DATE

Since the Accounts Date:

3.1 the business of the HHL Group has been carried on in the ordinary and usual course and so as to maintain the same as a going concern;

3.2 there has been no material deterioration either in turnover or in the financial or trading position of the HHL Group compared with the same period during the preceding year and the Warrantors are not aware of any matter or circumstance which has affected or is likely to affect adversely the volume or level of trading of the HHL Group;

3.3 the HHL Group has not acquired or disposed of or agreed to acquire or dispose of any business or any material asset or assumed or acquired any material liability (including a contingent liability) otherwise than in the ordinary course of business;

3.4 the HHL Group has paid its creditors in accordance with their respective credit terms and there are no amounts owing by the HHL Group which have been due for more than 60 days;

3.5 no debtor has been released by the HHL Group on terms that he pays less than the book value of his debt and in the last twelve months, no debt owing to the HHL Group has been deferred, subordinated or written off or has proved to any extent irrecoverable;

3.6 there has not been any material change in the assets or liabilities (including contingent liabilities) of the HHL Group as shown in the HHL Management Accounts except for changes arising from routine payments and from routine supplies of goods or of services in the normal course of trading;

3.7 all payments, receipts and invoices of the HHL Group have been fully recorded in the books of the relevant HHL Group member;

3.8 there has not been any capitalisation of reserves of the HHL Group and the HHL Group has not issued or agreed to issue any share or loan capital other than that issued at the Accounts Date and has not granted or agreed to grant any option in respect of any share or loan capital and the HHL Group has not repaid any loan capital in whole or in part nor has it, by reason of any default by it in its obligations, become bound or liable to be called upon to repay prematurely any loan capital or borrowed monies;

3.9 there has been no resolution of or agreement by the holders of shares in HHL or any class thereof (except as provided in this agreement or with the prior written consent of the Purchaser) relating to the capital reorganisation or other change in the capital structure of HHL;

3.10 HHL has not changed its accounting reference period;

3.11 no supplier to or customer of the HHL Group who accounted for more than five per cent of the HHL Group's annual turnover in the last financial year has ceased to trade with the HHL Group or notified the HHL Group in writing of its intention to do so; and

3.12 except in the ordinary course, no action has been taken to accelerate collection of debts or product shipments or to delay payment of creditors or procurement of raw material.

4. BUSINESS NAME

The HHL Group does not trade under any name for any purpose other than "Hale Hamilton (Valves) Limited", "Cambridge Fluid Systems", "CFS Technology PTE Ltd," "HH Asia", "Fluid Systems International Limited" and "Hale Hamilton Limited".

5. LICENCES AND CONSENTS

The HHL Group has obtained all licences, permissions, authorisations and consents required to own and operate its assets and for the proper carrying on of its business (details of which are set out in the Disclosure Letter) in the manner in which it is conducted at the date hereof. All such licences, permissions, authorisations and consents are in full force and effect.

6. ASSETS

6.1 All the property and assets which are shown as owned by a member of the HHL Group in the HHL Accounts are:

6.1.1 legally and beneficially owned by the HHL Group with good and marketable title;

6.1.2 in the possession or under the control of the HHL Group; and

6.1.3 free from all Encumbrances and there is not any agreement or commitment to give or create, and no claim has been made by any person entitled to any Encumbrance.

6.2 So far as the Warrantors are aware, the assets owned by HHL at the Completion Date are sufficient for HHL to continue its business after Completion in the manner in which it is conducted at the date hereof.

6.3 None of the assets referred to in paragraph 6.1 is the subject of any assignment, royalty, overriding royalty, factoring arrangement, leasing or hiring agreement, hire purchase agreement for payment on deferred terms or any similar agreement or arrangement.

6.4 The plant registers of the HHL Group attached to the Disclosure Letter comprise an accurate record of all the plant, machinery, equipment and vehicles having a book value of £5,000 or more and owned or used by the HHL Group and necessary for the operation of the business of the HHL Group in accordance with past practice.

6.5 All the plant, machinery, equipment and vehicles used by HHL in the conduct of its business:

6.5.1 are in a reasonable state of repair and condition commensurate with their age and having regard to their use and have been regularly maintained;

6.5.2 are, so far as the Warrantors are aware, capable of performing the function for which they are currently used; and

6.5.3 except for ordinary and routine maintenance and other than as contemplated in the annual budget of the Company contained in the Disclosure Letter are not expected to require replacement, repairs or additions within the six months following Completion.

6.6 Of the plant, machinery, equipment and vehicles included in the HHL Accounts or acquired by HHL since the Accounts Date none has been sold or disposed of other than on open market arm's length term.

7. STOCK AND DEBTS

7.1 All the stock of raw materials, packaging, materials and finished goods is of satisfactory quality having regard for its purpose and is capable of being sold on an arm's-length basis in accordance with the HHL Group's current price list without rebate or allowance.

7.2 The stock now held by HHL is adequate in relation to the current trading requirements of HHL and all stock that was unusable, unmarketable and obsolete at the Accounts Date or the Management Accounts Date was valued at zero in the HHL Accounts or the Management Accounts (as the case may be).

7.3 The HHL Group is not owed any sums other than trade debts incurred in the ordinary course of business.

7.4 The HHL Accounts contain full provision for doubtful debts and all bad debts have been written off.

7.5 The amount of the debts included in the HHL Accounts as owing to the HHL Group at the Accounts Date, less any provision for doubtful debts in the HHL Accounts, has been recovered in full.

7.6 Any debts arising since the Accounts Date and still outstanding at Completion (less the amount of any provision for doubtful debts made in the Completion Net Assets Statement) will be recoverable in full within the period of 120 days after Completion

7.7 Since the Accounts Date:

7.7.1 no credit notes have been issued to customers except in the normal course of business. The aggregate of all such credit notes issued since such date in respect of invoices raised prior to such date will not exceed £15,000; and

7.7.2 sales and commitments to sell to new customers have been made only after reasonable checks on their credit-worthiness have been effected consistent with the policy which pertained during the period covered by the HHL Accounts.

8. INSURANCE

8.1 Details of all Insurance Policies effected by the HHL Group or by any other person in relation to any of the HHL Group's assets have been Disclosed and all such Insurance Policies are currently in full force and effect.

8.2 There is Disclosed in the Disclosure Letter a Schedule of all claims made by any member of the Hale Group under any insurance policies during the five years prior to the date of this Agreement.

8.3 There are no claims outstanding and so far as the Warrantors are aware there are no circumstances which would or might give rise to any claim under any of such Insurance Policies.

8.4 The Warrantors are not aware of anything HHL has done or omitted to do which makes any Insurance Policies void or voidable.

8.5 No insurer under any of the Insurance Policies, or under any insurance policy under which any member of the Hale Group was covered in the five years prior to the date of this agreement (**"Historical Policies"**) has disputed or notified HHL of an intention to dispute, the validity of any of the Insurance Policies or Historical Policies on any grounds.

8.6 None of the Insurance Policies are terminable on a change of control of ownership of the insured.

8.7 No insurer has in the last 10 years cancelled or refused to accept or continue any insurance in relation to HHL.

8.8 So far as the Warrantors are aware, no fact or circumstance exists which might reasonably be expected to give rise to a claim under any of the Insurance Policies.

8.9 So far as the Warrantors are aware, no event, act or omission has occurred which requires notification under any of the Insurance Policies.

8.10 All premiums that are due under the Insurance Policies have been paid.

9. RECORDS

All the accounts, books, registers, ledgers and financial and other material records of whatsoever kind of the HHL Group (including all invoices and other records required for VAT purposes) are up to date and in its possession or under its control; there are no material inaccuracies or discrepancies contained or reflected therein.

10. CONFIDENTIAL INFORMATION

10.1 The HHL Group does not use any processes and is not engaged in any activities which involve the unlawful use of any confidential information belonging to any third party.

10.2 The HHL Group is not aware of any actual or alleged unlawful use by any person of any of its Confidential Information.

10.3 The HHL Group has not disclosed to any person any of its Confidential Information except where such disclosure was properly made in the normal course of the HHL Group's business and was made subject to an agreement under which the recipient is obliged to maintain the confidentiality of such Confidential Information and is restrained from further disclosing or using it other than for the purposes for which it was disclosed by the HHL Group.

11. INTELLECTUAL PROPERTY

11.1 A member of the HHL Group is the sole unencumbered legal and beneficial owner and, where registered, the sole registered proprietor of all the Business Intellectual Property and none of the Business Intellectual Property is licensed to any third party. Details of any registered or application for registration of any Business Intellectual Property are set out in the Disclosure Letter.

11.2 The Business Intellectual Property comprises all Intellectual Property which the Purchaser will require in order fully to carry on and exploit the business of the HHL Group and deal with the assets of the HHL Group in the same manner as carried on prior to Completion. Without limiting the above, the HHL Group does not make use of any third party owned Intellectual Property under licence.

11.3 The material particulars as to ownership and registration (and applications therefor) of registrable Business Intellectual Property, including priority and renewal dates where applicable, are set out in the Disclosure Letter.

11.4 Each and every part of the Business Intellectual Property is valid, subsisting and enforceable.

11.5 The Business Intellectual Property is not the subject of any pending or threatened proceedings for opposition, cancellation, revocation or rectification or claims by any person (including, without limitation, from any employees or former employees of the HHL Group) and, so far as the Warrantors are aware, there are no facts or matters in existence (including but without limitation acquiescence in the activities of third parties) which might give rise to any such proceedings or to any threat to the validity or enforceability of the Business Intellectual Property.

11.6 All application and renewal fees and costs and charges regarding the Business Intellectual Property due on or before Completion have been duly paid in full.

11.7 None of the Business Intellectual Property is, so far as the Warrantors are aware, currently being infringed (or would be infringed if valid) or has been so infringed in the six year period preceding Completion and no third party has, so far as the Warrantors are aware, threatened any such infringement and nor is it the subject of any claim for ownership or compensation by any third party or any criminal investigation or prosecution in relation thereto.

11.8 So far as the Warrantors are aware, the conduct of the business of the HHL Group does not infringe, is not alleged to infringe and has not in the six year period before Completion infringed or been alleged to infringe the Intellectual Property of any person.

12. COMPUTER SYSTEMS

12.1 A summary of the current Computer Systems and associated contracts is set out in the Disclosure Letter.

12.2 None of the HHL Group's records, systems, controls, data or information are recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic processes whether computerised or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the HHL Group.

12.3 The Computer Systems have been satisfactorily maintained and have the benefit of the maintenance agreements specified in the Disclosure Letter. The Computer Systems have not suffered any material failures or breakdowns in the two year period before Completion.

12.4 Disaster recovery plans for the Computer Systems are in effect and, so far as the Warrantors are aware, are adequate to ensure that the Computer Systems can be replaced or substituted without material disruption to the business of the HHL Group.

12.5 The HHL Group is not currently in breach of the terms of any warranty (express or implied), licence, systems supply, data supply, maintenance, service or services

agreement with any of its suppliers or customers and will be able to comply with ongoing obligations contained therein without recourse to external human resources.

12.6 The HHL Group is registered under the Data Protection Act 1984 and, to the extent necessary, has notified the Data Protection Commissioner under the Data Protection Act 1998 (the terms “Data Protection Act 1984” and “Data Protection Act 1998” for the purposes of paragraphs 12.5 to 12.9 inclusive include any equivalent non-UK data protection legislation to which the HHL Group may be subject) and no individual has claimed or will, so far as the Warrantors are aware, have a right to claim, compensation from the HHL Group under the Data Protection Acts 1984 and 1998.

12.7 The HHL Group has duly complied with and currently complies with all material requirements under the Data Protection Acts 1984 and 1998 including, without limitation:

12.7.1 the data protection principles set out under the Data Protection Acts 1984 and 1998;

12.7.2 requests from individuals for access to personal data held by it;

12.7.3 the requirements relating to the registration and/or notification of processing of personal data;

12.7.4 where necessary, under the Data Protection Acts 1984 and 1998, the consent of the data subjects to the processing of personal data relating to them has been obtained.

12.8 The HHL Group has not received a notice from or been subject to enquiries by the Data Protection Registrar or Information Commissioner regarding non-compliance or alleged non-compliance by the HHL Group with any provision of the Data Protection Acts 1984 and 1998 (including, without limitation, the data protection principles).

12.9 No individual has alleged that the HHL Group has failed to comply with the provisions of the Data Protection Acts 1984 and 1998 or claimed compensation from the HHL Group under that Act including for unauthorised disclosure of personal data.

12.10 The data utilised by the HHL Group in its business and/or transferred to the HHL Group’s customers and/or business partners has been lawfully obtained and the HHL

Group is entitled to use the same, transfer the same and grant such rights therein as it grants to its customers and/or business partners in respect of the use of such data.

12.11 The current Computer Systems are adequate for the current needs of the HHL Group and as contemplated in the annual budget set out in the Disclosure Letter.

13. EMPLOYEES

13.1 None of the officers or employees of the HHL Group has given or received notice terminating his employment. No such officers or employees will be entitled to give notice as a result of the provisions of this agreement.

13.2 The sale and purchase of the Shares pursuant to this agreement will not of itself give rise to any payment or benefit, or any right to any such payment or benefit, to any officer or employee of the HHL Group for which HHL Group is or would be liable.

13.3 Full and accurate particulars of the terms and conditions of employment of all the officers or employees of the HHL Group (including, without limitation, all remuneration, incentives, bonuses, expenses, profit-sharing arrangements and other payments, share option schemes and other benefits whatsoever payable and whether contractual or discretionary) are set out in the Disclosure Letter.

13.4 Full and accurate particulars of the age, sex, hours of work and date of commencement of continuous employment and details of all applicable staff handbooks, disciplinary or grievance procedures and any procedures to be followed in the case of redundancy, severance or dismissal are set out in the Disclosure Letter.

13.5 As at Completion there are no outstanding offers of employment or offers of engagement to provide consultancy or other services to the HHL Group, and no person has accepted such an offer of employment or engagement but not yet taken up the position accepted and there are no individuals who provide services to the HHL Group either on a self-employed basis or who are supplied by any other person engaged to provide services to HHL Group.

13.6 As at Completion, there are no officers or employees who are absent from work for any reason other than normal annual leave, or who have been absent from work due to ill-health for more than 15 days in total in the 12 months prior to Completion.

13.7 There is not in existence any contract of employment with any officer or employee of the HHL Group (or any contract for services with any individual) which cannot be terminated by the HHL Group giving three months' notice or less without giving rise to the making of a payment in lieu of notice or a claim for damages or compensation (other than a statutory redundancy payment or statutory compensation for unfair dismissal) or which is in suspension or has been terminated but is capable of being revived or enforced or in respect of which the HHL Group has a continuing obligation.

13.8 In relation to each of the officers or employees of the HHL Group, the HHL Group has:

13.8.1 maintained adequate and suitable records regarding the employment of each of its employees;

13.8.2 complied with all collective agreements and customs and practices for the time being dealing with such relations or the conditions of service of its employees; and

13.8.3 complied with all relevant orders and awards made under any statute affecting the conditions of service of its employees or former employees or made by any court or employment tribunal in respect of any employees or former employees of the HHL Group.

13.9 The HHL Group is not involved in any disputes and so far as the Warrantors are aware there are no circumstances which may result in any dispute involving any of the officers or employees or former employees or any trade union, staff association, works council or employee representatives of such officers or employees or former employees of the HHL Group and none of the provisions of this agreement including the identity of the Purchaser is likely to lead to any such dispute.

13.10 There is not outstanding any agreement or arrangement to which the HHL Group is party for profit sharing or for payment to any of its officers or employees or former employees of bonuses or for incentive payments or other similar matters.

13.11 There is no agreement or arrangement between the HHL Group and any of its employees or officers or former employees or officers with respect to his

employment, his ceasing to be employed or his retirement which is not included in the written terms of his employment or previous employment.

13.12 Since the Accounts Date, no change has been made in the terms of employment by the HHL Group (other than those required by law) of any of the officers or employees of the HHL Group and the HHL Group is not obliged to increase and has not made provision to increase the total annual remuneration payable to its officers and employees.

13.13 The HHL Group has not entered into any recognition agreement or any other understanding or arrangements or agreement with a trade union nor has it done any act which may be construed as recognition.

13.14 Within the two years preceding Completion, the HHL Group:

13.14.1 has not been a party to a relevant transfer (as defined in the Transfer of Undertakings (Protection of Employment) Regulations 1981);

13.14.2 has not failed to comply with any duty to consult with any officers or employees of the HHL Group, nor failed to give notice of any redundancies to the Department of Trade and Industry, pursuant to Sections 188 and 193 Trade Union and Labour Relations (Consolidation) Act 1992.

13.15 As at Completion, no amounts due to or in respect of any of the officers or employees or former employees of the HHL Group (including PAYE and national insurance and pension contributions) are in arrears or unpaid other than basic salary accrued for the current month.

13.16 No monies or benefits other than in respect of contractual emoluments for part of the current month and the sale bonuses set out in the Disclosure Letter are payable to any of the officers or employees of the HHL Group and there is not at present a claim, or, so far as the Warrantors are aware, occurrence or state of affairs which may hereafter give rise to a claim against the HHL Group arising out of the employment or termination of employment of any employee or former employee for compensation for loss of office or employment or otherwise and whether under the Employment Rights Act 1996, Race Relations Act 1976, Equal Pay Act 1970, Sex Discrimination Act 1975, Sex Discrimination Act 1986, Disability Discrimination Act 1995, Working Time Regulations 1998, National Minimum Wage Act 1998 and the

regulations made under such acts or regulations or any other act or otherwise and so far as the Warrantors are aware there are no enquiries or investigations or prosecutions existing, pending or threatened against the HHL Group in relation to any officer, employee or former employee by the Equal Opportunities Commission, the Commission for Racial Equity, the Disability Rights Commission or the Health and Safety Executive.

14. CONTRACTS

14.1 There is not outstanding in connection with the business of the HHL Group:

14.1.1 any agreement or arrangement between the HHL Group and any third party which the signature or performance of this agreement will contravene or under which the third party will acquire a right of termination or any option as a result of the signature or performance of this agreement;

14.1.2 any agency, distributorship, marketing, purchasing, manufacturing or licensing agreement or arrangement pursuant to which any part of the business of the HHL Group has been carried on;

14.1.3 any agreement or arrangement between the HHL Group and any other company which is a member of the Hale Group;

14.1.4 any agreement or arrangement entered into by the HHL Group otherwise than by way of bargain at arm's length; or

14.1.5 other than in the ordinary course of business, any sale or purchase, option or similar agreement, arrangement or obligation affecting any of the assets of the HHL Group or by which the HHL Group is bound.

14.2 As far as the Warrantors are aware, the execution of and compliance with the terms of this agreement will not:

14.2.1 cause HHL to lose the benefit of any contracted right it presently enjoys or cause any person who normally does business with HHL not to continue to do so on the same basis as previously;

14.2.2 relieve any person of any obligation to HHL or enable any person to determine such obligation; and

14.2.3 result in any indebtedness of HHL becoming due or payable or capable of being declared due and payable prior to its date of maturity.

14.3 Neither HHL nor any party with whom the HHL Group has entered into any agreement or contract is in default being a default which would have a material and adverse effect on the financial or trading position or prospects of HHL and, so far as the Warrantors are aware, there are no circumstances likely to give rise to such a default.

14.4 No breach of contract, event or omission has occurred which would entitle any third party to terminate any contract to which an HHL Group member is a party or to call in any money before the date on which payment thereof would normally or otherwise be due and the HHL Group has not received notice of intention to terminate any of such agreements or contracts.

14.5 None of the contracts, to which HHL is a party or would become a party by the acceptance by any third party of an offer or tender made by HHL:

14.5.1 is outside the ordinary course of business of HHL;

14.5.2 is of a long-term nature (that is to say, not capable of termination on six months notice or less);

14.5.3 is of a loss-making nature (that is to say, which HHL knew at the time of entering into it would result in a loss to HHL on completion of its performance); and

14.5.4 requires the supply of goods and/or services by or to HHL, the aggregate value of which exceeds ten per cent of the total value of all supplies of goods and/or services made to or by HHL in its last completed financial period.

14.6 Other than any contractual entitlement in respect of his employment, there is not outstanding any indebtedness owing by HHL to any director of HHL or any Connected Person or owing to HHL by any director of HHL or any security for any such indebtedness;

14.7 There is not outstanding and there has not at any time been outstanding any agreement, arrangement or understanding (whether legally enforceable or not) to

which HHL is a party and which any director or former director of HHL or any Connected Person is or has been interested, whether directly or indirectly;

14.8 With respect to each order in the backlog of firm orders for the sale or lease of products or services, for which revenues have not been recognised by HHL, as Disclosed, HHL has not received, nor so far as the Warrantors are aware is their any reason to believe it will receive, any notice that such order shall be cancelled or materially reduced, and all sales commitments for the products of HHL are at prices not less than inventory values plus selling expenses and profit margins equivalent for those in the financial year ending on the Accounts Date.

15. TRADING

15.1 So far as the Warrantors are aware there are no deficiencies or defects or breaches of contract which could result in any claim being made against the HHL Group in relation to any Defective Product or Defective Service for which the HHL Group has been or is or may be or become liable or responsible in the course of its business and without prejudice to the generality of the foregoing no dispute exists between the HHL Group and any customer, client, end-user or supplier thereof.

15.2 The HHL Group has not given any guarantee or warranty or made any representation in respect of goods supplied or contracted to be supplied by it save for any guarantee or warranty given in the ordinary course or in accordance with standard terms and conditions set out in the Disclosure Letter or implied by law and (save as aforesaid) has not accepted any liability or obligation in respect of any goods that would apply after any such goods have been supplied by it.

15.3 The HHL Group has not entered into an agreement or arrangement with a customer or supplier on terms materially different to its standard terms of business, a copy of which is annexed to the Disclosure Letter.

15.4 No substantial customer or supplier of HHL (that is to say a supplier or customer whose supplies to or purchases from HHL of goods or services have represented more than ten per cent in value of all supplies to or purchases from HHL in the last completed financial year of HHL) has, during the period of 12 months prior to this agreement, ceased to trade with HHL.

16. JOINT VENTURES ETC

The HHL Group is not:

16.1 a party to any joint venture, consortium, partnership or profit-sharing arrangement or agreement; or

16.2 a member of any partnership, trade association, society or other group whether formal or informal and whether or not having a separate legal identity.

17. BORROWINGS

Except as Disclosed in the HHL Accounts and the HHL Management Accounts, the HHL Group does not have outstanding:

17.1 any borrowing or indebtedness in the nature of borrowing including any bank overdrafts, liabilities under acceptances (otherwise than in respect of normal trade bills) and acceptance credits other than borrowing or indebtedness arising in the ordinary course of business; or

17.2 any guarantee, indemnity or undertaking (whether or not legally binding) to procure the solvency of any person or any similar obligation.

18. LITIGATION, OFFENCES AND COMPLIANCE WITH STATUTES

18.1 Otherwise than as claimant in the collection of debts arising in the ordinary course of business, neither the HHL Group nor any person for whose acts or defaults the HHL Group may be vicariously liable is claimant, defendant or otherwise a party to any litigation, arbitration or administrative proceedings which are in progress and no such proceedings are threatened or pending by or against or concerning the HHL Group or any of its assets and, so far as the Warrantors are aware, there are no circumstances likely to lead to any such proceedings.

18.2 So far as the Warrantors are aware, neither the HHL Group nor any of its officers, agents or employees (during the course of their duties in relation to the business of the HHL Group) has committed or omitted to do any act or thing the commission or omission of which is or could be in contravention of any statutory obligation or any other law of the United Kingdom or any other country giving rise to any fine, penalty, default proceedings or other liability in relation to the business or officers of the HHL

Group or any of its assets or any judgment or decision which would materially affect the financial or trading position or prospects of the HHL Group.

18.3 The HHL Group has not done or agreed to do anything as a result of which either any investment or other grant paid to the HHL Group is liable to be refunded in whole or in part or any such grant for which application has been made by it will or may not be paid or may be reduced.

18.4 There is not outstanding any liability for industrial training levy or for any other statutory or governmental levy or charge.

18.5 Each member of the HHL Group has at all times complied with all applicable statutes relevant to import and export of goods and materials.

19. RESTRICTIVE AGREEMENTS AND COMPETITION

19.1 Neither the HHL Group nor any of its officers or employees has been party to or involved in any agreement, understanding, arrangement, concerted practice or conduct which may infringe or have infringed:

19.1.1 the Competition Act 1998;

19.1.2 the Enterprise Act 2002;

19.1.3 Articles 81 and 82 of the Treaty establishing the European Community; or

19.1.4 any other competition or anti-trust legislation or regulations which apply or have applied in the EEA or within any jurisdiction within the EEA or any other jurisdiction in the world.

19.2 The HHL Group has received no written notice, written request, order or other communication of any kind from any authority, commission, government department, court or other public agency charged with the oversight or enforcement of any of the legislation referred to in paragraph 19.1.

19.3 The HHL Group has not given any assurance or undertaking to the Office of Fair Trading, the Director General of Fair Trading, the Competition Commission, any sector regulator, the Secretary of State for Trade and Industry, the European Commission, the Court of First Instance or the Court of Justice of the European Communities or any other court, person or body and is not subject to any act,

decision, order, regulation or other instrument made by any of them under or by reference to any legislation or regulations referred to in paragraph 19.1

19.4 The HHL Group has received no complaint or threat to complain under or by reference to any of the legislation referred to in paragraph 19.1 from any person and has not received any request for information, investigation or objection under or by reference to any of the legislation referred to in paragraph 19.1 or been party to any proceedings to which this legislation (or any of it) was pleaded or relied upon.

19.5 The HHL Group has not notified any agreements or other arrangements to the European Commission for negative clearance or an exemption under Article 81(3) of the Treaty establishing the European Community.

19.6 The HHL Group has not notified any agreement or other arrangement to the Office of Fair Trading, the Director General of Fair Trading, any sector regulator or any other authority having jurisdiction under the Competition Act 1998 for a decision or guidance in relation to the Competition Act 1998.

19.7 The HHL Group has not received any state aid or other public or government grant subsidy, tax relief, exemption, privilege or indulgence that might be subject to any proceedings or process challenging the propriety or lawfulness of such government grant, subsidy, tax relief, exemption privilege or indulgence.

20. SUBSIDIARIES

HHL has not since its incorporation had any subsidiary or subsidiary undertaking apart from the Subsidiaries and has not been the subsidiary of any other company and HHL is not the legal or beneficial owner of any shares of any other company other than the Subsidiaries listed in schedule 2.

21. ADMINISTRATION

21.1 Every document in respect of the HHL Group required by the Companies Acts to be filed with the Registrar of Companies has been duly filed.

21.2 The copy of the memorandum and articles of association of HHL annexed to the Disclosure Letter is accurate and complete in all respects, includes copies of all resolutions and documents required to be incorporated therein and fully sets out all rights attaching to each class of the share capital of HHL and the register of members

and other statutory books of HHL have been properly kept and contain an accurate record of all the matters which should be dealt with therein and no notice or allegation that any of the same is incorrect or should be rectified has been received.

21.3 HHL was incorporated in accordance with its memorandum and articles of association and is validly existing and is entitled to carry on the business now carried on by it.

21.4 The HHL Group has not within the 20 years preceding the Completion Date carried on any business other than the Business carried on at the date hereof.

22. INSOLVENCY

22.1 No resolution has been passed nor meeting called to consider such resolution, no petition has been presented and no order has been made for the winding up of or for the appointment of a provisional liquidator to any HHL Group member.

22.2 No petition has been presented and no application has been made to court for an administration order in respect of any HHL Group member and no notice of an intention to appoint an administrator of any HHL Group member has been given or filed.

22.3 No liquidator, administrator, receiver, receiver and manager, administrative receiver or similar officer has been appointed in relation to any HHL Group member or in relation to the whole or any part of their assets, rights or revenues.

22.4 In relation to each HHL Group member:

22.4.1 no voluntary arrangement has been proposed or implemented under section 1 of the Insolvency Act 1986;

22.4.2 no scheme of arrangement has been proposed or implemented under section 425 of the Companies Act 1985;

22.4.3 no scheme for the benefit of creditors has been proposed or implemented, whether or not under the protection of the court and whether or not involving a reorganisation or rescheduling of debt; and

22.4.4 no proceedings have been commenced under any law, regulation or procedure relating to the reconstruction or adjustment of debts.

22.5 No HHL Group member has stopped or suspended payment of its debts, and no HHL Group member is unable or capable of being deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986.

22.6 No distress, execution or other process has been levied on an asset of any HHL Group member and no unsatisfied judgment, order or award is outstanding against any HHL Group member

Part 3

Properties and environmental matters

Properties

TITLE

1. The Properties comprise:

   1.1 all the land and premises of whatever tenure owned, occupied or otherwise used by the HHL Group whether in the United Kingdom or elsewhere; and

   1.2 all the estate, interest, right and title whatsoever (including for the avoidance of any doubt interests in the nature of options, rights of pre-emption or other contractual relationships) of the HHL Group in respect of any land or premises.

2. The HHL Group members listed in column 1 of part 1 and part 2 of schedule 8 are the legal and beneficial owners or (as the case may be) lessees of the Properties and all fixtures and fittings (except, in the case of leaseholds items in the nature of landlord's fixtures and fittings) at the Properties are the absolute property of such members free from encumbrances.

3. The HHL Group members listed in column 1 of part 1 and part 2 of schedule 8 have a good and marketable title to the Properties (which includes in the case of the freehold property all airspace at and above ground level). There is not nor has there been in force any policy relating to defective title or restrictive covenant indemnity. There is no circumstance which could render any transaction affecting the relevant HHL Group member's title to any of the Properties liable to be set aside under the Insolvency Act 1986.

4. The information contained in of schedule 8 as to the tenure of the Properties is true complete and accurate in all material respects.

5. All deeds and documents necessary to prove the title of the relevant HHL Group member to the Properties are in the possession or under the control of the relevant HHL Group member.

6. None of the Properties has been transferred or conveyed to the relevant HHL Group member within the last three years pursuant to an intra group transfer on which relief from stamp duty has been claimed pursuant to section 42 of the Finance Act 1930 (as amended), or on which relief from stamp duty land tax has been claimed pursuant to schedule 7 to the Finance Act 2003.

ENCUMBRANCES

7. The Properties are free from any mortgage, debenture or charge (whether specific or floating, legal or equitable) rent charge, lien or other encumbrance securing the repayment of monies or other obligation or liability whether of an HHL Group member or any other party.

8. The Properties are not subject to any liability for the payment of any outgoings other than national non-domestic rates, water and sewerage services charges and insurance premiums and, additionally, in the case of leasehold properties, rents and service charges.

9. The Properties are not subject to any covenants, restrictions, stipulations, easements, profits à prendre, wayleaves, licences, grants, exceptions or reservations, or to any unregistered interests which override either first registration (where appropriate) or any registerable dispositions under schedules 1 and 3 respectively and schedule 12 to, and section 90(5) of, the Land Registration Act 2002, or any other such rights the benefit of which is vested in third parties nor any agreement to create the same.

10. Where any such matters as are referred to in paragraphs 7, 8 and 9 have been disclosed in the Disclosure Letter the obligations and liabilities imposed and arising under them have been observed and performed in all material respects and all payments in respect of them due and payable have been duly paid.

11. The Properties are not subject to any agreement or right to acquire the same nor any option, right of pre-emption or right of first refusal and there are no outstanding actions, claims or demands between an HHL Group member and any third party affecting or in respect of the Properties.

12. The Properties are free from any local land charge, land charge, caution, caution against first registration, inhibition, restriction or notice and no matter is known to the Warrantors to exist which is capable of registration against any of the Properties.

13. There is no person who is in occupation or who has or claims any rights of any kind in respect of the Properties adversely to the estate, interest, right or title of the HHL Group member to the Properties.

14. The Properties benefit from all permanent and legally enforceable easements and other contractual rights (if any) necessary or appropriate for the continued use, enjoyment and maintenance by the HHL Group for the purpose of its existing business carried on at or from the Properties and for compliance with any obligations relating to the Properties (whether

statutory or otherwise) and all such easements and rights are on reasonable terms which (without limitation) do not entitle any person to terminate, restrict or curtail them or impose any unusual or onerous condition.

PLANNING MATTERS

15. For the purposes of the following paragraphs, the **" Planning Acts"** means:

the Town and Country Planning Act 1990

the Planning (Listed Buildings and Conservation Areas) Act 1990

the Planning (Hazardous Substances) Act 1990

the Planning (Consequences Provisions) Act 1990

the Planning and Compensation Act 1991

the Planning and Compulsory Purchase Act 2004

as the same are from time to time varied or amended and any other statute or subordinate legislation relating to planning matters.

16. The use of each of the Properties is the permitted or lawful use for the purposes of the Planning Acts and no such use is subject to planning conditions of an onerous or unusual nature (including any of a personal or temporary nature).

17. Compliance in all material respects is being and has at all times been made with all planning permissions and building regulation and bye-law consents for the time being in force in relation to the Properties and with all orders, directions and regulations made under the Planning Acts and building regulations.

18. No agreements or undertakings relating to the Properties have been entered into under the provisions of:

18.1 section 18 of the Public Health Act 1936; or

18.2 sections 38 and 278 of the Highways Act 1980;

18.3 section 106 of the Town and Country Planning Act 1990; or

18.4 any similar legislation or earlier legislation of the same nature (together **"Statutory Agreements"**).

19. Compliance in all material respects is being and has at all times been made with all Statutory Agreements relating to the Properties.

20. None of the Properties is listed as being of special historic or architectural importance or located in a conservation area nor are the Properties affected by any tree preservation orders.

21. No planning contravention notices, breach of condition notices, enforcement notices or stop notices have been issued by any local planning authority in respect of the Properties nor has any other enforcement action (including the exercise of any right of entry) been taken by any such authority and the Vendors are not aware of any circumstances which may lead to the same.

STATUTORY OBLIGATIONS

22. Compliance in all material respects is being made and has at all times been made with all applicable statutory and bye-law requirements with respect to the Properties and in particular (but without limitation) with requirements as to fire precautions and means of escape in case of fire and with requirements under the Public Health Acts, the Housing Acts, the Highways Acts, the Offices Shops and Railway Premises Act 1963, the Health and Safety at Work, etc. Act 1974, the Factory Acts and the London Building Acts, and the Vendors do not anticipate that it will be obliged to incur the expenditure of any substantial sum of money within the next two years in connection with such compliance.

23. There are not in force or required to be in force any licences whether under the Licensing Act 1988 or otherwise which apply to the Properties or relate to or regulate any activities carried on therein.

ADVERSE ORDERS

24. There are no compulsory purchase notices, orders or resolutions affecting the Properties nor are the Vendors aware of any circumstances likely to lead to any being made.

25. There are no closing demolition or clearance orders affecting the Properties nor are the Vendors aware of any circumstances likely to lead to any being made.

CONDITION OF THE PROPERTIES

26. There are no current disputes with any adjoining or neighbouring owner with respect to boundary walls and fences or with respect to any easement, right or means of access to the Properties.

27. The principal means of access to the freehold property is over roads which have been taken over by the local or other highway authority and which are maintainable at the public expense.

28. Each of the Properties enjoys the main services of water, drainage, electricity and gas; the passage and provision of such services is of a volume sufficient for the current purposes of the Business, uninterrupted and where not directly connected to mains services the necessary easements are in place for the passage of such services from the mains services to the Properties free from onerous or unusual conditions.

29. The Properties are not subject to any rights of common.

30. None of the Properties is affected by past or present mining activity.

LEASEHOLD PROPERTIES

31. Cambridge Fluid Systems Limited ("**CFS**") has paid the rent and observed and performed in all material respects the covenants on the part of the lessee and the conditions contained in any leases (which expression includes underleases) under which the Properties set out in part 2 of schedule 8 are held and the last demands for rent (or receipts if issued) were unqualified and all such leases are valid and in full force.

32. All licences, consents and approvals required from the lessors and any superior lessors under the leases of the Properties have been obtained and the covenants on the part of the lessee contained in such licences, consents and approvals have been duly performed and observed in all material respects and, subject thereto, there are no collateral agreements, undertakings, waivers or concessions which are binding upon either the landlords or CFS.

33. There are no notices, negotiations or proceedings pending in relation to rent reviews nor is any rent liable at the date of this agreement to be reviewed.

34. The Vendors are not aware of any circumstances which would entitle any lessor to exercise any powers of entry or take possession or which would otherwise restrict the continued possession and enjoyment of the Properties.

35. CFS is in actual occupation of all parts of the Properties and the security of tenure provisions of part II of the Landlord and Tenant Act 1954 are not excluded and no notices have been served or received under section 25 or 26 of such Act.

36. The Vendors are not aware of any major item of expenditure already incurred by the lessor of any of the Properties listed in part 2 of schedule 8 or expected to be incurred by any such lessor within the next 12 months which is recoverable in whole or in part from any member of the HHL Group.

GENERAL MATTERS

37. No HHL Group member has any continuing liability in respect of any other property formerly owned or occupied by an HHL Group member either as original contracting party or by virtue of any direct covenant having been given on a sale or assignment to the HHL Group member or as a guarantor of the obligations of any other person in relation to such property.

ENVIRONMENTAL MATTERS

38. In this part 3 in respect of the Warranties contained in paragraphs 39 to 48 inclusive only, the following words and expressions shall have the following meanings:

"Environment" means any of the following media namely air, water or land including without limitation those media within buildings or other natural or man made structures above or below ground and any living humans, other living organisms or ecosystems.

"Environmental Laws" means any legal requirements for the protection of the Environment (including without limitation human health and amenity) applicable to the operation of the business of the Hale Group and/or the occupation or use of any of the Properties.

39. So far as the Warrantors are aware no HHL Group member nor any of its officers, agents or employees has committed, whether by act or omission, any material breach of Environmental Laws or Environmental Permits and they have conformed to and comply with all relevant codes of practice, guidance notes, standards and other advisory material issued by any Relevant Authority.

40. No HHL Group member has received any notice, order or other communication from any Relevant Authority or other third party in respect of the business carried on at any time by any HHL Group member or in relation to any property at any time owned, occupied or controlled by any HHL Group member alleging any breach of or failure to comply with Environmental Laws or imposing requirements, compliance with which, or bringing or anticipating a claim satisfaction of which, could be secured by further proceedings; and so far as the Vendors are aware there are no existing circumstances which might give rise to such notice, order or other communication being received; nor has there been any correspondence, communication or circumstances giving an indication of any intention on the part of a Relevant Authority to give such a notice, order or other communication.

41. No Relevant Authority has, in relation to the property, assets or business of any HHL Group member, exercised any powers of entry, taken samples, measurements or photographs, removed, dismantled or tested any substance, article or organism, required statements (signed or otherwise) from any person in relation to any examination or investigations, required any production of data, taken any steps to seize and/or render harmless any substance, articles or organism or entered any Property or so far as the Warrantors are aware the details of any HHL Group member on any register in respect of any pollution or contamination of the Environment.

42. No HHL Group member has received any complaint from a third party (including an employee) in respect of the business carried on by any HHL Group member or in relation to the business undertaken by any HHL Group member and/or any property at any time owned, occupied or controlled by any HHL Group member alleging any breach of Environmental Laws and so far as the Warrantors are aware no circumstances exist which might give rise to such a complaint.

43. So far as the Warrantors are aware, all Environmental Permits as are now required are valid and subsisting and none have been suspended, revoked, cancelled, restricted, amended, varied or not renewed and the Disclosure Letter contains complete and accurate copies of all Environmental Permits.

44. So far as the Warrantors are aware, no works are or will be necessary to secure compliance with Environmental Laws or Environmental Permits or to maintain or obtain any Environmental Permits required to carry on the business of any HHL Group Member in the same manner as it has been carried on at Completion and all necessary or appropriate action

in connection with the application for, renewal or extension of any necessary or appropriate Environmental Permits has been taken.

45. So far as the Warrantors are aware, none of the assets of any HHL Group Member (including without limitation the Properties) has been directly or indirectly affected by, and no HHL Group Member has caused or permitted any pollution or contamination of the Environment or any other liability whatsoever under Environmental Laws and there are no circumstances which may give rise to the same.

46. So far as the Warrantors are aware, the structure of the Properties does not incorporate any hazardous substances including without limitation asbestos.

47. So far as the Warrantors are aware, to the extent that any asbestos is present at any of the Properties, HHL has in place an operation and maintenance plan governing the treatment of such asbestos, and complies in all respects with such plan.

48. HHL has undertaken a suitable and sufficient assessment of the matters identified by the Health & Safety Executive in their improvement notice, as set out in the Disclosure Letter, and has fully and properly implemented all actions required in respect of the same.

49. There is no information known to the Warrantors, any member of the Hale Group or any of their employees, directors, officers, managers or supervisors that has not been provided to the insurer named under the Environmental Insurance Policy that if provided after the date hereof could vitiate or otherwise impact on the insurance provided under the terms of the Environmental Insurance Policy.

Part 4

Pensions

1. In this part:

   "Approved" means exempt approved by the Board of Inland Revenue for the purposes of either Chapter I or Chapter IV of Part XIV of the Taxes Act and **"Approval"** shall be construed accordingly;

   "Disclosed Schemes" means the Main Scheme, the Hale Hamilton (Valves) Limited Executive Retirement Benefits Scheme established by a declaration of trust dated 28 March 1988, the stakeholder scheme with Clerical Medical and the Income Protection Policy with Friends Provident;

   "Main Scheme" means the Hale Hamilton (Valves) Limited Retirement and Death Benefits Scheme established by a declaration of trust dated 16 January 1975;

   "1993 Act" means the Pension Schemes Act 1993;

   "1995 Act" means the Pensions Act 1995.

2. Other than under the Disclosed Schemes, there is not and has not been in operation, and no proposal has been announced to enter into or establish, and the HHL Group does not contribute, is not bound to contribute either now or in the future and has not contributed to, any agreement, arrangement, scheme, custom or practice (whether enforceable or not, whether or not Approved and whether or not funded for in advance) for the payment of any pensions, allowances, ex gratia payments, lump sums or other benefits on death, retirement or termination of employment (whether voluntary or not), or during any period of sickness or disablement, for or in respect of any of the HHL Group's employees or officers or former employees or officers, or any dependant of such an employee or officer, or former employee or officer.

3. Full and accurate details of the Disclosed Schemes, including current details of the rate(s) at which the HHL Group is obliged to contribute in respect of each employee or officer who is a member of the Disclosed Schemes, are set out in the Disclosure Letter.

4. All contributions due to or premiums due in respect of the Disclosed Schemes have been paid on or before the date on which payment falls due and in accordance with the requirements of

the 1995 Act. No contribution to or premium due to any of the Disclosed Schemes in respect of a period prior to Completion is unpaid.

5. There are no members of the Disclosed Schemes other than those whose names have been supplied to the Purchaser.

6. No employees or officers or former employees or officers of the HHL Group have been excluded from membership of the Disclosed Schemes who would otherwise have been eligible either under the governing documentation of the Disclosed Schemes, under any applicable law or under any announcement or other contractual obligations.

7. The Disclosed Schemes have been Approved with effect from their commencement dates and so far as the Warrantors are aware there is no reason why such Approval may be withdrawn or cease to apply.

8. No employee or officer of the HHL Group is in contracted out employment as defined in Section 7 of the 1993 Act by reference to the Disclosed Schemes. In the case of any employee or officer of the HHL Group who has been in the past in contracted out employment by reference to the Disclosed Schemes, the Disclosed Schemes have been administered in accordance with the contracting out requirements of the 1993 Act.

9. All benefits (other than refunds of contributions with interest where appropriate) payable under the Disclosed Schemes on the death of a member, are fully insured with an insurance company as defined in Section 659B of the Taxes Act at its normal rates and under its normal terms for people in good health.

10. So far as the Warrantors are aware, the Disclosed Schemes are and have at all times been administered in accordance with all applicable laws (including the Data Protection Act 1998 and Article 141 of the Treaty of Rome) and regulatory requirements and the general requirements of trust law and the requirements of the Inland Revenue and subject thereto in accordance with their governing provisions.

11. No person has made or threatened any claim (other than a routine claim for benefits) or complaint against the HHL Group or, so far as the Warrantors are aware, against any administrator(s) of the Disclosed Schemes or, again so far as the Warrantors are aware, made any complaint or report to the Occupational Pensions Regulatory Authority or The Pensions Regulator in respect of any act, event or omission arising out of or in connection with the

Disclosed Schemes and so far as the Warrantors are aware there are no circumstances which may give rise to any such claim, complaint or report being made.

12. No act, event or omission has occurred which may lead to the winding-up of the Disclosed Schemes in whole or in part without the consent of the HHL Group.

13. There are no circumstances which could result in any penalty for failure to comply with Part 1 of the Welfare Reform and Pensions Act 1999 or the Stakeholder Pension Schemes Regulations 2000 becoming payable by the HHL Group. So far as the Warrantors are aware, the HHL Group and any administrator(s) of the stakeholder scheme have taken all steps necessary in order to comply with the legislation in relation to stakeholder pension schemes. The HHL Group does not, and has not made any agreement or promise, to contribute to a stakeholder scheme in respect of its employees.

14. So far as the Warrantors are aware, there are no liabilities which have been or are or may be imposed on the HHL Group as a debt due pursuant to section 144 of the 1993 Act or section 75 (as amended) or section 75A of the 1995 Act from HHL Group to the trustees of the Main Scheme.

15. In respect of the Main Scheme, since the date of the latest actuarial valuation reports or funding reviews, contributions have been made at rates no lower than those recommended by the actuary in those reports or funding reviews and no lower than the rates to enable the schemes to meet the minimum funding requirement.

16. In respect of the Main Scheme, all information supplied for the purposes of the most recent actuarial valuations and funding reviews was true, complete, accurate and up-to-date.

17. There have been no contribution notices, financial support directions or restoration orders issued by The Pensions Regulator against the HHL Group in respect of the Disclosed Schemes and, so far as the Warrantors are aware, neither is there any reason why such an order may be issued.

18. There has been no correspondence with The Pensions Regulator (or the Occupational Pensions Regulatory Authority) other than as set out in the Disclosure Letter, on any matter which may give rise to ss 3 or 10 of the 1995 Act applying to the HHL Group or, so far as the Warrantors are aware, the trustees and administrators of the Disclosed Schemes and the Warrantors are not aware of any matter which has or may give rise in future to investigation by The Pensions Regulator in relation to the Disclosed Schemes.

19. So far as the Warrantors are aware, no discretion or power has been exercised (or practice followed) under the Disclosed Schemes to:

19.1 augment benefits;

19.2 admit to membership a person who would not otherwise have been eligible for admission to membership;

19.3 admit to membership a person on terms which provided for or envisaged the payment of a transfer value or a transfer of assets from another scheme to the Disclosed Schemes in a case in which the payment or transfer has not been made in full;

19.4 provide a benefit which would not otherwise be provided; or

19.5 pay a contribution which would not otherwise have been paid.

20. In respect of the Main Scheme, all liabilities of the final salary section have been bought out with an insurance company and there is no remaining liability for any such benefits within the Scheme.

SCHEDULE 5

Holdings Taxation

Part 1

Definitions and interpretation

1. In this schedule the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"Accounts Relief" means any of:

(i) a Relief which has been treated as an asset in the Holdings Accounts or the Holdings Management Accounts; or

(ii) a Relief which has been taken into account in computing a provision for Tax (including deferred tax) which appears in the Holdings Accounts or the Holdings Management Accounts or has resulted in no provision for Tax being made in the Holdings Accounts or the Holdings Management Accounts;

"Actual Tax Liability" means any liability of Holdings to make a payment of or increased payment of or in respect of Tax whether or not Holdings is primarily liable for that Tax;

"Claim for Tax" means any claim, notice, demand, assessment, letter or other document issued or any action taken by or on behalf of any person (including Holdings) or Tax Authority whether before or after the date hereof from which it appears that Holdings has or may have a Tax Liability;

"Effective Tax Liability" shall have the meaning given in paragraph 2 of this part 1;

"Event" means any payment, transaction, act, omission or occurrence of whatever nature whether or not Holdings and/or the Purchaser is a party to it including, without limitation, the execution of the Agreement, Completion, the death, winding up or dissolution of any person, any failure to take any action which would avoid a deemed distribution of income and any change in residence of any person for the purposes of Tax and shall also include any of the same which is deemed to occur under any Tax Statute;

"group relief" means any amount eligible for relief under sections 402-413 of the Taxes Act, advance corporation tax which is capable of being surrendered under section 240 of the Taxes

Act, any Tax refund which is capable of being surrendered under section 102 of the FA 1989, any relievable Tax which is capable of being surrendered pursuant to regulations made under section 806H of the Taxes Act or utilisation of any losses pursuant to an election under section 171A or section 179A of the TCGA;

"Holdings Tax Claim" means a claim under any Holdings Tax Warranty or the Holdings Tax Covenant;

"Purchaser's Group" means the Purchaser and any companies within the same group or association of companies as the Purchaser for the purposes of the relevant Tax Statute;

"Purchaser's Relief" means a Relief to the extent that it arises by reference to an Event occurring after Completion or a Relief to the extent that it arises to any member of the Purchaser's Group (other than Holdings) at any time;

"Relief" means any loss, relief, allowance, credit deduction, exemption or set-off in each case in respect of Tax or any right to repayment of Tax;

"Taxation" or **"Tax"** means any form of taxation and duty, impost, contribution, deduction, withholding, levy or tariff in each case in the nature of taxation in the UK or elsewhere and all penalties and interest relating to any of them but excluding the Uniform Business Rate, Council Tax, water rates and other local authority rates or charges;

"Tax Authority" means HM Revenue & Customs or any authority or body, whether of the United Kingdom or elsewhere and whether national or otherwise, having any power or authority or other function in relation to Tax;

"Tax Liability" means any Actual Tax Liability, Effective Tax Liability or other liability of Holdings which is relevant for the purposes of this schedule ;

"Tax Statute" means any primary or secondary statute, instrument, enactment, order, law, by-law or regulation making any provision for or in relation to Tax;

"Taxes Act" means the Income and Corporation Taxes Act 1988; and

"TCGA" means the Taxation of Chargeable Gains Act 1992.

2. In this schedule an **"Effective Tax Liability"** shall mean the following:

2.1 the loss in whole or in part of any Accounts Relief;

2.2 the utilisation or set-off of any Purchaser's Relief or any Accounts Relief against any Tax or against income, profits or gains in circumstances where, but for such utilisation or set-off, an Actual Tax Liability would have arisen in respect of which the Warrantors would have been liable to the Purchaser under this schedule.

3. The value of an Effective Tax Liability shall be as follows:

3.1 where the Effective Tax Liability involves the non-availability of any Accounts Relief:

3.1.1 if the Accounts Relief was not or is not a right to repayment of Tax, the amount of Tax which would have been saved but for the loss of the Accounts Relief; or

3.1.2 if the Accounts Relief was or is a right to repayment of Tax, the amount of the right which is lost;

3.2 where the Effective Tax Liability involves the utilisation or set-off of a Purchaser's Relief or an Accounts Relief, the value of the Effective Tax Liability shall be the amount of Tax saved by such set-off.

4. Any reference to income, profits or gains earned, accrued or received shall include income, profits or gains deemed to have been or treated or regarded as earned, accrued or received for the purposes of any Tax.

5. In this schedule, any reference to any Event occurring on or before Completion includes a reference to the combined result of two or more Events the first of which takes place or is deemed to have taken place on or before Completion outside the ordinary course of Holdings' business and the Event which takes place after Completion shall only be taken into account if it occurs in the course of the performance of any agreement entered into by Holdings or HHL on or before Completion.

Part 2

Tax Warranties

TAX RETURNS AND COMPLIANCE

1. Holdings has at all times submitted all relevant Tax returns to the relevant Tax Authorities by the requisite dates and those returns, notifications, computations, registrations and payments were, so far as the Warrantors are aware, when made complete and accurate.
2. Holdings has discharged every Tax Liability which has fallen due.
3. Holdings has properly made all deductions, withholdings and retentions required to be made in respect of any actual or deemed payment made or benefit provided on or before Completion and has to the extent required by law accounted for all such deductions, withholdings and retentions.
4. Holdings has maintained and has in its possession, and under its control, all records and documentation that it is required by any Tax Statute to maintain and preserve and sufficient records relating to past events (including any elections made) to calculate accurately the liability to Tax of Holdings or its entitlement to any Relief which would arise on the disposal or realisation at Completion of all assets owned by Holdings at the Accounts Date or acquired by it since that date but before Completion.
5. In the last three years Holdings has not been and, so far as the Warrantors are aware is not likely to be subject to any investigation or non-routine audit or visit by any Tax Authority.

GENERAL PROVISIONS FOR TAX

6. To the extent required by generally accepted accounting principles, provision or reserve was made in the Holdings Accounts in respect of every Tax Liability for which Holdings at the Accounts Date was or may have been liable or accountable whether or not such Tax Liability was or is a primary liability of Holdings, and whether or not Holdings had, has or may have any right of reimbursement against any other person.
7. Since the Accounts Date, Holdings has not been involved in any transaction which has given or may give rise to a liability to Taxation on Holdings (or would have given or might give rise to such a liability but for the availability of any Accounts Relief) other than: (i) corporation tax on interest; (ii) corporation tax on transaction in the ordinary course of its trade (and in

particular management charges in relation to the supply of services of Rosemary Ormsby David made to HHL and/or the Subsidiaries); (iii) and liability to account for Taxation (including employer's and employees' national insurance contributions) to the relevant Tax Authority on any directors' fees and remuneration due before Completion.

CHARGEABLE GAINS

8. Holdings has not made and is not entitled to make any claims under s152 (*roll-over relief*), s153 (*assets only partly replaced*), s154 (*new assets which are depreciating assets*), s165 (*gift of business assets*) or s175 (*replacement of business assets by members of a group*) TCGA or Part 7 FA 2002 (*roll-over relief in case of realisation and reinvestment*) and no declaration has been made under s153A TCGA (*provisional application*).

STAMP DUTY AND STAMP DUTY LAND TAX

9. Each document in the possession or under the control of Holdings, or to the production of which Holdings is entitled and on which Holdings relies or may rely as purchaser or lessee and which in the United Kingdom or elsewhere requires any stamp or mark to denote that:

    9.1 any duty, tax or fee required to be paid by law has been paid; or

    9.2 a duty, tax or fee referred to in paragraph 6.1 is not required to be paid, or that the document in question or the Event evidenced by it qualifies for a relief or an exemption from such duty, tax or fee; or

    9.3 the document has been produced to an appropriate authority

    has been properly stamped or marked as appropriate and no such document which is outside the United Kingdom would attract stamp duty if it were to be brought into the United Kingdom.

10. Holdings has duly filed all land transaction returns required to be filed by Holdings with any Tax Authority, has paid all stamp duty land tax to which Holdings is or may be liable and has never filed any self-certificate for the purposes of stamp duty land tax.

11. Holdings has not claimed any relief or exemption from stamp duty land tax since 1 December 2003, nor will Holdings have any entitlement to such relief or exemption as a result of any land transaction entered into on or before Completion.

12. Holdings will not be required to file any land transaction return with a Tax Authority, nor to make any payment of stamp duty land tax on or after Completion in respect of any chargeable interest acquired or held by or on behalf of Holdings on or before Completion other than as a consequence of a future abnormal rental increase.

13. No relief or exemption from stamp duty or stamp duty land tax will be withdrawn in whole or in part as a result of the entering into of this Agreement or as a result of Completion.

VALUE ADDED TAX

14. Holdings is under no obligation to register for the purposes of VAT whether in the United Kingdom or elsewhere.

RESIDENCE

15. Holdings has always been resident for Tax purposes in its country of incorporation and will remain so at the Completion Date and Holdings has never been regarded or treated as being resident for Tax purposes or subject to Tax outside its country of incorporation.

CLAIMS AND RELIEFS

16. So far as the Warrantors are aware there are no time limits which are expiring within six months of Completion which need to be met in respect of which Holdings (either alone or jointly with any other person) has, or at Completion will have, an outstanding entitlement to:

    16.1 make any claim (including a supplementary claim) for or disclaimer of Relief under any Tax Statute;

    16.2 make any election, including an election for one type or Relief, or one basis, system or method of Tax, as opposed to another;

    16.3 appeal against an assessment to or a determination affecting Tax;

    16.4 apply for the postponement of Tax; or

    16.5 disclaim or require the postponement or reduction of any allowance in relation to Taxation.

TRANSFER PRICING AND NON ARM'S LENGTH TRANSACTIONS

17. Holdings is not a party to any transaction or arrangement under which it may be required to pay for any asset or services or facilities of any kind an amount which is in excess of the market value of that asset or services or facilities or shall receive any payment for any asset or services or facilities of any kind that it has supplied or provided or is liable to supply or provide which is less than the market value.

DISTRIBUTIONS

18. No distribution within the meaning of Chapter II Part VI ICTA (*matters which are distributions for the purposes of the corporation tax acts*) as extended by s418 ICTA has been made since the Accounts Date.

ANTI-AVOIDANCE

19. Holdings has, at all times, complied within the relevant time limits with its obligations under the provisions of any Tax Statute requiring the disclosure of schemes or arrangements including, without limitation, Part 7 FA 2004, any secondary legislation made pursuant to the provisions of Part 7 FA 2004 and Schedule 11A Value Added Tax Act 1994.

Part 3

Tax Covenant

1. COVENANT

1.1 The Warrantors jointly and severally covenant to pay to the Purchaser, in accordance with clause 4 of this agreement, an amount equal to:

1.1.1 any Actual Tax Liability which arises by reference to an Event occurring or income, profits or gains earned, accrued or received on or before Completion;

1.1.2 any Actual Tax Liability which arises as a result of the failure by any person (other than any member of the Purchaser's Group) at any time to make payment (or increased payment) of or in respect or on account of Tax (or of an amount deemed to be Tax) where that other person was, at any time on or before Completion, either a member of the same group as Holdings or had control of or was controlled by, or otherwise connected with Holdings or was controlled by the same person as Holdings for any Tax purpose;

1.1.3 the value of any Effective Tax Liability;

1.1.4 the reasonable costs and expenses properly incurred by the Purchaser or Holdings in connection with any claim under this part 3 of this schedule in respect of which the Purchaser would be entitled to receive payment from the Warrantors.

2. DEDUCTIONS FROM PAYMENTS

2.1 All sums payable by the Warrantors under any claim under the Holdings Tax Covenant shall be paid gross, free and clear of any rights of counterclaim or set-off and without any deduction or withholding unless the deduction or withholding is required by law in which event the Warrantors shall pay such additional amount as shall be required to ensure that the net amount received and retained (free of any liability) by the Purchaser will equal the full amount which would have been received by it had no such deduction or withholding been required, provided that this

paragraph shall not apply to any interest payable under paragraph 5.3 of part 4 of this schedule.

2.2 If any amount payable under any claim under the Holdings Tax Covenant is subject to Tax, the amount so payable shall be grossed up by such amount as will ensure that after deduction of the Tax in question there shall be left an amount equal to the amount that would otherwise be payable under the claim, save that this paragraph shall not apply to the extent that such Tax arises or is increased as a consequence of any voluntary act of the Purchaser.

2.3 For the avoidance of doubt all amounts payable as a result of any provision of this schedule shall be payable from the Joint Account and in accordance with clause 4 of the Agreement.

Part 4

Limitations and Procedure

1. LIMITATIONS

The Warrantors shall not be liable under any Holdings Tax Warranty or any claim under the Holdings Tax Covenant in respect of any Tax Liability to the extent that:

1.1 provision, reserve or allowance has been made in the Holdings Accounts or the Holdings Management Accounts in respect of any such Tax Liability or to the extent that the payment or discharge of any such Tax Liability has been taken into account in the Holdings Accounts or the Holdings Management Accounts or such Tax Liability has been discharged prior to Completion;

1.2 any provision for Tax made in the Holdings Accounts or the Holdings Management Accounts is only insufficient by reason of any increase in the rates of Tax or variation in the method of applying or calculating the rate of Tax made after the Completion Date whether or not with retrospective effect;

1.3 such liability arises or is increased as a result of any change in law (primary or delegated), in any Relevant Accounting Standard or in the published practice of a Tax Authority occurring after the Completion Date (but not announced before that date) in each case whether or not with retrospective effect;

1.4 such liability arises or is increased as a result of any voluntary act, transaction or omission of Holdings or the Purchaser after Completion otherwise than in the ordinary course of business of Holdings carried on at Completion and which the Purchaser knew, or ought to have known, would give rise to a breach of that liability, other than an act, transaction or omission required by any applicable legislation or done or omitted to be done pursuant to a binding obligation in force at the date of this agreement; or

1.5 the liability would not have arisen or would have been reduced or eliminated but for a failure or omission after Completion, on the part of Holdings or the Purchaser, to make any claim, election, surrender or disclaimer or to give any notice or consent or to do any other thing under any enactment or regulation relating to Tax the making, giving or doing of which was taken into account in computing the provision for Tax in the Holdings Accounts or the Holdings Management Accounts and details of which have

been given to the Purchaser not less than 30 days before the final date upon which the claim, election, surrender, disclaimer, notice consent or other thing in question may be made given or done;

1.6 the liability arises or is increased as a result of either Holdings or the Purchaser failing to act in accordance with the provisions of paragraph 4 of this part of this schedule;

1.7 the liability arises or is increased as a result of any change after Completion in the bases, methods or policies of accounting of the Purchaser or Holdings save where such change is made to comply with generally accepted accounting principles applicable to Holdings or with any rule or accepted practice of any regulatory authority or body in force at the Completion Date;

1.8 such liability arises as a result of:

1.8.1 any voluntary disclaimer by Holdings after Completion of the whole or part of any capital allowances claimed before Completion or the entitlement to which was taken into account in preparing the Holdings Accounts or the Holdings Management Accounts;

1.8.2 the revocation or revision by Holdings after Completion of any Relief claimed or the entitlement to which was taken into account in preparation of the Holdings Accounts or the Holdings Management Accounts;

1.9 the income, profits or gains in respect of which the liability arises were actually earned, accrued or received by Holdings before Completion but were not reflected in the Holdings Accounts or the Holdings Management Accounts;

1.10 any Relief, other than an Accounts Relief or a Purchaser's Relief, is available to Holdings (including by way of group relief from any member of the HHL Group) to relieve or mitigate that Tax Liability;

1.11 the liability has been satisfied otherwise than by the Purchaser or any member of the Purchaser's Group and at no cost to the Purchaser or to any member of the Purchaser's Group;

1.12 the liability is recoverable (directly or indirectly) as a result of a breach of any HHL Tax Warranty or as a result of the HHL Tax Covenant (ignoring for the purposes of this

paragraph 1.12 of Part 4 of this Schedule the application of the provisions of paragraph 1 of part 4 of Schedule 6 other than paragraph 1.12 of part 4 of Schedule 6);

1.13 in relation to the Warrantors' liability in respect of a breach of any Holdings Tax Warranty, the facts or information on which it is based are Disclosed;

1.14 the Tax Liability arises as a result of transactions in the ordinary course of the trade of Holdings (as carried on at Completion) between the Accounts Date and Completion and it is capable of being satisfied by funds available in Holdings immediately before Completion.

2. The Warrantors shall not be liable in respect of any breach of the Holdings Tax Warranties if, and to the extent that, the loss incurred is or has been included in any claim under the Holdings Tax Covenant which has been satisfied in full in cleared funds nor shall the Warrantors be liable in respect of a claim under the Holdings Tax Covenant if, and to the extent that, the amount claimed is or has been included in a claim for breach of the Holdings Tax Warranties which has been satisfied in full.

3. DURATION AND EXTENT

3.1 No claim shall be admissible and the Warrantors shall not be liable in respect of any Holdings Tax Claim unless details of the Holdings Tax Claim shall have been notified in writing to the Warrantors within four years of the Completion Date and unless legal proceedings shall have been served in respect of the Tax Claim within twelve months of such notice.

3.2 The provisions of schedule 9 shall apply to limit or exclude, as the case may be, the liability of the Warrantors in respect of any Tax Claim to the extent expressly provided therein.

4. CONDUCT OF CLAIMS

4.1 If the Purchaser or Holdings becomes aware of any Claim for Tax which gives or may give rise to a Holdings Tax Claim, the Purchaser shall, or shall procure that Holdings shall, as soon as practicable (and in any event in the case of the receipt of a Claim for Tax consisting of any assessment or demand for Tax or for which the time for response or appeal is limited, not less than five clear Business Days prior to the day on which the time for response or appeal expires) give written notice of the Claim for Tax to the Warrantors.

4.2 If the Warrantors require in writing, the Purchaser shall, or shall procure that Holdings shall, supply the Warrantors with such available and relevant details, documentation, correspondence and information and shall take such action as the Warrantors may reasonably request in writing to negotiate, avoid, dispute, resist, compromise, defend or appeal against the Claim for Tax.

4.3 The Warrantors shall have the right to have any action mentioned in paragraph 4.2 conducted by their nominated professional advisers provided that the appointment of such professional advisers shall be subject to the approval of the Purchaser (such approval not to be unreasonably withheld or delayed).

4.4 The taking of action under paragraph 4.2, whether by the Warrantors or by their nominated professional advisers, is subject to the following conditions:

4.4.1 the Warrantors shall indemnify (subject always to the paragraphs 1.1 and 1.2 of Schedule 9) and secure to the Purchaser's satisfaction Holdings and the Purchaser against all costs and expenses or other liabilities in connection with taking any such action (including without limitation any additional Claim for Tax, and the interest on Tax);

4.4.2 the Warrantors shall not be entitled to require the Purchaser or Holdings to make any settlement or compromise of any Claim for Tax or agree any matter in the conduct of any Claim for Tax which may have a materially adverse effect on the future liability to Tax of Holdings or the Purchaser or any member of the Purchaser's Group as at Completion;

4.4.3 Holdings or the Purchaser may take any action it reasonably considers fit to settle or compromise any Claim for Tax if having given notice of the receipt of the relevant Claim for Tax the Purchaser has not, within 15 Business Days of the date of that notice, received any instructions from Warrantors (or their duly authorised agents) as to the conduct of the Claim for Tax;

4.4.4 neither Holdings nor the Purchaser shall be obliged to take any action which might mean contesting any Claim for Tax beyond the first appellate body (excluding the body making the Claim for Tax) unless the Warrantors have provided to the Purchaser an opinion of a Tax counsel approved for that purpose by the Purchasers stating that, on the balance of probabilities, an appeal is the recommended course of action;

4.4.5 the Purchaser or Holdings shall be entitled to admit, compromise, settle or discharge or otherwise deal with any Claim for Tax on such terms as it may in its reasonable discretion consider fit where any Tax Authority alleges in writing fraud, wilful default, or fraudulent conduct on the part of any of the Holdings Vendors or Holdings or any of its then directors, in all cases, in respect of any accounting period commencing before Completion; and

4.4.6 if there is a dispute between Warrantors and the Purchaser as to whether any action requested by the Warrantors under paragraph 4.2 is reasonable and the dispute is not resolved between the Warrantors and the Purchaser within 30 Business Days, the dispute shall be referred for determination to Tax counsel of at least 10 years' call (or, in relation to a non-United Kingdom jurisdiction, a Tax lawyer of at least equivalent status in that jurisdiction) who is instructed by agreement between the Purchaser and the Warrantors or, in the absence of agreement within 10 Business Days of an individual first being proposed for the purpose by either the Purchaser or the Warrantors, appointed by the chairman for the time being of the Bar Council (or the officer of equivalent status in relation to a non-United Kingdom jurisdiction) at the expense of such party as determined by the appointed Tax counsel.

4.5 Neither the Purchaser nor Holdings shall incur any liability to the Warrantors as a result of any act or omission in connection with this paragraph 4 if the Purchaser or Holdings has acted in accordance with the written instructions of the Warrantors (or their duly authorised agents or advisors).

4.6 The Purchaser shall keep the Warrantors fully informed of the progress in settling the relevant Claim for Tax and shall, as soon as reasonably practicable, forward, or procure to be forwarded to the Warrantors, copies of all material correspondence pertaining to it.

5. DATE FOR PAYMENT

5.1 Where a Holdings Tax Claim or any sum to which paragraph 2.2 of part 3 of this schedule applies involves the Purchaser or Holdings being under a liability to make a payment to any Tax Authority, the Warrantors shall (subject to clause 4 of this agreement) instruct the Vendors' Solicitors to release from the Joint Account (subject to clause 4 of this agreement) to pay the Purchaser the relevant amount on or before

the later of the fifth Business Day after demand is made for the amount in question and the fifth Business Day before the date on which the amount in question is payable to the relevant Tax Authority without any interest, penalty, fine or surcharge arising in respect of it.

5.2 Where a Holdings Tax Claim does not fall within paragraph 5.1, the due date for payment out of the Joint Account (subject to clause 4 of this agreement) under this schedule shall be:

5.2.1 in the case of a Holdings Tax Claim involving the loss of an Accounts Relief which is not a right to a repayment of Tax, the later of ten Business Days following service by the Purchaser of a written demand for the same and the date on which the Accounts Relief would otherwise have been used but for such loss;

5.2.2 in the case of a Holdings Tax Claim involving the loss of an Accounts Relief which is a right to repayment of Tax, the later of ten Business Days after the Purchaser has served a written demand for the same and the date on which repayment of Tax would have actually been received or credited against an Actual Tax Liability;

5.2.3 in the case of a Holdings Tax Claim involving the set-off of a Purchaser's Relief or an Accounts Relief, the later of ten Business Days following the service by the Purchaser of a written demand for the same or the date on which the Actual Tax Liability against which the Purchaser's Relief or Accounts Relief is set off would have fallen due but for such setting off; and

5.2.4 in any other case, ten Business Days following the service by the Purchaser of a written demand for the same.

5.3 If the Warrantors default in the payment when due of any sum payable under this schedule, the liability of the Warrantors shall be increased to include interest on that sum from the date when the payment was due until the date of actual payment (as well after as before judgment) at a rate per annum of 1 per cent. above the base rate from time to time of Barclays Bank plc. This interest shall be payable on demand.

6. TAX AFFAIRS

6.1 The Warrantors (or their duly authorised agents or advisers) shall, at the reasonable expense of Holdings, prepare and submit the corporation tax computations and returns of Holdings (**"Tax Computations"**) for its accounting period(s) (within the meaning of section 12 of the Taxes Act) ended on or before the Accounts Date (**"Relevant Accounting Period(s)"**).

6.2 The Warrantors shall deliver to the Purchaser for comments any Tax Computation return document or correspondence and details of any information or proposal (**"Relevant Information"**) which it intends to submit to HM Revenue and Customs before submission to HM Revenue and Customs and shall take account of the reasonable comments of the Purchaser and make such amendments to the Relevant Information as the Purchaser may reasonably require in writing within 30 days of the date of delivery of the Relevant Information prior to its submission to HM Revenue and Customs.

6.3 The Warrantors shall deliver to the Purchaser copies of any material correspondence sent to, or received from, HM Revenue and Customs relating to the Tax Computations and returns and shall keep the Purchaser informed of its actions under this paragraph.

6.4 Subject to paragraphs 6.2 and 6.3, the Purchaser shall or shall procure that:

6.4.1 Holdings properly authorises and signs the Tax Computations and makes and signs or otherwise enters into all such elections, surrenders and claims and withdraws or disclaims such elections, surrenders and claims and gives such notices and signs such other documents as the Warrantors shall reasonably require in relation to the Relevant Accounting Period(s);

6.4.2 Holdings provides to the Warrantors such information and assistance, including without limitation such access to its books, accounts and records which may reasonably be required to prepare, submit, negotiate and agree the Tax Computations;

6.4.3 any correspondence which relates to the Tax Computations shall, if received by the Purchaser or Holdings (or its agents or advisers), be copied to the Warrantors.

6.5 In respect of any matter which gives or may give the Purchaser a right to make a Holdings Tax Claim, the provisions of paragraph 4 with respect to appeals and the conduct of disputes shall apply instead of the provisions of this paragraph 6.

6.6 The Warrantors shall use all reasonable endeavours to submit the Tax Computations as soon as reasonably practicable and within applicable time limits.

6.7 Clauses 6.1 to 6.3, 6.5 and 6.6 shall apply, *mutatis mutandis*, to the Tax Computations in respect of the accounting period in which Completion occurs as if (i) the reference to the Purchaser were to the Warrantors (and vice versa) and (ii) the Warrantors' rights to comment under clause 6.2 shall be limited to the time period from the Accounts Date and up to and including Completion.

7. OVER-PROVISIONS AND CORRESPONDING BENEFIT

7.1 If:

7.1.1 any provision for Tax in the Holdings Accounts or the Holdings Management Accounts proves to be an over provision;

7.1.2 the amount by which any right to repayment of Tax which has been treated as an asset in the Holdings Accounts or the Holdings Management Accounts proves to have been under-stated; or

7.1.3 a payment by the Warrantors in respect of any Tax Liability under a Holdings Tax Claim or the matter giving rise to the Tax Liability in question results in Holdings or the Purchaser receiving or becoming entitled to any Relief (other than an Accounts Relief) which it utilises (including by way of repayment of Tax) (**"Corresponding Relief"**),

then an amount equal to such over-provision, under-stated right to repayment of Tax, or the Tax saved by the Corresponding Relief at the date such Corresponding Relief is utilised (**"Relevant Amount"**), shall be dealt with in accordance with paragraph 7.2.

7.2 The Relevant Amount:

7.2.1 shall first be set off against any payment then due from the Warrantors under a Holdings Tax Claim;

7.2.2 to the extent there is an excess of the Relevant Amount after any application of the same under paragraph 7.2.1, a refund shall be made to the Warrantors of any previous payment or payments made by the Vendors under a Holdings Tax Claim and not previously refunded under this paragraph 7.2.2 up to the amount of such excess; and

7.2.3 to the extent that the excess referred to in paragraph 7.2.2 is not exhausted under that paragraph, the remainder of that excess shall be carried forward and set off against any future payment or payments which become due from the Warrantors under a Holdings Tax Claim.

7.3 If the Purchaser or Holdings becomes aware of any circumstances which shall or may give rise to the application of paragraph 7.1, the Purchaser shall or shall procure that Holdings shall as soon as reasonably practicable give written notice of the same to the Warrantors.

7.4 The Warrantors may (at their own expense) require the auditors of Holdings for the time being (acting as independent experts and not arbitrators) to certify the existence and quantum of any Relevant Amount and the date on which the Corresponding Relief is utilised and, in the absence of manifest error, their decision shall be final and binding.

7.5 If, for the purposes of clause 7.1.1 of Part 4 of this Schedule 5, any provision for Tax relating to the same underlying subject matter appears in both the Holdings Accounts and the Holdings Management Accounts and such provision is different as a result of the timing differences which stem from when the Holdings Accounts and Holding Management Accounts were drawn up, the provision that will be used the calculate the amount for the purposes of clause 7.1.1 of Part 4 of Schedule 5 will be the one calculated using the generally accepted accounting practices as applied by companies such as Holdings in the UK as at the date of Completion.

7.6 If, for the purposes of clause 7.1.2 of Part 4 of this Schedule 5, any right to a repayment of Tax relating to the same underlying subject matter appears in both the Holdings Accounts and the Holdings Management Accounts and such provision is different as a result of the timing differences which stem from when the Holding Accounts and Holdings Management Accounts were drawn up, the provision that will be used the calculate the amount for the purposes of clause 7.1.2 of Part 4 of Schedule 5 will be the

one calculated using the generally accepted accounting practices as applied by companies such as Holdings in the UK as at the date of Completion.

7.7 To the extent that the a payment is required to be made as a result of the provisions of paragraph 7.2 of this Part 4 of this Schedule 5 and the Warrantors have made a payment referred to in paragraph 7.2.2 of this Part 4 of this Schedule 5 out of the Joint Account and the Joint Account is still being operated, the payment required to made as a result of the provisions of paragraph 7.2 will be made into the Joint Account. For the avoidance of doubt, in all other instances, any payment made as a result of the provisions of paragraph 7.2 will be made to the Warrantors.

8. THIRD PARTY CLAIMS

8.1 If Holdings or the Purchaser is entitled to recover from any other person or a Tax Authority a sum in respect of any matter or Tax Liability to which a Holdings Tax Claim relates and which has been satisfied by the Warrantors from the Joint Account (subject to clause 4 of this agreement) the Purchaser shall as soon as practicable give written notice of the same to the Warrantors and the Purchaser shall, or shall procure that Holdings shall, take such action as may be reasonably requested by the Warrantors to enforce recovery against that person or Tax Authority, subject to the Warrantors indemnifying, to the Purchaser's satisfaction, Holdings and the Purchaser against all costs and expenses incurred in taking such an action.

8.2 In the event that the Purchaser or Holdings recovers any sum referred to in paragraph 8.1 (whether after taking any action at the request of the Warrantors under that paragraph or otherwise), the Purchaser shall, as soon as reasonably practicable, account to the Warrantors for the lesser of:

8.2.1 the sum recovered net of any Tax on the sum and the costs and expenses of recovering the same; and

8.2.2 any amount paid by the Warrantors in respect of the matter giving rise to the relevant Holdings Tax Claim.

8.3 To the extent that the a payment is required to be made as a result of the provisions of paragraph 8.2 of this Part 4 of this Schedule 5 and the Warrantors have made a payment to the referred to in paragraph 8.1 of this Part 4 of this Schedule 5 out of the Joint Account and the Joint Account is still being operated, the payment required to made as

a result of the provisions of paragraph 8.2 will be made into the Joint Account. For the avoidance of doubt, in all other instances, any payment made as a result of the provisions of paragraph 8.2 will be made to the Warrantors.

9. MISCELLANEOUS

Any payment to the Purchaser or Holdings under any Holdings Tax Claim shall be deemed to be a reduction of the total consideration payable hereunder for the Holdings Shares.

10. COVENANT BY THE PURCHASER

10.1 The Purchaser and Holdings jointly and severally covenant with the Warrantors to pay to the Warrantors an amount equal to:

10.1.1 any liability (or increased liability) to Tax of the Warrantors or any person connected with the Warrantors arising under or by reference to section 767A or section 767AA of the Taxes Act or by virtue of the non-payment of Tax by Holdings for any reason or by the application of any Tax Statute save that this paragraph 10.1 shall not apply in respect of any Tax for which the Warrantors are liable to make (but have not yet made) payment to the Purchaser under this schedule;

10.1.2 the reasonable costs and expenses of the Warrantors or any person connected with the Warrantors in connection with any liability referred to or in taking any action under this paragraph.

10.2 For the purposes of this paragraph, any reference to a liability to Tax shall include any liability to make a payment of Tax which would have arisen but for the utilisation of any Relief.

10.3 Paragraphs 4 and 5 of this part 4 of this schedule shall apply to this paragraph 10 (with all necessary changes) as if: (a) references to the Warrantors were references to the Purchaser (and vice versa); and (b) references to Holdings in the definition of Claim for Tax were references to the Warrantors or to any person connected with the Warrantors.

SCHEDULE 6

HHL Taxation

Part 1

Definitions and interpretation

1. In this schedule the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"Accounts Relief" means any of:

(i) a Relief which has been treated as an asset in the HHL Accounts, HHL Management Accounts or the Completion Net Asset Statement; or

(ii) a Relief which has been taken into account in computing a provision for Tax (including deferred tax) which appears in the HHL Accounts, HHL Management Accounts or Completion Net Asset Statement or has resulted in no provision for Tax being made in the HHL Accounts, HHL Management Accounts or Completion Net Asset Statement;

"Actual Tax Liability" means any liability of HHL to make a payment of or increased payment of or in respect of Tax whether or not HHL is primarily liable for that Tax;

"Claim for Tax" means any claim, notice, demand, assessment, letter or other document issued or any action taken by or on behalf of any person (including HHL) or Tax Authority whether before or after the date hereof from which it appears that HHL has or may have a Tax Liability;

"Effective Tax Liability" shall have the meaning given in paragraph 2 of this part 1;

"Event" means any payment, transaction, act, omission or occurrence of whatever nature whether or not HHL and/or the Purchaser is a party to it including, without limitation, the execution of the Agreement, Completion, the death, winding up or dissolution of any person, any failure to take any action which would avoid a deemed distribution of income and any change in residence of any person for the purposes of Tax and shall also include any of the same which is deemed to occur under any Tax Statute;

"group relief" means any amount eligible for relief under sections 402-413 of the Taxes Act, advance corporation tax which is capable of being surrendered under section 240 of the Taxes Act, any Tax refund which is capable of being surrendered under section 102 of the FA 1989, any relievable Tax which is capable of being surrendered pursuant to regulations made under section 806H of the Taxes Act or utilisation of any losses pursuant to an election under section 171A or section 179A of the TCGA;

"HHL Tax Claim" means a claim under any HHL Tax Warranty or the HHL Tax Covenant;

"Purchaser's Group" means the Purchaser and any companies within the same group or association of companies as the Purchaser for the purposes of the relevant Tax Statute;

"Purchaser's Relief" means a Relief to the extent that it arises by reference to an Event occurring after Completion or a Relief to the extent that it arises to any member of the Purchaser's Group (other than HHL) at any time;

"Relief" means any loss, relief, allowance, credit deduction, exemption or set-off in each case in respect of Tax or any right to repayment of Tax;

"Taxation" or **"Tax"** means any form of taxation and duty, impost, contribution, deduction, withholding, levy or tariff in each case in the nature of taxation in the UK or elsewhere and all penalties and interest relating to any of them but excluding the Uniform Business Rate, Council Tax, water rates and other local authority rates or charges;

"Tax Authority" means HM Revenue & Customs or any authority or body, whether of the United Kingdom or elsewhere and whether national or otherwise, having any power or authority or other function in relation to Tax;

"Tax Liability" means any Actual Tax Liability, Effective Tax Liability or other liability of HHL which is relevant for the purposes of this schedule ;

"Tax Statute" means any primary or secondary statute, instrument, enactment, order, law, by-law or regulation making any provision for or in relation to Tax;

"Taxes Act" means the Income and Corporation Taxes Act 1988; and

"TCGA" means the Taxation of Chargeable Gains Act 1992.

2. In this schedule an **"Effective Tax Liability"** shall mean the following:

   2.1 the loss in whole or in part of any Accounts Relief;

   2.2 the utilisation or set-off of any Purchaser's Relief or any Accounts Relief against any Tax or against income, profits or gains in circumstances where, but for such utilisation or set-off, an Actual Tax Liability would have arisen in respect of which the Warrantors would have been liable to the Purchaser under this schedule.

3. The value of an Effective Tax Liability shall be as follows:

   3.1 where the Effective Tax Liability involves the non-availability of any Accounts Relief:

      3.1.1 if the Accounts Relief was not or is not a right to repayment of Tax, the amount of Tax which would have been saved but for the loss of the Accounts Relief; or

      3.1.2 if the Accounts Relief was or is a right to repayment of Tax, the amount of the right which is lost;

   3.2 where the Effective Tax Liability involves the utilisation or set-off of a Purchaser's Relief or an Accounts Relief, the value of the Effective Tax Liability shall be the amount of Tax saved by such set-off.

4. Any reference to income, profits or gains earned, accrued or received shall include income, profits or gains deemed to have been or treated or regarded as earned, accrued or received for the purposes of any Tax.

5. In this schedule reference to "**HHL**" shall in addition to HHL include every Subsidiary to the intent and effect that the provisions of this schedule shall apply to and be given in respect of each Subsidiary as well as HHL.

6. In this schedule, any reference to any Event occurring on or before Completion includes a reference to the combined result of two or more Events the first of which takes place or is deemed to have taken place on or before Completion outside the ordinary course of HHL's business and the Event which takes place after Completion shall only be taken into account if it occurs in the course of the performance of any agreement entered into by HHL or Holdings on or before Completion.

Part 2

Tax Warranties

TAX RETURNS AND COMPLIANCE

1. HHL has at all times submitted all relevant Tax returns to the relevant Tax Authorities by the requisite dates and those returns, notifications, computations, registrations and payments were, so far as the Warrantors are aware, when made complete and accurate.
2. HHL has discharged every Tax Liability which has fallen due.
3. HHL has properly made all deductions, withholdings and retentions required to be made in respect of any actual or deemed payment made or benefit provided on or before Completion and has to the extent required by law accounted for all such deductions, withholdings and retentions.
4. HHL has maintained and has in its possession, and under its control, all records and documentation that it is required by any Tax Statute to maintain and preserve and sufficient records relating to past events (including any elections made) to calculate accurately the liability to Tax of HHL or its entitlement to any Relief which would arise on the disposal or realisation at Completion of all assets owned by HHL at the Accounts Date or acquired by it since that date but before Completion.
5. In the last three years HHL has not been and, so far as the Warrantors are aware is not likely to be subject to any investigation or non-routine audit or visit by any Tax Authority.

GENERAL PROVISIONS FOR TAX

6. To the extent required by generally accepted accounting principles, provision or reserve was made in the HHL Accounts in respect of every Tax Liability for which HHL at the Accounts Date was or may have been liable or accountable whether or not such Tax Liability was or is a primary liability of HHL, and whether or not HHL had, has or may have any right of reimbursement against any other person.
7. Since the Accounts Date, HHL has not been involved in any transaction which has given or may give rise to a liability to Taxation on HHL (or would have given or might give rise to such a liability but for the availability of any Accounts Relief) other than: (i) corporation tax on interest; (ii) corporation tax on accrued trading income of HHL arising from transactions in

the ordinary course of business; and (iii) liability to account for Taxation (including employer's and employees' national insurance contributions) to the relevant Tax Authority on any directors' or employees' fees and remuneration due before Completion.

CHARGEABLE GAINS

8. Save to the extent provided for in the deferred Tax provision in the HHL Accounts, no chargeable profit or gain would arise in respect of any asset of HHL:

   8.1 treated as such in the HHL Accounts, if that asset were to be disposed of for consideration equal to the value attributed thereto in the HHL Accounts;

   8.2 acquired after the Accounts Date, if that asset were to be disposed of for consideration equal to the consideration given for its acquisition

   in each case disregarding any statutory right to claim any allowance or relief other than amounts deductible under section 38 TCGA.

9. No chargeable gain or allowance loss which might accrue on a disposal by HHL of any asset is likely to be adjusted in accordance with ss30-34 TCGA (*disposals and acquisition treated as made at market value*).

10. HHL has not made and is not entitled to make any claims under s152 (*roll-over relief*), s153 (*assets only partly replaced*), s154 (*new assets which are depreciating assets*), s165 (*gift of business assets*) or s175 (*replacement of business assets by members of a group*) TCGA or Part 7 FA 2002 (*roll-over relief in case of realisation and reinvestment*) and no declaration has been made under s153A TCGA (*provisional application*).

CAPITAL ALLOWANCES

11. Save to the extent provided for in the deferred Tax provision in the HHL Accounts, if all the assets in respect of which allowances have been claimed under Part 2 of the Capital Allowances Act 2001 (Plant and Machinery Allowances) and Part 3 of the Capital Allowances Act 2001 (Industrial Buildings Allowances) and owned by HHL at the Accounts Date were to be sold by HHL for an amount equal to the value attributed to such assets in the HHL Accounts then (ignoring any reliefs or allowances available to HHL) no balancing charge would be made on HHL.

STAMP DUTY AND STAMP DUTY LAND TAX

12. Each document in the possession or under the control of HHL, or to the production of which HHL is entitled and on which HHL relies or may rely as purchaser or lessee and which in the United Kingdom or elsewhere requires any stamp or mark to denote that:

    12.1 any duty, tax or fee required to be paid by law has been paid; or

    12.2 a duty, tax or fee referred to in paragraph 12.1 is not required to be paid, or that the document in question or the Event evidenced by it qualifies for a relief or an exemption from such duty, tax or fee; or

    12.3 the document has been produced to an appropriate authority

    has been properly stamped or marked as appropriate and no such document which is outside the United Kingdom would attract stamp duty if it were to be brought into the United Kingdom.

13. HHL has duly filed all land transaction returns required to be filed by HHL with any Tax Authority, has paid all stamp duty land tax to which HHL is or may be liable and has never filed any self-certificate for the purposes of stamp duty land tax.

14. HHL has not claimed any relief or exemption from stamp duty land tax since 1 December 2003, nor will HHL have any entitlement to such relief or exemption as a result of any land transaction entered into on or before Completion.

15. HHL will not be required to file any land transaction return with a Tax Authority, nor to make any payment of stamp duty land tax on or after Completion in respect of any chargeable interest acquired or held by or on behalf of HHL on or before Completion other than as a consequence of a future abnormal rental increase.

16. No relief or exemption from stamp duty or stamp duty land tax will be withdrawn in whole or in part as a result of the entering into of this Agreement or as a result of Completion.

VALUE ADDED TAX

17. Hale Hamilton (Valves) Limited and Cambridge Fluid Systems Limited are registered as taxable persons for the purposes of VAT and, other than Hale Hamilton (Valves) Limited and Cambridge Fluid Systems Limited, HHL is under no obligation to register for the purposes of VAT whether in the United Kingdom or elsewhere.

18. HHL has complied in all respects with all Tax Statutes relevant to VAT and guidance published by all relevant Tax Authorities in any form whatsoever and has made and obtained full, complete, correct and up-to-date records and invoices and other documents appropriate or requisite for the purposes of such Tax Statutes and guidance.

19. HHL has not (nor has any relevant associate, as defined in Schedule 10 Paragraph 3(7) Value Added Tax Act 1994) at any time elected to waive exemption from VAT in relation to any of the Properties.

20. HHL owns no assets and has not within the period of 10 years preceding the date of this Agreement owned any assets to which the Capital Goods Scheme in Part XV VAT Regulations 1995, SI 1995/2518 (*adjustments to the deduction of input tax on capital items*) or pursuant to similar provisions under any other Tax Statute applies.

RESIDENCE

21. HHL has always been resident for Tax purposes in its country of incorporation and will remain so at the Completion Date and HHL has never been regarded or treated as being resident for Tax purposes or subject to Tax outside its country of incorporation.

CLAIMS AND RELIEFS

22. So far as the Warrantors are aware there are no time limits which are expiring within six months of Completion which need to be met in respect of which HHL (either alone or jointly with any other person) has, or at Completion will have, an outstanding entitlement to:

    22.1 make any claim (including a supplementary claim) for or disclaimer of Relief under any Tax Statute;

    22.2 make any election, including an election for one type or Relief, or one basis, system or method of Tax, as opposed to another;

    22.3 appeal against an assessment to or a determination affecting Tax;

    22.4 apply for the postponement of Tax; or

    22.5 disclaim or require the postponement or reduction of any allowance in relation to Taxation.

TRANSFER PRICING AND NON ARM'S LENGTH TRANSACTIONS

23. HHL is not a party to any transaction or arrangement under which it may be required to pay for any asset or services or facilities of any kind an amount which is in excess of the market value of that asset or services or facilities or shall receive any payment for any asset or services or facilities of any kind that it has supplied or provided or is liable to supply or provide which is less than the market value.

24. HHL has not disposed of or acquired any asset in such circumstances that the provisions of s17 TCGA (*disposals and acquisitions treated as made at market value*) or given or agreed to give any consideration to which s128(2) TCGA (*consideration given or received by holder*) and no allowable loss has accrued to HHL to which s18 TCGA (*transactions between connected parties*).

CLEARANCES

25. All consents or clearances which should or could be obtained in respect of any transaction to which HHL has been a party have been so obtained and have been secured on the basis of full disclosure to the relevant Tax Authority.

26. No application for any clearances relating to Tax has been made since the Accounts Date.

INTANGIBLE FIXED ASSETS

27. HHL has sufficient records to identify intangible fixed assets (including goodwill) owned by HHL and treated for Tax purposes as assets falling within Schedule 29 FA 2002 (*gains and losses of a company from intangible fixed assets*) and no adjustments to net credits or debits will arise under Paragraph 58 Schedule 29 FA 2002 (*company ceasing to be member of group ("degrouping")*) as a result of any transaction on or before Completion.

DISTRIBUTIONS

28. No distribution within the meaning of Chapter II Part VI ICTA (*matters which are distributions for the purposes of the corporation tax acts*) as extended by s418 ICTA has been made since the Accounts Date.

ANTI-AVOIDANCE

29. HHL has, at all times, complied within the relevant time limits with its obligations under the provisions of any Tax Statute requiring the disclosure of schemes or arrangements including, without limitation, Part 7 FA 2004, any secondary legislation made pursuant to the provisions of Part 7 FA 2004 and Schedule 11A Value Added Tax Act 1994.

Part 3

Tax Covenant

1. COVENANT

1.1 The Warrantors jointly and severally covenant to pay to the Purchaser, in accordance with clause 4 of this agreement, an amount equal to:

1.1.1 any Actual Tax Liability which arises by reference to an Event occurring or income, profits or gains earned, accrued or received on or before Completion;

1.1.2 any Actual Tax Liability which arises as a result of the failure by any person (other than any member of the Purchaser's Group) at any time to make payment (or increased payment) of or in respect or on account of Tax (or of an amount deemed to be Tax) where that other person was, at any time on or before Completion, either a member of the same group as HHL or had control of or was controlled by, or otherwise connected with HHL or was controlled by the same person as HHL for any Tax purpose;

1.1.3 the value of any Effective Tax Liability;

1.1.4 the reasonable costs and expenses properly incurred by the Purchaser or HHL in connection with any claim under this part 3 of this schedule in respect of which the Purchaser would be entitled to receive payment from the Warrantors.

2. DEDUCTIONS FROM PAYMENTS

2.1 All sums payable by the Warrantors under any claim under the HHL Tax Covenant shall be paid gross, free and clear of any rights of counterclaim or set-off and without any deduction or withholding unless the deduction or withholding is required by law in which event the Warrantors shall pay such additional amount as shall be required to ensure that the net amount received and retained (free of any liability) by the Purchaser will equal the full amount which would have been received by it had no such deduction or withholding been required, provided that this paragraph shall not apply to any interest payable under paragraph 5.3 of part 4 of this schedule.

2.2 If any amount payable under any claim under the HHL Tax Covenant is subject to Tax, the amount so payable shall be grossed up by such amount as will ensure that after deduction of the Tax in question there shall be left an amount equal to the amount that would otherwise be payable under the claim, save that this paragraph shall not apply to the extent that such Tax arises or is increased as a consequence of any voluntary act of the Purchaser.

2.3 For the avoidance of doubt all amounts payable as a result of any provision of this schedule shall be payable from the Joint Account and in accordance with clause 4 of the Agreement.

Part 4

Limitations and Procedure

1. LIMITATIONS

The Warrantors shall not be liable under any HHL Tax Warranty or any claim under the HHL Tax Covenant in respect of any Tax Liability to the extent that:

1.1 provision, reserve or allowance has been made in the HHL Accounts, HHL Management Accounts or Completion Net Asset Statement in respect of any such Tax Liability or to the extent that the payment or discharge of any such Tax Liability has been taken into account in the HHL Accounts, HHL Management Accounts or Completion Net Asset Statement or such Tax Liability has been discharged prior to Completion;

1.2 any provision for Tax made in the HHL Accounts, HHL Management Accounts or Completion Net Asset Statement is only insufficient by reason of any increase in the rates of Tax or variation in the method of applying or calculating the rate of Tax made after the Completion Date whether or not with retrospective effect;

1.3 such liability arises or is increased as a result of any change in law (primary or delegated), in any Relevant Accounting Standard or in the published practice of a Tax Authority occurring after the Completion Date (but not announced before that date) in each case whether or not with retrospective effect;

1.4 such liability arises or is increased as a result of any voluntary act, transaction or omission of HHL or the Purchaser after Completion otherwise than in the ordinary course of business of HHL carried on at Completion and which the Purchaser knew, or ought to have known, would give rise to a breach of that liability, other than an act, transaction or omission required by any applicable legislation or done or omitted to be done pursuant to a binding obligation in force at the date of this agreement; or

1.5 the liability would not have arisen or would have been reduced or eliminated but for a failure or omission after Completion, on the part of HHL or the Purchaser, to make any claim, election, surrender or disclaimer or to give any notice or consent or to do any other thing under any enactment or regulation relating to Tax the making, giving or doing of which was taken into account in computing the provision for Tax in the HHL Accounts, HHL Management Accounts or Completion Net Asset Statement and

details of which have been given to the Purchaser not less than 30 days before the final date upon which the claim, election, surrender, disclaimer, notice consent or other thing in question may be made given or done;

1.6 the liability arises or is increased as a result of either HHL or the Purchaser failing to act in accordance with the provisions of paragraph 4 of this part of this schedule;

1.7 the liability arises or is increased as a result of any change after Completion in the bases, methods or policies of accounting of the Purchaser or HHL save where such change is made to comply with generally accepted accounting principles applicable to HHL or with any rule or accepted practice of any regulatory authority or body in force at the Completion Date;

1.8 such liability arises as a result of:

1.8.1 any voluntary disclaimer by HHL after Completion of the whole or part of any capital allowances claimed before Completion or the entitlement to which was taken into account in preparing the HHL Accounts, the HHL Management Accounts or Completion Net Asset Statement;

1.8.2 the revocation or revision by HHL after Completion of any Relief claimed or the entitlement to which was taken into account in preparation of the HHL Accounts, the HHL Management Accounts or Completion Net Asset Statement;

1.9 the income, profits or gains in respect of which the liability arises were actually earned, accrued or received by HHL before Completion but were not reflected in the HHL Accounts, the HHL Management Accounts or Completion Net Asset Statement;

1.10 any Relief, other than an Accounts Relief or a Purchaser's Relief, is available to HHL (including by way of group relief from another member of the HHL Group) to relieve or mitigate that Tax Liability;

1.11 the liability has been satisfied otherwise than by the Purchaser or any member of the Purchaser's Group and at no cost to the Purchaser or to any member of the Purchaser's Group;

1.12 the liability arises (directly or indirectly) as result of the holding of HHL Shares by Holdings;

1.13 in relation to the Warrantors' liability in respect of a breach of any HHL Tax Warranty, the facts or information on which it is based are Disclosed.

2. The Warrantors shall not be liable in respect of any breach of the HHL Tax Warranties if, and to the extent that, the loss incurred is or has been included in any claim under the HHL Tax Covenant which has been satisfied in full in cleared funds nor shall the Warrantors be liable in respect of a claim under the HHL Tax Covenant if, and to the extent that, the amount claimed is or has been included in a claim for breach of the HHL Tax Warranties which has been satisfied in full.

3. DURATION AND EXTENT

3.1 No claim shall be admissible and the Warrantors shall not be liable in respect of any HHL Tax Claim unless details of the HHL Tax Claim shall have been notified in writing to the Warrantors within four years of the Completion Date and unless legal proceedings shall have been served in respect of the Tax Claim within twelve months of such notice.

3.2 The provisions of schedule 9 shall apply to limit or exclude, as the case may be, the liability of the Warrantors in respect of any Tax Claim to the extent expressly provided therein.

4. CONDUCT OF CLAIMS

4.1 If the Purchaser or HHL becomes aware of any Claim for Tax which gives or may give rise to a HHL Tax Claim, the Purchaser shall, or shall procure that HHL shall, as soon as practicable (and in any event in the case of the receipt of a Claim for Tax consisting of any assessment or demand for Tax or for which the time for response or appeal is limited, not less than five clear Business Days prior to the day on which the time for response or appeal expires) give written notice of the Claim for Tax to the Warrantors.

4.2 If the Warrantors require in writing, the Purchaser shall, or shall procure that HHL shall, supply the Warrantors with such available and relevant details, documentation, correspondence and information and shall take such action as the Warrantors may reasonably request in writing to negotiate, avoid, dispute, resist, compromise, defend or appeal against the Claim for Tax.

4.3 The Warrantors shall have the right to have any action mentioned in paragraph 4.2 conducted by their nominated professional advisers provided that the appointment of such professional advisers shall be subject to the approval of the Purchaser (such approval not to be unreasonably withheld or delayed).

4.4 The taking of action under paragraph 4.2, whether by the Warrantors or by their nominated professional advisers, is subject to the following conditions:

4.4.1 the Warrantors shall indemnify (subject always to paragraphs 1.1 and 1.2 of Schedule 9) and secure to the Purchaser's satisfaction HHL and the Purchaser against all costs and expenses or other liabilities in connection with taking any such action (including without limitation any additional Claim for Tax, and the interest on Tax);

4.4.2 the Warrantors shall not be entitled to require the Purchaser or HHL to make any settlement or compromise of any Claim for Tax or agree any matter in the conduct of any Claim for Tax which may have a materially adverse effect on the future liability to Tax of Holdings or the Purchaser or any member of the Purchaser's Group as at Completion;

4.4.3 HHL or the Purchaser may take any action it reasonably considers fit to settle or compromise any Claim for Tax if having given notice of the receipt of the relevant Claim for Tax the Purchaser has not, within 15 Business Days of the date of that notice, received any instructions from Warrantors (or their duly authorised agents) as to the conduct of the Claim for Tax;

4.4.4 neither HHL nor the Purchaser shall be obliged to take any action which might mean contesting any Claim for Tax beyond the first appellate body (excluding the body making the Claim for Tax) unless the Warrantors have provided to the Purchaser an opinion of a Tax counsel approved for that purpose by the Purchasers stating that, on the balance of probabilities, an appeal is the recommended course of action;

4.4.5 the Purchaser or HHL shall be entitled to admit, compromise, settle or discharge or otherwise deal with any Claim for Tax on such terms as it may in its reasonable discretion consider fit where any Tax Authority alleges in writing fraud, wilful default, or fraudulent conduct on the part of any of the Holdings

Vendors or HHL or any of its then directors, in all cases, in respect of any accounting period commencing before Completion; and

4.4.6 if there is a dispute between Warrantors and the Purchaser as to whether any action requested by the Warrantors under paragraph 4.2 is reasonable and the dispute is not resolved between the Warrantors and the Purchaser within 30 Business Days, the dispute shall be referred for determination to Tax counsel of at least 10 years' call (or, in relation to a non-United Kingdom jurisdiction, a Tax lawyer of at least equivalent status in that jurisdiction) who is instructed by agreement between the Purchaser and the Warrantors or, in the absence of agreement within 10 Business Days of an individual first being proposed for the purpose by either the Purchaser or the Warrantors, appointed by the chairman for the time being of the Bar Council (or the officer of equivalent status in relation to a non-United Kingdom jurisdiction) at the expense of such party as determined by the appointed Tax counsel.

4.5 Neither the Purchaser nor HHL shall incur any liability to the Warrantors as a result of any act or omission in connection with this paragraph 4 if the Purchaser or HHL has acted in accordance with the written instructions of the Warrantors (or their duly authorised agents or advisors).

4.6 The Purchaser shall keep the Warrantors fully informed of the progress in settling the relevant Claim for Tax and shall, as soon as reasonably practicable, forward, or procure to be forwarded to the Warrantors, copies of all material correspondence pertaining to it.

5. DATE FOR PAYMENT

5.1 Where a HHL Tax Claim or any sum to which paragraph 2.2 of part 3 of this schedule applies involves the Purchaser or HHL being under a liability to make a payment to any Tax Authority, the Warrantors shall (subject to clause 4 of this agreement) instruct the Vendors' Solicitors to release from the Joint Account (subject to clause 4 of this agreement) to pay the Purchaser the relevant amount on or before the later of the fifth Business Day after demand is made for the amount in question and the fifth Business Day before the date on which the amount in question is payable to the relevant Tax Authority without any interest, penalty, fine or surcharge arising in respect of it.

5.2 Where a HHL Tax Claim does not fall within paragraph 5.1, the due date for payment out of the Joint Account (subject to clause 4 of this agreement) under this schedule shall be:

5.2.1 in the case of a HHL Tax Claim involving the loss of an Accounts Relief which is not a right to a repayment of Tax, the later of ten Business Days following service by the Purchaser of a written demand for the same and the date on which the Accounts Relief would otherwise have been used but for such loss;

5.2.2 in the case of a HHL Tax Claim involving the loss of an Accounts Relief which is a right to repayment of Tax, the later of ten Business Days after the Purchaser has served a written demand for the same and the date on which repayment of Tax would have actually been received or credited against an Actual Tax Liability;

5.2.3 in the case of a HHL Tax Claim involving the set-off of a Purchaser's Relief or an Accounts Relief, the later of ten Business Days following the service by the Purchaser of a written demand for the same or the date on which the Actual Tax Liability against which the Purchaser's Relief or Accounts Relief is set off would have fallen due but for such setting off; and

5.2.4 in any other case, ten Business Days following the service by the Purchaser of a written demand for the same.

5.3 If the Warrantors default in the payment when due of any sum payable under this schedule, the liability of the Warrantors shall be increased to include interest on that sum from the date when the payment was due until the date of actual payment (as well after as before judgment) at a rate per annum of 1 per cent. above the base rate from time to time of Barclays Bank plc. This interest shall be payable on demand.

6. TAX AFFAIRS

6.1 The Warrantors (or their duly authorised agents or advisers) shall, at the reasonable expense of HHL, prepare and submit the corporation tax computations and returns of HHL (**"Tax Computations"**) for its accounting period(s) (within the meaning of section 12 of the Taxes Act) ended on or before the Accounts Date (**"Relevant Accounting Period(s)"**).

6.2 The Warrantors shall deliver to the Purchaser for comments any Tax Computation return document or correspondence and details of any information or proposal (**"Relevant Information"**) which it intends to submit to HM Revenue and Customs before submission to HM Revenue and Customs and shall take account of the reasonable comments of the Purchaser and make such amendments to the Relevant Information as the Purchaser may reasonably require in writing within 30 days of the date of delivery of the Relevant Information prior to its submission to HM Revenue and Customs.

6.3 The Warrantors shall deliver to the Purchaser copies of any material correspondence sent to, or received from, HM Revenue and Customs relating to the Tax Computations and returns and shall keep the Purchaser informed of its actions under this paragraph.

6.4 Subject to paragraphs 6.2 and 6.3, the Purchaser shall or shall procure that:

6.4.1 HHL properly authorises and signs the Tax Computations and makes and signs or otherwise enters into all such elections, surrenders and claims and withdraws or disclaims such elections, surrenders and claims and gives such notices and signs such other documents as the Warrantors shall reasonably require in relation to the Relevant Accounting Period(s);

6.4.2 HHL provides to the Warrantors such information and assistance, including without limitation such access to its books, accounts and records which may reasonably be required to prepare, submit, negotiate and agree the Tax Computations;

6.4.3 any correspondence which relates to the Tax Computations shall, if received by the Purchaser or HHL (or its agents or advisers), be copied to the Warrantors.

6.5 In respect of any matter which gives or may give the Purchaser a right to make a HHL Tax Claim, the provisions of paragraph 4 with respect to appeals and the conduct of disputes shall apply instead of the provisions of this paragraph 6.

6.6 The Warrantors shall use all reasonable endeavours to submit the Tax Computations as soon as reasonably practicable and within applicable time limits.

6.7 Clauses 6.1 to 6.3, 6.5 and 6.6 shall apply, *mutatis mutandis*, to the Tax Computations in respect of the accounting period in which Completion occurs as if (i) the reference

to the Purchaser were to the Warrantors (and vice versa) and (ii) the Warrantors' rights to comment under clause 6.2 shall be limited to the time period from the Accounts Date and up to and including Completion.

7. OVER-PROVISIONS AND CORRESPONDING BENEFIT

7.1 If:

7.1.1 any provision for Tax in the HHL Accounts or the HHL Management Accounts or the Completion Net Asset Statement proves to be an over provision;

7.1.2 the amount by which any right to repayment of Tax which has been treated as an asset in the HHL Accounts or the HHL Management Accounts or the Completion Net Asset Statement proves to have been under-stated; or

7.1.3 a payment by the Warrantors in respect of any Tax Liability under a HHL Tax Claim or the matter giving rise to the Tax Liability in question results in HHL or the Purchaser receiving or becoming entitled to any Relief (other than an Accounts Relief) which it utilises (including by way of repayment of Tax) (**"Corresponding Relief"**),

then an amount equal to such over-provision, under-stated right to repayment of Tax, or the Tax saved by the Corresponding Relief at the date such Corresponding Relief is utilised (**"Relevant Amount"**), shall be dealt with in accordance with paragraph 7.2.

7.2 The Relevant Amount:

7.2.1 shall first be set off against any payment then due from the Warrantors under a HHL Tax Claim;

7.2.2 to the extent there is an excess of the Relevant Amount after any application of the same under paragraph 7.2.1, a refund shall be made to the Warrantors of any previous payment or payments made by the Vendors under a HHL Tax Claim and not previously refunded under this paragraph 7.2.2 up to the amount of such excess; and

7.2.3 to the extent that the excess referred to in paragraph 7.2.2 is not exhausted under that paragraph, the remainder of that excess shall be carried forward and

set off against any future payment or payments which become due from the Warrantors under a HHL Tax Claim.

7.3 If the Purchaser or HHL becomes aware of any circumstances which shall or may give rise to the application of paragraph 7.1, the Purchaser shall or shall procure that HHL shall as soon as reasonably practicable give written notice of the same to the Warrantors.

7.4 The Warrantors may (at their own expense) require the auditors of HHL for the time being (acting as independent experts and not arbitrators) to certify the existence and quantum of any Relevant Amount and the date on which the Corresponding Relief is utilised and, in the absence of manifest error, their decision shall be final and binding.

7.5 If, for the purposes of clause 7.1.1 of Part 4 of this Schedule 6, any provision for Tax relating to the same underlying subject matter appears in any two or more of the HHL Accounts, the HHL Management Accounts and the Completion Net Asset Statement, and such provision is different as a result of the timing differences which stem from when the HHL Accounts, HHL Management Accounts and the Completion Net Asset Statement were drawn up, the provision that will be used the calculate the amount for the purposes of clause 7.1.1 of Part 4 of Schedule 6 will be the one calculated using the generally accepted accounting practices which would be applied to the HHL Accounts, the HHL Management Accounts or the Completion Net Asset Statement (as the case may be) as at the date of Completion.

7.6 If, for the purposes of clause 7.1.2 of Part 4 of this Schedule 6, any right to a repayment of Tax relating to the same underlying subject matter appears in any two of the HHL Accounts, the HHL Management Accounts and the Completion Net Asset Statement, and such provision is different as a result of the timing differences which stem from when the HHL Accounts, the HHL Management Accounts and the Completion Net Asset Statement were drawn up, the provision that will be used the calculate the amount for the purposes of clause 7.1.2 of Part 4 of Schedule 6 will be the one calculated using the generally accepted accounting practices which would be applied to the HHL Accounts, the HHL Management Accounts or the Completion Net Asset Statement (as the case may be) as at the date of Completion.

7.7 To the extent that the a payment is required to be made as a result of the provisions of paragraph 7.2 of this Part 4 of this Schedule 6 and the Warrantors have made a payment

referred to in paragraph 7.2.2 of this Part 4 of this Schedule 6 out of the Joint Account and the Joint Account is still being operated, the payment required to made as a result of the provisions of paragraph 7.2 will be made into the Joint Account. For the avoidance of doubt, in all other instances, any payment made as a result of the provisions of paragraph 7.2 will be made to the Warrantors.

8. THIRD PARTY CLAIMS

8.1 If HHL or the Purchaser is entitled to recover from any other person or a Tax Authority a sum in respect of any matter or Tax Liability to which a HHL Tax Claim relates and which has been satisfied by the Warrantors from the Joint Account (subject to clause 4 of this agreement) the Purchaser shall as soon as practicable give written notice of the same to the Warrantors and the Purchaser shall, or shall procure that HHL shall, take such action as may be reasonably requested by the Warrantors to enforce recovery against that person or Tax Authority, subject to the Warrantors indemnifying, to the Purchaser's satisfaction, HHL and the Purchaser against all costs and expenses incurred in taking such an action.

8.2 In the event that the Purchaser or HHL recovers any sum referred to in paragraph 8.1 (whether after taking any action at the request of the Warrantors under that paragraph or otherwise), the Purchaser shall, as soon as reasonably practicable, account to the Warrantors for the lesser of:

8.2.1 the sum recovered net of any Tax on the sum and the costs and expenses of recovering the same; and

8.2.2 any amount paid by the Warrantors in respect of the matter giving rise to the relevant HHL Tax Claim.

8.3 To the extent that the a payment is required to be made as a result of the provisions of paragraph 8.2 of this Part 4 of this Schedule 6 and the Warrantors have made a payment to the referred to in paragraph 8.1 of this Part 4 of this Schedule 6 out of the Joint Account and the Joint Account is still being operated, the payment required to made as a result of the provisions of paragraph 8.2 will be made into the Joint Account. For the avoidance of doubt, in all other instances, any payment made as a result of the provisions of paragraph 8.2 will be made to the Warrantors.

9. MISCELLANEOUS

Any payment to the Purchaser or HHL under any HHL Tax Claim shall be deemed to be a reduction of the total consideration payable hereunder for the HHL Shares.

10. COVENANT BY THE PURCHASER

10.1 The Purchaser and HHL jointly and severally covenant with the Warrantors to pay to the Warrantors an amount equal to:

10.1.1 any liability (or increased liability) to Tax of the Warrantors or any person connected with the Warrantors arising under or by reference to section 767A or section 767AA of the Taxes Act or by virtue of the non-payment of Tax by HHL for any reason or by the application of any Tax Statute save that this paragraph 10.1 shall not apply in respect of any Tax for which the Warrantors are liable to make (but have not yet made) payment to the Purchaser under this schedule;

10.1.2 the reasonable costs and expenses of the Warrantors or any person connected with the Warrantors in connection with any liability referred to or in taking any action under this paragraph.

10.2 For the purposes of this paragraph, any reference to a liability to Tax shall include any liability to make a payment of Tax which would have arisen but for the utilisation of any Relief.

10.3 Paragraphs 4 and 5 of this part 4 of this schedule shall apply to this paragraph 10 (with all necessary changes) as if: (a) references to the Warrantors were references to the Purchaser (and vice versa); and (b) references to HHL in the definition of Claim for Tax were references to the Warrantors or to any person connected with the Warrantors.

SCHEDULE 7

Completion

1. Each of the Vendors shall, in respect of themselves, deliver or procure to be delivered to the Purchaser:

   1.1 duly executed transfers of the Shares owned by that Vendor in favour of the Purchaser or its nominee(s) together with duly executed powers of attorney or other authorities pursuant to which any transfers have been executed and in the case of the HHL Vendor evidence to the Purchaser's satisfaction of the authority of any person signing on their behalf;

   1.2 the relevant share certificates (or an express indemnity in a form satisfactory to the Purchaser in the event of any found to be missing) in respect of the Shares;

   1.3 in the case of the Holdings Vendors the written resignations in the agreed form of Angela Ormsby Chiswell, Rosemary Ormsby David, Katrina Ormsby McCrossan and Peter Bernard Wayte as directors of and Katrina Ormsby McCrossan as the secretary of Holdings;

   1.4 the written resignations in the agreed form of Rosemary David and Barry Dean as directors of HHL;

   1.5 the written resignation in the agreed form of the auditors of Holdings, HHL and each of the Subsidiaries;

   1.6 all certificates of incorporation and certificates of incorporation on change of name for Holdings, HHL and the Subsidiaries;

   1.7 the common seal and statutory books (including minute books) and books of account of Holdings, HHL and the Subsidiaries made up to the Completion Date;

   1.8 share certificates in respect of all the issued shares of HHL held by Holdings and each of the Subsidiaries held by HHL or any of the Subsidiaries together with duly executed transfers in blank and declarations of trust in respect of all such shares as are beneficially owned by but not registered in the name of HHL or a Subsidiary;

1.9 the documents of title to the Properties (or in respect of any individual property charged to a third party where the charge is to stay in place certified true copies thereof) as shown in the schedule of deeds in the agreed form;

1.10 duly executed counterparts of the Letter of Instructions;

1.11 release of the debenture in favour of HSBC;

1.12 documentation relating to the discharge of the directors of Hale Hamilton Holdings Limited;

1.13 the Quotation and Terms of Business and evidence of any amount paid pursuant thereto;

1.14 a letter from HSBC in relation to the Matsuura Financing Lease;

2. The Holdings Vendors shall procure that a meeting of the board of directors of Holdings is convened and held at which resolutions in the form set out in the Completion Board Minutes are duly passed.

3. The Vendors shall procure that meetings of the boards of directors of HHL and each of the other Subsidiaries are convened and held at which resolutions in the form set out in the Completion Board Minutes are duly passed.

4. The Purchaser shall pay to the Vendors' Solicitors (on behalf of the Vendors) by transfer of funds through a UK clearing bank to a UK clearing bank account nominated by the Vendors' Solicitors the sum of £22,800,000 in respect of the cash consideration payable at Completion, and by the same means shall pay £5,700,000 into the Joint Account. The Vendors' Solicitors' receipt shall be a sufficient discharge for such sum payable to the Vendors at Completion and the Purchaser shall not be concerned to see to the application thereof.

5. The Purchaser shall deliver a duly executed counterpart of the Letter of Instructions.

6. The Purchaser shall procure that the Environmental Insurance Policy is incepted and that following Completion the premium will be paid by any member of the Hale Group and a copy provided to the Warrantors.

SCHEDULE 8

The Properties

Part 1

Freehold

(1) Owned by	(2) Address	(3) HMLR Title No or root of title
Hale Hamilton (Valves) Limited	Frays Mill Works Cowley Road Uxbridge Middlesex UB8 2AF	NGL510324

Part 2

Leasehold

(1) Address	(2) Lessee	(3) Lessor	(4) Term
Unit P12 Bar Hill Industrial Estate Cambridge	Cambridge Fluid Systems Limited	Coal Pension Properties Limited	10 years from 5 September 2003
608-B Geylang Road Singapore 389547	CFS Technology Pte Limited	Grandwell Investment Pte Limited	No fixed term. 6 months notice required to terminate.

SCHEDULE 9

Limitations on the Vendors' liability

1. DURATION AND EXTENT

1.1 The aggregate liability of the Warrantors and the Holdings Vendors in respect of all claims under this agreement (apart from claims in respect of Holdings Title Warranties or under clause 2.5 of this agreement) made:

1.1.1 on or prior to 15 March 2007 ("Year 1 Claims") shall (subject as provided in paragraph 1.2) not exceed the principal amount standing to the credit of the Joint Account from time to time plus twenty per cent of the Consideration as adjusted in accordance with clause 3.2; and

1.1.2 on or after 16 March 2007 and prior to the second anniversary of the Completion Date ("Year 2 Claims") shall not exceed the principal amount standing to the credit of the Joint Account at the opening of business on 16 March 2007 less any amounts in respect of any Year 1 Claims which at the date any Year 2 Claim is due to be settled have been paid out of the principal monies in the Joint Account after 16 March 2007 provided that if any Year 2 Claim shall be settled and paid before all Year 1 Claims have been settled and paid then thereafter Year 1 Claims shall only be liable to be settled and paid to the extent that the aggregate of all Year 1 Claims which are settled and paid (whether before or after 16 March 2007) do not exceed an amount equal to forty per cent of the Consideration as adjusted in accordance with clause 3.2 reduced by the aggregate of any amounts in respect of those Year 2 Claims and Year 1 Claims which have then been paid.

1.2 The aggregate liability of the Warrantors in respect of all Tax Claims made after the second anniversary of Completion but prior to the fourth anniversary of Completion shall not exceed £1,000,000.

1.3 The aggregate liability of the HHL Vendor in respect of all claims under the HHL Title Warranties shall not exceed the amount of Consideration received by it from time to time.

1.4 No amount shall be payable by and the Warrantors shall not be liable in respect of any Claim unless the amount of each individual Claim is in excess of £5,000 and

unless and until the aggregate cumulative liability of the Warrantors in respect of all such individual Claims which exceed £5,000, exceeds £200,000 in which case the Warrantors shall be liable for both the initial £200,000 and the excess.

1.5 The Warrantors shall not be liable for any Claim unless the Holdings Vendors' Representative is given notice in writing of that Claim (whether actual or contingent) stating in reasonable detail the nature of the Claim and an estimate of the amount claimed on or before the second anniversary of Completion.

1.6 The Warrantors shall not be liable for any Indemnity Claim or Environmental Claim unless the Holdings Vendors' Representative is given notice in writing of such Indemnity Claim or Environmental Claim (whether actual or contingent) stating in reasonable detail the nature of such claim, if reasonably ascertainable, and an estimate of the amount claimed on or before the second anniversary of Completion.

2. LIMITATIONS

The Warrantors shall not be liable under any of the Holdings Warranties, the HHL Warranties or (to the extent provided in clause 7.5 and 8.2 only) Indemnity Claims or Environmental Claims as the case may be:

2.1 to the extent that the facts or information upon which it is based are Disclosed; or

2.2 to the extent that a provision, reserve or allowance relating to the subject matter of the relevant Holdings Warranties, HHL Warranty or an Indemnity Claim has been made in the Completion Net Asset Statement; or

2.3 to the extent that such liability arises or is increased as a result of any change or changes in legislation (primary or delegated) including without limitation any increase in rates of taxation or variation in the method of applying or calculating the rates of taxation or the introduction of any changes or new form of taxation or in the published practice of HM Revenue & Customs or any other relevant authority (in the United Kingdom or elsewhere) occurring after Completion whether or not with retrospective effect; or

2.4 to the extent that such liability occurs or arises as a result of a voluntary act, transaction or omission of the Purchaser or any member of the Hale Group, outside the ordinary course of business and which the Purchaser knew would give rise to a breach of the Holdings Warranties or HHL Warranties, other than an act, transaction

or omission required by any applicable legislation or done or omitted to be done pursuant to a binding obligation in force at the date of this agreement; or

2.5 to the extent that the liability would not have arisen or would have been reduced or eliminated but for a failure or omission after Completion, on the part of HHH, HHL or any of the Subsidiaries or the Purchaser or any of them to make any claim, election, surrender or disclaimer or to give any notice or consent or to do any other thing under any enactment or regulation relating to taxation the making, giving or doing of which was taken into account in computing the provision for taxation in the Holdings Accounts, the Holdings Management Accounts, the HHL Accounts or in the HHL Management Accounts; or

2.6 to the extent that such liability would not have arisen but for any changes after Completion in accounting policy of the Purchaser or any member of the Hale Group except for changes required to comply with Relevant Accounting Standards.

3. THIRD PARTY CLAIMS

3.1 Where the Purchaser and/or Holdings and/or HHL and/or any of the Subsidiaries is/are at any time entitled to recover from some other person (including any insurer) any sum in respect of any matter giving rise to a Claim, Indemnity Claim or an Environmental Claim the Purchaser shall and shall procure that Holdings and/or HHL or any of the Subsidiaries shall take such reasonable steps to enforce such recovery (and in the case of recovery against any insurer, to pursue such claim as a reasonable and prudent insured who is not afforded the benefit of rights of indemnity such as those afforded under this agreement) prior to taking any action against the Warrantors (other than notifying the Warrantors of the Claim, Indemnity or Environmental Claim), but without affecting any action which the Purchaser may wish to bring against the Warrantors provided that in respect of an Environmental Claim this paragraph 3.1 shall only apply in respect of recovery against the Environmental Insurance Policy. In respect of such action that may be taken against third parties (other than under the Environmental Insurance Policy) in relation to the subject matter of an Environmental Claim the Purchaser agrees, upon satisfaction of the Environmental Claims, to assign and to procure the assignment by any member of the Hale Group of its and their rights to claim against such third party to the Warrantors and shall otherwise cooperate and procure the cooperation of any member of the Hale Group with the Warrantors insofar as they reasonably request subject to satisfactory

indemnification for its or their costs and expenses in doing so. Subject to paragraph 1.1, the Warrantors shall indemnify and keep indemnified the Purchaser and the relevant members of the Hale Group to the Purchaser's reasonable satisfaction, against all costs, charges, taxation and expenses which may be suffered or incurred by the Purchaser or relevant member of the Hale Group in relation to the performance of their obligations under this paragraph 3.1. In the event that the Purchaser or Holdings or HHL or any of the Subsidiaries shall recover any amount from such other person the amount of the Claim, Indemnity Claim or Environmental Claim shall be reduced by the amount recovered (including any repayment supplement) less all costs, charges and expenses incurred by the Purchaser or Holdings or HHL or any of the Subsidiaries in recovering that sum from such other person.

3.2 If the Warrantors pay at any time to the Purchaser or to Holdings or to HHL or to any of the Subsidiaries an amount pursuant to a Claim, an Indemnity Claim or Environmental Claim and the Purchaser or Holdings or HHL or any of the Subsidiaries subsequently recovers from some other person any sum in respect of any matter giving rise to such claims the Purchaser shall and shall procure that Holdings or HHL or the relevant Subsidiary shall as soon as reasonably practicable and in any event within ten Business Days after receipt thereof repay to the Warrantors so much of the amount paid by them to the Purchaser or Holdings or HHL or the relevant Subsidiary as does not exceed the sum recovered from such other person less all costs, charges, taxation and expenses incurred by the Purchaser or Holdings or HHL or the relevant Subsidiary in recovering that sum from such other person.

3.3 If any amount is repaid to the Warrantors by the Purchaser or Holdings or HHL or any Subsidiary pursuant to paragraph 3.2, an amount equal to the amount so repaid shall be deemed never to have been paid by the Warrantors for the purposes of paragraph 1.1 and accordingly shall not be treated as an amount in respect of which any liability has been incurred.

4. CONDUCT OF CLAIMS

4.1 For the purposes of this paragraph any action taken or authorised by and any notice or document given to the Holdings Vendors' Representative shall be deemed to be taken or authorised by or given to each of the Warrantors and shall be binding on each of them.

4.2 If the Purchaser or Holdings or HHL or any of the Subsidiaries become aware of any claim by a third party against any of them (**"third party claim"**) which does or might reasonably be expected to give rise to a Claim or an Indemnity Claim, the Purchaser shall (or shall procure that Holdings or HHL or any Subsidiary concerned shall) as soon as reasonably practicable give written notice to the Holdings Vendors' Representative of the third party claim and shall consult with the Holdings Vendors' Representative with respect to such matter but such notice shall not be a condition precedent to the liability of the Warrantors;

4.3 Subject to paragraphs 4.4 and 4.6, at the request of the Holdings Vendors' Representative, the conduct of any proceedings of whatsoever nature arising in connection with any such third party claim shall be delegated entirely to the Holdings Vendors' Representative and in that connection the Purchaser shall give or cause to be given to the Holdings Vendors' Representative all such assistance as the Holdings Vendors' Representative may reasonably require in disputing any such third party claim and shall instruct such solicitors or other professional advisers as the Holdings Vendors' Representative may nominate to act on behalf of the Warrantors, the Purchaser or Holdings or HHL or any relevant Subsidiary but in accordance with the Holdings Vendors' Representative's instructions.

4.4 If any proceedings are delegated to the Holdings Vendors' Representative in accordance with clause 4.3, the Holdings Vendors' Representative shall keep the Purchaser fully and promptly informed of all material developments and not settle or compromise any such claim on terms that involve the Purchaser or any member of the Hale Group in any continuing liability or obligation to the third party claimant without the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed taking into consideration the effect on the business, reputation and goodwill of the Purchaser's Group). Without prejudice to the foregoing, the Holdings Vendors' Representative shall fully and promptly consult with the Purchaser as to the most effective way to approach the conduct of negotiations and/or proceedings relating to the third party claim (including how to avoid, contest, dispute, resist, appeal, compromise or defend the same), and take reasonable account of its proposals and suggestions (taking into account the same considerations referred to above as to the effect thereof on the business, reputation and goodwill of the Purchaser's Group).

4.5 Subject to paragraph 4.6, the Purchaser shall not, and shall ensure that no member of the Purchaser's Group will, admit liability in respect of, or compromise or settle, the third party claim without the prior written consent of the Holdings Vendors' Representative (such consent not to be unreasonably withheld or delayed).

4.6 The Purchaser and the members of the Hale Group shall not be obliged to take any action pursuant to, or to permit the Warrantors to take any action pursuant to paragraph 4.3 or to comply with paragraph 4.5 if:

4.6.1 the Holdings Vendors' Representative has not complied with its obligations pursuant to paragraph 4.4;

4.6.2 any request made by the Holdings Vendors' Representative pursuant to paragraph 4.3 is not made within a reasonable time (being not less than 15 Business Days) of receipt by the Vendors' Representative of any notice of any third party claim given to the Vendors' Representative (and, in any event, in the case of a third party claim which requires an appeal to be made or other action to be taken within a specified period of time, at least two Business Days prior to the expiry of such specified period); and

4.6.3 such action involves contesting any decision of any court or any other appellate body (including any tribunal or court) unless they have been advised in writing, at the expense of the Warrantors, by leading counsel instructed by agreement between the Purchaser and the Holdings Vendors' Representative that an appeal against such decision would have at least a 50% chance of being won by the Purchaser or the relevant member of the Hale Group; and

4.6.4 save where the Warrantors provide indemnities and security reasonably satisfactory to the Purchaser therefore, such action is likely to increase the liability to Tax of any member of the Purchaser or the relevant member of the Hale Group for accounting periods ending after Completion.

4.6.5 subject to paragraph 1.1, the Purchaser and/or the relevant member of the Hale Group have not been indemnified to the reasonable satisfaction of the Purchaser against all costs, charges, taxation and expenses which may be thereby suffered or incurred by the Purchaser or the relevant member of the Hale Group.

5. MISCELLANEOUS

5.1 Any payment to the Purchaser or to Holdings or to HHL or to any of the Subsidiaries under the Holdings Share Warranties, the HHL Warranties, the Holdings Title Warranties or the HHL Title Warranties or pursuant to an Indemnity Claim or Environmental Claim shall be deemed to be a reduction of the total consideration paid and received for the Shares.

5.2 Payment in respect of any Claim, any claim for breach of the HHL Title Warranties or the Holdings Title Warranties, any Indemnity Claim, Environmental Claim or any claim under the Tax Covenant shall pro tanto satisfy and discharge any other claim which is capable of being made in respect of the same subject matter and the Purchaser shall at all times procure that there is no duplication of any claim or claims relating to the same subject matter so that the Purchaser shall not be entitled to recover more than once in respect of the same loss.

5.3 The Purchaser will, and shall ensure that Holdings and HHL and the Subsidiaries will, so far as is reasonably practicable and for not less than a period of 4 years, preserve all documents, records, correspondence, accounts and other information whatsoever relevant to a matter which may give rise to a Claim, an Indemnity Claim, a Tax Claim or any other claim under this agreement.

5.4 The Purchaser shall (and shall procure that each member of the Hale Group shall) take all reasonable steps to mitigate any Losses which it suffers in consequence of a breach of the Warranties, or any matter event or circumstance the subject of an Indemnity Claim or Environmental Claim. Subject to paragraph 1.1, the Warrantors shall indemnify and keep indemnified the Purchaser and the relevant members of the Hale Group to the Purchaser's reasonable satisfaction against all costs, charges, taxation and expenses which may thereby be suffered or incurred by the Purchaser or the relevant member of the Hale Group in relation to such steps.

5.5 Each of the Vendors (in their capacity as Vendors and not, for the avoidance of doubt, the Warrantors in their capacity as Warrantors) shall only be liable under this agreement for a breach by him, in the case of the Holdings Vendors of the Holdings Title Warranties, and the covenants in clauses 2.1, 2.3 and 12 and, in the case of the HHL Vendor of the HHL Title Warranties and the covenants in clauses 2.1, 2.2 and 12. The liability of each of the Vendors (in their capacity as Vendors and not, for the

avoidance of doubt, the Warrantors in their capacity as Warrantors) shall not exceed the amount of Consideration received by him from time to time. The Warrantors liability for Holdings Title Warranties shall not exceed in the case of each individual Holdings Vendor the amount of the Consideration received by that Vendor from time to time.

5.6 In the event that the Warrantors become liable for a Claim pursuant to paragraph 7.6 of part 2 of schedule 4, the Purchaser shall (and shall procure that each member of the Purchaser's Group shall) forthwith upon satisfaction of the Claim assign (without cost to the Warrantors) any debts which are the subject of such Claim to the Warrantors or such entity as the Warrantors shall direct.

SCHEDULE 10

Completion Net Asset Statement

Part 1

Determination and confirmation of Completion Net Worth

1. THE COMPLETION NET ASSET STATEMENT

The Purchaser shall procure that the draft Completion Net Asset Statement shall be prepared by HHL within 60 days following Completion.

2. BASIS OF PREPARATION

2.1 The Completion Net Asset Statement shall be prepared and all assets and liabilities valued and determined in accordance with the policies that are referred to and in the order shown in this Paragraph 2.1:

(a) the specific accounting policies set out in Paragraph 2.2;

(b) the accounting principles, practices, evaluation rules and procedures, methods and bases adopted by HHL in the preparation of the HHL Accounts to the extent not inconsistent with Paragraph 2.1(a) and to the extent not inconsistent with Paragraph 2.1(c); and

(c) in accordance with Relevant Accounting Standards as at Completion to the extent not inconsistent with Paragraph 2.1(a).

2.2 The following are the policies referred to in Paragraph 2.1:

(a) an accrual for management bonuses and Barry Dean’s severance payment in the aggregate amount of £1,342,000 (including national insurance contributions) shall be included in the Completion Net Asset Statement together with a corresponding adjustment to the Corporation Tax liability;

(b) provision for deferred tax to the extent it exceeds £192,000;

(c) accruals shall be made for the following payments to the extent such payments have not been made on or before 31 January 2006:

(i) the cost of the Insured Benefits;

(ii) any dividend declared or paid prior to Completion;

(iii) £133,500 of the premium due in respect of the Environmental Insurance Policy (the balance of such provision being left out of account); and

(iv) the costs referred to in clause 13.2,

and the Corporation Tax liability shall be adjusted accordingly.

(d) fixed assets not disposed of since the Accounts Date are to be included at their value in the HHL Accounts and fixed assets acquired since the Accounts Date are to be included at their purchase price, but in each case less depreciation to the Completion Date in accordance with the depreciation policy adopted by HHL in the preparation of the HHL Accounts;

(e) an accrual for pension liabilities in the amount of £140,000 and no more shall be included in the Completion Net Asset Statement (but no adjustment in respect thereof shall be made to the Corporation Tax Liability);

(f) no general provision shall be made against warranty claims; and

(g) goodwill in respect of the acquisition of shares in Cambridge Fluid Systems International Limited shall be included as a fixed asset in the sum of £37,000.

3. CALCULATION OF THE COMPLETION NET WORTH

Without prejudice to paragraph 2 of this Schedule 10, the Completion Net Worth shall be the amount determined by reference to the pro-forma Completion Net Asset Statement in Part 2 of this Schedule (but the headings are illustrative only).

4. PROCEDURE FOR DETERMINING COMPLETION NET WORTH

4.1 A physical inventory of the stocks and work in progress shall be conducted by HHL in the presence of representatives of the Purchaser and adjustments made to reflect

the position as at close of business on 31 January 2006. Forthwith following preparation of the Completion Net Asset Statement, the Purchaser shall be entitled to forward the draft Completion Net Asset Statement to the Purchaser's Accountants for review. Within 40 Business Days after Completion, the Purchaser shall provide to the Holding Vendors' Representative (a) the draft Completion Net Asset Statement and (b) the draft calculation of the Completion Net Worth (the **"Confirmation"**).

4.2 The Holdings Vendors' Representative shall be entitled to submit the draft Completion Net Asset Statement and draft Confirmation to the Vendor's Accountants for review.

4.3 The Holdings Vendors' Representative shall, within 20 Business Days of the draft Completion Net Asset Statement and draft Confirmation being submitted to the Holding Vendors' Representative, notify the Purchaser in writing either that he approves of them or that he disagrees with them (a **"Dispute Notice"**) in which event he shall in such notification give details of the matters with which he disagrees (**"Disputed Items"**) and the reasons for such disagreement. If a Dispute Notice is given, the Purchaser and the Holdings Vendors' Representatives shall attempt to resolve and agree the Disputed Items. If no such Dispute Notice is given before the expiry of the specified time, the Vendors shall be deemed to have accepted the draft Completion Net Asset Statement and draft Confirmation. Any such resolution which enables the Completion Net Worth to be agreed shall be expressed in a joint confirmation (the **"Joint Resolution"**), signed by both the Purchaser and the Holding Vendors' Representative, stating the Completion Net Worth. If no Joint Resolution shall be issued within 20 Business Days of the Dispute Notice having been submitted to the Purchaser, the matter shall be referred to a firm of independent chartered accountants jointly agreed upon between the Purchaser and the Holdings Vendors' Representative or (failing such agreement) appointed, at the request of either the Purchaser or the Holdings Vendors' Representative at any time, by the President from time to time of the Institute of Chartered Accountants in England and Wales, which firm (the **"Independent Accountants"**) shall then determine the Disputed Items and shall confirm the Completion Net Worth. The Independent Accountants shall act as experts and not as arbitrators. Their decision shall be communicated in writing to the Purchaser and the Holdings Vendors' Representative and shall be final and binding upon the Purchaser and the Holdings Vendors' Representative. For the avoidance of doubt before such referral shall be made to such Independent Accountants the

Purchaser shall be entitled to review the Completion Net Asset Statement in the light of the matters raised by the Holdings Vendors' Representative and/or the Vendors' Accountants and to propose further adjustments to the draft Completion Net Asset Statement for review by the Independent Accountants.

4.4 The costs of the Purchaser's Accountants, in connection with all matters specified in this Schedule shall be borne by the Purchaser, the costs of the Vendors' Accountants shall be borne by the Holdings Vendors. The costs of the Independent Accountants shall be borne by the parties as determined by the Independent Accountants in accordance with the following formula:

A = B/C x 100

where:

A = the percentage costs to be borne by the relevant party;

B = the amount by which the relevant party's calculation of Completion Net Worth varies from the final confirmation of Completion Net Worth; and

C = the difference in pounds between the Purchaser's calculation of Completion Net Worth and the Vendor's calculation of Completion Net Worth.

4.5 The Purchaser shall use reasonable endeavours to procure that all records, working papers and other information within its possession or control as may be reasonably required by the Purchaser's Accountants and/or the Vendors' Accountants and/or the Independent Accountants for the purposes of this Schedule, shall be made available upon a request for them subject to the provision by the relevant parties of any undertakings and indemnities required by auditors and shall generally render all reasonable assistance reasonably necessary for the preparation of the Completion Net Asset Statement.

4.6 For the purposes of the agreement "the final confirmation of Completion Net Worth" shall mean:

(a) the Confirmation issued by the Purchaser pursuant to paragraph 4.1 (if such Confirmation is approved (or deemed accepted) by the Holding Vendors' Representative pursuant to paragraph 4.3) in which case the

final confirmation of Completion Net Worth shall, for the purposes of the agreement, be treated as issued five Business Days after notification has been given or is deemed to have been given that the Confirmation is accepted;

(b) the Joint Resolution (if a disagreement shall have been resolved as mentioned in paragraph 4.3) in which case the final confirmation of Completion Net Worth shall, for the purposes of the Agreement, be treated as issued five Business Days after the date upon which the Joint Resolution has been given; or

(c) the decision of the Independent Accountants (if any matter shall be referred to the Independent Accountants as mentioned in paragraph 4.3) in which case the final confirmation of Completion Net Worth shall, for the purposes of the agreement, be treated as issued five Business Days after the date upon which the decision shall have been given.

Part 2

Pro forma Completion Net Asset Statement

HHL

FIXED ASSETS

A. TOTAL FIXED ASSETS

CURRENT ASSETS

Stocks
Work-in-Progress
Debtors
- Trade Debtors (Net of Bad Debts)
- Other Debtors (Pre-payments & Accruals)

Cash Balance

B. TOTAL CURRENT ASSETS

CURRENT CREDITORS

- Trade Creditors
- Leases on Plant & Equipment (within 1 Year)
- Other Creditors (inc. VAT)
- Corporation Tax
- Dividends

C. TOTAL CURRENT LIABILITIES

LONG TERM LIABILITIES

- Leases on Plant & Equipment
- Deferred Corporation Tax (if in excess of £192,000)
- Pension Liability

D. TOTAL LONG-TERM LIABILITIES

Completion Net Worth is (A+B) - (C+D)

EXECUTED (but not delivered until the date hereof) as a deed by Howitzer Acquisition Limited acting by two directors or one director and the secretary:	)	/s/ Kenneth W. Smith
	)	Kenneth W. Smith
	)	/s/ David A Bloss Sr.
	)	David A Bloss Sr.

EXECUTED (but not delivered until the date hereof) as a deed by Circor International Inc. acting by two directors or one director and the secretary:	)	/s/ Kenneth W. Smith
	)	Kenneth W. Smith
	)	/s/ David A Bloss Sr.
	)	David A Bloss Sr.

SIGNED (but not delivered until the date hereof) as a deed by David Hamilton Fox as a tristee pf the K D Hamilton 1957 Settlement Trust by his attorney Charles N. Ouin:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Charles N. Ouin as a trustee of the J D Hamilton 1957 Settlement Trust:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by David Hamilton Fox as a trustee of the I F Hamilton 1962 Settlement Trust by his attorney Charles N. Ouin:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Charles N. Ouin as a trustee of the I F Hamilton 1962 Settlement Trust:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Katrina McCrossan as a trustee of the I F Hamilton 1962 Settlement Trust by her attorney Charles N. Ouin.	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Angela Ormsby Chiswell as trustee of the Ornsby Charitable Trust by her attorney Charles N. Ouin:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Rosemary Orrnsby David:	))	/s/ Rosemary O. David Rosemary O. David
SIGNED (but not delivered until the date hereof) as a deed by Peter David by her attorney Rosemary O. David:	))	/s/ Rosemary O. David Rosemary O. David
EXECUTED (but not delivered until the date hereof) as a deed by Fenchurch Nominees Limited by its attorney Ian D. Grant:	))	/s/ Ian D. Grant Ian D. Grant
SIGNED (but not delivered until the date hereof) as a deed by B J McCrossan as trustee of the Warwick Charitable Trust by her attorney Charles N. Ouin:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Angela Ormsby Chiswell as a trustee of the Ormsby Charitable Trust by her attorney Charles N. Ouin:	)))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Nicholas John Chiswell by his attorney Charles N. Ouin:	))	/s/ Charles N. Ouin Charles N. Ouin
SIGNED (but not delivered until the date hereof) as a deed by Rosemary Ormsby David as a trustee of the Ormsby Charitable Trust:	)))	/s/ Rosemary O. David Rosemary O. David
SIGNED (but not delivered until the date hereof) as a deed by Katrina McCrossan as trustee of the Warwick Charitable Trust:	))	/s/ Katrina McCrossan Katrina McCrossan
SIGNED (but not delivered until the date hereof) as a deed by D P McCrossan as a trustee of the Warwick Charitable Trust by his attorney Charles N. Ouin:	)))	/s/ Charles N. Ouin Charles N. Ouin

EXHIBIT 21

Subsidiaries of Circor International, Inc.

I. Subsidiaries of Circor International, Inc.
   1. Spence Engineering Company, Inc., a Delaware Corporation
   2. Leslie Controls, Inc., a New Jersey Corporation
   3. Circle Seal Controls, Inc., a Delaware Corporation
   4. Circor Energy Products, Inc., an Oklahoma Corporation
   5. Circor, Inc., a Massachusetts Corporation
   6. Societe Alsacienne Regulaves Thermiques von Rohr, SAS, a French Limited Liability Company
   7. Circor (Jersey) Ltd., a United Kingdom Company (80% ownership)
   8. U.S. Para Plate Acquisition Corp., a Delaware Corporation
   9. CIRCOR Business Trust, A Massachusetts Business Trust
   10. DQS International B.V., a Netherlands Corporation
   11. Texas Sampling Inc., a Texas Corporation
   12. Patriot Holdings, Inc., a Nevada corporation
   13. Industria S. A., a French limited liability company

II. Subsidiaries of Circle Seal Controls, Inc.:
   1. CIRCOR IP Holding Co., a Delaware Corporation
   2. Aerodyne Controls Inc., a Delaware Corporation
   3. Hoke, Inc., a New York Corporation
   4. Circor Luxembourg Holdings Sarl., a Luxembourg limited liability company (approx. 10%)

III. Subsidiaries of Hoke, Inc.:
   1. Hoke Controls, Ltd., a Canadian Corporation
   2. CIRCOR German Holdings Management GmbH, a German Closed Corporation
   3. Circor (Jersey) Ltd., a United Kingdom Company (20% ownership)
   4. Circor Instrumentation Ltd., a United Kingdom Company
   5. Dopak Inc., a Texas Corporation

IV. Subsidiaries of Circor Energy Products, Inc.:
   1. Circor Luxembourg Holdings Sarl., a Luxembourg limited liability company (approx. 90%)

V. Subsidiaries of Patriot Holdings, Inc.
   1. Loud Engineering & Manufacturing, Inc.

VI. Subsidiaries of Pibiviesse Srl:
   1. De Martin Giuseppe & Figli Srl, an Italian Company (80%)

VII. Subsidiaries of Societe Alsacienne Regulaves Thermiques von Rohr, SAS:
   1. SCI MMC, a French Limited Liability Partnership

VIII. Subsidiaries of Circor (Jersey), Ltd.:
   1. Circor German Holdings, LLC, a Massachusetts Limited Liability Company

IX. Subsidiaries of Circor German Holdings, LLC:
   1. Circor German Holdings GmbH & Co. KG

X. Subsidiaries of Circor German Holdings GmbH & Co. KG
   1. Hoke Handelsgesellschaft GmbH, a German Corporation
   2. Regeltechnik Kornwestheim GmbH, a German Closed Corporation

XI. Subsidiaries of Regeltechnik Kornwestheim GmbH:
   1. RTK Control Systems Limited, a United Kingdom Corporation

XII. Subsidiaries of Circor Business Trust:
   1. Circor Securities Corp., a Massachusetts Corporation

XIII. Subsidiaries of DQS International B.V. B.V

1. Dovianus B.V., a Netherlands Corporation
2. DQS Vastgoed, a Netherlands Corporation
3. Keofitt Holding A.S., A Denmark Corporation (50% ownership)

XIV. Subsidiaries of Circor Luxembourg Holdings, Sarl.

1. CEP Holdings Sarl., a Luxembourg limited liability company
2. Circor Energy Products (Canada) ULC, an Alberta unlimited liability company
3. Suzhou KF Valve Co., Ltd., a Chinese Wholly Foreign Owned Enterprise

XV. Subsidiaries of CEP Holdings, Sarl.

1. Pibiviesse Srl, an Italian Company

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CIRCOR International, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (No. 333-91229 and No. 333-125237) and Form S-3 (No. 333-85912) of CIRCOR International, Inc. of our reports dated February 27, 2006, with respect to the consolidated balance sheets of CIRCOR International, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2005, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 Annual Report on Form 10-K of CIRCOR International, Inc.

Our report dated February 27, 2006 on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting contains an explanatory paragraph that states that CIRCOR International, Inc. acquired Loud Engineering & Manufacturing, Inc. ("Loud") and Industria S. A. ("Industria") during 2005, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, Loud's and Industria's internal control over financial reporting associated with aggregate total assets of $54,853,000 and aggregate total revenues of $22,781,000 included in the consolidated financial statements of CIRCOR International, Inc. as of and for the year ended December 31, 2005. Our audit of internal control over financial reporting of CIRCOR International, Inc. also excluded an evaluation of the internal control over financial reporting of Loud and Industria.

/s/ **KPMG LLP**

Boston, Massachusetts
February 27, 2006

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David A. Bloss, Sr., certify that:

1. I have reviewed this annual report on Form 10-K 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: February 27, 2006

Signature: /s/ **DAVID A. BLOSS, SR.**
David A. Bloss, Sr.
Chairman, President and
Chief Executive Officer
Principal Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenneth W. Smith, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 27, 2006

Signature: /s/ **KENNETH W. SMITH**
Kenneth W. Smith
Senior Vice President, Chief Financial
Officer and Treasurer
Principal Financial Officer

Exhibit 32.1

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 annual report on Form 10-K 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 (the "Exchange Act"), 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/ **DAVID A. BLOSS, SR.**	/s/ **KENNETH W. SMITH**
David A. Bloss, Sr.	Kenneth W. Smith
Chairman, President and Chief Executive Officer	Senior Vice President, Chief Financial Officer and Treasurer
February 27, 2006	February 27, 2006

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