UNITED STATES
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, 2013
OR

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

For the transition period from to .
Commission File Number 001-14962

CIRCOR INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-3477276**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
c/o CIRCOR, Inc.	
30 Corporate Drive, Suite 200, Burlington, MA	**01803-4238**
(Address of principal executive offices)	**(Zip Code)**

(781) 270-1200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:
Common Stock, par value $0.01 per share (registered on the New York Stock Exchange)
Securities registered pursuant to Section 12 (g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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, 2013 was $882,656,431. The registrant does not have any non-voting common equity.

As of February 14, 2014, there were 17,611,451 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 2013 Annual Meeting of Stockholders to be held on April 30, 2014. The definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's year ended December 31, 2013.

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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 & Gas in both domestic and international markets, any adverse changes in governmental policies, variability of raw material and component pricing, changes in our suppliers' performance, fluctuations in foreign currency exchange rates, our ability to hire and maintain key personnel, our ability to continue operating our manufacturing facilities at efficient levels including our ability to prevent cost overruns and continue to reduce costs, our ability to generate increased cash by reducing our inventories, our prevention of the accumulation of excess inventory, our ability to successfully implement our acquisition, divestiture, restructuring, or simplification strategies, fluctuations in interest rates, our ability to continue to successfully defend product liability actions including asbestos-related claims, our ability to realize savings anticipated to result from the repositioning activities discussed herein, as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern conflicts and related matters. For a discussion of these risks, uncertainties and other factors, see Item 1A "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview

CIRCOR International, Inc. was incorporated under the laws of Delaware on July 1, 1999 and is a spin-off of our former parent, Watts Water Technologies, Inc., formerly known as Watts Industries, Inc. ("Watts") as of October 18, 1999. As used in this report, the terms "we," "us," "our," the "Company" 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.

We design, manufacture and market highly engineered products and sub-systems used in the Oil & Gas, power generation, aerospace, defense, and other industrial markets. Within our major product groups, we manage a portfolio of flow control and actuation products, sub-systems and technologies that enable us to fulfill our customers' unique application needs. We have a global presence and operate 20 major manufacturing facilities that are located in the United States, Western Europe, Morocco, India, Brazil and the People's Republic of China. We have two reporting segments: CIRCOR Energy ("Energy Segment" or "Energy") and CIRCOR Aerospace & Defense ("Aerospace & Defense Segment" or "Aerospace & Defense"). We sell our products through approximately 950 distributors or representatives and directly to end-use customers. As of December 31, 2013, we serviced more than 7,000 customers in over 100 countries around the world.

Strategies

Our objective is to enhance shareholder value by focusing on growth, margin expansion and strong free cash flow. We have a four-point strategy to achieve these objectives.

1) *Grow Organically and Through Acquisitions*. We leverage the power of our global design capabilities to develop innovative products that solve our customers' most challenging and critical problems. New products will be an increasingly important part of our growth strategy going forward. In addition, we are positioning ourselves to grow in parts of our end markets where our products are under-represented. This could include establishing a presence in high-growth geographies where we have a limited presence today. It also could include taking products established in one end-market (e.g., power generation) and selling those solutions into other relevant end markets (e.g., Oil & Gas).

In addition to organic growth, we expect to acquire businesses over time. We are primarily focused on companies with differentiated technologies in complementary markets that we already understand; and where we expect substantial growth. In addition to strategic fit, the main criterion for an acquisition is return on invested capital.

2) *Simplify CIRCOR*. In 2013 we embarked on a long-term journey to simplify CIRCOR. While we made progress in 2013, CIRCOR continues to operate with significant complexity. We have a large number of properties and believe that simplifying this structure will not only expand our margins by reducing cost, but will help us improve our operations and controls.

3) *Achieve World Class Operational Excellence*. Our Global Operations and Sourcing organizations are focused on improving our quality, delivery, cost, safety and inventory performance. The primary tool for expanding performance at CIRCOR is the CIRCOR Business System. The CIRCOR Business System is based on lean operating techniques designed to continuously improve product and work flow and drive waste out of our design, manufacturing, sales, procurement and office-related processes ("Lean"). We are focused on expanding our CIRCOR Business System that reaches well beyond the four walls of our existing manufacturing facilities. This program will include strong leadership at the top of CIRCOR, more effective training and standardization across the organization, robust processes and metrics, and clear lines of accountability. The CIRCOR Business System will be the foundation of our operational improvements in the future. Achieving operational and business process excellence will be one of the critical elements to our growth, margin expansion and improved working capital objectives.

4) *Build the Best Team*. Finally, we have a fundamental belief at CIRCOR that the best team wins. We are committed to attracting the most talented people in our industry and we are committed to investing, engaging, challenging and developing our employees. We believe the best people combined with robust process, appropriate metrics, and individual accountability will deliver extraordinary results.

Business Segments

During the fourth quarter of 2013, we consolidated our group structure from three segments to two. This change is in line with our focus on simplifying the way we manage CIRCOR and better aligns our businesses with the customers and end markets we serve. We now operate two business segments, Energy and Aerospace & Defense.

Energy

Energy is a global provider of highly engineered integrated flow control solutions and services in the expanding and evolving Oil & Gas and power generation industries. We specialize in valves and pipeline products and services.

We are focused on satisfying our customers' mission-critical application needs by utilizing advanced technologies. Our flow control solutions can withstand extreme temperatures and pressures, including land-based and sub-sea applications. Energy is growing its product offering in the severe service sector, which includes applications such as process control, oil sands, pressure control, cryogenic, power steam generation systems and process systems.

We plan to grow Energy by expanding our capabilities in Oil & Gas - upstream, mid-stream and downstream, as well as focusing on the global power generation infrastructure build-out in emerging markets. We expect to grow organically and through acquisitions.

Energy is headquartered in Houston, Texas and has facilities in Oklahoma, Florida, South Carolina, California, New York, China, Canada, United Kingdom, Italy, India, Brazil, Germany and the Netherlands.

Markets and Applications

Energy serves an increasing range of energy-focused global markets. Key to our business strategy is targeting additional markets that can benefit from our innovative products and system solutions. Markets served today include Oil & Gas: upstream (on-shore and off-shore), mid-stream and downstream applications as well as power generation including steam/process applications in both commercial and industrial markets. The upstream and mid-stream markets are primarily served by our large international project, North American short cycle and pipeline businesses and downstream markets served primarily by our instrumentation and sampling businesses.

- Upstream Oil & Gas markets commonly include all the equipment between the oil/gas reservoir and the outlet on the wellhead. It also incorporates all the activities associated with the installation of this equipment.

- Mid-stream Oil & Gas: This market begins at the outlet of the wellhead and extends to the fence around the refinery or petrochemical plant. It includes all the ancillary equipment - such as oil field heaters that warm crude oil and are required to move the product through the gathering and pipeline systems to the processing plants - as well as the gas processing plants that prepare and purify the raw natural gas for entry into the major pipeline systems and Liquid Natural Gas (LNG) processes.

- Downstream Oil & Gas: The downstream market includes the refining, distillation, stripping, degassing, dehydrating, desulpherizing, and purifying of the crude oil to its constituent components or the natural gas to methane.

- Power Generation: The power generation market is comprised of electric utilities and industrial power producers. Utilities generate, transmit, and distribute electricity for sale in a local market, while industrial power plants generate electrical power for use within the industrial facility, such as a power plant within a steel mill or within a desalination plant. Utilities and industrial power plants can be categorized by fuel or by design such as Cogeneration, Combined Cycle, Coal Gasification, Super-Critical, Ultra-Critical, Nuclear, and Hydro-electric.

Brands

Energy provides its flow control solutions and services through the following significant brands:

KF Valves, Pibiviesse, Circle Seal Controls, Contromatics, CPC Cryolab, Dopak Sampling, GO Regulators, Hoke, Gyrolok, Hydroseal, Laurence, Leslie Controls, Mallard Control, Nicholson Steam Trap, Pipeline Engineering, Rockwood Swendeman, RTK, Sagebrush, SF Valvulas, Spence Engineering and Texas Sampling.

Products

Energy offers a range of flow control solutions (distributed and highly engineered) and services, including:

- Valves (from 1/8 inch to 64 inches)
  - Severe Service and General Service Control Valves
  - Engineered Trunion and Floating Ball Valves
  - Gate, Globe and Check Valves
- Instrumentation Fittings and Sampling Systems, including Sight Glasses & Gauge Valves
- Pipeline systems including Pigging tools, flow control skids and pressure control skids
- Liquid Level Controllers, Liquid Level Switches, Needle Valves, Pilot Operated Relief Valves, Plugs & Probes Pressure Controllers, Pressure Regulators, Safety Relief Valves.

For our manufactured valve products, we ensure compliance with federal, state and local regulations, as well as industrial standards including those issued by the American Petroleum Institute, International Organization for Standardization, Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers, European Pressure Equipment Directive, and the American National Standards Institute. In addition, we need to meet standards that qualify us to be on authorized supplier lists with the various global end users.

Customers

Energy's products and services are sold to end-user customers, such as major oil companies, power generation, process industries and Engineering, Procurement and Construction companies, through sales channels that include direct sales, sales representatives, distributors, and agents.

Revenue and Backlog

Energy accounted for $661.0 million, $659.4 million and $620.7 million, or 77%, 78% and 75%, of our net revenues for the years ended December 31, 2013, 2012 and 2011, respectively. Energy's backlog as of January 26, 2014 was $295.0 million compared with $271.9 million as of January 27, 2013. We expect to ship all but $33.1 million of the January 26, 2014 backlog by December 31, 2014.

Aerospace & Defense

Aerospace & Defense is a growing industry leader with primary focus areas of actuation systems, control systems (fluid, electromechanical, pneumatic) and landing gear systems.

Aerospace & Defense sub-systems, components and products are flying on many commercial and military aircraft, including single and twin-aisle air transport, business and regional jets, military transports and fighters, and commercial and military rotorcraft. Other markets include unmanned aircraft, shipboard applications, military ground vehicles and space.

We have significant Aerospace & Defense facilities in California, New York, United Kingdom, France and Morocco. Our Aerospace & Defense headquarters is in Corona, California.

Markets and Applications

- Commercial Aerospace: The commercial aerospace market we serve includes systems and components to support the aviation industry, such as hydraulic, pneumatic, fuel and ground support equipment including maintenance, repair and overhaul (MRO).

- Defense: The defense market we serve includes military and naval applications where controls or motion switches are needed. We support fixed wing aircraft, rotorcraft, missile systems, ground vehicles, weapon systems and weapon launch systems, ordinance, fire control, fuel systems, pneumatic controls, and hydraulic and dockside support equipment including maintenance, repair and overhaul (MRO).

Brands

Aerospace & Defense provides control solutions and services for critical aerospace and defense applications through the following brands: CIRCOR Aerospace, Circle Seal Controls, Aerodyne Controls, Cambridge Fluid Systems, CIRCOR Bodet, CIRCOR Industria, and Hale Hamilton.

Products

Aerospace & Defense primarily manufactures controls (fluid, electromechanical, pneumatic), landing gear, and actuation components and sub-systems. In the manufacture of our products, we must comply with certain certification standards, such as AS9100C, ISO 9001:2008, National Aerospace & Defense Contractors Accreditation Program, Federal Aviation Administration Certification and European Aviation Safety Agency.

Customers

Aerospace & Defense products and services are used by a range of customers, including those in the military and defense, commercial aerospace, and business and general aviation markets.

Revenue and Backlog

CIRCOR Aerospace and Defense accounted for $196.8 million, $186.2 million and $201.7 million, or 23%, 22% and 25%, of our net revenues for the years ended December 31, 2013, 2012 and 2011, respectively. Aerospace & Defense backlog as of January 26, 2014 was $171.9 million compared with $179.9 million as of January 27, 2013. We expect to ship all but $44.7 million of the January 26, 2014 backlog by December 31, 2014.

CIRCOR Consolidated

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, on-time delivery, customer service, 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 also are important to our success and that our position in the industry is attributable, in significant part, to our ability to develop innovative products and to adapt existing products to specific customer applications.

The primary competitors of our Energy segment include: Balon Corporation, Cameron International Corp., Curtiss-Wright Corporation, Flowserve Corporation, IMI plc, Pentair Ltd, PetrolValves, SPX Corporation, Swagelok Company, and Valvitalia S.p.A.

The primary competitors of our Aerospace & Defense segment include: Crane Co., Cobham PLC, Eaton Corporation, GE Aviation, Heroux Devtek Inc, Lee, Magnaghi, Marotta, Maxon, Meggitt PLC, Triumph.

New Product Development

Our engineering differentiation comes from our ability to offer products, solutions and services that address high pressure, high temperature, and caustic flow. Our solutions offer the highest standards of reliability, safety and durability in applications requiring precision movement and zero leakage.

We continue to develop new and innovative products to enhance our market positions. Our product development capabilities include designing and manufacturing custom applications to meet high tolerance or close precision requirements. For example, our Energy segment operation can meet the tolerance requirements of sub-sea, cryogenic environments as well as critical service steam applications. Our Aerospace & Defense segment continues to expand its integrated systems design and testing capability to support bundled systems for aeronautics applications. These testing and manufacturing capabilities enable us to develop customer-specified applications. In many cases, the unique characteristics of our customer-specified technologies have been subsequently used in broader product offerings.

We have expanded our engineering capability and capacity for new designs by using our India organization as a global engineering and technology center. Our research and development expenditures for the years ended December 31, 2013, 2012 and 2011, were $6.5 million, $8.4 million and $6.1 million, respectively.

Customers

For the years ended December 31, 2013, 2012 and 2011, we did not have any customers with revenues that exceeded 5% of our consolidated revenues. Our businesses sell into both long term capital projects as well as short cycle rapid turn operators. As a result, we tend to experience fluctuations in revenues and operating results at various points across economic and business cycles. Our businesses, particularly those in the Energy segment, are cyclical in nature due to the fluctuation of the worldwide demand for oil and gas. When the worldwide demand for oil and gas is depressed, the demand for our products used in those markets decreases. These declines could have a material adverse effect on our business, financial condition and operations. Similarly, although not to the same extent as the Oil & 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 and operations.

Selling and Distribution

Across our businesses we utilize a variety of channels to market our products and solutions. Those channels include direct sales, distributors and commissioned representatives. Our distribution and representative networks typically offer technically trained sales forces with strong relationships in key markets.

We believe that our well-established sales and distribution channels constitute a competitive strength. We believe that we have good relationships with our representatives and distributors. We continue to implement marketing programs to enhance these relationships. Our ongoing distribution-enhancement programs include reducing lead times, introducing new products, and offering competitive pricing, application design, technical training, and literature.

Intellectual Property

We own patents that are scheduled to expire between 2016 and 2030 and trademarks that can be renewed as long as we continue to use them. We do not believe the vitality and competitiveness of any 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 do not believe that our business as a whole depends on any one or more licenses.

Raw Materials

The raw materials used most often in our production processes are castings, forgings and bar stock of various materials, including stainless steel, carbon steel, bronze, copper, brass and aluminum. These materials are subject to price fluctuations that may adversely affect our results of operations. We purchase these materials from numerous suppliers and at times experience 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 higher sales prices, active materials management, project engineering programs and the diversity of materials used in our production processes.

Employees and Labor Relations

As of January 27, 2014, our worldwide operations directly employed approximately 2,800 people. We have 45 employees in the United States who are covered by a single collective bargaining agreement. We also have approximately 241 employees in France, 211 in Italy, 115 in Brazil, 68 in the United Kingdom, 40 in the Netherlands and 34 in Morocco covered by governmental regulations or workers' councils. We believe that our employee relations are good at this time.

Environmental Regulations and Proceedings

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, and foreign equivalents of such laws.

We currently do not anticipate any materially adverse effect 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, 2013, we capitalized approximately $0.6 million and expensed $1.6 million related to environmental and safety control facilities. For the year ending December 31, 2014, we expect to capitalize $0.5 million and expense $1.5 million related to environmental and safety control facilities.

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 its website at http://www.sec.gov. Additionally, our Form 10-Q, Form 8-K, Definitive Proxy Statement and Form 10-K reports are available without charge, as soon as reasonably practicable after they have been filed with the SEC, from our Investor Relations website at http://investors.CIRCOR.com. The information on our website is not part of, or incorporated by reference in, this Annual Report.

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. 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 aerospace, military, commercial aircraft, pharmaceutical, medical, analytical equipment, Oil & Gas exploration, transmission and refining, power generation, chemical processing and maritime 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 addition, decreased market demand typically results in excess manufacturing capacity among our competitors which, in turn, results in pricing pressure. As a consequence, a significant downturn in our markets can result in lower profit margins.

In particular, our energy businesses are 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 or anticipated downturns in demand for oil and gas 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 & 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 significant competition and, if we are not able to respond to competition, 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, customer service, on-time delivery, 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. The majority of our transactions are denominated in either U.S. dollar or Euro currency. Accordingly, currency fluctuations could cause our U.S. dollar and/or Euro priced products to be less competitive than our competitors' products that are priced in other currencies.

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. We have continuously enhanced and improved Lean manufacturing techniques as part of the CIRCOR Business System. We believe that this process produces meaningful reductions in manufacturing costs. However, continuous improvement of these techniques may cause short-term inefficiencies in production. If we ultimately are unable to continuously improve our processes, our results of operations may suffer.

Implementation of our acquisition, divestiture, restructuring, or simplification strategies 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 Energy and Aerospace & Defense products and access to additional geographic markets. We expect to spend significant time and effort 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 ultimately will achieve the revenues, profitability or cash flows, or generate the synergies upon which we justify our investment in them; as a result, any such under-performing acquisitions could result in impairment charges which would adversely affect our results of operations. In addition, acquisitions may involve a number of special risks, including: adverse effects on our reported operating results; use of cash; diversion of management's attention; loss of key personnel at acquired companies; or unanticipated management or operational problems or legal liabilities.

We also continually review our current business and products to attempt to maximize our performance. We may in the future deem it appropriate to pursue the divestiture of product lines or businesses as conditions dictate. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested assets or businesses, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition. A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products offered by us. All of these efforts require varying levels of management resources, which may divert our attention from other business operations.

A recent focus of our Company is to simplify the way we are organized and the number of facilities we manage. We believe that such focus will reduce overhead structure, enhance operational synergies, and result in improved operating margins. Nevertheless, we may not achieve expected cost savings from restructuring and simplification activities and actual charges, costs and adjustments due to such activities may vary materially from our estimates. Our ability to realize anticipated cost savings, synergies, margin improvement, and revenue enhancements may be affected by a number of factors, including the following: our ability to effectively eliminate duplicative overhead, rationalize manufacturing capacity, synchronize information technology systems, consolidate warehousing and distribution facilities and shift production to more economical facilities; significant cash and non-cash integration and implementation costs or charges in order to achieve those cost savings, which could offset any such savings; and our ability to avoid labor disruption in connection with integration efforts or divestitures.

If we do not realize the expected benefits or synergies of any acquisition, divestiture, restructuring, or simplification activities, our business, financial condition, results of operations and cash flow could be negatively impacted.

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 sell our products in international markets not significantly served by us in portions of Europe, Latin America and Asia. We market our products and services through direct sales, distributors, and technically trained commissioned representatives. We may not succeed in our efforts to further penetrate these 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 our presence in these international markets and could also have a material adverse effect on our current international operations.

If we cannot 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 cannot 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 those customers 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. In addition, we continue to increase our dependence on lower cost foreign sources of raw materials, components, and, in some cases, completed products. Managing a geographically diverse supply base inherently poses significant logistical challenges. While we believe that we also have improved our ability to effectively manage a global supply base, a risk nevertheless exists that we could experience diminished supplier performance resulting in longer than expected lead times and/or product quality issues. The occurrence of such factors could have a negative impact on our ability to deliver products to customers within our committed time frames and could result in reductions of our operating and net income in future periods.

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, Brazil and Asia.

We may use forward contracts to help manage the currency risk related to certain 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. However, there can be no assurances that we will be able to effectively utilize these forward exchange contracts in the future to offset significant risk related to fluctuations in currency exchange rates.

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.

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 our ability to hire new talent and 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. 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.

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

We, like other manufacturers, 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. For example, liability insurance typically does not afford coverage for a design or manufacturing defect unless such defect results in injury to person or property. We generally attempt to contractually limit liability to our customers to risks that are insurable but are not always successful in doing so. Similarly, 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.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business, financial condition, results of operations and prospects.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and manage or support a variety of business processes, including financial transactions and records, personal identifying information, payroll data and workforce scheduling information. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of company and customer information. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems' improper functioning or damage or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. If company, personal or otherwise protected information is improperly accessed, tampered with or distributed, we may incur significant costs to remediate possible injury to the affected parties and we may be subject to sanctions and civil or criminal penalties if we are found to be in violation of the privacy or security rules under federal, state, or international laws protecting confidential information. Any failure to maintain proper functionality and security of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

The trading price of our common stock may be, and, in the past, has been volatile. Our common stock could decline or fluctuate in response to a variety of factors, including, but not limited to: our failure to meet our performance estimates or 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. While we attempt in our public disclosures to provide forward-looking information in order to enable investors to anticipate our future performance, such information by its nature represents our good-faith forecasting efforts. In recent years, the unprecedented nature of credit and financial crises and economic recessions, together with the uncertain depth and duration of these crises, has rendered such forecasting more difficult. As a result, our actual results could differ materially from our forecasts which could cause further volatility in the value of our common stock.

For example, in recent years the stock market as a whole experienced dramatic 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.

If our internal control 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 its 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.

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 Industry and Security, the Department of Homeland Security, the Department of State and 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.

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

Our revolving credit facility agreement, dated May 2, 2011, governs our indebtedness. This agreement includes 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.

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, as well as the Delaware General Corporation Law, 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.

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.

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 are used in the aerospace, military, commercial aircraft, pharmaceutical, medical, analytical equipment, Oil & Gas exploration, transmission and refining, power generation, 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.

A change in international governmental policies or restrictions could result in decreased availability and increased costs for certain components and finished products that we purchase from sources in foreign countries, 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 purchase 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.

We, along with our customers and vendors, face the uncertainty in the public and private credit markets and in general economic conditions in the United States and around the world.

In recent years there has been at times disruption and general slowdown of the public and private capital and credit markets in the United States and around the world. Such conditions can adversely affect our revenue, results of operations and overall financial growth. Our business can be affected by a number of factors that are beyond our control such as general geopolitical, economic and business conditions and conditions in the financial services market, which each could materially impact our business, financial condition, results of operations, cash flow, capital resources and liquidity. Additionally, many lenders and institutional investors, at times, have reduced funding to borrowers, including other financial institutions. Although we do not currently anticipate a need to access the credit markets for new financing in the short-term, a constriction on future lending by banks or investors could result in higher interest rates on future debt obligations or could restrict our ability to obtain sufficient financing to meet our long-term operational and capital needs or could limit our ability in the future to consummate strategic acquisitions. Any uncertainty in the credit markets could also negatively impact the ability of our customers and vendors to finance their operations which, in turn, could result in a decline in our sales and in our ability to obtain necessary raw materials and components, thus potentially having an adverse effect on our business, financial condition or results of operations.

A resurgence of terrorist activity and/or political instability around the world could cause economic conditions to deteriorate and adversely impact our businesses.

In the past, terrorist attacks have negatively impacted general economic, market and political conditions. In particular, the 2001 terrorist attacks, compounded with changes in the national economy, resulted in reduced revenues in the aerospace and general industrial markets in 2002 and 2003. Although economic conditions have improved considerably, additional terrorist acts, acts of war or political instability (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, political instability, and other acts of war or hostility, including the recent and current conflicts in Iraq, Afghanistan 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, Western Europe, the People's Republic of China, Morocco, Brazil and India, we may be impacted by terrorist actions not only against the United States but in other parts of the world as well. In some cases, we are not insured for losses and interruptions caused by terrorist acts and acts of war.

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.

New regulations related to "conflict minerals" may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

On August 22, 2012, the SEC adopted a new rule requiring disclosures by public companies of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The new rule, became effective for 2013 and requires a disclosure report to be filed by May 31, 2014, requires companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country. The new rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tantalum, tin, gold and tungsten. The
number of suppliers who provide conflict-free minerals may be limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We maintain 20 major manufacturing facilities worldwide, including operations located in the United States, Western Europe, Morocco, India, Brazil and the People's Republic of China. We also maintain 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 and is leased.

Our Energy segment has major manufacturing facilities located in the United States, Italy, the United Kingdom, Brazil, Germany, India, the Netherlands and the People's Republic of China. Properties in Nerviano, Italy and Spartanburg, South Carolina are leased. Our Aerospace & Defense segment has major manufacturing facilities located in the United States, France, the United Kingdom and Morocco. Properties in Hauppauge, New York, Corona, California and Cambridge, United Kingdom are leased.

Segment	Leased	Owned	Total
Energy	2	10	12
Aerospace & Defense	3	5	8
Total	5	15	20

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

Item 3. Legal Proceedings.

During the third quarter of 2011, we commenced arbitration proceedings against T.M.W. Corporation ("TMW"), the seller from which we acquired the assets of Castle Precision Industries in August 2010, seeking to recover damages from TMW for breaches of certain representations and warranties made by TMW in the Asset Purchase Agreement dated August 3, 2010 relative to such acquisition. On January 24, 2014 we reached a settlement on the TMW arbitration where it was agreed that TMW would waive all rights to amounts due from us under a contingent consideration promissory note established at the time of acquisition, resulting in a gain of approximately $2.2 million during the first quarter of 2014.

In late 2013 our former parent, Watts Water Technologies, Inc. ("Watts"), notified us of a claim in the approximate aggregate amount of $4.2 million. In its claim Watts contends, pursuant to the Distribution Agreement dated October 1, 1999 which governed the spinoff of CIRCOR from Watts, that we are partially responsible for retrospective insurance premium adjustments and deductibles paid by Watts to insurers under certain legacy insurance policies that covered both Watts and CIRCOR subsidiaries prior to our 1999 spinoff. The claim also includes both interest paid to insurers as well as attorneys' fees spent by Watts in disputing its contractual obligations. We are vigorously contesting this claim and believe that any resolution of this matter will not have a material adverse effect on our financial condition or results of operations.

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

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

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

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.

Our board of directors is responsible for determining our dividend policy. Although we currently intend to continue paying quarterly 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 14, 2014, there were 17,611,451 shares of our common stock outstanding and we had 70 holders of record of our common stock. We believe the number of beneficial owners of our common stock was substantially greater on that date.

Set forth below is a table and line graph comparing the percentage change in the cumulative total stockholder return on the Company’s common stock, based on the market price of the Company’s common stock with the total return of companies included within the Standard & Poor’s 500 Composite Index and both a current and former peer group of companies engaged in the valve, pump, fluid control and related industries for the five-year period commencing December 31, 2008 and ending December 31, 2013. The calculation of total cumulative return assumes a $100 investment in the Company’s common stock, the Standard & Poor’s 500 Composite Index and the peer groups on December 31, 2008 and the reinvestment of all dividends. The historical information set forth below is not necessarily indicative of future performance.

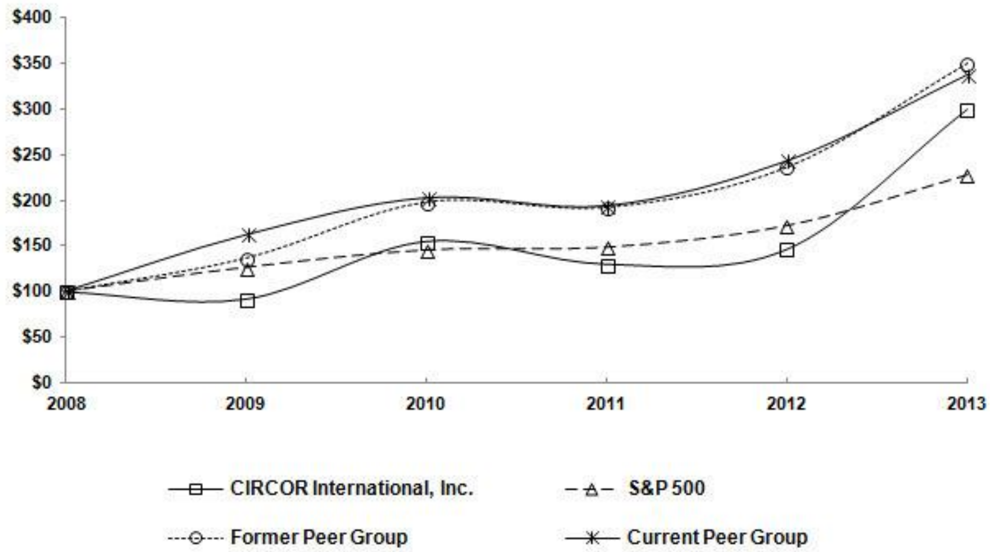
During early 2013, two of the companies previously listed in our peer group (Gardner Denver Inc. and Robbins & Meyers, Inc.) were acquired and ceased to be publicly listed. As a result, we engaged in an analysis to determine our most appropriate peer group. This analysis considered several factors including similarities in end markets, product lines, geographic coverage, and overlapping investment analyst coverage. Consequently, we have determined that the most appropriate peer group consists of those companies denominated below as “Current Peer Group.”

	12/08	12/09	12/10	12/11	12/12	12/13
CIRCOR International, Inc.	**100.00 %**	**92.15 %**	**155.42 %**	**130.36 %**	**146.82 %**	**300.39 %**
S&P 500	**100.00**	**126.46**	**145.51**	**148.59**	**172.37**	**228.19**
Former Peer Group (1)	**100.00**	**136.32**	**197.87**	**192.05**	**235.99**	**349.89**
Current Peer Group (2)	**100.00**	**161.96**	**202.64**	**193.85**	**243.05**	**337.51**

(1) Former Peer Group companies include: Crane Co., Flowserve Corp, Gardner Denver Inc., Idex Corp., Moog Inc., Parker Hannifin Corp., Robbins & Myers Inc., and Roper Industries Inc. As Gardner Denver Inc. and Robbins & Meyers Inc. are no longer publicly listed, the stock performance data and chart for the Former Peer Group does not include these companies.

(2) Current Peer Group companies include: Cameron International Corporation, Crane Co., Curtiss-Wright Corporation, Flowserve Corporation, IMI plc, Pentair Ltd., SPX Corporation, and Woodward, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among CIRCOR International, Inc., the S&P 500 Index,
Former Peer Group, and Current Peer Group



*$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Item 6. Selected Financial Data.

The following table presents certain selected financial data that has been derived from our audited consolidated financial statements and related notes 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 income and consolidated statements of cash flows data for the years ended December 31, 2013, 2012 and 2011, and the consolidated balance sheet data as of December 31, 2013 and 2012 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 income and consolidated statements of cash flows data for the years ended December 31, 2010 and 2009, and the consolidated balance sheet data as of December 31, 2011, 2010 and 2009, are derived from our audited consolidated financial statements not included in this report.

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

	Years Ended December 31,				
	2013	2012	2011	2010	2009
Statement of Income Data (1):					
Net revenues	$ 857,808	$ 845,552	$ 822,349	$ 685,910	$ 642,622
Gross profit	267,601	241,543	225,395	197,269	194,579
Operating income (loss)	69,173	46,531	56,298	14,986	3,711
Income (loss) before interest and taxes	64,037	41,759	50,196	12,509	3,084
Net income (loss)	47,121	30,799	36,634	12,624	5,870
Balance Sheet Data:					
Total assets	$ 726,650	$ 709,981	$ 722,523	$ 616,195	$ 562,053
Total debt (2)	49,638	70,484	105,123	1,535	7,479
Shareholders' equity	476,887	418,247	384,085	356,820	350,408
Total capitalization	526,525	488,731	489,208	358,355	357,887
Other Financial Data:					
Cash flow provided by (used in):					
Operating activities	$ 72,206	$ 60,523	$ (48,833)	$ 36,844	$ 46,552
Investing activities	(13,264)	(17,629)	(38,005)	(27,781)	(32,577)
Financing activities	(19,235)	(37,408)	97,052	(8,615)	(18,041)
Net interest expense	3,161	4,259	3,930	2,516	1,068
Capital expenditures	17,328	18,170	17,901	14,913	11,032
Diluted earnings (loss) per common share	$ 2.67	$ 1.76	$ 2.10	$ 0.73	$ 0.34
Diluted weighted average common shares outstanding	17,629	17,452	17,417	17,297	17,111
Cash dividends declared per common share	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15

(1) The statement of income data for the year ended December 31, 2013 includes inventory restructuring charges of $0.6 million, impairment charges of $6.9 million relating to indefinite lived intangible assets, and special charges, net of recoveries of $8.6 million. See Notes to consolidated Financial statements No. 4 & No. 7 for additional details. The statement of income data for the year ended December 31, 2012 includes inventory restructuring of $4.2 million, impairment charges of $10.3 million, and special charges of $5.3 million. No special or impairment charges were included in the statement of income data for the years ended December 31, 2011 and 2010. The statement of income data for the year ended December 31, 2009 includes special recoveries of $1.7 million relating to a 2007 asset sale within our Energy segment and impairment charges of $0.5 million consisting of the impairment of two trade names. The statement of income data for the years ended December 31, 2011, 2010, and 2009 include Leslie asbestos and bankruptcy costs of $0.7 million, $32.8 million, and $54.1 million, respectively, primarily within our Energy segment.

(2) Includes capital leases obligations of: $0.3 million, $0.5 million, $0.6 million, $0.4 million and $0.6 million as of December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

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

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 SEC. The words "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," *"continue," and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the 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 & Gas in both domestic and international markets, any adverse changes in governmental policies, variability of raw material and component pricing, changes in our suppliers'*

performance, fluctuations in foreign currency exchange rates, our ability to hire and maintain key personnel, our ability to continue operating our manufacturing facilities at efficient levels including our ability to prevent cost overruns and continue to reduce costs, our ability to generate increased cash by reducing our inventories, our prevention of the accumulation of excess inventory, our ability to successfully implement our acquisition, divestiture, restructuring, or simplification strategies, fluctuations in interest rates, our ability to continue to successfully defend product liability actions including asbestos-related claims, as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern conflicts and related matters. For a discussion of certain of these risks, uncertainties and other factors, see Item 1A "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Company Overview

CIRCOR International, Inc. designs, manufactures and markets valves and other highly engineered products and sub-systems used in the Oil & Gas, power generation, aerospace, defense and industrial markets. Within our major product groups, we develop, manufacture, sell and service a portfolio of fluid-control products, sub-systems and technologies that enable us to fulfill our customers' unique fluid-control application needs.

During the fourth quarter of 2013 we changed our organizational structure to simplify the way the Company is managed and better align our business with our end markets. As part of this organizational change, the Company announced that it would consolidate its segment and reporting structure from three to two. The first segment is Energy, which will include all of the businesses from the existing Energy segment and a majority of the former 'Flow Technologies' businesses. The primary markets served in the new Energy segment are Oil & Gas: upstream, mid-stream and downstream; as well as the global power generation market. The second segment is Aerospace & Defense, which will include all of the former Aerospace segment businesses plus the UK-based defense-oriented businesses from the former Flow Technologies segment.

Regarding our 2013 results, we had consolidated revenues of $857.8 million, with Energy representing 77% of total revenue and Aerospace & Defense representing 23%. Operating income increased 49% to $69.2 million inclusive of 2013 and 2012 inventory restructuring, impairment, and special charges of $16.1 million and $19.8 million respectively, which are associated with productivity benefits we expect to realize through 2014. Cash flow provided by operating activities for 2013 was $72.2 million.

As we look to 2014, we expect the North American and emerging markets to improve modestly and Europe to experience slow growth, with the exception of North Sea activities. We believe that there will be improved growth in most of the Energy markets we serve specifically the power generation markets within Asia, and we believe Aerospace & Defense markets will experience modest growth. We intend to continue focusing on both organic and acquisition growth opportunities and investing in technologies that help to solve our customers' problems. Attracting and retaining talented personnel, including the development of a global operations and supply chain management organization, will be an important part of our strategy during 2014. In addition we expect to further simplify CIRCOR and improve Operational Excellence by aligning people, processes and technology and reducing complexity, facilities and suppliers. We believe our cash flow from operations and financing capacity is adequate to support these activities.

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: Energy and Aerospace & Defense.

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.

There have been no significant changes from the methodology applied by management for critical accounting estimates previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, no significant post-delivery obligations remain, the price to the buyers is fixed or determinable and collection of the resulting receivable is reasonably assured. We have limited long-term arrangements with customers, representing less than 1% of our revenue, requiring delivery of products or services over extended periods of time and revenue and profits on certain of these arrangements are recognized in accordance with the percentage of completion method of accounting. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues.

Allowance for Inventory

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

Our net inventory balance was $199.4 million as of December 31, 2013, compared to $198.0 million as of December 31, 2012. Our inventory allowance as of December 31, 2013 was $21.3 million, compared to $22.3 million as of December 31, 2012. Our provision for inventory obsolescence was $5.1 million, $8.3 million, and $4.2 million, for 2013, 2012, and 2011, respectively. Included in the inventory obsolescence charge for the twelve months ended December 31, 2013 is $0.3 million and $0.4 million of restructuring related inventory obsolescence charges for the Energy and Aerospace & Defense segments, respectively. We believe our inventory allowances remain adequate with the net realizable value of our inventory being higher than our current inventory cost after allowance.

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

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

Penalty Accruals

Some of our customer agreements, primarily in our project related businesses and large aerospace programs, contain late shipment penalty clauses whereby we are contractually obligated to pay consideration to our customers if we do not meet specified shipment dates. The accrual for estimated penalties is shown as a reduction of revenue and is based on several factors including historical customer settlement experience and management’s assessment of specific shipment delay information. Accruals related to these potential late shipment penalties as of December 31, 2013 and 2012 were $10.3 million and $8.6 million, respectively. As we conclude performance under these agreements, the actual amount of consideration paid to our customers may vary from the amounts we currently have accrued.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables. A significant portion of our revenue and receivables are from customers who are either in or service the energy, aerospace and industrial markets. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. During 2013, 2012, and 2011, the Company did not experience any significant losses related to the collection of our accounts receivable. For the years ended December 31, 2013, 2012 and 2011, we had no customers from which we derived revenues that exceeded 5% of our consolidated revenues.

Acquisition Accounting

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

Legal Contingencies

We are currently involved in various legal claims and legal proceedings, some of which may involve substantial dollar amounts. Periodically, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material adverse effect on our business, results of operations and financial position. For more information related to our outstanding legal proceedings, see “Contingencies, Commitments and Guarantees” in Note 14 of the accompanying consolidated financial statements as well as “Legal Proceedings” in Part I, Item 3 hereof.

Impairment Analysis

In accordance with Accounting Standard Codification ("ASC") 350, Intangibles-Goodwill and Other, we utilize each of our operating segments as our goodwill reporting units as we have discrete financial information that is regularly reviewed by operating segment management and the businesses within each segment have similar economic characteristics. For the year-ended December 31, 2013, the Company’s two reporting units were Energy and Aerospace & Defense with respective goodwill balances of $52.9 million and $22.9 million.

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. Goodwill and indefinite-lived intangible assets are recorded at cost; intangible assets with definitive lives are amortized over their useful lives. For goodwill and intangible assets with indefinite lives, we perform an impairment assessment at the reporting unit level on an annual basis as of the end of our October month end or more frequently if circumstances warrant. Our annual impairment assessment is a two-step process. The first step requires a comparison of the implied fair value of each of our reporting units to the respective carrying value. If the carrying value of a reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step of the evaluation must be performed. In the second step, the potential impairment is calculated by comparing the implied fair value of the reporting unit’s goodwill with the carrying value of the goodwill. If the carrying value of the reporting unit’s goodwill is greater than the implied fair value of its goodwill, an impairment loss will be recognized for the excess.

Determining the fair value of a reporting unit is subjective and requires the use of significant estimates and assumptions. With the assistance of an independent third-party appraisal firm, we estimate the fair value of our reporting units using an income approach based on the present value of future cash flows. We believe this approach yields the most appropriate evidence of fair value. We also utilize the comparable company multiples method and market transaction fair value method to validate the fair value amount we obtain using the income approach. The key assumptions utilized in our discounted cash flow model include our estimates of future cash flows from operating activities offset by estimated capital expenditures of the reporting unit, the estimated terminal value for each reporting unit, a discount rate based on a weighted average cost of capital, overall economic conditions, and our assessment of our current market capitalization. Any unfavorable material changes to these key assumptions could potentially impact our fair value determinations. As discussed elsewhere in this Form 10-K regarding risks and other factors that may cause our results to vary materially, some of our end markets are cyclical and we face significant competition. As such, we may experience fluctuations in revenues and operating results resulting in the non-achievement of our estimated growth rates, operating performance and working capital estimates utilized in our discounted cash flow models.

In fiscal year 2013 when we performed our step one analysis, the fair value of each of our reporting units exceeded the respective carrying amount, and no goodwill impairments were recorded. The fair values utilized for our 2013 goodwill assessment exceeded the carrying amounts by approximately 283% and 95% for our Energy and Aerospace & Defense reporting units, respectively. The growth rate assumptions utilized were consistent with growth rates within the markets that we serve. Actual 2013 results were substantially consistent overall with estimates and assumptions made for purposes of our goodwill impairment analysis performed in October. If our results significantly vary from our estimates, related projections, or business assumptions in the future due to changes in industry or market conditions, we may be required to record impairment charges. By way of example, a 10% reduction in our Aerospace & Defense reporting unit projected cash flows would not result in the fair value being lower than the carrying value.

The goodwill recorded on the consolidated balance sheet as of December 31, 2013 was $75.9 million compared with $77.4 million as of December 31, 2012 with the only change being due to foreign currency fluctuations. Net intangible assets as of December 31, 2013 were $35.7 million compared to $45.2 million as of December 31, 2012. The total amount of non-amortizing assets, net of impairment was $17.0 million and $23.6 million, as of December 31, 2013 and 2012, respectively.

Indefinite-lived intangible assets, such as trade names, are generally recorded and valued in connection with a business acquisition. These assets are reviewed at least annually for impairment, or more frequently if facts and circumstances warrant. We also utilized a fair value calculation to evaluate these assets.

See Notes 2 and 7 of the accompanying consolidated financial statements for further information on our goodwill and annual impairment analysis.

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 research and development ("R&D") tax credits, domestic manufacturing deduction, state taxes and the tax impact of non-U.S. operations. Our effective tax rate was 26.4%, 26.2%, and 27.0% for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

For 2014, we expect an effective income tax rate of approximately 28.0%, which excludes any potential R&D benefit. On January 2, 2013, the President of the United States signed legislation that retroactively extended the R&D tax credit for two years, from January 1, 2012 through December 31, 2013. Furthermore, the Company utilized the 2013 R&D credit in 2013. Accordingly, the Company recorded the entire benefit of the R&D tax credit attributable to 2012 during 2013. 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 or if the R&D credit is not extended in future years. 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.

Deferred tax assets and liabilities are determined based upon the differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In 2013, net deferred income tax assets decreased compared to 2012, primarily due to utilization of deferred tax assets of our Italian subsidiary. We maintained a total valuation allowance of $13.9 million and $13.5 million at December 31, 2013 and December 31, 2012, respectively, for deferred income tax assets due to uncertainties related to our ability to utilize these assets. Such deferred income tax assets consist of certain foreign tax credits, foreign deferred tax assets, state net operating losses, and state tax credits carried forward. The valuation allowance is based on estimates of taxable income in each of the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable. If market conditions improve and future results of operations exceed our current expectations, our existing tax valuation allowances may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realizable. Consequently, we may need to establish additional tax valuation allowances for all or a portion of the gross deferred tax assets, which may have a material adverse effect on our results of operations and financial condition. The Company has had a history of domestic and foreign taxable income, is able to avail itself of federal tax carryback provisions, has future taxable temporary differences and projects future domestic and foreign taxable income. We believe that after considering all of the available objective evidence, it is more likely than not that the results of future operations will generate sufficient taxable income to realize the remaining net deferred tax assets.

Except for the Company's Dutch subsidiary, undistributed earnings of foreign subsidiaries are generally considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been recorded. No provision is required for the undistributed earnings of the Dutch subsidiary.

It is the Company's policy to record estimated interest and penalties as income tax expense and tax credits as a reduction in income tax expense. The Company recognizes both interest and penalties as part of the income tax provision. As of December 31, 2013 and December 31, 2012, accrued interest and penalties were $0.7 million and $0.9 million, respectively.

As of December 31, 2013, the liability for uncertain income tax positions was $1.6 million excluding interest of $0.7 million. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with these liabilities, we are unable to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid.

Pension Benefits

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

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

As required in the recognition and disclosure provisions of ASC Topic 715, Compensation - Retirement Benefits, the Company recognizes the over-funded or under-funded status of defined benefit post-retirement plans in its balance sheet, measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for other post-retirement plans). The change in the funded status of the plan is recognized in the year in which the change occurs through other comprehensive income. These provisions also require plan assets and obligations to be measured as of the Company's balance sheet date. See Note 13 of the accompanying consolidated financial statements for further information on our benefit plans.

Assets of our qualified pension plan 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 shares of our common stock in the plan assets.

The expected long-term rate of return on plan assets used to estimate pension expenses was 7.00% for 2013 and 2012. For the qualified plan, the discount rate used to estimate the net pension expense was 4.70% for 2013 and 3.85% for 2012. For the nonqualified plan, the discount rate used to estimate the net pension expenses for 2013 was 4.30% and for 2012 was 3.35%.

Unrecognized actuarial gains and losses in excess of the 10% corridor (defined as the threshold above which gains or losses need to be amortized) are being recognized over approximately a twenty-six year period for the qualified plan, and a twenty year period for the nonqualified plan, which represents the weighted average expected remaining 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 plan assets.

The fair value of our defined benefit plans' assets at December 31, 2013 was less than the estimated projected benefit obligations. The fair value of plan assets increased $4.7 million to $38.3 million as of December 31, 2013. The Company's net pension liability decreased $9.6 million to $9.5 million as of December 31, 2013. See Note 13 of the accompanying consolidated financial statements for further information on our benefit plans.

During 2013, we made $1.6 million in cash contributions to our qualified defined benefit pension plan and $0.4 million of cash payments for our non-qualified supplemental plan. In 2014, we expect to make voluntary cash contributions of approximately $1.6 million to our qualified plan and $0.4 million in payments for our non-qualified plan, although global capital market and interest rate fluctuations and other future funding requirements may impact cash contribution amounts.

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 adversely affected and our cash flow available for other uses may be reduced.

Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

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 years ended December 31, 2013 and December 31, 2012:

	Year Ended				
	December 31, 2013		December 31, 2012		% Change
	(Dollars in thousands)				
Net revenues	$ 857,808	100.0%	$ 845,552	100.0%	1.4 %
Cost of revenues	590,207	68.8%	604,009	71.4%	(2.3)%
Gross profit	267,601	31.2%	241,543	28.6%	10.8 %
Selling, general and administrative expenses	182,954	21.3%	179,382	21.2%	2.0 %
Impairment charges	6,872	0.8%	10,348	1.2%	(33.6)%
Special charges, net	8,602	1.0%	5,282	0.6%	62.9 %
Operating income	69,173	8.1%	46,531	5.5%	48.7 %
Other expense:					
Interest expense, net	3,161	0.4%	4,259	0.5%	(25.8)%
Other expense, net	1,975	0.2%	513	0.1%	285.0 %
Total other expense	5,136	0.6%	4,772	0.6%	7.6 %
Income before income taxes	64,037	7.5%	41,759	4.9%	53.3 %
Provision for income taxes	16,916	2.0%	10,960	1.3%	54.3 %
Net income	$ 47,121	5.5%	$ 30,799	3.6%	53.0 %

Net Revenues

Net revenues for the year ended December 31, 2013 increased by $12.3 million, or 1%, to $857.8 million from $845.6 million for the year ended December 31, 2012. The change in net revenues for the year ended December 31, 2013 was attributable to the following:

	Year Ended				
Segment	December 31, 2013	December 31, 2012	Total Change	Operations	Foreign Exchange
			(Dollars In thousands)		
Energy	$ 660,970	$ 659,382	$ 1,588	$ (2,153)	$ 3,741
Aerospace & Defense	196,838	186,170	10,668	10,066	602
Total	$ 857,808	$ 845,552	$ 12,256	$ 7,913	$ 4,343

Our Energy segment accounted for 77% of net revenues for the year ended December 31, 2013 compared to 78% for the year ended December 31, 2012 with the Aerospace & Defense segment accounting for the remainder.

Energy segment revenues increased slightly, for the year ended December 31, 2013 compared to the same period in 2012. The increase was primarily driven by a favorable foreign currency impact of $3.7 million partially offset by organic declines. Organic revenue decreases of 4% in the North American short-cycle business driven in large part by lower rig counts year over year, were partially offset by increases in large international projects (4%). Increased shipments from our power group and instrumentation and sampling businesses were offset by lower shipments from our Brazilian business. Energy segment orders decreased $22.5 million (3%) to $691.7 million for the twelve months ended December 31, 2013 compared to $714.2 million for the same period in 2012, primarily due to lower North American short-cycle orders (4%) driven in large part by lower rig counts in North America and higher inventory levels at our distribution customers partially offset by higher orders from our instrumentation and sampling business (1%).

Aerospace & Defense segment revenues increased by $10.7 million (6%) for the year ended December 31, 2013 compared to the same period in 2012 primarily as a result of organic increases of $10.1 million plus favorable foreign currency fluctuations of $0.6 million. The organic increases were primarily due to higher sales across most of our businesses as we began delivering products for our new programs. Aerospace & Defense orders remained consistent at $189.6 million for the twelve months ended December 31, 2013 and the same period in 2012.

Operating Income (Loss)

The change in operating income (loss) for the year ended December 31, 2013 compared to the year ended December 31, 2012 was as follows:

Segment	Year Ended December 31, 2013	Year Ended December 31, 2012	Total Change	Operations	Foreign Exchange	Inventory Restructuring, Impairment, & Special Charges (1)
	(Dollars In thousands)					
Energy	$ 90,786	$ 67,761	$ 23,025	$ 19,264	$ 1,148	$ 2,613
Aerospace & Defense	6,177	4,774	1,403	2,063	(127)	(533)
Corporate	(27,790)	(26,004)	(1,786)	(3,376)	—	1,590
Total	$ 69,173	$ 46,531	$ 22,642	$ 17,951	$ 1,021	$ 3,670

Inventory restructuring, impairment, and special charges for the twelve months ended December 31, 2013 and December 31, 2012 were as follows:

Segment	Year Ended December 31, 2013	Inventory Restructuring*	Impairment Charges	Special Charges
	(in thousands)			
Energy	$ 2,518	$ 296	$ —	$ 2,222
Aerospace & Defense	12,459	351	6,872	5,236
Corporate	1,144	—	—	1,144
Total	$ 16,121	$ 647	$ 6,872	$ 8,602

Segment	Year Ended December 31, 2012	Inventory Restructuring*	Impairment Charges	Special Charges
	(in thousands)			
Energy	$ 5,131	$ 924	$ 2,156	$ 2,051
Aerospace & Defense	11,926	3,237	8,193	496
Corporate	2,734	—	—	2,734
Total	$ 19,791	$ 4,161	$ 10,349	$ 5,281

*** Inventory Restructuring charges are included in Cost of Revenues.**

Impairment Charges

During fourth quarter of 2013, in connection with a change to our organizational structure to simplify the way the Company is managed as well as other evolving business factors, we determined that certain Aerospace & Defense trade name intangible assets had no future usage and should be impaired. This resulted in an indefinite-lived intangible asset impairment charge during the year ended December 31, 2013 of $6.9 million.

During the year ended December 31, 2012 we recorded intangible asset impairment charges of $2.2 million and $8.2 million for the Energy and Aerospace & Defense segments, respectively. These impairment charges were primarily a result of restructuring activities at operations in Brazil and California.

See Note 7 to the consolidated financial statements for further information on impairment of intangible assets.

Special Charges / (Recoveries)

During the twelve months ended December 31, 2013 we incurred $8.6 million of special charges, net of recoveries. These charges of $5.4 million and $5.2 million for the Energy and Aerospace & Defense segments, respectively, were associated with restructuring actions that were announced in both 2013 and 2012. In addition we incurred $1.1 million of Corporate special compensation-related charges associated with the retirement of our former CFO. These special charges were offset by special recoveries associated with an arbitration recovery of $3.2 million in the Energy segment. For additional information on the special charges (recoveries) net, see note 4 of the accompanying consolidated financial statements.

During the twelve months ended December 31, 2012 we incurred $5.3 million in special charges; $2.5 million associated with our 2012 Announced Restructuring and $2.7 million associated with the separation of our former CEO.

Operating income increased 49%, or $22.6 million, to $69.2 million for the year ended December 31, 2013 compared to $46.5 million for the same period in 2012.

Operating income for our Energy segment increased $23.0 million, or 34%, to $90.8 million for the year ended December 31, 2013 compared to the same period in 2012. The increase in operating income was primarily driven by higher organic increases of $19.3 million, favorable foreign currency impacts of $1.1 million and lower inventory restructuring, impairment, and special charges of $2.6 million in 2013 compared to 2012. Operating margins improved 340 basis points to 13.7% on essentially flat revenue growth. Organic operating margins increased 280 basis points primarily driven by higher shipments and favorable pricing within our large international project business (approximately 290 basis points) and power businesses (approximately 90 basis points). These organic increases were partially offset by decreased revenue in the North American short cycle market (approximately 100 basis points) driven primarily by lower rig counts year over year.

Operating income for the Aerospace & Defense segment increased $1.4 million, or 29%, to $6.2 million for the year ended December 31, 2013 compared to the same period in 2012. Operating income improved primarily due to $2.1 million of operational improvements offset by higher inventory restructuring, impairment, and special charges of $0.5 million in 2013 compared to 2012. Organically operating income increased $1.0 million primarily due to increased shipments in our UK-based defense businesses, productivity from restructuring actions, partially offset by increased new program development and start- up costs and factory reorganization costs associated with landing gear production.

Corporate operating expenses increased $1.8 million, or 7%, to $27.8 million, for the year ended December 31, 2013 compared to the same period in 2012, primarily due to higher incentive and share based compensation and professional fees partially offset by lower special charges.

Interest Expense, Net

Interest expense, net, decreased $1.1 million to $3.2 million for the year ended 2013 compared to $4.3 million for the year ended December 31, 2012. This decrease in interest expense was primarily due to lower interest charges from lower international borrowings.

Other Expense, Net

Other expense, net, was $2.0 million for the year ended December 31, 2013 compared to $0.5 million in the same period of 2012 due largely as a result of unfavorable foreign exchange expenses associated with the remeasurement of foreign currency balances.

Provision for Income Taxes

The effective tax rate was 26.4% for the year ended December 31, 2013 compared to 26.2% for the same period of 2012. The primary driver of the lower 2012 tax rate was higher foreign source income which is taxed at a lower rate than U.S. income.

Net Income

Net income increased $16.3 million to $47.1 million for the year ended December 31, 2013, compared to $30.8 million for the same period in 2012.

Results of Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

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 years ended December 31, 2012 and December 31, 2011:

	Year Ended				
	December 31, 2012		December 31, 2011		% Change
	(Dollars in thousands)				
Net revenues	$ 845,552	100.0%	$ 822,349	100.0%	2.8 %
Cost of revenues	604,009	71.4%	596,954	72.6%	1.2 %
Gross profit	241,543	28.6%	225,395	27.4%	7.2 %
Selling, general and administrative expenses	179,382	21.2%	168,421	20.5%	6.5 %
Leslie asbestos and bankruptcy charges, net	—	0.0%	676	0.1%	N/A
Impairment charges	10,348	1.2%	—	0.0%	N/A
Special charges	5,282	0.6%	—	0.0%	N/A
Operating income	46,531	5.5%	56,298	6.8%	(17.3)%
Other expense:					
Interest expense, net	4,259	0.5%	3,930	0.5%	8.4 %
Other expense, net	513	0.1%	2,172	0.3%	(76.4)%
Total other expense	4,772	0.6%	6,102	0.7%	(21.8)%
Income before income taxes	41,759	4.9%	50,196	6.1%	(16.8)%
Provision for income taxes	10,960	1.3%	13,562	1.6%	(19.2)%
Net income	$ 30,799	3.6%	$ 36,634	4.5%	(15.9)%

Net Revenue

Net revenues for the year ended December 31, 2012 increased by $23.2 million, or 3%, to $845.6 million from $822.3 million for the year ended December 31, 2011. The change in net revenues for the year ended December 31, 2012 was attributable to the following:

	Year Ended					
Segment	December 31, 2012	December 31, 2011	Total Change	Acquisitions	Operations	Foreign Exchange
			(in thousands)			
Energy	$ 659,382	$ 620,682	$ 38,700	$ 1,525	$ 55,045	$ (17,870)
Aerospace & Defense	186,170	201,666	(15,496)	—	(11,661)	(3,835)
Total	$ 845,552	$ 822,348	$ 23,204	$ 1,525	$ 43,384	$ (21,705)

Our Energy segment accounted for 78% of net revenues for the year ended December 31, 2012 compared to 75% for the year ended December 31, 2011.

Energy segment revenues increased by $38.7 million, or 6%, for the year ended December 31, 2012 compared to the same period in 2011. The increase was primarily driven by $55 million (9%) of organic growth across most markets with large increases in the short-cycle North American market (6%), large international project shipments (2%), and Brazil (1%), partially offset by lower pipeline shipments (1%). In addition, this year over year increase was due to $1.5 million in additional revenue from the first quarter 2011 acquisition of Valvulas S.F. Industria e Comercio Ltda. (“SF Valves”) located in Brazil. Partially offsetting the increase was unfavorable foreign currency fluctuations of $17.9 million (3%). Orders for this segment increased $93.5 million to $714.2 million for the year ended December 31, 2012 compared to $620.6 million for the year ended December 31, 2011 primarily due to improvements in North American short-cycle orders and large international projects. Backlog for our Energy segment has increased $46.3 million to $266.0 million as of December 31, 2012 compared to $219.7 million as of December 31, 2011. The increases in backlog were primarily due to higher order levels within our large international project business.

Aerospace & Defense segment revenues decreased by $15.5 million (8%) for the year ended December 31, 2012 compared to the same period in 2011. The decrease was primarily due to a net organic decline of $11.7 million (6%), primarily due to lower shipments to Light Emitting Diode ("LED") equipment producers (11%), offset by growth across most other Aerospace & Defense businesses with the exception of landing gear programs. Orders for this segment decreased $38.4 million to $189.6 million for the year ended December 31, 2012 compared to $227.9 million for the year ended December 31, 2011 primarily due to a $26.0 million multi-year military landing gear order placed in the third quarter of 2011 and lower LED orders. Order backlog increased $0.9 million to $181.1 million as of December 31, 2012 compared to $177.8 million as of December 31, 2011 primarily due to higher European commercial bookings, partially offset by landing gear overhaul decline as we exited this part of the business as part of our restructuring activities.

Operating Income

The change in operating income for the year ended December 31, 2012 compared to the year ended December 31, 2011 was as follows:

	Year Ended							
Segment	December 31, 2012	December 31, 2011	Total Change	Acquisitions	Operations	Foreign Exchange	Inventory Restructuring, Impairment, & Special Charges (1)	Leslie Asbestos
			(Dollars In thousands)					
Energy	$ 67,761	$ 51,509	$ 16,252	$ (398)	$ 20,794	$ 380	$ (5,132)	$ 608
Aerospace & Defense	4,774	22,816	(18,042)	—	(5,872)	(245)	(11,925)	—
Corporate	(26,004)	(18,027)	(7,977)	—	(5,319)	10	(2,734)	68
Total	$ 46,531	$ 56,298	$ (9,767)	$ (398)	$ 9,603	$ 145	$ (19,791)	$ 676

The inventory restructuring, impairment, and special charges for the twelve months ended December 31, 2012 were as follows; there were no inventory restructuring, impairment, or special charges recorded in 2011:

	Year Ended			
Segment	December 31, 2012	Inventory Restructuring*	Impairment Charges	Special Charges
		(in thousands)		
Energy	$ 5,132	$ 925	$ 2,156	$ 2,051
Aerospace & Defense	11,925	3,237	8,192	496
Corporate	2,734	—	—	2,734
Total	$ 19,791	$ 4,162	$ 10,348	$ 5,281

*** Inventory Restructuring charges are included in Cost of Revenues.**

Leslie Asbestos and Bankruptcy Related Charges, Net

Asbestos and bankruptcy related charges are primarily associated with our subsidiary Leslie Controls, Inc. (“Leslie”) in the Energy segment. There were no ongoing costs associated with Leslie’s asbestos litigation for the year ended December 31, 2012. The $0.7 million bankruptcy related charges for the year ended December 31, 2011 was comprised of bankruptcy related professional fees.

On April 28, 2011, Leslie emerged from Chapter 11 bankruptcy protection. Under the terms of the bankruptcy plan, all current and future asbestos related claims against Leslie, as well as all current and future derivative claims against CIRCOR, are now permanently channeled to a trust for which Leslie bears no further financial liability. See “Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the Fiscal Year ended December 31, 2012 for additional information.

Impairment Charges

Intangible impairment charges of $2.2 million and $8.2 million were recorded during the year ended December 31, 2012 in our Energy and Aerospace segments, respectively. The impairment charges were primarily the result of restructuring activities at operations in Brazil and California. We did not record any impairment charges during the year ended December 31, 2011. For additional information on the impairment charges, see Note 7 of the accompanying consolidated financial statements.

Special Charges

Special charges associated with restructuring actions of $2.0 million and $0.5 million were recorded during the year ended December 31, 2012 in our Energy and Aerospace & Defense segments, respectively. We also recorded $2.7 million of CEO separation costs as special charges in Corporate expenses during the year ended December 31, 2012. We did not record any special charges during the year ended December 31, 2011. For additional information on the special charges, see Note 4 of the accompanying consolidated financial statements.

Operating income decreased 17%, or $9.8 million, to $46.5 million for the year ended December 31, 2012 compared to $56.3 million for the same period in 2011.

Operating income for our Energy segment increased $16.3 million (32%) to $67.8 million for the year ended December 31, 2012 compared to the same period in 2011. Operating margins increased 200 basis points to 10.3% on a revenue increase of 6%, compared to 2011. The increase in operating income was primarily driven by improved pricing and favorable penalty reserve adjustments with respect to large international projects, increased revenue primarily in the North American short-cycle market, and foreign exchange. These items were partially offset by organic increases in selling, general and administrative expenses and restructuring related charges at our Brazil operations of $5.1 million.

Operating income for the Aerospace & Defense segment decreased $18.0 million (79%) to $4.8 million for the year ended December 31, 2012 compared to the same period in 2011. Operating income declined due to impairment charges and other restructuring related costs of $11.9 million at our California operations as well as inefficiencies at our California operations and higher costs supporting new programs, including initial production-related variances, totaling $6.7 million. In addition, operating income was negatively impacted by lower LED equipment market revenue (11%) partially offset by higher shipment volume across the other Aerospace & Defense businesses.

Corporate operating expenses increased $8.0 million (44%) to $26.0 million, for the year ended December 31, 2012 compared to the same period in 2011, largely due to CEO separation costs of $2.7 million, a favorable settlement of a long-standing litigation matter recognized as income in the third quarter of 2011 as well as higher professional fees and variable compensation for the year ended December 31, 2012.

Interest Expense, Net

Net interest expense increased $0.3 million to $4.3 million for the year ended 2012 compared to $3.9 million for the year ended 2011. This increase in interest expense was primarily due to higher interest charges from higher international borrowings.

Other Expense, Net

Other expense, net, was $0.5 million for the year ended December 31, 2012 compared to $2.2 million in the same period of 2011. The difference of $1.7 million was largely the result of lower foreign exchange expenses associated with the remeasurement of foreign currency balances.

Provision for Income Taxes

The effective tax rate was 26.2% for the year ended December 31, 2012 compared to 27.0% for the same period of 2011. The primary driver of the higher 2011 tax rate was higher U.S. income which is taxed at a higher rate than foreign source income.

Net Income

Net income decreased $5.8 million to $30.8 million for the year ended December 31, 2012, compared to $36.6 million for the same period in 2011. The decrease was primarily due to the restructuring activities that resulted in restructuring inventory charges of $4.2 million, impairment charges of $10.3 million, and special charges of $5.3 million. These 2012 inventory restructuring, impairment, and special charges were partially offset primarily by higher Energy segment operating income.

Liquidity and Capital Resources

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

The following table summarizes our cash flow activities for the twelve month periods indicated (in thousands):

	2013	2012	2011
Cash flow provided by (used in):			
Operating activities	$ 72,206	$ 60,523	$ (48,833)
Investing activities	(13,264)	(17,629)	(38,005)
Financing activities	(19,235)	(37,408)	97,052
Effect of exchange rates on cash balances	735	1,397	(1,111)
Increase in cash and cash equivalents	$ 40,442	$ 6,883	$ 9,103

During the year ended December 31, 2013, we generated $72.2 million in cash flow from operating activities compared to $60.5 million during the twelve months ended December 31, 2012. The $11.7 million increase in cash generated from operating activities was primarily due to a $16.3 million increase in net income and $6.6 million decrease in deferred taxes primarily due to utilization of deferred tax assets of our Italian subsidiary. These increases were partially offset by lower 2013 intangible impairment charges of $3.5 million, a 2013 gain on return of acquisition price of $3.4 million, and an increase of $2.9 million used for operating assets and liabilities. During the twelve months ended December 31, 2013 we used approximately $7.2 million in cash from operating assets and liabilities compared to using $4.3 million during the same period in 2012.

During the year ended December 31, 2013, we used $13.3 million for investing activities as compared to $17.6 million during the twelve months ended December 31, 2012. The reduction of cash used for investing activities was directly related to the $3.4 million return of acquisition price. Financing activities used $19.2 million during the year ended December 31, 2013, which included a net $19.7 million of repayment of borrowings and $2.7 million in dividend payments to shareholders, partially offset by stock option exercise proceeds and tax effect of share-based compensation of $3.1 million.

As of December 31, 2013, total debt was $49.6 million compared to $70.5 million at December 31, 2012 due to repayments on existing borrowings including our credit facility. Total debt as a percentage of total shareholders’ equity was 10.4% as of December 31, 2013 compared to 16.9% as of December 31, 2012.

On May 2, 2011, we entered into a five year unsecured credit agreement (“2011 Credit Agreement”) that provides for a $300.0 million revolving line of credit. The 2011 Credit Agreement includes a $150.0 million accordion feature for a maximum facility size of $450.0 million. The 2011 Credit Agreement also allows for additional indebtedness not to exceed $80 million. We anticipate borrowing under the 2011 Credit Agreement to fund potential acquisitions, to support our organic growth initiatives and working capital needs, and for general corporate purposes. As of December 31, 2013, we had borrowings of $41.8 million outstanding under our credit facility and $42.4 million outstanding under letters of credit.

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

The ratio of current assets to current liabilities was 2.84:1 at December 31, 2013 compared to 2.43:1 at December 31, 2012. The increase in the current ratio was primarily due to increases in cash due to increased revenues year over year and reductions in accounts payable and other accrued expenses compared to December 31, 2012. As of December 31, 2013, cash and cash equivalents totaled $102.2 million, substantially all of which was held in foreign bank accounts. This compares to $61.7 million of cash and cash equivalents as of December 31, 2012 substantially all of which was held in foreign bank accounts. The cash and cash equivalents located at our foreign subsidiaries may not be repatriated to the United States or other jurisdictions without significant tax implications. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and in addition we may utilize our 2011 Credit Facility for U.S. based subsidiary cash needs. As a result, we believe that we will not need to repatriate cash from our foreign subsidiaries with earnings that are indefinitely reinvested.

In 2014, we expect to generate positive cash flow from operating activities sufficient to support our capital expenditures and pay dividends of approximately $2.7 million based on our current dividend practice of paying $0.15 per share annually. Based on our expected cash flows from operations and contractually available borrowings under our credit facility, we expect to have sufficient liquidity to fund working capital needs and future growth. We continue to search for strategic acquisitions; a larger acquisition may require additional borrowings and/or the issuance of our common stock.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2013 that affect our liquidity:

	Payments due by Period				
	Total	**Less Than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**More than 5 years**
Contractual Cash Obligations:			(in thousands)		
Current portion of long-term debt	$ 7,203	$ 7,203	$ —	$ —	$ —
Total short-term borrowings	7,203	7,203	—	—	—
Long-term debt, less current portion	42,435	—	44 42,329	106	—
Interest payments on debt	4,065	1,769	2,293	3	—
Operating leases	26,330	6,595	10,522	5,629	3,584
Total contractual cash obligations	$ 80,033	$ 15,567	$ 55,144	$ 5,738	$ 3,584
Other Commercial Commitments:					
U.S. standby letters of credit	$ 2,722	$ 2,146	$ 576	$ 0	$ 0
International standby letters of credit	39,690	29,295	6,953	2,110	1,332
Commercial contract commitments	93,622	75,949	17,654	19	—
Total commercial commitments	$ 136,034	$ 107,390	$ 25,183	$ 2,129	$ 1,332

The interest on certain of our other debt balances, with scheduled repayment dates between 2013 and 2017 and interest rates ranging between 1.42% and 15.92%, have been included in the "Interest payments on debt" line within the Contractual Cash Obligations schedule. The most significant of our debt balances is the $41.8 million in outstanding borrowings under the 2011 Credit Agreement. Interest associated with this outstanding balance ranges from 1.42% to 3.75% as well as other fees. Capital lease obligations of $0.2 million and $0.2 million are included in the “Current portion of long-term debt” and “Long-term debt, less current portion” line items, respectively.

The most significant of our commercial contract commitments relate to approximately $92.1 million of commitments related to open purchase orders, $16.8 million of which extend to 2015 and beyond. The remaining $1.5 million in commitments primarily relate to loan commitment fees and employment agreements.

In 2013 and 2012, we contributed $1.6 million to our qualified defined benefit pension plan in addition to $0.4 million in payments to our non-qualified supplemental plan each year. In 2014, we expect to make plan contributions totaling $2.0 million, consisting of $1.6 million in contributions to our qualified plan and payments of $0.4 million for our non-qualified plan. 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. We anticipate fulfilling these commitments through our generation of cash flow from operations.

Off-Balance Sheet Arrangements

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

New Accounting Standards

None.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

The Oil & 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 & Gas markets, the general industrial, chemical processing, aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand. These fluctuations may have a material adverse effect on our business, financial condition or results of operations.

Foreign Currency Exchange Risk

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

As of December 31, 2013, we had fourteen forward contracts with amounts as follows (in thousands):

Currency	Number	Contract Amount	
U.S. Dollar/Euro	9	3,104	U.S. Dollars
Brazilian Real/Euro	5	—	Brazilian Reals

This compares to twelve forward contracts as of December 31, 2012. The fair value asset of the derivative forward contracts as of December 31, 2013 and December 31, 2012 was approximately $0.1 million and $0.5 million, respectively and is included in prepaid expenses and other current assets on our balance sheet. The unrealized foreign exchange gains or losses for the year ended December 31, 2013, 2012 and 2011 are less than $0.5 million for each year and are included in other income or expense in our consolidated statements of income.

We have determined that the majority of the inputs used to value our foreign currency forward contracts fall within Level 2 of the fair value hierarchy, found under ASC Topic 820.1, Fair Value Measurement. The credit valuation adjustments, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties are Level 3 inputs. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our foreign currency forward contracts and determined that the credit valuation adjustments are not significant to the overall valuation. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and the accompanying notes related thereto included in this annual report on Form 10-K are hereby incorporated by reference herein.

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 amended) 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 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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2013 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 in 1992. 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, 2013.

Our internal control over financial reporting as of December 31, 2013 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B. Other Information.

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2013.

Item 11. Executive Compensation.

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2013.

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

Except for the information required by Section 201(d) of Regulation S-K which is set forth below, the information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2013.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights			Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)			(b)	(c)
Equity Compensation plans approved by security holders	275,153	(1)	$	35.51	456,857
Inducement Award for New President and CEO	200,000	(2)		41.17	N/A
Inducement Awards for New Executive VP and CFO	118,908	(3)		79.33	N/A
Total	594,061		$	46.19	456,857

(1) Reflects 55,081 stock options, and 220,072 restricted stock units under the Company's Amended and Restated 1999 Stock Option and Incentive Plan.

(2) Reflects stock options issued as an inducement equity award our CEO on April 9, 2013. This award was granted pursuant to the inducement award exemption under Section 303A.08 of the NYSE Listed Company Manual. Details of this grant, including vesting terms, are set forth in Footnote 11, Share-Based Compensation.

(3) Reflects 100,000 stock options and 18,908 restricted stock units issued to our CFO on December 2, 2013. These awards were granted pursuant to the inducement award exemption under Section 303A.08 of the NYSE Listed Company Manual. Details of these grants are set forth in Footnote 11, Share-Based Compensation.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2013.

Item 14. Principal Accounting Fees and Services.

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2013.

Part IV

Item 15. Exhibits, 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

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

(a)(3) Exhibits

Exhibit

No.	Description and Location
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

2.1	Distribution Agreement by and 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 Form 10-12B, File No. 000-26961 (“Form 10”), filed with the Securities and Exchange Commission on October 6, 1999
3	Articles of Incorporation and By-Laws:
3.1	Amended and Restated Certificate of Incorporation of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.’s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009
3.2	Amended and Restated By-Laws, as amended, of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.’s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 31, 2013
10	Material Contracts:
10.1§	CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 4.4 to CIRCOR International, Inc.’s Form S-8, File No. 333-125237, filed with the Securities and Exchange Commission on May 25, 2005
10.2§	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 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on December 7, 2005
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 Independent Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.5 to 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 10.1 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005
10.6§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005
10.7§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Three Year Cliff Vesting), is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2010
10.8§	Form of Restricted Stock Unit Agreement for Employees and Directors under the 1999 Stock Option and Incentive Plan (Three Year Annual Vesting), is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2010
10.9§	Form of Restricted Stock Unit Agreement for Employees and Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005.
10.10§	CIRCOR International, Inc. Management Stock Purchase Plan, is incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Form 10
10.11§	Form of CIRCOR International, Inc. Supplemental Employee Retirement Plan, is incorporated herein by reference to Exhibit 10.7 to Amendment No. 1 to the Form 10
10.12§	Credit Agreement among CIRCOR International, Inc., as borrower, certain subsidiaries of CIRCOR International, Inc. as guarantors, the lenders from time to time parties thereto, Suntrust Bank as administrative agent, swing line lender and letter of credit issuer, Suntrust Robinson Humphrey, Inc. as joint-lead arranger and joint-bookrunner, Keybank National Association as joint-lead arranger, joint-book runner and syndication agent, and Sovereign Bank as documentation agent, dated May 2, 2011, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2011
10.13§	Form of Indemnification Agreement by and between CIRCOR International, Inc. and its Officers and Directors, dated November 6, 2002, is incorporated herein by reference to Exhibit 10.12 to CIRCOR International, Inc.’s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2003

10.14§	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 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on September 20, 2005
10.15	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.44 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009

10.16§	Second Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated November 4, 2010, is incorporated 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 November 5, 2010
10.17§	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 to CIRCOR International, Inc.'s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 9, 2001
10.18§	First Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated December 7, 2001, is incorporated herein by reference to Exhibit 10.30 to CIRCOR International, Inc.'s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 15, 2002
10.19§	Executive Change of Control Agreement between Hoke, Inc. and Wayne F. Robbins, dated March 21, 2006, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 24, 2006
10.20§	Amendment to Executive Change of Control Agreement between CIRCOR Instrumentation Technologies, Inc. and Wayne F. Robbins, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.38 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.21§	Second Amendment to Executive Change of Control Agreement between CIRCOR Instrumentation Technologies, Inc. and Wayne F. Robbins, dated November 4, 2010, is incorporated by reference to Exhibit 10.7 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.22§	Second Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.41 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.23§	Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated September 1, 2009, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009
10.24§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated November 4, 2010, is incorporated by reference to Exhibit 10.8 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.25§	Executive Change of Control Agreement between CIRCOR, Inc. and Michael Ross Dill, dated August 2, 2011, is incorporated by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on November 3, 2011
10.26§	Executive Change of Control Agreement between CIRCOR, Inc. and Lisa Ryan, dated November 29, 2012, is incorporated by reference to Exhibit 10.39 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 28, 2013
10.27§	Restricted Stock Unit Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.28§	Performance-Based Restricted Stock Unit Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.29§	Stock Option Inducement Award Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.30§	Severance Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.4 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.31§	Executive Change of Control Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, 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 April 15, 2013

10.32§	Third Amendment to Executive Change of Control Agreement, dated as of November 4, 2010, between CIRCOR, Inc. and Alan J. Glass, is incorporated herein by reference to Exhibit 10.4 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.33§	Form of Retention Agreement entered into between the Company and the Following Individuals: Wayne Robbins, Alan Glass, Lisa Ryan, Brian Young, Arjun Sharma, Michael Dill, Mahesh Joshi, and John F. Kober, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on August 1, 2013
10.34§	Agreement, dated as of July 31, 2013, between Circor International, Inc. and Frederic M. Burditt, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 31, 2013

10.35§*	Inducement Restricted Stock Unit Agreement, dated as of December 2, 2013, between CIRCOR International, Inc. and Rajeev Bhalla
10.36§*	Stock Option Inducement Award Agreement, dated as of December 2, 2013, between CIRCOR International, Inc. and Rajeev Bhalla
10.37§*	Severance Agreement, dated as of December 2, 2013, between CIRCOR International, Inc. and Rajeev Bhalla
10.38§*	Executive Change of Control Agreement, dated as of December 2, 2013, between CIRCOR International, Inc. and Rajeev Bhalla
21*	Schedule of Subsidiaries of CIRCOR International, Inc.
23.1*	Consent of Grant Thornton 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
101	The following financial statements from CIRCOR International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on February 27, 2014, formatted in XBRL (eXtensible Business Reporting Language), as follows:
(i)	Consolidated Balance Sheets as of December 31, 2013 and 2012
(ii)	Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011
(iii)	Statements of Consolidated Comprehensive Income for the years ended December 31, 2012, 2011 and 2010
(iv)	Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011
(v)	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011
(vi)	Notes to the Consolidated Financial Statements

* Filed with this report.

** Furnished with this report.

§ Indicates management contract or compensatory plan or arrangement.

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

Date: February 27, 2014

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/ Scott A. Buckhout Scott A. Buckhout	President and Chief Executive Officer (Principal Executive Officer)	February 27, 2014
/s/ Rajeev Bhalla Rajeev Bhalla	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 27, 2014
/s/ John F. Kober John F. Kober	Vice President, Corporate Controller and Treasurer (Principal Accounting Officer)	February 27, 2014
/s/ David F. Dietz David F. Dietz	Chairman of the Board of Directors	February 27, 2014
/s/ Jerome D. Brady Jerome D. Brady	Director	February 27, 2014
/s/ Douglas M. Hayes Douglas M. Hayes	Director	February 27, 2014
/s/ Norman E. Johnson Norman E. Johnson	Director	February 27, 2014
/s/ John A. O'Donnell John A. O’Donnell	Director	February 27, 2014
/s/ Peter M. Wilver Peter M. Wilver	Director	February 27, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of CIRCOR International, Inc.:

We have audited the accompanying consolidated balance sheets of CIRCOR International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 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. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. 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 Company's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2014 expressed an unqualified opinion.

/s/ Grant Thornton LLP

Boston, Massachusetts
February 27, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of CIRCOR International, Inc.:

We have audited the internal control over financial reporting of CIRCOR International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in the 1992 *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, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Boston, Massachusetts
February 27, 2014

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

	December 31,	
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 102,180	$ 61,738
Short-term investments	95	101
Trade accounts receivable, less allowance for doubtful accounts of $2,449 and $1,706, respectively	144,742	150,825
Inventories, net	199,404	198,005
Prepaid expenses and other current assets	19,815	17,052
Deferred income tax asset	17,686	15,505
Total Current Assets	483,922	443,226
PROPERTY, PLANT AND EQUIPMENT, NET	107,724	105,903
OTHER ASSETS:		
Goodwill	75,876	77,428
Intangibles, net	35,656	45,157
Deferred income tax asset	18,579	30,064
Other assets	4,893	8,203
TOTAL ASSETS	$ 726,650	$ 709,981
LIABILITIES AND SHAREHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 70,589	$ 80,361
Accrued expenses and other current liabilities	57,507	67,235
Accrued compensation and benefits	31,289	26,540
Income taxes payable	3,965	393
Notes payable and current portion of long-term debt	7,203	7,755
Total Current Liabilities	170,553	182,284
LONG-TERM DEBT, NET OF CURRENT PORTION	42,435	62,729
DEFERRED INCOME TAXES	9,666	10,744
OTHER NON-CURRENT LIABILITIES	27,109	35,977
SHAREHOLDERS’ EQUITY:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 29,000,000 shares authorized; 17,610,526 and 17,445,687 shares issued and outstanding at December 31, 2013 and 2012, respectively	176	174
Additional paid-in capital	269,884	262,744

Retained earnings	202,930	158,509
Accumulated other comprehensive gain (loss), net of taxes	3,897	(3,180)
Total Shareholders’ Equity	476,887	418,247
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 726,650	$ 709,981

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

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

	Year Ended December 31,		
	2013	2012	2011
Net revenues	$ 857,808	$ 845,552	$ 822,349
Cost of revenues	590,207	604,009	596,954
GROSS PROFIT	267,601	241,543	225,395
Selling, general and administrative expenses	182,954	179,382	168,421
Leslie asbestos and bankruptcy charges	—	—	676
Impairment charges	6,872	10,348	—
Special charges, net	8,602	5,282	—
OPERATING INCOME	69,173	46,531	56,298
Other (income) expense:			
Interest expense, net	3,161	4,259	3,930
Other expense, net	1,975	513	2,172
TOTAL OTHER EXPENSE	5,136	4,772	6,102
INCOME BEFORE INCOME TAXES	64,037	41,759	50,196
Provision for income taxes	16,916	10,960	13,562
NET INCOME	$ 47,121	$ 30,799	$ 36,634
Earnings per common share:			
Basic	$ 2.68	$ 1.77	$ 2.12
Diluted	$ 2.67	$ 1.76	$ 2.10
Weighted average common shares outstanding:			
Basic	17,564	17,405	17,240
Diluted	17,629	17,452	17,417
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.
Statements of Consolidated Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2013	2012	2011
Net income	$ 47,121	$ 30,799	$ 36,634
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	2,147	3,924	(5,639)
Other changes in plan assets - amortization of actuarial gains (losses) (1)	4,456	(2,826)	(5,349)
Net periodic pension costs amortization (loss) gain (2)	474	391	212
Other comprehensive income (loss)	7,077	1,490	(10,776)
COMPREHENSIVE INCOME	54,198	32,289	25,858

(1) Net of an income tax effect of $2.7 million, $(1.7) million and $(3.3) million for the years ended December 31, 2013, 2012 and 2011, respectively.

(2) Net of an income tax effect of $0.3 million, $0.2 million and $0.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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,		
	2013	2012	2011
OPERATING ACTIVITIES			
Net income	$ 47,121	$ 30,799	$ 36,634
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	16,034	15,732	15,085
Amortization	3,039	3,596	4,351
Intangible impairment charges	6,872	10,348	—
Payment provision for Leslie bankruptcy settlement	—	(1,000)	(76,625)
Compensation expense of stock-based plans	5,056	4,374	3,807
Tax effect of share-based compensation	(732)	642	(673)
Deferred income taxes	5,778	(832)	307
(Gain) loss on disposal of property, plant and equipment	(322)	1,135	(69)
Gain on return of acquisition purchase price	(3,400)	—	—
Changes in operating assets and liabilities:			
Trade accounts receivable, net	8,203	7,063	(17,862)
Inventories, net	(311)	6,592	(38,588)
Prepaid expenses and other assets	160	(2,422)	(22,918)
Accounts payable, accrued expenses and other liabilities	(15,292)	(15,504)	47,718
Net cash provided by (used in) operating activities	72,206	60,523	(48,833)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(17,328)	(18,170)	(17,901)
Proceeds from the sale of property, plant and equipment	664	541	117
Business acquisitions, return of purchase price	3,400	—	—
Business acquisitions, net of cash acquired	—	—	(20,221)
Net cash used in investing activities	(13,264)	(17,629)	(38,005)
FINANCING ACTIVITIES			
Proceeds from long-term debt	146,578	186,409	279,346
Payments of long-term debt	(166,239)	(220,918)	(178,905)
Debt issuance costs	—	—	(2,001)
Dividends paid	(2,700)	(2,663)	(2,650)
Proceeds from the exercise of stock options	2,394	406	589
Tax effect of share-based compensation	732	(642)	673
Net cash (used in) provided by financing activities	(19,235)	(37,408)	97,052

Effect of exchange rate changes on cash and cash equivalents	735	1,397	(1,111)
INCREASE IN CASH AND CASH EQUIVALENTS	40,442	6,883	9,103
Cash and cash equivalents at beginning of year	61,738	54,855	45,752
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 102,180	$ 61,738	$ 54,855
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$ 8,143	$ 16,699	$ 7,352
Interest	$ 3,254	$ 3,140	$ 4,646

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, 2010	17,113	$ 171	$ 254,154	$ 96,389	$ 6,106	$ 356,820
Net income				36,634		36,634
Other comprehensive loss, net of tax					(10,776)	(10,776)
Common stock dividends paid				(2,650)		(2,650)
Stock options exercised	33		589			589
Excess tax benefit from share-based compensation			673			673
Conversion of restricted stock units	122	2	(1,014)			(1,012)
Share-based compensation			3,807			3,807
BALANCE AT DECEMBER 31, 2011	17,268	$ 173	$ 258,209	$ 130,373	$ (4,670)	$ 384,085
Net income				30,799		30,799
Other comprehensive loss, net of tax					1,490	1,490
Common stock dividends paid				(2,663)		(2,663)
Stock options exercised	24		406			406
Tax effect from share-based compensation			642			642
Conversion of restricted stock units	154	1	(887)			(886)
Share-based compensation			4,374			4,374
BALANCE AT DECEMBER 31, 2012	17,446	$ 174	$ 262,744	$ 158,509	$ (3,180)	$ 418,247
Net income				47,121		47,121
Other comprehensive income, net of tax					7,077	7,077
Common stock dividends paid				(2,700)		(2,700)
Stock options exercised	83	1	2,393			2,394

Excess tax benefit from share-based compensation			732			732
Conversion of restricted stock units	82	1	(1,041)			(1,040)
Share-based compensation			5,056			5,056
BALANCE AT DECEMBER 31, 2013	17,611	$ 176	$ 269,884	$ 202,930	$ 3,897	$ 476,887

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

(1) Description of Business

CIRCOR International, Inc. ("CIRCOR" or the "Company" or "we") designs, manufactures and distributes a broad array of valves and related fluid-control products and certain 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 20 major manufacturing facilities that are located in the United States, Western Europe, Morocco, Brazil, India and the People's Republic of China.

We have organized our business segment reporting structure into two segments: Energy and Aerospace & Defense:

Our *Energy Segment*—is a global provider of integrated flow control solutions in the expanding and evolving Oil & Gas industries, specializing in highly engineered valves and pipeline products and services. We are focused on satisfying our customers' mission-critical application needs by utilizing advanced technologies that can withstand extreme temperatures and pressures, from land-based to sub-sea and in between. Energy is growing its product offering in the severe service sector, which includes applications such as process control, oil sands, pressure control, mainline pipeline, power steam generation systems and process systems.

Our *Aerospace & Defense Segment*—is a growing industry leader with primary focus areas of fluid controls, actuation systems, landing gear systems, pneumatic controls and electro-mechanical controls. Aerospace & Defense sub-systems, components and products are flying on most commercial and military aircraft, including single and twin-aisle air transport, business and regional jets, military transports and fighters, and commercial and military rotorcraft. Other markets include unmanned aircraft, shipboard applications, military ground vehicles and space.

(2) Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of CIRCOR and its subsidiaries. The results of companies acquired during the year (if any) 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 acquisition accounting, inventory valuation, depreciation, share-based compensation, amortization and impairment of long-lived assets, pension obligations, income taxes, penalty accruals for late shipments, asset valuations, 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 materially from those estimates.

Fair Value

Financial Accounting Standards Board ("FASB") ASC Topic 820, Fair Value Measurement, defines fair value and includes a framework for measuring fair value and disclosing fair value measurements in financial statements. Fair value is a market-based measurement rather than an entity-specific measurement. The fair value hierarchy makes a distinction between assumptions developed based on market data obtained from independent sources (observable inputs) and the reporting entity's own assumptions (unobservable inputs). This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). We utilize fair value measurements for forward currency contracts, guarantee and indemnification obligations, pension plan assets, and certain intangible assets.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, no significant post delivery obligations remain, the price to the buyers is fixed or determinable and collection of the resulting receivable is reasonably assured. We have limited long-term arrangements, representing less than 1% of our revenue, requiring delivery of products or services over extended periods of time and revenue and profits on certain of these arrangements are recognized in accordance with the percentage of completion method of accounting. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues.

Cost of Revenue

Cost of revenue primarily reflects the costs of manufacturing and preparing products for sale and, to a much lesser extent, the costs of performing services. Cost of revenue is primarily comprised of the cost of materials, inbound freight, production, direct labor and overhead, which are expenses that directly result from the level of production activity at the manufacturing plant. Additional expenses that directly result from the level of production activity at the manufacturing plant include: purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, utility expenses, property taxes, depreciation of production building and equipment assets, salaries and benefits paid to plant manufacturing management and maintenance supplies.

Cash, Cash Equivalents, and Short-term Investments

Cash and cash equivalents consist of amounts on deposit in checking and savings accounts with banks and other financial institutions. In 2013 and 2012, short-term investments primarily consist of guaranteed investment certificates. As of December 31, 2013, cash and cash equivalents totaled $102.2 million, substantially all of which was held in foreign bank accounts. This compares to $61.7 million of cash and cash equivalents as of December 31, 2012, of which substantially all was held in foreign bank accounts. Short-term investments as of December 31, 2013 and 2012 totaled $0.1 million, all of which is held in foreign bank accounts.

Inventories

Inventories are stated 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 cost. Estimates for obsolescence or slow moving inventory are maintained based on current economic conditions, historical sales quantities and patterns and, in some cases, the risk of loss on specifically identified inventories. Such inventories are recorded at estimated realizable value net of the cost of disposal.

Penalty Accruals

Certain customer agreements, primarily in our project related businesses and large aerospace programs, contain late shipment penalty clauses whereby we are contractually obligated to pay consideration to our customers if we do not meet specified shipment dates. The accrual for estimated penalties is shown as a reduction of revenue and is based on several factors including historical customer settlement experience and management’s assessment of specific shipment delay information. Accruals related to these potential late shipment penalties as of December 31, 2013 and 2012 were $10.3 million and $8.6 million, respectively. As we conclude performance under these agreements, the actual amount of consideration paid to our customers may vary from the amounts we currently have accrued.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the assets, which typically range from 3 to 50 years for buildings and improvements, 3 to 10 years for manufacturing machinery and equipment, computer equipment and software, and furniture and fixtures. Motor vehicles are depreciated over a range of 2 to 6 years. 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.

The Company reports depreciation of property, plant and equipment in cost of revenue and selling, general and administrative expenses based on the nature of the underlying assets. Depreciation primarily related to the production of inventory is recorded in cost of revenue. Depreciation related to selling and administrative functions is reported in selling, general and administrative expenses.

Business Acquisitions

ASC Topic 805, Business Combinations, provides guidance regarding business combinations and requires acquisition-date fair value measurement of identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree. For more detailed information, refer to Note 3, Business Acquisitions.

Goodwill and Intangible Assets

In accordance with ASC 350, Intangibles-Goodwill and Other, we utilize each of our operating segments as our goodwill reporting units as we have discrete financial information that is regularly reviewed by operating segment management and the businesses within each segment have similar economic characteristics. For the year-ended December 31, 2013, the Company's two reporting units were Energy and Aerospace & Defense with respective goodwill balances of $52.9 million and $22.9 million.

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. Goodwill and intangible assets are recorded at cost; intangible assets with definitive lives are amortized over their useful lives. For goodwill and intangible assets with indefinite lives, we perform an impairment assessment at the reporting unit level on an annual basis as of the end of our October month end or more frequently if circumstances warrant. Our annual impairment assessment is a two-step process. The first step requires a comparison of the implied fair value of each of our reporting units to the respective carrying value. If the carrying value of a reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step of the evaluation must be performed. In the second step, the potential impairment is calculated by comparing the implied fair value of the reporting unit's goodwill with the carrying value of the goodwill. If the carrying value of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss will be recognized for the excess.

Determining the fair value of a reporting unit is subjective and requires the use of significant estimates and assumptions. With the assistance of an independent third-party appraisal firm, we estimate the fair value of our reporting units using an income approach based on the present value of future cash flows. We believe this approach yields the most appropriate evidence of fair value. We also utilize the comparable company multiples method and market transaction fair value method to validate the fair value amount we obtain using the income approach. The key assumptions utilized in our discounted cash flow model include our estimates of future cash flows from operating activities offset by estimated capital expenditures of the reporting unit, the estimated terminal value for each reporting unit, a discount rate based on a weighted average cost of capital, overall economic conditions, and our assessment of our current market capitalization. Any unfavorable material changes to these key assumptions could potentially impact our fair value determinations. As discussed elsewhere in this Form 10-K regarding risks and other factors that may cause our results to vary materially, some of our end markets are cyclical and we face significant competition. As such, we may experience fluctuations in revenues and operating results resulting in the non-achievement of our estimated growth rates, operating performance and working capital estimates utilized in our discounted cash flow models.

In fiscal year 2013 when we performed our step one analysis, the fair value of each of our reporting units exceeded the respective carrying amount, and no goodwill impairments were recorded. The fair values utilized for our 2013 goodwill assessment exceeded the carrying amounts by approximately 283% and 95% for our Energy and Aerospace & Defense reporting units, respectively. The growth rate assumptions utilized were consistent with growth rates within the markets that we serve. Actual 2013 results were substantially consistent overall with estimates and assumptions made for purposes of our goodwill impairment analysis performed in October. If our results significantly vary from our estimates, related projections, or business assumptions in the future due to changes in industry or market conditions, we may be required to record impairment charges. By way of example, a 10% reduction in our Aerospace & Defense reporting unit projected cash flows would not result in the fair value being lower than the carrying value.

The goodwill recorded on the consolidated balance sheet as of December 31, 2013 was $75.9 million compared with $77.4 million as of December 31, 2012 with the only change being due to foreign currency fluctuations. Net intangible assets as of December 31, 2013 were $35.7 million compared to $45.2 million as of December 31, 2012. The total net amount of non-amortizing assets was $17.0 million and $23.6 million, as of December 31, 2013 and 2012, respectively.

Indefinite-lived intangible assets, such as trade names, are generally recorded and valued in connection with a business acquisition. These assets are reviewed at least annually for impairment, or more frequently if facts and circumstances warrant. We also utilized a fair value calculation to evaluate these intangibles.

Impairment of Other Long-Lived Assets

In accordance with ASC 360, Plant, Property, and Equipment, we perform impairment analyses of our other long-lived assets, such as property, plant and equipment, 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 identified asset groupings being reviewed for impairment, the asset groupings are written to fair value.

See Note 7 to the consolidated financial statements for further information on impairment of other long-lived assets.

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, 2013, 2012 and 2011 were $2.1 million, $3.0 million and $2.5 million, respectively.

Research and Development

Research and development expenditures are expensed when incurred and are included in selling, general and administrative expenses. Our research and development expenditures for the years ended December 31, 2013, 2012 and 2011 were $6.5 million, $8.4 million and $6.1 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 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 it is more likely than not that we may not realize some or all of a deferred tax asset.

For our Dutch operating subsidiary undistributed earnings are generally not considered to be indefinitely reinvested, and because our effective tax rate in the Netherlands is higher than the current U.S. tax rates, no additional provision for U.S. federal and state income taxes is needed. The undistributed earnings of our other foreign subsidiaries are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes has been recorded.

In accordance with the provisions of FASB ASC Topic 740, Income Taxes, the Company initially recognizes the financial statement effect of a tax position when, based solely on its technical merits, it is more likely than not (a likelihood of greater than fifty percent) that the position will be sustained upon examination by the relevant taxing authority. Those tax positions failing to qualify for initial recognition are recognized in the first interim period in which they meet the more likely than not standard, are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. De-recognition of a tax position that was previously recognized occurs when an entity subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained.

Under ASC Topic 740, only the portion of the liability that is expected to be paid within one year is classified as a current liability. As a result, liabilities expected to be resolved without the payment of cash (e.g., due to the expiration of the statute of limitations) or are not expected to be paid within one year are classified as non-current. It is the Company’s policy to record estimated interest and penalties as income tax expense and tax credits as a reduction in income tax expense.

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. In accordance with ASC 450, Contingencies, estimated costs are based upon current laws and regulations, existing technology and the most probable method of remediation.

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 other comprehensive income. We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not generally provide for such taxes on undistributed earnings of foreign subsidiaries. Our net foreign exchange losses recorded for the years ended December 31, 2013, 2012 and 2011 were $1.8 million, $0.5 million, and $2.2 million, respectively.

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 when the effects of such conversion would not be anti-dilutive.

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,								
	2013			2012			2011		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$ 47,121	17,564	$ 2.68	$ 30,799	17,405	$ 1.77	$ 36,634	17,240	$ 2.12
Dilutive securities, principally common stock options	0	65	(0.01)	0	47	(0.01)	0	177	(0.02)
Diluted EPS	$ 47,121	17,629	$ 2.67	$ 30,799	17,452	$ 1.76	$ 36,634	17,417	$ 2.10

Certain stock options to purchase common shares and restricted stock units (RSUs) were anti-dilutive. There were 23,390 anti-dilutive options and RSUs for the year ended December 31, 2013 with exercise prices ranging from $29.37 to $79.33. There were 279,075 anti-dilutive options and RSUs for the year ended December 31, 2012 with exercise prices ranging from $29.37 to $60.83. There were 173,771 anti-dilutive options and RSUs for the year ended December 31, 2011 with exercise prices ranging from $30.91 to $60.83.

As of December 31, 2013, there were no outstanding restricted stock units that contain rights to nonforfeitable dividend equivalents and are considered participating securities that are included in our computation of basic and fully diluted earnings per share. There is no difference in the earnings per share amounts between the two class method and the treasury stock method, which is why we continue to use the treasury stock method.

Derivative Financial Instruments

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

Pension Benefits

Pension obligations and other post-retirement benefits are actuarially determined and are affected by several assumptions including the discount rate and projected annual rates of return on plan assets. Changes in discount rate and differences from actual results will affect the amounts of pension and other post-retirement expense recognized in future periods. These assumptions may also have an effect on the amount and timing of future cash contributions. The Company recognizes the over-funded or under-funded status of defined benefit post-retirement plans in its balance sheet, measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other post-retirement plans). The change in the funded status of the plan is recognized in the year in which the change occurs through other comprehensive income. These provisions also require plan assets and obligations to be measured as of the Company's balance sheet date.

Share-Based Compensation

Share-based compensation costs are based on the grant date fair value estimated in accordance with the provisions of ASC 718, Compensation - Stock Compensation, and these costs are recognized over the requisite vesting period. For all of our non-market condition stock option grants, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historic volatility of the Company's stock price. The risk free interest rate is derived from the U.S. Treasury Yield curve in effect at the time of the grant. The model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data.

Market condition stock option awards are not granted under the Company's 1999 Stock Plan and include both a service period and a market performance vesting condition. The stock options vest if certain stock price targets are met based on the stock price closing at or above 60 consecutive trading days. Vested options may be exercised 25% at the time of vesting, 50% one year from the date of vesting and 100% two years from the date of vesting. These market condition stock option awards are being expensed utilizing a graded method and are subject to forfeiture in the event of employment termination (whether voluntary or involuntary) prior to vesting. To the extent that the market conditions above (stock price targets) are not met, those options will not vest and will forfeit 5 years from grant date. The Company used a Monte Carlo simulation option pricing model to value these option awards.

See Note 11 to the consolidated financial statements for further information on share-based compensation.

New Accounting Standards

None.

Reclassifications

Certain items in the prior period footnote disclosures have been reclassified to conform to currently reported presentations.

Subsequent events

The Company evaluated the December 31, 2013 financial statements for subsequent events through the date that the financial statements were available to be issued and noted no material events requiring either recognition as of December 31, 2013 or disclosure herein, other than noted below.

During the third quarter of 2011, we commenced arbitration proceedings against T.M.W. Corporation (“TMW”), the seller from which we acquired the assets of Castle Precision Industries in August 2010, seeking to recover damages from TMW for breaches of certain representations and warranties made by TMW in the Asset Purchase Agreement dated August 3, 2010 relative to such acquisition. On January 24, 2014 we reached a settlement on the TMW arbitration where it was agreed that TMW would waive all rights to amounts due from us under a contingent consideration promissory note established at the time of acquisition, resulting in a gain of approximately $2.2 million during the first quarter of 2014.

(3) Business Acquisitions and Divestitures

Our growth strategy includes strategic acquisitions that complement and extend our broad array of valves and fluid control products and services. Our acquisitions typically have well established brand recognition and are well known within the industry. We have historically financed our acquisitions from available cash or credit lines.

On February 4, 2011, we acquired the stock of Valvulas S.F. Industria e Comercio Ltda. (“SF Valves”), a Sao Paulo, Brazil based manufacturer of valves for the energy market. SF Valves is reported in our Energy segment. We placed approximately $9.0 million in an escrow account to secure certain indemnification and purchase price obligations of the seller. The excess of the purchase price over the fair value of the net identifiable assets of $14.0 million was recorded as goodwill and will not be deductible for Brazilian tax purposes.

The following table reflects the balance sheet line item estimated fair values recorded in connection with the acquisition of SF Valves as of its respective acquisition date (in millions):

	SF Valves
Current assets	$ 4.3
Property plant & equipment	7.6
Other assets	5.1
Intangibles	4.2
Goodwill	14.0
Current liabilities	3.7
Debt	3.9
Other non-current liabilities	7.8

The following table reflects unaudited pro forma consolidated net revenue, net income, and earnings per share with respect to the 2011 results, which are unaudited on the basis that the SF Valves acquisition took place and was recorded at the beginning of 2011 (in thousands, except per share data). Since SF Valves was acquired in 2011 there is no proforma impact on the years ended December 31, 2013 and 2012.

	Year Ended December 31, 2011
Net revenue	$ 823,440
Net income	35,802
Earnings per share: basic	2.08
Earnings per share: diluted	2.06

The 2011 unaudited pro forma consolidated condensed results of operations may not be indicative of the actual results that would have occurred had the acquisition been consummated at the beginning of the 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 the acquisition during the year ended December 31, 2011 (in thousands). We did not have any acquisitions in 2013 nor 2012.

	Year Ended December 31, 2011
	2011
Reconciliation of net cash paid:	
Cash paid	$ 20,221
Less: cash acquired	—
Net cash paid for acquired businesses	$ 20,221
Determination of goodwill:	
Cash paid, net of cash acquired	$ 20,221
Liabilities assumed	10,300
Less: fair value of assets acquired, net of goodwill and cash acquired	16,571
Goodwill	$ 13,950

(4) Special Charges

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

During the fourth quarter of 2012 we recorded special charges of $2.7 million associated with the separation of our Chief Executive

Officer. These charges primarily related to one time cash payments, equity award modification charges as well as executive search fees ("CEO Separation").

On July 12, 2013 we reached a settlement associated with arbitration in connection with an Energy segment business and received a refund of a portion of the purchase price which resulted in a gain of approximately $3.2 million during the third quarter of 2013. This gain was recorded as a special recovery during the third quarter of 2013 ("Energy Settlement").

On August 1, 2013 and October 31, 2013 we announced additional restructuring actions associated with our Energy and Aerospace & Defense segments under which we will simplify the manner in which we manage our businesses ("2013 Announced Restructuring"). Under these restructurings we will consolidate facilities, shift expenses to lower cost regions, exit certain non-strategic product lines, and also consolidate our group structure from three groups to two, reducing management layers and administrative expenses.

In addition during 2013 we announced that our Chief Financial Officer would be retiring and recorded special charges of $1.1 million primarily related to one time cash payments and equity award modifications (“CFO retirement”).

During the twelve months ended December 31, 2013 we incurred $8.6 million of special charges, net of recoveries, associated with the 2012 Announced Restructuring, 2013 Announced Restructuring, Energy Settlement, and CFO retirement. The following table summarizes our special charges by type and business segment (in thousands):

	Special Charges / (Recoveries)			
	As of and for the twelve months ended December 31, 2013			
	Energy	Aerospace & Defense	Corporate	Total
Accrued special charges as of December 31, 2012				$ 800
Facility and professional fee related expenses	$ 2,432	$ 2,933	$ —	5,365
Employee related expenses	2,959	2,286	—	5,245
Total restructuring charges	$ 5,391	$ 5,219	$ —	10,610
CFO retirement charges	—	—	1,144	1,144
Energy Settlement	(3,151)	—	—	(3,151)
Total special charges	$2,240	$5,219	$1,144	$8,602
Special charges paid				(5,222)
Accrued special charges as of December 31, 2013				$ 4,180

During the twelve months ended December 31, 2012 we incurred $5.3 million in special charges associated with our 2012 Announced Restructuring and CEO Separation. The following table summarizes our special charges by expense type and business segment (in thousands).

	Special Charges / (Recoveries)			
	As of and for the twelve months ended December 31, 2012			
	Energy	Aerospace & Defense	Corporate	Total
Accrued special charges as of December 31, 2011				$ —
Facility and professional fee related expenses	$ 1,437	$ 311	$ —	1,748
Employee related expenses	614	186	—	800
Total restructuring charges	$ 2,051	$ 497	$ —	2,548
CEO Separation charges	—	—	2,734	2,734
Total special charges	$2,051	$497	$2,734	5,282
Special charges paid				(4,482)
Accrued special charges as of December 31, 2012				$ 800

The following table summarizes our 2012 Announced Restructuring related special charges incurred from the end of the third quarter of 2012 through December 31, 2013. Charges with this action began in the third quarter of 2012.

	2012 Announced Restructuring Charges as of December 31, 2013			
	Energy	Aerospace	Corporate	Total
Facility and professional fee related expenses - incurred to date	2,270	2,854	—	5,124
Employee-related expenses - incurred to date	1,085	968	—	2,053
Total restructuring related special charges - incurred to date	$ 3,355	$ 3,822	$ —	$ 7,177

Also, in connection with the 2012 Announced Restructuring special charges noted above, we recorded $1.2 million and $3.6 million of restructuring related inventory obsolescence charges since the third quarter of 2012 for the Energy and Aerospace & Defense segments, respectively.

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

The following table summarizes our 2013 Announced Restructuring related special charges incurred during the twelve months of 2013. Charges with this action began in the third quarter of 2013.

	2013 Announced Restructuring Charges as of December 31, 2013			
	Energy	Aerospace	Corporate	Total
Facility and professional fee related expenses - incurred to date	1,600	389	—	1,989
Employee-related expenses - incurred to date	2,488	1,504	—	3,992
Total restructuring related special charges - incurred to date	$ 4,088	$ 1,893	$ —	$ 5,981

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

We expect to incur additional restructuring related special charges between $2.9 million and $3.2 million that are primarily facility and employee related during 2014 (between $2.6 million and $2.9 million for the Energy segment and $0.3 million for the Aerospace & Defense segment) to complete these restructuring actions. These restructuring activities are expected to be funded with cash generated from operations. These expected 2014 restructuring related special charges will be offset by the TMW settlement which will be recorded as a special recovery of $2.2 million during the first quarter of 2014.

(5) Inventories

Inventories consist of the following (in thousands):

	December 31,	
	2013	2012
Raw materials	$ 59,255	$ 63,104
Work in process	95,236	86,564
Finished goods	44,913	48,337
	$ 199,404	$ 198,005

(6) Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

	December 31, 2013	December 31, 2012
Land	$ 14,399	$ 14,412
Buildings and improvements	74,374	69,029
Manufacturing machinery and equipment	147,343	141,777
Computer equipment and software	21,117	19,507
Furniture and fixtures	11,269	10,673
Motor vehicles	933	1,044
Capital leases	332	—
Construction in progress	5,165	5,301
	274,932	261,743
Accumulated depreciation	(167,208)	(155,840)
	$ 107,724	$ 105,903

Depreciation expense for the years ended December 31, 2013, 2012, and 2011 was $16.0 million, $15.7 million, and $15.1 million, respectively.

(7) Goodwill and Other Intangible Assets

The following table shows goodwill by segment as of December 31, 2013 and 2012 (in thousands):

	Energy	Aerospace & Defense	Consolidated Total
Goodwill as of December 31, 2012	$ 55,307	$ 22,121	$ 77,428
Currency translation adjustments	(2,377)	825	(1,552)
Goodwill as of December 31, 2013	$ 52,930	$ 22,946	$ 75,876

	Energy	Aerospace & Defense	Consolidated Total
Goodwill as of December 31, 2011	$ 55,738	$ 22,091	$ 77,829
Currency translation adjustments	(431)	30	(401)
Goodwill as of December 31, 2012	$ 55,307	$ 22,121	$ 77,428

The tables below present gross intangible assets and the related accumulated amortization (in thousands):

	December 31, 2013			
	Gross Carrying Amount	2013 Impairment Charges	Accumulated Amortization	Net Carrying Value
Patents	$ 6,085	—	$ (5,687)	$ 398
Non-amortized intangibles (primarily trademarks and trade names)	23,843	(6,872)	—	16,971
Customer relationships	34,554	—	(18,953)	15,601

Backlog	1,144	—	(1,144)	—
Other	7,611	—	(4,925)	2,686
Total	$ 73,237	$ (6,872)	$ (30,709)	$ 35,656

	December 31, 2012			
	Gross Carrying Amount	2012 Impairment Charges	Accumulated Amortization	Net Carrying Value
Patents	$ 6,066	$ —	$ (5,625)	$ 441
Non-amortized intangibles (primarily trademarks and trade names)	29,917	(6,298)	—	23,619
Customer relationships	38,004	(3,803)	(16,323)	17,878
Backlog	1,275	(127)	(1,147)	1
Other	7,589	(120)	(4,251)	3,218
Total	$ 82,851	$ (10,348)	$ (27,346)	$ 45,157

The table below presents estimated future amortization expense for intangible assets recorded as of December 31, 2013 (in thousands):

	2014	2015	2016	2017	2018	After 2019
Estimated amortization expense	$ 3,120	$ 3,098	$ 2,812	$ 2,677	$ 2,421	$ 4,544

In 2013, the fair value of each of our reporting units exceeded the respective carrying value, and no goodwill impairments were recorded. The fair values utilized for our 2013 goodwill assessment, which were assessed as of the end of October, exceeded the carrying value by approximately 283% and 95% for the Energy and Aerospace & Defense reporting units, respectively. For the years ended December 31, 2012 and December 31, 2011, we did not record any goodwill impairment charges. We again assessed the goodwill factors as of December 31, 2013 and determined there were no indications of impairments.

The annual impairment testing over our non-amortizing intangible assets is also completed as of the end of October and consists of a comparison of the fair value of the intangible assets with carrying amounts.

During the quarter ended December 31, 2013, in connection with a change to our organizational structure to simplify the way the Company is managed as well as other evolving business factors, we discontinued use of certain Aerospace & Defense trade names that we determined had no future economic life and should be impaired. This resulted in Aerospace & Defense segment intangible asset impairment charges during the year ended December 31, 2013 of $6.9 million, included in the impairment charges line on our consolidated statements of income. The recording of this impairment charge and ongoing new program startup costs were indicators of potential impairment that triggered impairment analysis of the long-lived and intangible assets of our California Aerospace & Defense operations. We performed an ASC 360, Plant, Property, and Equipment, impairment analyses for our California operations as part of our fourth quarter closing process, which resulted in no additional asset impairment charges as the fair value of the California operations exceeded the carrying value.

During the year ended December 31, 2012 we recorded intangible asset impairment charges of $2.2 million and $8.2 million for the Energy and Aerospace & Defense segments, respectively. These impairment charges were primarily a result of restructuring activities at operations in Brazil and California.

(8) Income Taxes

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

	December 31,	
	2013	2012
Deferred income tax liabilities:		
Excess tax over book depreciation	$ 1,768	$ 4,270
Intangible assets	13,013	14,066
Total deferred income tax liabilities	14,781	18,336
Deferred income tax assets:		
Accrued expenses	11,337	7,543
Inventories	8,903	9,253
Net operating loss and credit carry-forward	26,292	37,039
Intangible assets	1,769	2,551
Accumulated other comprehensive income—pension benefit obligation	6,558	9,580
Other	449	692
Total deferred income tax assets	55,308	66,658
Valuation allowance	(13,928)	(13,497)
Deferred income tax asset, net of valuation allowance	41,380	53,161
Deferred income tax asset, net	$ 26,599	$ 34,825

The above components of deferred income taxes are classified in the consolid ated balance sheets as follows:

Net current deferred income tax asset	$ 17,686	$ 15,505
Net non-current deferred income tax asset	18,579	30,064
Net non-current deferred income tax liability	(9,666)	(10,744)
Deferred income tax asset, net	$ 26,599	$ 34,825
Deferred income taxes by geography are as follows:		
Domestic net current asset	$ 11,613	$ 10,873
Foreign net current asset	6,073	4,632
Net current deferred income tax asset	$ 17,686	$ 15,505
Domestic net non-current asset	$ 16,994	$ 20,163
Foreign net non-current liability	(8,081)	(843)
Net non-current deferred income tax asset	$ 8,913	$ 19,320

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

	Year Ended December 31,		
	2013	2012	2011
Domestic	$ 11,009	$ 17,466	$ 33,718

Foreign	53,028	24,293	16,478
	$ 64,037	$ 41,759	$ 50,196

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

	2013	2012	2011
Current:			
Federal - US	$ 2,284	$ 3,768	$ (435)
Foreign	7,831	6,853	12,786
State -US	1,023	1,171	904
Total current	$ 11,138	$ 11,792	$ 13,255
Deferred (benefit):			
Federal - US	$ (176)	$ (1,269)	$ 11,970
Foreign	6,294	415	(11,862)
State -US	(340)	22	199
Total deferred (benefit)	$ 5,778	$ (832)	$ 307
Total provision (benefit) for income taxes	$ 16,916	$ 10,960	$ 13,562

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,		
	2013	2012	2011
Expected federal income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	0.5	1.9	1.4
Foreign tax rate differential and credits	(9.4)	(8.3)	(7.9)
Manufacturing deduction	(0.5)	(1.4)	— %
Research and development credit	(0.7)	— %	(0.7)
Other, net	1.5	(1.0)	(0.8)
Effective tax rate	26.4 %	26.2 %	27.0 %

With regard to the deferred tax assets, we maintained a total valuation allowance of $13.9 million and $13.5 million at December 31, 2013 and 2012, respectively. We had foreign tax credits of $17.7 million, foreign net operating losses of $15.1 million, state net operating losses of $69.7 million and state tax credits of $1.8 million at December 31, 2013. At December 31, 2012, we had foreign tax credits of $20.7 million, foreign net operating losses of $22.0 million, state net operating losses of $69.1 million and state tax credits of $1.5 million. The foreign tax credits, if not utilized, will expire partially in 2015 and the remainder in 2021. The state net operating losses and state tax credits, if not utilized, will expire between 2014 and 2033. The $13.9 million valuation allowance as of December 31, 2013 is comprised of $5.7 million related to foreign credit carry-forwards, $5.0 million related to foreign deferred tax assets and $3.2 million related to state income tax benefits.

The valuation allowance on foreign tax credits is $5.7 million in 2013 which is a reduction of $1.0 million from 2012 as a result of a projected increase in foreign source income. The valuation allowance is based on estimates of taxable income in each of the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable.

If market conditions improve and future results of operations exceed our current expectations, our existing tax valuation allowances may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realizable. Consequently, we may need to establish additional tax valuation allowances for a portion or all of the gross deferred tax assets, which may have a material adverse effect on our results of operations and financial condition. The Company has had a history of domestic and foreign taxable income, is able to avail itself of federal tax carryback provisions, has future taxable temporary differences and is forecasting future domestic and foreign taxable income. We believe that after considering all of the available objective evidence, it is more likely than not that the results of future operations will generate sufficient taxable income for the Company to realize the remaining net deferred tax assets.

On January 2, 2013, the President of the United States signed legislation that retroactively extended the research and development

(R&D) tax credit for two years, from January 1, 2012 through December 31, 2013. Accordingly, the Company recorded the entire benefit of the R&D tax credit attributable to 2012 during 2013.

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

As of December 31, 2013, the liability for uncertain income tax positions was $1.6 million excluding interest of $0.7 million. As of December 31, 2013 and December 31, 2012, accrued interest and penalties were $0.7 million and $0.9 million, respectively. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with these liabilities, we are unable to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid.

The following is a reconciliation of the Company's total gross unrecognized tax benefits for the years ended December 31, 2013 and 2012 (in thousands). Approximately $0.9 million as of December 31, 2013 represents the amount that if recognized would affect the Company's effective income tax rate in future periods. The table below does not include interest and penalties of $0.7 million and $0.9 million as of December 31, 2013 and 2012, respectively.

	December 31,	
	2013	2012
Balance beginning January 1	$ 1,962	$ 2,446
Additions for tax positions of prior years	96	209
Additions based on tax positions related to current year	100	45
Settlements	—	(113)
Lapse of statute of limitations	(466)	(548)
Currency movement	$ (80)	$ (77)
Balance ending December 31	$ 1,612	$ 1,962

Undistributed earnings of our foreign subsidiaries amounted to $177.1 million at December 31, 2013 and $138.6 million at December 31, 2012. During our fiscal years ended December 31, 2013 and December 31, 2012, we repatriated no cash to the U.S, except as noted below.

For our Dutch operating subsidiary undistributed earnings are not considered to be indefinitely reinvested and because our effective tax rate in the Netherlands is higher than the current U.S. tax rates, no additional provision for U.S. federal and state income taxes is needed. The undistributed earnings of our other foreign subsidiaries are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes has been recorded. During 2013, we repatriated $2.0 million from our Dutch operations subsidiary.

(9) Accrued Expenses and Other Current Liabilities

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

	December 31,	
	2013	2012
Customer deposits and obligations	$ 12,915	$ 27,139
Commissions and sales incentives payable	12,898	14,704
Penalty accruals	10,342	8,564
Warranty reserve	4,194	3,322
Professional fees	1,257	1,099
Insurance	—	1,187
Taxes other than income tax	5,158	2,821
Special charges	4,180	800
Other	6,563	7,599
	$ 57,507	$ 67,235

(10) Financing Arrangements

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

	December 31,	
	2013	2012
Capital lease obligations	$ 331	$ 483
Line of Credit at interest rates ranging from 1.42% to 3.75%	41,800	62,100
Other borrowings, at varying interest rates ranging from 3.0% to 15.92% in 2013, 1.22% to 18.00% in 2012, and 2.90% to 18.00% in 2011	7,507	7,901
Total debt	49,638	70,484
Less: current portion	7,203	7,755
Total long-term debt	$ 42,435	$ 62,729

On May 2, 2011, we entered into a five year unsecured credit agreement ("2011 Credit Agreement") that provides for a $300.0 million revolving line of credit. The 2011 Credit Agreement includes a $150.0 million accordion feature for a maximum facility size of $450.0 million. The 2011 Credit Agreement also allows for additional indebtedness not to exceed $80.0 million. We anticipate using the 2011 Credit Agreement to fund potential acquisitions, to support our organic growth initiatives and working capital needs, and for general corporate purposes. We capitalized $2.0 million in debt issuance costs that will be amortized over the five year life of the agreement. As of December 31, 2013, we had borrowings of $42.4 million of which $41.8 million was outstanding under our 2011 credit agreement.

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. The two primary financial covenants are leverage ratio and interest coverage ratio. We were in compliance with all financial covenants related to our existing debt obligations at December 31, 2013 and December 31, 2012.

At December 31, 2013, minimum principal payments required during each of the next five years and thereafter are as follows (in thousands):

	2014	2015	2016	2017	2018	Thereafter
Minimum principal payments	$ 7,203	$ 228	$ 41,946	$ 106	$ —	$ —

(11) Share-Based Compensation

As of December 31, 2013, we have one share-based compensation plan. The Amended and Restated 1999 Stock Option and Incentive Plan (the "1999 Stock Plan"), which was adopted by our Board of Directors and approved by our shareholders, permits the 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; cash-based awards; stock appreciation rights and dividend equivalent rights. The 1999 Stock Plan provides for the issuance of up to 3,000,000 shares of common stock (subject to adjustment for stock splits and similar events). New options granted under the 1999 Stock Plan could have varying vesting provisions and exercise periods. Options granted vest in periods ranging from one to five years and expire 10 years after the grant date. Restricted stock units granted generally vest from two to six years. Vested restricted stock units will be settled in shares of our common stock. As of December 31, 2013, there were 355,081 stock options (including the CEO and CFO stock option awards noted below) and 238,980 restricted stock units outstanding. In addition, there were 456,857 shares available for grant under the 1999 Stock Plan as of December 31, 2013. As of December 31, 2013, there were no outstanding restricted stock units that contain rights to nonforfeitable dividend equivalents and are considered participating securities that are included in our computation of basic and fully diluted earnings per share. There is no difference in the earnings per share amounts between the two class method and the treasury stock method, which is why we continue to use the treasury stock method.

For all of our stock options granted prior to 2013, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate and the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historic volatility of the Company's stock price. The risk free interest rate is derived from the U.S. Treasury Yield curve in effect at the time of the grant.

In 2013, we granted 300,000 stock option awards compared with 68,943 in 2012 and 64,755 in 2011. On April 9, 2013, the Company granted stock options to purchase 200,000 shares of common stock to its newly appointed President and Chief Executive Officer at an exercise price of $41.17 per share ("CEO Option Award"). On December 2, 2013, the Company granted stock options to purchase 100,000 shares of common stock to its newly appointed Executive Vice President and Chief Financial Officer at an exercise price of $79.33 per share ("CFO Option Award"). Both of these option awards were granted outside of the Company's 1999 Stock Plan and include both a service period and a market performance vesting condition. The stock options will vest if the following stock price targets are met based on the stock price closing at or above these targets for 60 consecutive trading days:

CEO Option Award

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

CFO Option Award

Stock Price Target	Cumulative Vested Portion of Stock Options (in Shares)
$87.50	25,000
$100.00	50,000
$112.50	75,000
$125.00	100,000

Vested options for both of these awards may be exercised 25% at the time of vesting, 50% one year from the date of vesting and 100% two years from the date of vesting. On August 8, 2013, the $50.00 Stock Price Target for the CEO option award was met, therefore, 50,000 options have vested and 12,500 are currently exercisable. These stock option awards are being expensed utilizing a graded method and are subject to forfeiture in the event of employment termination (whether voluntary or involuntary) prior to vesting. Both option awards have a 10 year term but to the extent that the market conditions above (Stock Price Targets) are not met, these options will not vest and will forfeit 5 years from grant date. The Company used a Monte Carlo simulation option pricing model to fair value these option awards.

The fair value of stock options granted during the year ended December 31, 2013 of $20.15 was estimated using the following weighted-average assumptions:

Risk-free interest rate	1.5%
Expected life (years)	3.2
Expected stock volatility	41.1%
Expected dividend yield	0.3%

We account for Restricted Stock Unit (“RSU”) Awards by expensing the grant date fair value to selling, general and administrative expenses ratably over vesting periods ranging from two to six years. During the years ended December 31, 2013 and December 31, 2012 we granted 154,235 and 142,338 RSU Awards with approximate fair values of $47.50 and $33.78 per RSU Award, respectively. Of the 154,235 RSU Awards granted during 2013, 18,908 were not granted under the Company's 1999 Stock Plan. During 2012 and 2013, the Company granted performance-based RSUs as part of the overall mix of RSU Awards. These performance-based RSUs include metrics for achieving Return on Invested Capital and Adjusted Operating Margin with target payouts ranging from 0% to 200%. Of the 154,235 RSUs granted during 2013, 35,329 are performance-based RSU awards. This compares to 30,705 performance-based RSU awards granted in 2012.

The CIRCOR Management Stock Purchase Plan, which is a component of the 1999 Stock Plan, provides that eligible employees may elect to receive restricted stock units in lieu of all or a portion of their pre-tax annual incentive bonus and, in some cases, make after-tax contributions in exchange for restricted stock units ("RSU MSPs"). In addition, non-employee directors may elect to receive restricted stock units in lieu of all or a portion of their annual directors' fees. Each RSU MSP represents a right to receive one share of our common stock after a three-year vesting period. RSU MSPs are granted at a discount of 33% from the fair market value of the shares of common stock on the date of grant. This discount is amortized as compensation expense, to selling, general and administrative expenses, over a four-year period. RSU MSPs totaling 28,463 and 34,534 with per unit discount amounts representing fair values of $13.90 and $10.81 were granted under the CIRCOR Management Stock Purchase Plan during December 31, 2013 and December 31, 2012, respectively.

Compensation expense related to our share-based plans for the year ended December 31, 2013 was $5.2 million of which $4.7 million was recorded as selling, general, and administrative expense and $0.5 million was recorded as special charges in our statement of income. The special charge portion was related to the separation of our previous CFO. Compensation expense for 2012 and 2011 was $4.4 million and $3.8 million respectively, and was recorded as selling, general and administrative expense.

As of December 31, 2013, there was $12.2 million of total unrecognized compensation costs related to our outstanding share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.2 years. This compares to $4.8 million for both 2012 and 2011, respectively. The year over year increase in total unrecognized compensation costs relates to the equity awards for the newly appointed CEO and CFO of $3.0 million and $4.4 million, respectively.

A summary of the status of all stock options granted to employees and non-employee directors as of December 31, 2013, 2012, and 2011 and changes during the years are presented in the table below:

	December 31,					
	2013		2012		2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	146,621	$ 30.89	145,313	$ 29.20	134,901	$ 23.29
Granted	300,000	53.89	68,943	32.76	64,755	38.27
Exercised	(82,487)	29.03	(24,040)	16.84	(32,440)	18.12
Forfeited	(9,053)	32.76	(43,595)	35.96	(21,903)	36.05
Options outstanding at end of period	355,081	$ 50.71	146,621	$ 30.89	145,313	$ 29.20
Options exercisable at end of period	31,958	$ 34.72	64,137	$ 26.87	68,380	$ 21.95

The weighted average contractual term for stock options outstanding and exercisable as of December 31, 2013 was 9.1 years and 7.3 years, respectively. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2013, 2012 and 2011 was $1.8 million, $0.4 million and $0.7 million, respectively. The aggregate fair value of stock-options vested during the years ended December 31, 2013, 2012 and 2011 was $0.8 million, $0.3 million and $0.0 million, respectively. The aggregate intrinsic value of stock options outstanding and exercisable as of December 31, 2013 was $10.7 million and $1.5 million, respectively. As of December 31, 2013, there was $5.2 million of total unrecognized compensation costs related to stock options that is expected to be recognized over a weighted average period of 2.5 years.

The following table summarizes information about stock options outstanding at December 31, 2013 :

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$24.90 - $31.00	11,527	4.6	$ 29.09	11,527	$ 29.09
31.01 - 40.00	43,554	7.8	34.51	7,931	32.76
40.01 - 60.00	200,000	9.3	41.17	12,500	41.17

60.01 - 79.33	100,000	9.9		79.33	0		—
$24.90 - $79.33	355,081	9.1	$	50.71	31,958	$	34.72

A summary of the status of all RSU Awards granted to employees and non-employee directors as of December 31, 2013, 2012, and 2011 and changes during the year are presented in the table below (RSUs in thousands):

	December 31,					
	2013		2012		2011	
	RSUs	Weighted Average Price	RSUs	Weighted Average Price	RSUs	Weighted Average Price
RSU Awards outstanding at beginning of period	187,667	$ 33.34	234,035	$ 33.52	339,891	$ 30.79
Granted	154,235	47.50	142,338	33.78	72,417	38.14
Settled	(91,001)	32.21	(122,895)	31.98	(134,487)	29.84
Canceled	(74,817)	37.85	(65,811)	37.48	(43,786)	31.30
RSU Awards outstanding at end of period	176,084	$ 44.39	187,667	$ 33.34	234,035	$ 33.52
RSU Awards exercisable at end of period	—	$ —	9,494	$ 32.71	11,848	$ 34.48

The aggregate intrinsic value of RSU Awards settled during the 12 months ended December 31, 2013, 2012 and 2011 was $4.0 million, $4.2 million, and $5.6 million, respectively. The aggregate fair value of RSU Awards vested during the 12 months ended December 31, 2013, 2012 and 2011 was $2.6 million, $3.9 million and $3.4 million, respectively. The aggregate intrinsic value of RSU Awards outstanding and exercisable as of December 31, 2013 was $14.2 million and $0.0 million, respectively. As of December 31, 2013, there was $6.7 million of total unrecognized compensation costs related to RSU awards that is expected to be recognized over a weighted average period of 1.9 years.

The following table summarizes information about RSU Awards outstanding at December 31, 2013:

	RSU Awards Outstanding		
Range of Exercise Prices	RSUs (thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$31.00 - $35.99	40,788	1.2	$ 32.75
36.00 - 39.99	12,608	0.9	38.30
40.00 - 42.99	99,298	2.2	41.92
43.00 - 79.33	23,390	2.1	78.51
$31.00 - $79.33	176,084	1.9	$ 44.39

A summary of the status of all RSU MSPs granted to employees and non-employee directors as of December 31, 2013, 2012, and 2011 and changes during the year are presented in the table below (RSUs in thousands):

	December 31,					
	2013		2012		2011	
	RSUs	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price
RSU MSPs outstanding at beginning of period	76,106	$ 22.91	151,708	$ 18.14	172,662	$ 18.64
Granted	28,463	28.22	34,534	21.95	43,734	26.13
Settled	(28,256)	21.09	(98,867)	15.20	(44,991)	27.76
Canceled	(13,417)	25.05	(11,269)	23.40	(19,697)	18.25

RSU MSPs outstanding at end of period	62,896	$	25.67	76,106	$	22.91	151,708	$	18.14
RSU MSPs exercisable at end of period	—	$	—	9,599	$	17.15	1,226	$	32.60

The aggregate intrinsic value of RSU MSPs settled during the twelve months ended December 31, 2013, 2012, and 2011 was $0.7 million, $1.8 million and $0.5 million, respectively. The aggregate fair value of RSU MSPs vested during the twelve months ended December 31, 2013, 2012, and 2011 was $0.2 million, $0.8 million and $0.6 million, respectively. The aggregate intrinsic value of RSU MSPs outstanding as of December 31, 2013 was $3.5 million. As of December 31, 2013 there was $0.3 million of total unrecognized compensation costs related to RSU MSPs that is expected to be recognized over a weighted average period of 1.2 years.

The following table summarizes information about RSU MSPs outstanding at December 31, 2013:

	RSU MSPs Outstanding		
Range of Exercise Prices	RSUs	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$21.95 - 25.99	18,876	1.2	$ 21.95
26.00 - 27.99	20,126	0.2	26.13
28.00 - 28.22	23,894	2.2	28.22
$21.95 - $28.22	62,896	1.2	$ 25.67

While not included in the share-based compensation tables above, the Company also grants Cash Settled Stock Unit Awards to its international participants. These Cash Settled Stock Unit Awards typically cliff-vest in three years and are settled in cash based on the Company's closing stock price at the time of vesting. As of December 31, 2013, there were 40,330 Cash Settled Stock Unit Awards outstanding compared with 51,647 Cash Settled Stock Unit Awards as of December 31, 2012. During 2013, the aggregate cash used to settle Cash Settled Stock Unit Awards was $1.1 million. As of December 31, 2013, the Company had $1.7 million in accrued expenses and current liabilities for Cash Settled Stock Unit Awards compared with $1.4 million as of December 31, 2012. Cash Settled Stock Unit related compensation costs for the twelve month periods ended December 31, 2013, 2012, and 2011 totaled $1.5 million, $0.3 million, and $0.5 million, respectively and was recorded as selling, general and administrative expense in our consolidated statements of income.

(12) Concentrations of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables. A significant portion of our revenue and receivables are from customers who are either in or service the energy, aerospace, defense and industrial markets. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. During 2013, 2012 and 2011, the Company has not experienced any significant losses related to the collection of our accounts receivable. For the years ended December 31, 2013, 2012 and 2011, we had no customers from which we derive revenues that exceed the threshold of 5% of the Company’s consolidated revenues.

(13) Employee Benefit Plans

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

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

During 2013, we made $1.6 million in cash contributions to our qualified defined benefit pension plan, in addition to $0.4 million in payments for our non-qualified supplemental plan. In 2014, we expect to make cash contributions of approximately $1.6 million to our qualified plan and payments of $0.4 million for our non-qualified plan. Contributions to the qualified plan may differ based on a re-assessment of this plan’s funded status during 2014 based on separate IRS cash funding calculations. Capital market and interest rate fluctuations will also 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 make a Company contribution and match a specified percentage of employee contributions, subject to certain limitations.

The components of net benefit expense for the benefit plans are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Components of net benefit expense:			
Service cost-benefits earned (1)	$ —	$ —	$ 430
Interest cost on benefits obligation	1,963	2,054	2,161
Expected return on assets	(2,366)	(2,126)	(2,438)
Net pension costs (income)	(403)	(72)	153
Net loss amortization	765	631	341
Total amortization	765	631	341
Net periodic cost of defined benefits plans	362	558	494
Cost of 401(k) plan Company contributions	4,465	4,252	3,707
Net benefit expense	$ 4,827	$ 4,810	$ 4,201

(1) Plan administration charges

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,		
	2013	2012	2011
Net periodic benefit cost:			
Discount rate – qualified plan	4.70%	3.85%	5.50%
Discount rate – nonqualified plan	4.30%	3.35%	5.25%
Expected return on plan assets	7.00%	7.00%	8.00%
Rate of compensation increase	N/A	N/A	N/A
Benefit obligations:			
Discount rate – qualified plan	4.70%	3.85%	4.50%
Discount rate – nonqualified plan	4.30%	3.35%	4.25%
Rate of compensation increase – nonqualified plan	N/A	N/A	N/A
Rate of compensation increase – qualified plan	N/A	N/A	N/A

The amounts reported for net periodic pension cost and the respective benefit obligation amounts are dependent upon the actuarial assumptions used. The Company reviews historical trends, future expectations, current market conditions, and external data to determine the assumptions. The actuarial assumptions used to determine the net periodic pension cost are based upon the prior year’s assumptions used to determine the benefit obligation.

We derive our discount rate utilizing a commonly known pension discount curve, discounting future projected benefit obligation cash flows to arrive at a single equivalent rate. For fiscal year end 2013 benefit obligations, we utilized a weighted average basis given the level of yield on high-quality corporate bond interest rates at fiscal year-end 2013. The effect of the discount rate change lowered our projected benefit obligation at December 31, 2013 by approximately $5.0 million and will have an insignificant impact on our 2014 pension expense.

In selecting the expected long-term rate of return on assets for the qualified plan, 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 pension asset allocation and the expected returns likely to be earned over the life of the plans.

The funded status of the defined benefit plans and amounts recognized in the balance sheets, measured as of December 31, 2013 and December 31, 2012 are as follows (in thousands):

	December 31, 2013	December 31, 2012
Change in projected benefit obligation:		
Balance at beginning of year	$ 52,657	$ 46,776
Interest cost	1,963	2,054
Actuarial loss	(4,967)	5,686
Benefits paid	(1,839)	(1,859)
Balance at end of year	$ 47,814	$ 52,657
Change in fair value of plan assets:		
Balance at beginning of year	$ 33,560	$ 30,170
Actual return on assets	4,585	3,254
Benefits paid	(1,839)	(1,859)
Employer contributions	1,995	1,995
Fair value of plan assets at end of year	$ 38,300	$ 33,560
Funded status:		
Excess of projected benefit obligation over the fair value of plan assets	$ (9,514)	$ (19,097)
Pension plan accumulated benefit obligation (“ABO”)	$ 42,531	$ 46,728
Supplemental pension plan ABO	5,282	5,929
Aggregate ABO	$ 47,813	$ 52,657

The following information is presented as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Funded status, end of year:		
Fair value of plan assets	$ 38,300	$ 33,560
Benefit obligations	(47,814)	(52,657)
Net pension liability	$ (9,514)	$ (19,097)
Pension liability recognized in the balance sheet consists of:		
Noncurrent asset	$ —	$ —
Noncurrent liability	(9,514)	(19,097)
Total	(9,514)	(19,097)
Amounts recognized in accumulated other comprehensive income consist of:		
Net losses	$ 17,258	$ 25,209
Prior service cost	—	—
Total	17,258	25,209
Estimated pension expense to be recognized in other comprehensive income (loss) in 2013 consists of:		
Amortization of net losses	506	
Prior service cost	—	

Total	$ 506

As of December 31, 2013, 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):

	2014	2015	2016	2017	2018	2019-2023
Expected benefit payments	$ 1,982	$ 2,108	$ 2,222	$ 2,397	$ 2,482	$ 14,574

The fair values of the Company's pension plan assets at December 31, 2013 and 2012, utilizing the fair value hierarchy are as follows (in thousands):

	December 31, 2013		December 31, 2012	
	Total	Level 1	Total	Level 1
Cash Equivalents:				
Money Market Funds	2,633	2,633	2,216	2,216
Mutual Funds:				
Bond Funds	12,397	12,397	18,385	18,385
Large Cap Funds	10,765	10,765	4,966	4,966
International Funds	7,838	7,838	4,430	4,430
Small Cap Funds	2,346	2,346	1,805	1,805
Blended Funds	—	—	1,028	1,028
Mid Cap Funds	2,321	2,321	730	730
Total Fair Value	$ 38,300	$ 38,300	$ 33,560	$ 33,560

The Company's pension plan assets are measured at fair value. For pension assets, fair value is principally determined using a market approach based on quoted prices or other relevant information from observable market transactions involving identical or comparable assets.

All assets as of December 31, 2013 and 2012 are classified as Level 1 and are comprised of mutual funds held and are traded on the open market where quoted prices are determinable and available daily. The investments are valued using a market approach based on prices obtained from the primary or secondary exchanges on which they are traded.

Our investment objectives for the portfolio of the plans' assets are to approximate the return of a composite benchmark comprised of 50% of the Barclays Capital Aggregate Bond Index, 15% of the Morgan Stanley Capital International EAFE Index, 5% of the Morgan Stanley Capital International Emerging Markets Index, 5% of the Absolute Return Index, and 25% of the Russell 1000 Index. We also seek to maintain a level of volatility (measured as standard deviation of returns) which approximates that of the composite benchmark returns. Realigning among asset classes will occur periodically as global markets change. Portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. We do not invest our pension assets directly in CIRCOR common stock. The long-term target allocations for plan assets are 55% in equities and 45% in fixed income, although the actual plan asset allocations may be within a range around these targets.

(14) Contingencies, Commitments and Guarantees

During the third quarter of 2011, we commenced arbitration proceedings against T.M.W. Corporation ("TMW"), the seller from which we acquired the assets of Castle Precision Industries in August 2010, seeking to recover damages from TMW for breaches of certain representations and warranties made by TMW in the Asset Purchase Agreement dated August 3, 2010 relative to such acquisition. On January 24, 2014 we reached a settlement on the TMW arbitration where it was agreed that TMW would waive all rights to amounts due from us under a contingent consideration promissory note established at the time of acquisition, resulting in a gain of approximately $2.2 million during the first quarter of 2014.

In late 2013 our former parent, Watts Water Technologies, Inc. ("Watts"), notified us of a claim in the approximate aggregate amount of $4.2 million. In its claim Watts contends, pursuant to the Distribution Agreement dated October 1, 1999 which governed the spinoff of CIRCOR from Watts, that we are partially responsible for retrospective insurance premium adjustments and deductibles paid by Watts to insurers under certain legacy insurance policies that covered both Watts and CIRCOR subsidiaries prior to our 1999 spinoff. The claim also includes both interest paid to insurers as well as attorneys' fees spent by Watts in disputing its contractual obligations. We are vigorously contesting this claim and believe that any resolution of this matter will not have a material adverse effect on our financial condition or results of operations.

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

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

Standby Letters of Credit

We execute standby letters of credit, which include bid bonds and performance bonds, in the normal course of business to ensure our performance or payments to third parties. The aggregate notional value of these instruments was $42.4 million at December 31, 2013. 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 believe that the likelihood of demand for payments relating to the outstanding instruments is remote. These instruments generally have expiration dates ranging from less than 1 month to 5 years from December 31, 2013.

The following table contains information related to standby letters of credit instruments outstanding as of December 31, 2013 (in thousands):

Term Remaining	Maximum Potential Future Payments
0–12 months	$ 31,441
Greater than 12 months	10,971
Total	$ 42,412

Operating Lease Commitments

Rental expense under operating lease commitments amounted to: $7.4 million, $7.8 million and $7.7 million for the years ended December 31, 2013, 2012 and 2011, respectively. Minimum rental commitments due under non-cancelable operating leases, primarily for office and warehouse facilities were as follows at December 31, 2013 (in thousands):

	2014	2015	2016	2017	2018	Thereafter
Minimum lease commitments	$ 6,594	$ 5,477	$ 5,045	$ 3,083	$ 2,546	$ 3,585

Commercial Contract Commitment

As of December 31, 2013, we had approximately $92.1 million of commercial contract commitments related to open purchase orders. In addition, we had $1.5 million of commitments associated primarily with certain loans.

Insurance

We maintain insurance coverage of a type and with such limits as we believe are customary and reasonable for the risks we face and in the industries in which we operate. While many of our policies do contain a deductible, the amount of such deductible is typically not material, and is generally less than $0.3 million per occurrence. Our accruals for insured liabilities are not discounted and take into account these deductibles and are based on claims filed and reported as well as estimates of claims incurred but not yet reported.

(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, 2013.

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

The following table sets forth information related to our product warranty reserves for the years ended December 31, 2013 and 2012 (in thousands):

	December 31,	
	2013	2012
Balance beginning December 31	$ 3,322	$ 3,104
Provisions	3,302	3,395
Claims settled	(2,512)	(3,197)
Currency translation adjustment	82	20
Balance ending December 31	$ 4,194	$ 3,322

Warranty obligations increased $0.9 million from $3.3 million as of December 31, 2012 to $4.2 million as of December 31, 2013, primarily due to lower claim settlements year over year.

(16) Fair Value

Financial Instruments

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

Foreign Currency Contracts

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

As of December 31, 2013, we had fourteen forward contracts with amounts as follows (in thousands):

Currency	Number	Contract Amount	
U.S. Dollar/Euro	9	3,104	U.S. Dollars
Brazilian Real/Euro	5	—	Brazilian Reals

This compares to twelve forward contracts as of December 31, 2012. The fair value asset of the derivative forward contracts as of December 31, 2013 and December 31, 2012 was approximately $0.1 million and $0.5 million, respectively and is included in prepaid expenses and other current assets on our balance sheet. The unrealized foreign exchange gains (losses) for the year ended December 31, 2013, 2012 and 2011 are less than $0.5 million for each year and are included in other (income) expense in our consolidated statements of income.

We have determined that the majority of the inputs used to value our foreign currency forward contracts fall within Level 2 of the fair value hierarchy, found under ASC Topic 820.1, Fair Value Measurement. The credit valuation adjustments, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties are Level 3 inputs. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our foreign currency forward contracts and determined that the credit valuation adjustments are not significant to the overall valuation. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

(17) Segment Information

During the fourth quarter of 2013, we changed our organizational structure to simplify the way the Company is managed better align our business with our customer and end markets. As part of this organizational change, the Company announced that it would consolidate its segment and reporting structure from three to two. The first segment is Energy, which will include all of the businesses from the existing Energy segment and a majority of the former 'Flow Technologies' businesses. The primary markets served in the new Energy segment are Oil & Gas: upstream, mid-stream and downstream; as well as the global power generation market. The second segment is Aerospace & Defense, which will include all of the former Aerospace segment businesses plus the UK based defense-oriented businesses from the former Flow Technologies segment.

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

	Energy	Aerospace & Defense	Corporate/ Eliminations	Consolidated Total
Year Ended December 31, 2013				
Net revenues	$ 660,969	$ 196,839	$ —	$ 857,808
Inter-segment revenues	878	109	(987)	0
Operating income (loss)	90,786	6,177	(27,790)	69,173
Interest income				(264)
Interest expense				3,425
Other expense, net				1,975
Income before income taxes				64,037
Identifiable assets	$ 574,967	$ 217,281	$ (65,599)	$ 726,650
Capital expenditures	10,249	5,773	1,306	17,328
Depreciation and amortization	11,346	6,360	1,367	19,073
Year Ended December 31, 2012				
Net revenues	659,382	186,170	—	845,552
Inter-segment revenues	1,256	94	(1,350)	0
Operating income (loss)	67,761	4,774	(26,004)	46,531
Interest income				(269)
Interest expense				4,528
Other expense, net				513
Income before income taxes				41,759
Identifiable assets	544,295	231,920	(66,234)	709,981
Capital expenditures	12,208	4,088	1,874	18,170
Depreciation and amortization	11,503	6,517	1,308	19,328
Year Ended December 31, 2011				
Net revenues	$ 620,683	$ 201,666	$ —	$ 822,349
Inter-segment revenues	1,039	10	(1,049)	0
Operating income (loss)	51,509	22,816	(18,027)	56,298
Interest income				(265)

Interest expense				4,195
Other income, net				2,172
Income before income taxes				50,196
Identifiable assets	517,837	242,842	(38,156)	722,523
Capital expenditures	11,208	5,125	1,568	17,901
Depreciation and amortization	12,049	6,556	831	19,436

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

In calculating operating income (loss) from operations for individual reporting segments, certain administrative expenses incurred at the corporate level for the benefit of other reporting segments were allocated to the segments based upon specific identification of costs, employment related information or net revenues.

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

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

The total assets for each reportable 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 / Eliminations include both corporate assets, such as cash, deferred taxes, prepaid and other assets, fixed assets, as well as the elimination of all inter-segment intercompany assets. The elimination of intercompany assets results in negative amounts reported in Corporate/Eliminations for Identifiable Assets. Corporate Identifiable Assets after elimination of intercompany assets were $51.5 million, $39.9 million, and $44.1 million as of December 31, 2013, 2012 and 2011, respectively.

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.

	Year Ended December 31,		
Net revenues by geographic area (in thousands)	**2013**	**2012**	**2011**
United States	$ 405,561	$ 424,200	$ 385,205
United Kingdom	59,547	48,303	51,472
Saudi Arabia	57,539	11,764	2,143
France	39,881	37,533	34,449
Canada	39,016	49,860	49,114
Germany	31,070	32,210	58,048
Denmark	30,446	644	402
United Arab Emirates	19,181	30,545	39,874
China	15,533	11,440	11,025
Other	160,034	199,053	190,617
Total net revenues	$ 857,808	$ 845,552	$ 822,349

Long-lived assets by geographic area (in thousands)	December 31, 2013	December 31, 2012
United States	42,304	41,890
United Kingdom	14,141	14,292
France	8,694	8,822
Germany	10,446	10,573
China	8,411	9,086
Italy	7,921	6,598
Brazil	5,649	4,517
India	4,771	4,539
Other	5,387	5,586
Total long-lived assets	$ 107,724	$ 105,903

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2013				
Net revenues	$ 205,398	$ 223,644	$ 214,731	$ 214,035
Gross profit	59,489	70,106	70,138	67,507
Net income	7,908	12,668	17,720	8,825
Earnings (loss) per common share:				
Basic	$ 0.45	$ 0.72	$ 1.01	$ 0.50
Diluted	0.45	0.72	1.00	0.50
Dividends per common share	0.0375	0.0375	0.0375	0.0375
Stock Price range:				
High	$ 44.00	$ 53.57	$ 63.70	$ 83.37
Low	39.01	39.56	50.96	58.64
Year Ended December 31, 2012				
Net revenues	$ 214,280	$ 219,862	$ 209,804	$ 214,035
Gross profit	58,612	63,816	58,695	67,507
Net income (loss)	8,585	11,136	1,869	8,825
Earnings (loss) per common share:				
Basic	$ 0.50	$ 0.64	$ 0.11	$ 0.50
Diluted	0.49	0.64	0.11	0.50
Dividends per common share	0.0375	0.0375	0.0375	0.0375
Stock Price range:				
High	$ 42.24	$ 34.02	$ 38.98	$ 39.59
Low	31.82	28.88	29.26	33.26

Schedule II — Valuation and Qualifying Accounts

CIRCOR INTERNATIONAL, INC.

Description	Balance at Beginning of Period	Additions (Reductions) Charged to Costs and Expenses	Additions (Reductions) Charged to Other Accounts	Deductions (1)	Balance at End of Period
			(in thousands)		
Year ended					
December 31, 2013					
Deducted from asset account:					
Allowance for doubtful accounts	$ 1,706	$ 1,194	$ (21)	$ (430)	$ 2,449
Year ended					
December 31, 2012					
Deducted from asset account:					
Allowance for doubtful accounts	$ 1,127	$ 667	$ 28	$ (116)	$ 1,706
Year ended					
December 31, 2011					
Deducted from asset account:					
Allowance for doubtful accounts	$ 822	$ 452	$ (18)	$ (129)	$ 1,127

(1) Uncollectible accounts written off, net of recoveries.

Exhibit 10.35

INDUCEMENT RESTRICTED STOCK UNIT AGREEMENT

Name of Awardee: Rajeev Bhalla
Awardee Solium Number: ____________
Number of Restricted Stock Units: 18,908
Award Date: December 2, 2013

WHEREAS, CIRCOR International, Inc. (the “Company”) desires to employ the Awardee as its Executive Vice President and Chief Financial Officer;

WHEREAS, to induce the Awardee to join the Company in such capacity, the Board has determined that it is in the best interests of the Company to grant Awardee an inducement restricted stock unit award on the terms and conditions set forth herein; and

WHEREAS, the Awardee finds such terms and conditions to be acceptable.

NOW, THEREFORE, in consideration of the premises and of the services performed and to be performed by the Awardee, the Company hereby grants to the Awardee named above an award (the “Award”) of Restricted Stock Units (“RSUs”) subject to the terms and conditions set forth herein. Except as specifically provided to the contrary under this Agreement, (a) capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (the “Plan”), and (b) this Award shall be construed and administered in accordance with the Plan, the terms of which are hereby incorporated by reference, including but not limited to the provisions with respect to the powers of the Administrator to interpret this Award and adjust its terms. The Award subject to this Agreement shall not be charged against the Plan’s share reserve and is being granted outside of the Plan as an inducement award under pertinent New York Stock Exchange regulations.

1. Vesting Schedule. No portion of this Award may be received until such portion shall have vested. Except as otherwise set forth in this Agreement or in the Plan, the RSUs will vest over a two-year period on the following basis, subject to employment with the Company on each vesting date:

Number of Restricted Stock Units	Vesting Date
(9,454) one-half	December 2, 2014
(9,454) one-half	December 2, 2015

In the event of a Covered Transaction as defined in Section 3(c) of the Plan, this Award shall become immediately vested whether or not this Award or any portion thereof is vested at such time.

2. Distribution of Shares/Dividend Equivalents.

(a) Each vested RSU entitles Awardee to receive one share of the Company’s Common Stock (the “Stock”) on the vesting date for such RSU.

(b) Shares of Stock underlying the RSUs shall be issued and delivered to Awardee in accordance with paragraph (a) and upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Committee as to such compliance shall be final and binding on Awardee.

(c) Until such time as shares of Stock have been issued to Awardee pursuant to paragraph (b) above, and except as set forth in paragraph (d) below regarding dividends and dividend equivalents, Awardee shall not have any rights as a holder of the shares of Stock underlying this Award including but not limited to voting rights.

(d) Until such time as RSUs have vested pursuant to the terms hereof, dividend equivalents shall be accrued with respect to each share of Stock underlying the RSUs such that, upon distribution of such RSUs, all dividend equivalents so accrued (without interest) shall be paid in cash to Awardee. In addition, with respect to RSUs which have vested but have not been converted into shares of Stock pursuant to a valid deferral election by Awardee, dividends on the shares of Stock underlying such RSUs shall be paid in cash to Awardee upon distribution of such RSUs.

3. Termination of Employment. If the Awardee's employment with the Company terminates, and if the Awardee is a "Good Leaver" (as defined below), any portion of this Award that has not yet vested shall immediately vest in which case the Company shall deliver the underlying shares to Awardee within 90 days of the date of termination of Awardee's employment with the Company. If the Awardee terminates employment for any other reason, he shall immediately forfeit the unvested portion of this Award. The Optionee shall be a "Good Leaver" if either (i) he terminates his employment with the Company and its Subsidiaries due to death or Disability, (ii) the Company and its Subsidiaries terminate his employment without Cause, or (iii) he terminates employment with the Company and its Subsidiaries for Good Reason. For purposes of this Agreement, "Cause" and "Good Reason" shall have the meanings set forth in the Severance Agreement between the Awardee and the Company dated December 2, 2013. "Disability" shall have the meaning set forth in Section 22(e) of the Code. The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives or legatees. Any portion of this Award that is unvested after the application of this Section 3 shall be cancelled immediately upon any termination of employment.

4 Section 409A. Anything in this Agreement to the contrary notwithstanding, if at the time of the Awardee's "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the Company determines that the Awardee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Awardee becomes entitled to under this Agreement would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided any earlier than the date that is the earlier of (A) six months and one day after the Awardee's separation from service, or (B) the Awardee's death.

5. Transferability. This Agreement is personal to Awardee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Award is available, during Awardee's lifetime, only to Awardee, and thereafter, only to Awardee's designated beneficiary.

6. Tax Withholding. Upon vesting of RSUs and distribution of underlying shares, the Company is authorized to satisfy the minimum tax withholding obligation by withholding from shares of Stock to be issued a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due.

7. Non-Compete/Non-Solicitation Agreement. Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor or if the Awardee were to solicit (i) customers to do business with a competitor of the Company or (ii) employees of the Company to leave the Company. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company for any reason other than as a Good Leaver, Awardee shall not, anywhere in the world, own, manage, operate, join, control, promote, invest or participate in or be connected with in any capacity (either as an employee, employer, trustee, consultant, agent, principal, partner, corporate officer, director, creditor, owner or shareholder or in any other individual or representative capacity) with any business individual, partnership, firm, corporation or other entity which is engaged wholly or partly in the design, manufacture, development, distribution, marketing or sales of any products which compete with the Company's then current lines of business for which Awardee, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. In addition, Awardee, for a period of two years following the termination of Awardee's affiliation with the Company for any reason other than as a Good Leaver shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee either (a) has had any management responsibility, (b) has otherwise provided regular services during his affiliation with Company, or (c) has had access to confidential or proprietary information; or (2) entice, solicit, request or advise any employee of the Company to leave the Company's employment or to otherwise accept employment (or other affiliation) with any person, firm or business with which Awardee has an employment or consulting relationship. As used above, “Customers” means all customers of any such business of the Company. Notwithstanding the provisions of this paragraph 7, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in this paragraph 8 are not enforceable, then the non-compete provisions of this paragraph 7 shall not apply; the non-solicitation provisions of this paragraph 7, however, shall continue to apply. In addition, in the event that a court of competent jurisdiction determines that any of the restrictions set forth in this paragraph 7 are impermissible in scope and/or duration, Awardee and the Company intend that such court shall revise such scope and/or duration as the court deems reasonable rather than invalidating any such restrictions.

8. Miscellaneous.

(a) Notice hereunder shall be given to the Company at its principal place of business, and shall be given to Awardee at the address set forth in the Company’s records, or in either case at such other address as one party may subsequently furnish to the other party in writing.

(b) This Award does not confer upon Awardee any rights with respect to continuance of employment by the Company or any Subsidiary.

CIRCOR INTERNATIONAL, INC.

/s/ Scott A. Buckhout
By: Scott A. Buckhout
Title: President and CEO

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Date: December 2, 2013

/s/ Rajeev Bhalla
Name: Rajeev Bhalla

xhibit 10.36

CIRCOR INTERNATIONAL, INC.
STOCK OPTION INDUCEMENT AWARD

THIS STOCK OPTION is granted by CIRCOR International, Inc. (the “Company”) to Rajeev Bhalla, (the “Optionee”) as of the 2nd day of December, 2013 (the “Grant Date”).

WHEREAS, the Company desires to employ the Optionee as its Executive Vice President and Chief Financial Officer;

WHEREAS, the Board desires to deliver sustainable shareholder value and achieve consistent returns at or above market value;

WHEREAS, the Board has determined that it is in the best interests of the Company to grant an inducement award to retain the Optionee’s services on the terms and conditions set forth below; and

WHEREAS, the Optionee finds such terms and conditions to be acceptable.

NOW, THEREFORE, in consideration of the premises and of the services performed and to be performed by the Optionee, the Company hereby grants this Stock Option to the Optionee on the terms and conditions hereinafter expressed (this “Agreement”).

1. OPTIONGRANT

The Optionee shall have the right to purchase a total of 100,000shares of the Company’s common stock, par value $.01 per share (“Common Stock”) at an exercise price per share of $79.33 representing the closing price of the Company’s Common Stock on the NYSE on November 29, 2013, the immediately preceding business day. The exercise price, therefore, is not less than one hundred percent of the Fair Market Value of a share of Common Stock on the date hereof. The term of this Stock Option shall extend until the tenth anniversary of the Grant Date (the “Expiration Date”), subject to earlier termination as set forth below. The Optionee may only exercise this Stock Option to the extent that it is vested under Section 2 below and is exercisable under Sections 3 and 4 below. The permitted methods to exercise this Stock Option are set forth in Section 5 below. Except as specifically provided to the contrary under this Agreement, (a) capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (the “Plan”), and (b) this Stock Option shall be construed and administered in accordance with the Plan, the terms of which are hereby incorporated by reference, including but not limited to the provisions with respect to the powers of the Administrator to interpret this Stock Option and adjust its terms. The Option subject to this Agreement shall not be charged against the Plan’s share reserve and is being granted outside of the Plan as an inducement award under pertinent New York Stock Exchange regulations. This Stock Option is ***not*** intended to qualify as an Incentive Stock Option.

2. VESTING

No portion of this Stock Option shall be vested on the Grant Date. The Optionee may vest in this Stock Option, in whole or in part, based on achieving the stock price performance vesting requirements set forth in this Section. Vesting or becoming vested under this Section 2 shall only entitle the Optionee to exercise the vested portion of this Stock Option at the times provided for in Sections 3 and 4 below. The unvested portion of this Stock Option shall be forfeited immediately upon termination of employment with the Company and its Subsidiaries for any reason.

(a) This Stock Option shall vest under this Section 2(a) only to the extent that the Company achieves a Stock Price Target as set forth in the table below, provided that the Optionee remains employed by the Company or its Subsidiaries when the Company achieves such Stock Price Target:

Stock Price Target	Cumulative Vested Portion of Stock Option (in shares)
$87.50	25,000
$100.00	50,000
$112.50	75,000
$125.00	100,000

For purposes of this Section 2(a), the following rules shall apply:

(1) A Stock Price Target shall only be considered to have been attained prior to a Sale Event if the closing price of share of Common Stock is equal to or higher than such Stock Price Target for a period of sixty (60) consecutive trading days.

(2) If there is a Sale Event prior to the fifth anniversary of the Grant Date, a Stock Price Target shall be determined based on the aggregate value of the consideration paid with respect to a share of Common Stock upon or in connection with such event as reasonably determined by the Committee, and any shares of Common Stock relating to this Stock Option for which a Stock Price Target has been met upon such sale but which are previously unvested shall immediately vest and be exercisable.

(3) Any portion of the Stock Option that vests under this Section 2(a) shall remain vested regardless of the Company's subsequent stock price performance.

(b) Any portion of this Stock Option that has not vested by the fifth (5th) anniversary of the Grant date shall be immediately forfeited.

3. OPTION EXERCISE DURING EMPLOYMENT

The Optionee may exercise the portion of this Stock Option that has vested under Section 2 while employed by the Company or its Subsidiaries prior to the Expiration Date as follows: (i) 25% upon vesting, (ii) 50% upon the 1st anniversary of vesting and (iii) 100% upon the 2nd anniversary of vesting. The foregoing provision regarding exercisability shall apply separately to each portion of this Stock Option that becomes vested based on a different Stock Price Target; provided, however, that in all events the vested portion of the Option shall be fully exercisable on the 5th anniversary of the Grant Date if the Optionee is then employed by the Company or its Subsidiaries. If there is a Sale Event before the fifth anniversary of the Grant Date and the Optionee is then employed by the Company or its Subsidiaries, the Optionee may exercise the vested portion of his Options subject to the provision of Section 3.

4. OPTION EXERCISE AFTER EMPLOYMENT TERMINATION

If the Optionee is a "Good Leaver" (as defined below), he may exercise Options that were previously vested for three months following his employment termination date. If the Optionee terminates employment for any other reason, he shall immediately forfeit all Options whether vested or unvested. The Optionee shall be a "Good Leaver" if either (i) he terminates his employment with the Company and its Subsidiaries due to death or Disability, (ii) the Company and its Subsidiaries terminate his employment without Cause, or (iii) he terminates employment with the Company and its Subsidiaries for Good Reason. For purposes of this Stock Option, "Cause" and "Good Reason" shall have the meanings set forth the Severance Agreement between the Optionee and the Company dated December **[ ]** , 2013. "Disability" shall have the meaning set forth in Section 22(e) of the Code. The unexercised portion of this Stock Option shall forever lapse upon the earlier of the exercise date and three months after employment termination.

5. METHOD OF EXERCISE

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the vested Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) by the Optionee delivering (or attesting to the ownership of) shares of Stock that have been purchased by the Optionee on the open market or that have been beneficially owned by the Optionee for at least six months and that are not then subject to restrictions under any Company plan; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof and the exercisability of this Stock Option shall be subject to making acceptable arrangements with the Company for tax withholding consistent with the terms of the Plan.

6. TRANSFER LIMITATIONS

This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

7. CLAWBACK

This Stock Option and the shares of Common Stock subject to this Stock Option shall be subject to, and shall comply with, the Company's stock ownership guidelines (unless waived by the Committee) and the Company's policies that are applicable to all executive officers regarding forfeitures of incentive awards due to material financial restatements, executive misconduct or other wrongdoing, as may be in effect from time to time. For avoidance of doubt, such policies include any compensation recovery policy as may be adopted in connection with meeting applicable exchange listing requirements.

8. ADJUSTMENT

This Stock Option shall be subject to adjustment by the Committee pursuant to Section 3(b) of the Plan on account of any transaction described therein. The Optionee specifically acknowledges that the Committee in its sole discretion may, among other things, unilaterally cancel this Stock Option in connection with a Sale Event by providing the Optionee a cash payment (less applicable withholding taxes) in an amount equal to the excess, if any, of the value of the acquisition consideration payable with respect to a share of Common Stock over the exercise price per share as provided in Section 1 above, multiplied by the number of vested shares remaining exercisable hereunder (determined after taking into account any vesting as a result of a Sale Event under this Stock Option).

9. Miscellaneous Provisions

(a) Integrated Agreement. This Stock Option constitutes the entire understanding and agreement between the Optionee and the Company with respect to the subject matter contained herein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Optionee and the Company with respect to such subject matter other than those as set forth or provided for herein. To the extent contemplated herein, the provisions of this Stock Option shall survive any exercise of this option and shall remain in full force and effect.

(b) Employment. For purposes of this Stock Option, "employment" shall mean the performance of services for the Company or a Subsidiary as an employee for federal income tax purposes. The Optionee shall be deemed to have terminated employment either upon an actual termination of service with the Company and its Subsidiaries, or at the time that the Subsidiary for which the Optionee is employed by ceases to be a Subsidiary under the terms of the Plan, provided that the Optionee is not employed immediately thereafter by the Company. The Optionee's employment with the Company or one of its Subsidiaries shall not be deemed to have terminated if the Optionee takes any military leave, sick leave, or other bona fide leave of absence approved by the Company or the Subsidiary, as applicable, regardless of whether pay is suspended during such leave.

(c) Governing Law. This Stock Option shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflict of law principles.

(d) Headings. The headings are intended only for convenience in finding the subject matter and do not constitute part of the text of this Stock Option and shall not be considered in the interpretation of this option.

(e) Saving Clause. If any provision(s) of this Stock Option shall be determined to be illegal or unenforceable, such determination shall in no manner affect the legality or enforceability of any other provision hereof.

(f) Notices. All notices, requests, consents and other communications shall be in writing and be deemed given when delivered personally, by telex or facsimile transmission or when received if mailed by first class registered or certified mail, postage prepaid. Notices to the Company or the Optionee shall be addressed to such address or addresses as may have been furnished by such party in writing to the other.

(g) Benefit and Binding Effect. This Stock Option shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, permitted assigns, and legal representatives. The Company has the right to assign this Stock Option, and such assignee shall become entitled to all the rights of the Company hereunder to the extent of such assignment.

(h) Counterparts. For the convenience of the parties and to facilitate execution, this Stock Option may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

IN WITNESS WHEREOF, the Company has caused the execution hereof by its duly authorized officer and Optionee has agreed to the terms and conditions of this option, all effective as of the date first above written.

CIRCOR INTERNATIONAL, INC.

By /s/ Scott A. Buckhout Scott A. Buckhout

President & CEO

By /s/ Rajeev Bhalla

Rajeev Bhalla

Exhibit 10.37

SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is made and entered into as of December 2, 2013 by and between CIRCOR International, Inc. (" CIRCOR " or "Company") and Rajeev Bhalla (the " Executive ").

WHEREAS, CIRCOR presently employs the Executive in which capacity the Executive serves as Executive Vice President and Chief Financial Officer of the Company and as an officer and/or director of other direct and indirect subsidiaries of the Company; and

WHEREAS, the Company desires to provide severance compensation to the Executive upon the occurrence of certain events; and

WHEREAS, in exchange for the severance compensation provided for under this Agreement, Executive agrees to certain non-competition and non-solicitation covenants as set forth herein,

NOW, THEREFORE, in consideration of the foregoing and the mutual promises of the parties herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby covenant and agree with each other as follows:

1. Definitions. For purposes of the Agreement, the following terms shall have the following meanings:

(a)"Base Salary" shall mean the Executive's annual base salary.

(b)"Disability" shall mean, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from his duties with the Company on a full-time basis for 180 calendar days in the aggregate in any twelve month period.

(c)"For Cause" shall mean: (i) conduct by Executive constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of its affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; (ii) criminal or civil conviction of Executive, a plea of nolo contendere by Executive or conduct by Executive that would reasonably be expected to result in material injury to the reputation of the Company if he were retained in his position with the Company, including, without limitation, conviction of a felony involving moral turpitude; (iii) continued, willful and deliberate non-performance by Executive of his duties hereunder (other than by reason of Executive's physical or mental illness, incapacity or disability) which has continued for more than thirty (30) days following written notice of such non-performance from the Board of Directors of the Company (the " Board "); or (iv) a violation by Executive of the Company's employment policies which has continued following written notice of such violation from the Board.

(d)"Good Reason" shall mean that Executive has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (a) a material diminution or other material adverse change, not consented to by Executive, in the nature or scope of Executive's responsibilities, authorities, powers, functions or duties; (b) an involuntary material reduction in Executive's Base Salary except for across-the-board reductions similarly affecting all or substantially all management employees; (c) a material breach of this Agreement by the Company; or (d) a material change in the geographic location at which the Executive provides services to the Company.

"Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the Company in writing of the occurrence of the Good Reason event within 60 days of such occurrence; (iii) Executive cooperates in good faith with the

Company's efforts, for a period not less than 30 days following such notice (the "Cure Period "), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason event continues to exist; and (v) the Executive terminates his employment within 60 days after the end of the Cure Period. If the Company cures the Good Reason event during the Cure Period, Good Reason shall be deemed not to have occurred.

(e)"Target Bonus" shall mean the target bonus (ordinarily expressed as a percentage of base salary) for the Executive under the Company's annual short-term bonus or other similar plan on account of performance against certain goals for a given fiscal year.

2.Severance Payment.

(a)Termination by the Company For Cause, Death or Disability. Upon termination of the Executive's employment by the Company for Cause, death, or Disability, the Company shall, through the Date of Termination (hereinafter defined), pay Executive his accrued and unpaid Base Salary (including compensation for any accrued vacation) at the rate in effect at the time Notice of Termination is given. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement or as required by law, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto.

(b)Termination by the Executive other than for Good Reason. If Executive's employment is terminated by the Executive other than for Good Reason, then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary (including compensation for any accrued vacation) at the rate in effect at the time Notice of Termination is given. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto.

(c)Termination by the Company Other Than for Cause, Death or Disability or by the Executive for Good Reason . If Executive's employment is terminated (i) by the Company other than For Cause or Executive's death or Disability or (ii) by the Executive for Good Reason, then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary (including compensation for any accrued vacation) at the rate in effect at the time Notice of Termination is given and his accrued and unpaid incentive compensation, if any. In addition, if the Executive signs a general release of claims in a form and manner satisfactory to the Company (the " Release ") within 21 days of the receipt of the Release and does not revoke such Release during the seven-day revocation period:

(i)the Company shall pay Executive a lump sum payment equal to the Executive's current Base Salary plus Target Bonus in effect during the fiscal year in which such termination occurs; and

(ii)as required by COBRA, Executive will be given the option to continue medical and dental insurance for a period of up to eighteen (18) months from the Termination Date or as otherwise provided by law under COBRA. If COBRA coverage is elected, then the Company and Executive each will make payments directly to the COBRA administrator for the cost of such coverage in accordance with their same percentage contributions made toward medical and dental coverage immediately prior to the Date of Termination for the first twelve (12) months following the Termination Date after which time Executive shall be responsible for paying the full premium for the remainder of the COBRA coverage period. Executive's eligibility for COBRA coverage (and therefore any obligation on the part of the Company with respect to such coverage) shall cease on the earlier of eighteen (18) months after the Date of Termination and such date as Executive becomes eligible for medical/dental insurance under another group health insurance plan (as defined by COBRA).

(d)Termination Covered Under Executive Change of Control Agreement. If Executive's employment is terminated under circumstances that would afford Executive certain rights under the Executive Change of Control Agreement currently in effect between the Company and Executive (or any successor agreement), the provisions of the Executive Change of Control Agreement shall govern and this Agreement shall have no force and effect, it being intended that the Executive Change of Control Agreement shall govern the rights and obligations of the parties in the event of a termination covered under the Executive Change of Control Agreement and this Agreement shall govern the rights and obligations of the parties in the event of any other termination.

3.Notice of Termination. Any termination of Executive's employment by the Company or any such termination by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a " Notice of Termination " shall mean a notice that indicates the specific termination provision in this Agreement relied upon.

4.Date of Termination. The "Date of Termination" shall be the date on which Notice of Termination is provided by either party or such later date as may be specified in such Notice of Termination.

5.Withholding. All payments made to the Executive under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

6.No Mitigation. The Company agrees that, if the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to any provision of this Agreement, including any payment under Section 2. Further, except as otherwise provided herein, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company or otherwise.

7.Non-Competition and Non-Solicitation Covenants; Confidentiality. In consideration of the benefits afforded the Executive under the terms provided in this Agreement, Executive agrees that

(a)during the term of Executive's employment with the Company and for a period of twelve (12) months thereafter, regardless of the reason for termination of employment, Executive will not, directly or indirectly, as an owner, director, principal, agent, officer, employee, partner, consultant, servant, or otherwise, carry on, operate, manage, control, or become involved in any manner with any business, operation, corporation, partnership, association, agency, or other person or entity which is engaged in a business that is competitive with any of the Company's or its affiliates' products which are produced by the Company or its affiliates as of the date of Executive's termination of employment with the Company, in any area or territory in which the Company or any affiliate conducts operations; provided, however, that the foregoing shall not prohibit Executive from owning up to one percent (1%) of the outstanding stock of a publicly held company engaged in the Fluid-Control Industry; and

(b)during the term of Executive's employment with the Company and for a period of twelve (12) months thereafter, regardless of the reason for termination of employment, Executive will not directly or indirectly solicit or induce any present or future employee of the Company or any affiliate to accept employment with Executive or with any business, operation, corporation, partnership, association, agency, or other person or entity with which Executive may be associated, and Executive will not employ or cause any business, operation, corporation, partnership, association, agency, or other person or entity with which Executive may be associated to employ any present or future employee of the Company or its affiliates without providing the Company with ten (10) days' prior written notice of such proposed employment.

(c)in the course of Executive's employment with the Company (and, if applicable, its predecessors), Executive has been allowed to become, and will continue to be allowed to become, acquainted with the Company's business affairs, information, trade secrets, and other matters which are of a proprietary or confidential nature, including but not limited to the Company's and its affiliates' and predecessors' operations, business opportunities, price and cost information, finance, customer information, business plans, various sales techniques, manuals, letters, notebooks, procedures, reports, products, processes, services, and other confidential information and knowledge (collectively the " Confidential Information ") concerning the Company's and its affiliates' and predecessors' business. The Company agrees to provide on an ongoing basis such Confidential Information as the Company deems necessary or desirable to aid Executive in the performance of his duties. Executive understands and acknowledges that such Confidential Information is confidential, and he agrees not to disclose such Confidential Information to anyone outside the Company except to the extent that (i) Executive deems such disclosure or use reasonably necessary or appropriate in connection with performing his duties on behalf of the Company, (ii) Executive is required by order of a court of competent jurisdiction (by subpoena or similar process) to disclose or discuss any Confidential Information, provided that in such case, Executive shall promptly inform the Company, as appropriate, of such event, shall cooperate with the Company, as appropriate, in attempting to obtain a protective order or to otherwise restrict such disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with any such court order; (iii) such Confidential Information becomes generally known to and available for use in the Company's industry (the " Fluid-Control Industry "), other than as a result of any action or inaction by Executive; or (iv) such information has been rightfully received by a member of the Fluid-Control Industry or has been published in a form generally available to the Fluid-Control Industry prior to the date Executive proposes to disclose or use such information. Executive further agrees that he will not during employment and/or at any time thereafter use such Confidential Information in competing, directly or indirectly, with the Company. At such time as Executive shall cease to be employed by the Company, he will immediately turn over to the Company, all Confidential Information, including papers, documents, writings, electronically stored information, other property, and all copies of them provided to or created by him during the course of his employment with the Company. The provisions of this Paragraph 7(c) shall survive termination of this Agreement for any reason.

Should Executive violate any of the provisions of paragraphs 7(a) or (b), then in addition to all other rights and remedies available to the Company at law or in equity, the duration of this covenant shall automatically be extended for the period of time from which Executive began such violation until he permanently ceases such violation.

8. Notice. For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

At Executive's home address as shown in the Company's personnel records;

If to the Company:

CIRCOR International, Inc.
30 Corporate Drive, Suite 200
Burlington, MA 01803
Attn: President & CEO
Attn: Vice President-Human Resources

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the

Company would be required to perform it if no succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment.

10.Amendment; Other Agreements. No provisions of this Agreement may be amended, modified, or discharged unless such amendment, modification, or discharge is agreed to in writing and signed by Executive and such officer of the Company as may be specifically designated by the Board. No agreements or representations, oral or otherwise, express or implied, unless specifically referred to herein, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

11.Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts (without regard to principles of conflicts of laws).

12.Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

13.Arbitration; Other Disputes. In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such dispute or controversy by mediation under the applicable rules of the American Arbitration Association before resorting to arbitration. In the event such dispute or controversy remains unresolved in whole or in part for a period of 30 days after it arises, the parties will settle any remaining dispute or controversy exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the above, the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Section 7 of this Agreement. Furthermore, should a dispute occur concerning Executive's mental or physical capacity as described in Subparagraph 1(b) or 2(a), a doctor selected by Executive and a doctor selected by the Company shall be entitled to examine Executive. If the opinion of the Company's doctor and Executive's doctor conflict, the Company's doctor and Executive's doctor shall together agree upon a third doctor, whose opinion shall be binding.

14.Assignment. Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, and without such consent any attempted transfer shall be null and void and of no effect. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns. In the event of the Executive's death prior to the completion by the Company of all payments due him under this Agreement, the Company shall continue such payments to the Executive's beneficiary designated in writing to the Company prior to his death (or to his estate, if the Executive fails to make such designation).

15.Litigation and Regulatory Cooperation. During and after Executive's employment, Executive shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while Executive was employed by the Company; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Company. The Company shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Salary and Target Bonus Opportunity) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Paragraph 15, including, but not limited to, reasonable attorneys' fees and costs.

16.Enforceability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

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

18.Section 409A.

(a)Anything in this Agreement to the contrary notwithstanding, if at the time of the Executive's "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code "), the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Executive's separation from service, or (B) the Executive's death.

(b)The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(c)The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(d)The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date and year first above written.

CIRCOR INTERNATIONAL, INC.

By: /s/ Scott A Buckhout
Scott A. Buckhout
President & CEO

EXECUTIVE

/s/ Rajeev Bhalla
Rajeev Bhalla

Exhibit 10.38

EXECUTIVE CHANGE OF CONTROL AGREEMENT

This EXECUTIVE CHANGE OF CONTROL AGREEMENT ("Agreement") is made as of the 2nd day of December 2013, between CIRCOR International, Inc., a Delaware corporation (the "Company"), and Rajeev Bhalla ("Executive").

WHEREAS, the Company presently employs the Executive in which capacity the Executive serves as an officer of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") recognizes the valuable services rendered to the Company and its respective affiliates by the Executive; and

WHEREAS, the Board has determined that it is in the best interests of the Company and its affiliates to encourage in advance the continued loyalty of the Executive as well as the Executive's continued attention to his assigned duties and objectivity in the event of a threatened or possible change in control of the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. ***Definitions***. For purposes of this Agreement, the following terms shall have the following meanings:

"**Cause**" shall mean: (a) conduct by Executive constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of its affiliates other than the occasional, customary and de minimus use of Company property for personal purposes; (b) criminal or civil conviction of Executive, a plea of nolo contendere by Executive or conduct by Executive that would reasonably be expected to result in material injury to the reputation of the Company if he were retained in his position with the Company, including, without limitation, conviction of a felony involving moral turpitude; (c) continued, willful and deliberate non-performance by Executive of his duties hereunder (other than by reason of Executive's physical or mental illness, incapacity or disability) which has continued for more than thirty (30) days following written notice of such non-performance from the Chairman of the Board; or (d) a violation by Executive of the Company's employment policies which has continued following written notice "of such violation from the Chairman of the Board.

"**Change in Control**" shall mean any of the following:

(a) Any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Act") (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of either (A) the combined voting power of the Company's then outstanding securities having the right to voice in an election of the Company's Board ("Voting Securities") or (B) the then outstanding shares of Company's common stock, par value $0.01 per share ("Common Stock") (other than as a result of an acquisition of securities directly from the Company); or

(b) Incumbent Directors (as defined below) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board; or

(c) The stockholders of the Company shall approve (A) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate fifty percent (50%) or more of the voting shares of the Company or other party issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (a) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Common Stock or other Voting Securities outstanding, increases the proportionate number of shares beneficially owned by any person to twenty-five percent (25%) or more of either (A) the combined voting power of all of the then outstanding Voting Securities or (B) Common Stock; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities or Common Stock (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns twenty-five percent (25%) or more of either (A) the combined voting power of all of the then outstanding Voting Securities or (B) Common Stock, then a "Change of Control" shall be deemed to have occurred for purposes of the foregoing clause (a).

"**Good Reason**" shall mean that Executive has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (a) a material diminution in the Executive's responsibilities, authority or duties; (b) a material diminution in the Executive's Base Salary except for across-the-board salary reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; (c) a material change in the geographic location at which the Executive provides services to the Company, provided that such change shall be more than thirty (30) miles from such location; or (d) the material breach of this Agreement by the Company. "Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the Company in writing of the occurrence of the Good Reason event within sixty (60) days of the occurrence of such event; (iii) Executive cooperates in good faith with the Company's efforts, for a period not less than ninety (90) days following such notice, to modify Executive's employment situation in a manner acceptable to Executive and Company; and (iv) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the Company cures the Good Reason event in a manner acceptable to Executive during the ninety (90) day period, Good Reason shall be deemed not to have occurred.

"**Incumbent Directors**" shall mean persons who, as of the Commencement Date, constitute the Board; provided that any person becoming a director of the Company subsequent to the Commencement Date shall be considered an Incumbent Director if such person's election was approved by or such person was nominated for election by a vote of at least a majority of the Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director.

2.***Term***. The term of this Agreement shall extend from the date hereof (the "Commencement Date") until the first anniversary of the Commencement Date; provided, however, that the term of this Agreement shall automatically be extended for one additional year on the first anniversary of the Commencement Date and each anniversary thereafter unless, not less than 90 days prior to each such date, either party shall have given notice to the other that it does not wish to extend this Agreement; provided, further, that if a Change in Control occurs during the original or extended term of this Agreement, the term of this Agreement shall continue in effect for a period of not less than twelve (12) months beyond the month in which the Change in Control occurred.

3.***Change in Control Payment***. The provisions of this Paragraph 3 set forth certain terms of an agreement reached between Executive and the Company regarding Executive's rights and obligations upon the occurrence of a Change in Control of the Company. These provisions are intended to assure and encourage in advance Executive's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such event. These provisions shall terminate and be of no further force or effect beginning twelve (12) months after the occurrence of a Change of Control.

(a)**Change in Control**.

(i)If within twelve (12) months after the occurrence of the first event constituting a Change in Control, Executive's employment is terminated by the Company without Cause as defined in Section 1 or Executive terminates his employment for Good Reason as provided in Section 1, then the Company shall pay Executive a lump sum in cash in an amount equal to two (2) times the sum of (A) Executive's current Base Salary plus (B) Executive's current target annual incentive compensation under the Company's Executive Bonus Incentive Plan ("Target Bonus Opportunity"). Such lump sum cash payment shall be paid to Executive within thirty (30) days following the date of termination of Executive's employment; and

(ii)Notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, and except as set forth in paragraph (iii) below regarding the performance-based stock option award granted to Executive in connection with the commencement of his employment with the Company, upon a Change in Control, all stock options and other stock-based awards granted to Executive by the Company shall immediately accelerate and become exercisable or non-forfeitable as of the effective date of such Change in Control. In addition, all restricted stock units held by the Executive pursuant to the Management Stock Purchase Plan shall become fully vested upon a Change of Control and the Executive shall be entitled to receive the shares of stock represented by such restricted stock units. Executive shall also be entitled to any other rights and benefits with respect to stock-related awards, to the extent and upon the terms, provided in the employee stock option or incentive plan or any agreement or other instrument attendant thereto pursuant to which such options or awards were granted; and

(iii)With respect to the performance-based stock option award granted to Executive in connection with the commencement of his employment with the Company, upon a Change of Control, the performance-based stock options subject to such award shall vest only to the extent set forth in the "Performance-Based Stock Option Agreement" covering such award; and

(iv)The Company shall, for a period of two (2) years commencing on the date of termination of Executive's employment, pay such health insurance premiums as may be necessary to allow Executive, Executive's spouse and dependents to continue to receive health insurance coverage substantially similar to the coverage they received prior to the date of termination of Executive's employment.

(b)**Additional Limitation**.

(i)Anything in this Agreement to the contrary notwithstanding, in the event that any compensation, payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the “Severance Payments”), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), the following provisions shall apply:

(A)If the Severance Payments, reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state and local income and employment taxes payable by Executive on the amount of the Severance Payments which are in excess of the Threshold Amount, are greater than or equal to the Threshold Amount, Executive shall be entitled to the full benefits payable under this Agreement.

(B)If the Threshold Amount is less than (x) the Severance Payments, but greater than (y) the Severance Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Severance Payments which are in excess of the Threshold Amount, then the benefits payable under this Agreement shall be reduced (but not below zero) to the extent necessary so that the maximum Severance Payments shall not exceed the Threshold Amount. To the extent that there is more than one method of reducing the payments to bring them within the Threshold Amount, the Severance Payments shall be reduced in the following order: (i) cash payments not subject to Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”); (ii) cash payments subject to Section 409A of the Code; (iii) equity-based payments; and (iv) non-cash form of benefits. To the extent any payment is to be made over time (e.g., in installments), then the payments shall be reduced in reverse chronological order.

For the purposes of this Paragraph 3, “Threshold Amount” shall mean three times Executive’s “base amount” within the meaning of Section 280G(b)(3) of the Code and the regulations promulgated thereunder less one dollar ($1.00); and “Excise Tax” shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by Executive with respect to such excise tax.

(ii)The determination as to which of the alternative provisions of Paragraph 3(b)(i) shall apply to Executive shall be made by KPMG LLP or any other nationally recognized accounting firm selected by the Company (the “Accounting Firm”), which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the date of termination of Executive’s employment, if applicable, or at such earlier time as is reasonably requested by the Company or Executive. For purposes of determining which of the alternative provisions of Paragraph 3(b)(i) shall apply, Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of Executive’s residence on the date of termination of Executive’s employment, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

4.***Unauthorized Disclosures***. Executive acknowledges that in the course of his employment with the Company (and, if applicable, its predecessors), he has been allowed to become, and will continue to be allowed to become, acquainted with the Company’s and the Company’s business affairs, information, trade secrets, and other matters which are of a proprietary or confidential nature, including but not limited to the Company’s and its affiliates’ and predecessors’ operations, business opportunities, price and cost information, finance, customer information, business plans, various sales techniques, manuals, letters, notebooks, procedures, reports, products, processes, services, and other confidential information and knowledge (collectively the “Confidential Information”) concerning the Company’s and its affiliates’ and predecessors’ business. The Company agrees to provide on an ongoing basis such Confidential Information as the Company deems necessary or desirable to aid Executive in the performance of his duties. Executive understands and acknowledges that such Confidential Information is confidential, and he agrees not to disclose such Confidential Information to anyone outside the Company except to the extent that (i) Executive deems such disclosure or use reasonably necessary or appropriate in connection with performing his duties on behalf of the Company, (ii) Executive is required by order of a court of competent jurisdiction (by subpoena or similar process) to disclose or discuss any Confidential Information, provided that in such case, Executive shall promptly inform the Company of such event, shall cooperate with the Company, as appropriate, in attempting to obtain a protective order or to otherwise restrict such disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with any such court order; (iii) such Confidential Information becomes generally known to and available for use in the Company's industry (the "Fluid-Control Industry"), other than as a result of any action or inaction by Executive; or (iv) such information has been rightfully received by a member of the Fluid-Control Industry or has been published in a form generally available to the Fluid-Control Industry prior to the date Executive proposes to disclose or use such information. Executive further agrees that he will not during employment and/or at any time thereafter use such Confidential Information in competing, directly or indirectly, with the Company. At such time as Executive shall cease to be employed by the Company, he will immediately turn over to the Company all Confidential Information, including papers, documents, writings, electronically stored information, other property, and all copies of them provided to or created by him during the course of his employment with the Company. The provisions of this Paragraph 4 shall survive termination of this Agreement for any reason.

5.***Covenant Not to Compete***. In consideration of the benefits afforded the Executive under the terms provided in this Agreement and as a means to aid in the performance and enforcement of the terms of the provisions of Paragraph 4, Executive agrees that

(a)during the term of Executive's employment with the Company and for a period of twelve (12) months thereafter, regardless of the reason for termination of employment, Executive will not, directly or indirectly, as an owner, director, principal, agent, officer, employee, partner, consultant, servant, or otherwise, carry on, operate, manage, control, or become involved in any manner with any business, operation, corporation, partnership, association, agency, or other person or entity which is engaged in a business that is competitive with any of the Company or its affiliate's businesses or products as of the date of Executive's termination of employment with the Company, in any area or territory in which the Company or any affiliate of the Company conducts operations; provided, however, that the foregoing shall not prohibit Executive from owning up to one percent (1%) of the outstanding stock of a publicly held company engaged in the Fluid-Control Industry; and

(b)during the term of Executive's employment with the Company and for a period of twelve (12) months thereafter, regardless of the reason for termination of employment, Executive will not directly or indirectly solicit or induce any present or future employee of the Company or any affiliate of the Company to accept employment with Executive or with any business, operation, corporation, partnership, association; agency, or other person or entity with which Executive may be associated, and Executive will not employ or cause any business, operation, corporation, partnership, association, agency, or other person or entity with which Executive may be associated to employ any present or future employee of the Company or affiliate of the Company without providing the Company or the affiliate, as appropriate, with ten (10) days' prior written notice of such proposed employment.

Should Executive violate any of the provisions of this Paragraph, then in addition to all other rights and remedies available to the Company at law or in equity, the duration of this covenant shall automatically be extended for the period of time from which Executive began such violation until he permanently ceases such violation.

6.***Notice***. For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Rajeev Bhalla

At his home address as shown

in the Company's personnel records;

If to the Company:

CIRCOR International, Inc.

30 Corporate Drive, Suite 200

Burlington, MA 01803

Attention: Board of Directors of CIRCOR International, Inc.

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7.***Not an Employment Contract***. This Agreement is intended only to provide those benefits for the Executive as set forth in Paragraph 3 in connection with a Change of Control. As such, this Agreement is not intended to and does not in any way constitute an employment agreement or other contract which would cause the employee to be considered anything other than an employee at will or to in any way be entitled to any specific payments or benefits from the Company in the event of a termination of employment not subject to Paragraph 3 of this Agreement.

8.***Miscellaneous***. No provisions of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by Executive and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto of or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, unless specifically referred to herein, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts (without regard to principles of conflicts of laws).

9.***Validity***. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. The invalid portion of this Agreement, if any, shall be modified by any court having jurisdiction to the extent necessary to render such portion enforceable.

10.***Counterparts***. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

11.***Arbitration; Other Disputes***. In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such dispute or controversy by mediation under the applicable rules of the American Arbitration Association before resorting to arbitration. In the event such dispute or controversy remains unresolved in whole or in part for a period of thirty (30) days after it arises, the parties will settle any remaining dispute or controversy exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the above, the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Paragraph 4 or 5 hereof.

12.***Litigation and Regulatory Cooperation***. During and after Executive's employment, Executive shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company and/or any affiliate of the Company which relate to events or occurrences that transpired while Executive was employed by the Company; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company and/or the Company at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Company. The Company shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Compensation and Target Bonus Opportunity) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Paragraph 12, including, but not limited to, reasonable attorneys' fees and costs.

13.***Gender Neutral***. Wherever used herein, a pronoun in the masculine gender shall be considered as including the feminine gender unless the context clearly indicates otherwise.

14.***Section 409A.***

(a)Anything in this Agreement to the contrary notwithstanding, if at the time of the Executive's separation from service within the meaning of Section 409A of the Code, the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive's separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Executive's separation from service, or (B) the Executive's death.

(b)The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(c)The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(d)The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

(e)All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by the Executive during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date and year first above written.

CIRCOR International, Inc.

/s/ Scott A. Buckhout

Scott A. Buckhout

President & CEO

EXECUTIVE

/s/ Rajeev Bhalla

Rajeev Bhalla

EXHIBIT 21

SCHEDULE OF SUBSIDIARIES
Subsidiaries of CIRCOR International, Inc.

I. Subsidiaries of CIRCOR International, Inc.

1. CIRCOR (Jersey) Ltd., a United Kingdom Company (83% ownership)

CIRCOR Aerospace, Inc., a Delaware Corporation

CIRCOR Energy Products, Inc., an Oklahoma Corporation

4. CIRCOR Luxembourg Holdings Sarl, a Luxembourg limited liability company (39%)

CIRCOR, Inc., a Massachusetts Corporation

Dovianus B.V., a Netherlands Corporation

CIRCOR France, a French Corporation

Leslie Controls, Inc., a Delaware Corporation

Patriot Holdings, Inc., a Colorado corporation

10. Sagebrush Pipeline Equipment Co., an Oklahoma Corporation

11. Spence Engineering Company, Inc., a Delaware Corporation

12. CIRCOR Energy Pipeline Services, Inc., a Delaware Corporation

13. CIRCOR German Holdings Management GmbH, a German Closed Corporation

II. Subsidiaries of CIRCOR Aerospace, Inc.:

CIRCOR IP Holding Co., a Delaware Corporation

2. CIRCOR Instrumentation Technologies, Inc., a New York Corporation

3. CIRCOR Luxembourg Holdings Sarl., a Luxembourg limited liability company (<1%)

III. Subsidiaries of CIRCOR Instrumentation Technologies, Inc.:

1. CIRCOR (Jersey) Ltd., a United Kingdom Company (17% ownership)

Dopak Inc., a Texas Corporation

IV. Subsidiaries of CIRCOR Energy Products, Inc.:

1. CIRCOR Luxembourg Holdings Sarl., a Luxembourg limited liability company (approx. 61%)

V. Subsidiaries of CIRCOR (Jersey), Ltd.:

1. CIRCOR German Holdings, LLC, a Delaware Limited Liability Company

VI. Subsidiaries of CIRCOR German Holdings, LLC:

1. CIRCOR German Holdings GmbH & Co. KG, a German private company

VII. Subsidiaries of CIRCOR German Holdings GmbH & Co. KG

RTK GmbH, a German Corporation

VIII. Subsidiaries of RTK GmbH:

1. RTK Control Systems Limited, a United Kingdom Corporation

IX. Subsidiaries of CIRCOR Luxembourg Holdings, Sarl.

1. CEP Holdings Sarl., a Luxembourg limited liability company (6% ownership)

2. CIRCOR Energy Products (Canada) ULC, an Alberta unlimited liability company

3. Howitzer Acquisition Limited, a United Kingdom Corporation

CIRCOR India Holdings BV, a Netherlands Corporation

5. CIRCOR Middle East FZE, a United Arab Emirates Corporation

6. CIRCOR Do Brasil Particpaçöes LTDA, a Brazilian Corporation (>99%)

7. CIRCOR Asia SDN BHD, a Malaysia Company (1% ownership)

X. Subsidiaries of CIRCOR Do Brasil Particpaçöes LTDA.

1. CIRCOR Do Brazil, a wholly owned subsidiary of Circor do Brasil

XI. Subsidiaries of CIRCOR Energy Products (Canada) ULC, an Alberta unlimited liability company

1. CEP Holdings Sarl., a Luxembourg limited liability Company (94% ownership)

XII. Subsidiaries of CEP Holdings, Sarl.

Pibiviesse, an Italian Company

2. CIRCOR Do Brasil Particpaçöes LTDA, a Brazilian Corporation (<1%)

XIII. Subsidiaries of Pibiviesse:

De Martin Giuseppe & Figli Srl, an Italian Company

2. CIRCOR Valve Company, Ltd., a Chinese Foreign Owned Enterprise

Circor Asia SDN BHD, a Malaysia Company (99% ownership)

XIV. Subsidiaries of Howitzer Acquisition Limited, a United Kingdom Corporation

1. Hale Hamilton (Valves) Limited, a United Kingdom Corporation

2. Pipeline Engineering Supply Company Limited, a United Kingdom Corporation

XV. Subsidiaries of Hale Hamilton (Valves) Limited, a United Kingdom Corporation

1. Cambridge Fluid Systems Limited, a United Kingdom Corporation

XVI. Subsidiaries of CIRCOR India Holdings BV, a Netherlands Corporation

. CIRCOR India LLC, a Delaware limited liability company

2. CIRCOR Flow Technologies India Private Ltd, an Indian private company

XVII. Subsidiaries of CIRCOR France, a French Corporation

CIRCOR Bodet, a French Corporation

CIRCOR Maroc, a Moroccan Corporation

CIRCOR Industria, a French Corporation

XVIII. Subsidiaries of Pipeline Engineering Supply Co. LTD., a United Kingdom Corporation

Pipeline LTD, a Singapore Limited Company

XIX. Subsidiaries of Cambridge Fluid Systems Limited, a United Kingdom Corporation

1. Cambridge Fluid Systems GmbH, a German Limited Liability Company

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 27, 2014 with respect to the consolidated financial statements, schedule and internal control over financial reporting included in the Annual Report of CIRCOR International, Inc. and subsidiaries on Form 10-K for the year ended December 31, 2013. We hereby consent to the incorporation by reference of said reports in the registration statements of CIRCOR International, Inc. and subsidiaries on Form S-8 (No. 333-91229, effective November 18, 1999; No. 333-125237, effective May 25, 2005 and No. 333-190295, effective August 1, 2013) and Form S-3 (No. 333-85912, effective April 6, 2002 and No. 333-170334, effective December 17, 2010).

/s/ GRANT THORNTON LLP

Boston, Massachusetts
February 27, 2014

Exhibit 31.1

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

I, Scott A. Buckhout, 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, 2014

Signature: /s/ Scott A. Buckhout

Scott A. Buckhout

President and Chief Executive Officer

Exhibit 31.2

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

I, Rajeev Bhalla, 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, 2014

Signature: /s/ Rajeev Bhalla

Rajeev Bhalla

Executive Vice President, Chief 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 President and Chief Executive Officer and Executive Vice President and Chief Financial Officer of CIRCOR International, Inc. (the “Company”), each hereby certifies to the best of his knowledge, that the Company’s quarterly report on Form 10-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, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott A. Buckhout	/s/ Rajeev Bhalla
Scott A. Buckhout	**Rajeev Bhalla**
President and Chief Executive Officer	**Executive Vice President, Chief Financial Officer**
Principal Executive Officer	***Principal Financial Officer***
February 27, 2014	February 27, 2014