UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

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 1-14962

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 Number)

c/o Circor, Inc. Suite 290 35 Corporate Drive, Burlington, MA	01803-4230
(Address of principal executive offices)	(zip Code)

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

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 [X] No [_]

As of October 31, 2001, there were 14,858,690 shares of our common stock, par value $0.01, outstanding.

CIRCOR INTERNATIONAL, INC.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,397	$ 8,192
Trade accounts receivable, less allowance for doubtful accounts of $3,123 and $2,831, respectively	57,599	58,457
Inventories	108,138	111,258
Prepaid expenses and other current assets	5,486	6,192
Deferred income taxes	6,114	6,141
Total Current Assets	221,734	190,240
PROPERTY, PLANT AND EQUIPMENT, NET	65,618	64,794
OTHER ASSETS:		
Goodwill, net of accumulated amortization of $16,204 and $14,303, respectively	92,163	87,741
Other assets	3,929	4,287
TOTAL ASSETS	$383,444	$347,062
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 23,593	$ 30,767
Accrued expenses and other current liabilities	16,352	14,096
Accrued compensation and benefits	5,612	4,757
Income taxes payable	3,180	-
Current portion of long-term debt	3,581	940
Total Current Liabilities	52,318	50,560
LONG-TERM DEBT, NET OF CURRENT PORTION	94,275	90,593
DEFERRED INCOME TAXES	2,851	2,873
OTHER NONCURRENT LIABILITIES	9,779	7,490
MINORITY INTEREST	5,294	4,365
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; 14,858,690 and 13,262,891 issued and outstanding at September 30, 2001 and December 31, 2000, respectively	149	133
Additional paid-in capital	200,340	181,184
Retained earnings	21,893	12,451
Accumulated other comprehensive loss	(3,455)	(2,587)
Total Shareholders' Equity	218,927	191,181
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$383,444	$347,062

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

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

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net revenues	$84,287	$75,988	$255,623	$238,562
Cost of revenues	59,135	52,980	178,250	165,695
GROSS PROFIT	25,152	23,008	77,373	72,867
Selling, general and administrative expenses	17,481	15,995	53,009	50,050
Special charges	-	801	-	1,504
OPERATING INCOME	7,671	6,212	24,364	21,313
Other (income) expense:				
Interest income	(251)	(166)	(595)	(372)
Interest expense	2,170	2,315	6,127	7,520
Other, net	(84)	188	409	777
Other (income) expense, net	1,835	2,337	5,941	7,925
INCOME BEFORE INCOME TAXES	5,836	3,875	18,423	13,388
Provision for income taxes	2,334	1,588	7,369	5,489
NET INCOME	$ 3,502	$ 2,287	$11,054	$ 7,899
Earnings per common share:				
Basic	$0.24	$0.17	$0.77	$0.60
Diluted	$0.23	$0.17	$0.74	$0.59
Weighted average number of common shares outstanding:				
Basic	14,827	13,237	14,346	13,237
Diluted	15,395	13,324	14,873	13,500

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

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

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
OPERATING ACTIVITIES		
Net income	$ 11,054	$ 7,899
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,393	8,034
Amortization	2,151	2,139
Gain on disposal of property, plant and equipment	(22)	(24)
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Trade accounts receivable	2,798	4,501
Inventories	5,301	(1,375)
Prepaid expenses and other assets	1,106	2,729
Accounts payable, accrued expenses and other liabilities	273	3,530
Net cash provided by operating activities	30,054	27,433
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,851)	(2,464)
Disposal of property, plant and equipment	52	39
Increase in other assets	-	(4)
Business acquisitions, net of cash acquired	(9,619)	(75)
Purchase price adjustment on previous acquisition	-	1,542
Net cash used in investing activities	(13,418)	(962)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	17,739	20,988
Payments of long-term debt	(15,443)	(43,776)
Proceeds from the issuance of stock, net of issuance costs	18,698	-
Dividends paid	(1,612)	(1,000)
Proceeds from the exercise of stock options	345	-
Conversion of restricted stock units	9	-
Net cash provided by (used in) financing activities	19,736	(23,788)
Effect of exchange rate changes on cash and cash equivalents	(167)	(171)
INCREASE IN CASH AND CASH EQUIVALENTS	36,205	2,512
Cash and cash equivalents at beginning of year	8,192	5,153
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 44,397	$ 7,665

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

(1) BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited, consolidated financial statements contain all necessary adjustments, consisting only of adjustments of a normal recurring nature, to present fairly CIRCOR International, Inc.'s consolidated balance sheets as of September 30, 2001 and our consolidated statements of operations and consolidated statements of cash flows for the periods presented. We prepare our interim financial information using the same accounting principles as we use for our audited annual financial statements.

The consolidated balance sheet at December 31, 2000 has been derived from the audited financial statements at that date. Our accounting policies are described in the notes to our December 31, 2000 financial statements, which were included in our Annual Report filed on Form 10-K. We recommend that the financial statements included in this Report be read in conjunction with the financial statements and notes included in our Annual Report for the year ended December 31, 2000.

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

(2) NEW ACCOUNTING STANDARDS

In 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." We adopted Statement No. 133, as amended by Statement No. 137 and Statement No. 138, on January 1, 2001. The adoption of this statement did not have a significant impact on our financial condition, results of operations or cash flows. See note 7, Derivative Instruments and Hedging Activities for further details.

In July 2001, the FASB issued Statement No. 141, "Business Combinations," and Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet in order to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement No. 142. Statement No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

We were required to adopt the provisions of Statement No. 141 immediately and will adopt Statement No. 142 effective January 1, 2002. None of our prior business combinations, initiated prior to July 1, 2001, were accounted for using the pooling-of-interests method. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement No. 142.

As of the date of adoption, we expect to have unamortized goodwill of $92.2 million and unamortized identifiable intangible assets of $2.1 million, all of which will be subject to the transition provisions of Statement Nos. 141 and 142. We currently do not have and do not expect to record any unamortized negative goodwill. Amortization expense related to goodwill was $2.5 million and $1.9 million for the year ended December 31, 2000 and for the nine months ended September 30, 2001, respectively. Due to the extensive effort needed to comply with adopting Statement No. 141 and Statement No. 142, it is not practicable to reasonably estimate the impact of adopting these Statements on our financial statements at the date of this Report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

In August 2001, the FASB issued Statement No. 143 - "Accounting for Asset Retirement Obligations." Statement No. 143 requires us to record the fair value of a liability for an asset retirement obligation in the period in which the obligation is incurred. When the liability is initially recorded, we will capitalize the cost as part of the asset's carrying amount and expense the retirement obligation over the asset's useful life. The adoption of this statement is for fiscal years beginning after June 15, 2002, although earlier adoption is encouraged. We are in the process of determining the impact of this statement.

In October 2001, the FASB issued Statement No. 144 - "Accounting for the Impairment or Disposal of Long-Lived Assets". Statement No. 144 supersedes Statement No. 121 - "Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to Be Disposed Of" and establishes a single accounting method for valuation of long-lived assets to be disposed of by sale. Statement No. 144 is effective for fiscal years beginning after December 15, 2001. We currently cannot determine the potential effects this statement will have on our financial position since the provisions of this Statement, generally, only to apply to new disposal activities initiated after the adoption of this Statement.

(3) INVENTORIES

Inventories consist of the following (In thousands):

	September 30, 2001 (Unaudited)	December 31, 2000
Raw materials	$ 43,314	$ 41,233
Work in process	28,164	31,804
Finished goods	36,660	38,221
	$108,138	$111,258

(4) SEGMENT INFORMATION

The following table presents certain operating segment information (Unaudited, in thousands):

	Instrumentation & Thermal Fluid Controls	Petrochemical	Corporate Adjustments	Consolidated Total
Three Months Ended September 30, 2001				
Net revenues	$46,911	$37,376	$ -	$84,287
Operating income (loss)	6,799	2,718	(1,846)	7,671
Three Months Ended September 30, 2000				
Net revenues	$43,358	$32,630	$ -	$75,988
Operating income (loss)	7,061	855	(1,704)	6,212

	Instrumentation & Thermal Fluid Controls	Petrochemical	Corporate Adjustments	Consolidated Total
Nine Months Ended September 30, 2001				
Net revenues	$138,265	$117,358	$ -	$255,623
Operating income (loss)	22,057	8,022	(5,715)	24,364
Nine Months Ended September 30, 2000				
Net revenues	$132,506	$106,056	$ -	$238,562
Operating income (loss)	21,383	5,060	(5,130)	21,313

The operating segments above are presented on a basis consistent with the presentation in our consolidated financial statements for the year ended December 31, 2000. In 2001, the name Instrumentation and Fluid Regulation was changed to Instrumentation and Thermal Fluid Controls. We believe that the name change better reflects the products and markets we serve. Identifiable assets, by segment, as of September 30, 2001 did not change significantly from the amounts reported in note 14, Segment Information, included in our Annual Report on Form 10-K for the year ended December 31, 2000 other than for approximately $18.0 million of identifiable assets attributable to the acquired companies described in note 10 to our consolidated financial statements. These companies are included in the Instrumentation and Thermal Fluid Controls segment.

(5) SPECIAL CHARGES

During the three months and nine months ended September 30, 2000, we incurred special charges of $0.8 million and $1.5 million, respectively. All of these charges were incurred in connection with the closure, consolidation and reorganization of manufacturing plants in the Instrumentation and Thermal Fluid Controls segment, except for $0.1 million that was recognized in the Petrochemical segment during the second quarter. There were no special charges incurred during the three months or nine months ended September 30, 2001.

(6) EARNINGS PER COMMON SHARE (Unaudited, in thousands, except per share amounts)

Three Months Ended September 30, 2001	Net Income	Shares	Per Share Amount
Basic EPS	$3,502	14,827	$ 0.24
Dilutive securities, principally common stock options	-	568	(0.01)
Diluted EPS	$3,502	15,395	$ 0.23

Nine Months Ended September 30, 2001	Net Income	Shares	Per Share Amount
Basic EPS	$11,054	14,346	$ 0.77
Dilutive securities, principally common stock options	-	527	(0.03)
Diluted EPS	$11,054	14,873	$ 0.74

All options outstanding are included in the computation of earnings per share for the three and nine-month periods ended September 30, 2001 because their exercise price was less than the average market price of the common shares during the period.

Three Months Ended September 30, 2000	Net Income	Shares	Per Share Amount
Basic EPS	$2,287	13,237	$0.17
Dilutive securities, principally common stock options	-	87	-
Diluted EPS	$2,287	13,324	$0.17

Nine Months Ended September 30, 2000	Net Income	Shares	Per Share Amount
Basic EPS	$7,899	13,237	$ 0.60
Dilutive securities, principally common stock options	-	263	(0.01)
Diluted EPS	$7,899	13,500	$ 0.59

Options to purchase 864,941 shares of our common stock at prices ranging from $9.17 to $13.94 were outstanding and anti-dilutive during the three months ended September 30, 2000. Options to purchase 376,074 shares of our common stock at prices ranging from $11.38 to $13.94 were outstanding and anti-dilutive during the nine months ended September 30, 2000. These options were not included in the related computations of diluted EPS since the exercise price of the options was greater than the average market price of the common stock during the period.

(7) Derivative Instruments and Hedging Activities

As of January 1, 2001, we adopted FASB Statement No. 133. "Accounting for Derivative Instruments and Hedging Activities" as amended by Statement No. 137 and Statement No. 138. Statement No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires that all derivative instruments be recorded on the balance sheet at fair value as assets or liabilities. The adoption of Statement No. 133 did not have a material effect on assets, liabilities, accumulated comprehensive income or net income.

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

ACCOUNTING POLICIES

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

FOREIGN CURRENCY RISK

We use forward contracts to manage the currency risk related to business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, the contracts do not subject us to significant risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. Our foreign currency forward contracts have not been designated as hedging instruments and, therefore, did not qualify for fair value or cash flow hedge treatment under the criteria of Statement No. 133 for the nine months ended September 30, 2001. Therefore, the unrealized gains and losses on our contracts have been recognized as a component of other expense in the consolidated statements of operations. Unrealized losses attributable to foreign currency forward contracts resulted in a net gain of $0.1 million as of September 30, 2001. We recorded net realized and unrealized gains of $0.2 million for the three months ended September 30, 2001 and a net loss of $0.1 million for the nine months ended September 30, 2001. As of September 30, 2001, we had forward contracts to buy foreign currencies with fair values of $2.2 million. These contracts mature on various dates between October 2001 and January 2002.

(8) Comprehensive Income

Our other comprehensive income consists solely of cumulative translation adjustments. We do not provide U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries. Comprehensive income for the three and nine months ended September 30, 2001 and 2000 were as follows (Unaudited, in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net income	$3,502	$ 2,287	$11,054	$ 7,899
Foreign currency translation adjustments	858	(1,395)	(868)	(2,493)
Total comprehensive income	$4,360	$ 892	$10,186	$ 5,406

(9) CONTINGENCIES AND ENVIRONMENTAL REMEDIATION CONTINGENCIES

We, like other worldwide manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain $5.0 million in aggregate product liability insurance and $75.0 million coverage available under an excess umbrella liability insurance policy. We also maintain a products liability policy with aggregate limits of $200 million for the aviation products produced by our worldwide operations.

We believe this coverage to be generally in accordance with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims, which may arise from product defects and failures or from environmental liability.

Leslie Controls, Inc. ("Leslie") and Spence Engineering Company, Inc. ("Spence"), both subsidiaries of CIRCOR, are third-party defendants in over 300 civil product liability actions filed against ship owner defendants in the U.S. District Court, Northern District of Ohio (Cleveland) between the 1980s and 1996. These cases are part of tens of thousands of maritime asbestos cases filed in this court against multiple defendants. The ship owner defendants' third-party claims in the Leslie and Spence cases typically involve 20-30 third-party defendants. The claims against Leslie and Spence assert that the packing in metal pumps and the gaskets in metal valves supplied by Leslie and Spence contained asbestos that contributed to the asbestos exposure of plaintiffs who worked on the defendants' ships. To date, two cases involving Leslie only have settled in a way that required a payment from Leslie. One case settled in 1995 with a $2,000 payment from Leslie; another settled in 1989 with a $500 payment from Leslie. These thousands of cases are subject to court ordered moratoriums on answers and motion practice, and the very small percentage of these cases that have come to trial since 1996 have not involved Leslie or Spence.

More recently, Spence was named as one of approximately 60 defendants in approximately 90 civil product liability actions filed in the 5th Judicial District (Onendaga County) New York. These actions have been brought by a single law firm on behalf of past and present employees of Revere Copper Products (an upstate New York manufacturer) who claim to have been exposed to asbestos during the course of their employment at Revere Copper Products. We believe that the plaintiffs consider Spence to be a "de minimus" defendant in these actions. Although issuing a reservation of rights, Spence's insurers have agreed to assume responsibility for the defense of these actions.

We are currently a party to or otherwise involved in various administrative or legal proceedings under federal, state or local environmental laws or regulations involving a number of sites, in some cases as a participant in a group of potentially responsible parties, referred to as PRPs. Two of these sites, the Sharkey and Combe Landfills in New Jersey, are listed on the National Priorities List. With respect to the Sharkey Landfill, we have been allocated 0.75% of the remediation costs, an amount that is not material to us. With respect to the Combe Landfill, we have settled both the Federal Government's claim, and the State of New Jersey's claim, for an amount that is immaterial to us. Moreover, our insurers have covered defense and settlement costs to date with respect to the Sharkey and Combe Landfills. In addition we are involved as a PRP with respect to the Solvent Recovery Service of New England site and the Old Southington landfill site, both in Connecticut. These sites are on the National Priorities List but, with respect to both sites, we have the right to indemnification from the prior owners of the affected subsidiaries. Based on currently available information, we believe that our share of clean-up costs at these sites will not be material.

We have been named a potentially responsible party with respect to identified contaminated sites. The level of contamination varies significantly from site to site as do the related levels of remediation efforts. Environmental liabilities are recorded based on the most probable cost, if known, or on the estimated minimum cost of remediation. Our accrued estimated environmental liabilities are based on assumptions, which are subject to a number of factors and uncertainties. Circumstances which can affect the reliability and precision of these estimates include identification of additional sites, changes in environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation and the time period over which remediation may occur. We recognize changes in estimates as new remediation requirements are defined or as new information becomes available. We estimate that accrued environmental remediation liabilities will likely be paid over the next five to ten years. Such contingencies are not expected to have a material effect on our financial position, results of operation, or liquidity.

On July 12, 2000, we were notified that the United States Customs Service ("Customs") had begun an investigation to determine whether our subsidiary, KF Industries, Inc. ("KF") was, and continues to be, in compliance with country of origin marking requirements on those valves that KF imports from sources in the People's Republic of China, including our Chinese joint venture. While we believe that the Customs investigation will not result in any material liability to us, there can be no assurances as to the outcome of the matter. If the Customs investigation were to reveal that violations of the customs laws had occurred, KF could be subjected to civil fines and forfeitures and, if such violations were determined to be intentional, criminal penalties, which could be material. We believe that KF Industries' marking practices have been in substantial compliance with Customs' regulations and we are cooperating with Customs in its investigation.

We have established reserves for those claims discussed above for which losses are probable and estimable and we do not believe it is reasonably likely that a range of loss could occur in excess of the amounts accrued. We have not recorded any probable third-party recoveries.

(10) Business Acquisitions

On June 25, 2001 and June 29, 2001, respectively, we acquired Regeltechnik Kornwestheim GmbH and affiliate ("RTK"), a German closed corporation, and Societe Alsacienne Regulaves Thermiques von Rohr, S.A. ("SART"), a French limited liability company. Both businesses manufacture and sell control valves, regulators, actuators and related instrumentation products primarily for steam and fluid process applications in the HVAC, industrial, food, beverage and pharmaceutical markets. The aggregate purchase price for these acquisitions was $13.1 million, including the assumption of $3.9 million of long-term debt. The goodwill that resulted from these acquisitions is being amortized on a straight-line basis over a 40-year period, until January 1, 2002, at which time Statement 142 will be adopted and goodwill will no longer be amortized.

These acquisitions have been accounted for under the purchase method and the balance sheets and results of operations for RTK and SART, from the dates of the acquisitions for the acquired businesses, have been included in the September 30, 2001 consolidated balance sheet and consolidated statement of operations.

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

This quarterly 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, " "will," "should, " "expect, " "plan," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control, and our actual results may differ materially from the expectations we describe in our forward looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the cyclicality and highly competitive nature of some of our end markets which can affect the overall demand for and pricing of our products, changes in the price of and demand for oil and gas in both domestic and international markets, variability of raw material and component pricing, fluctuations in foreign currency exchange rates, our ability to continue operating our manufacturing facilities at efficient levels and to successfully implement our acquisition strategy, and the uncertain continuing impact on economic and financial conditions in the United States and around the world as a result of the September 11th terrorist attacks and related matters. We advise you to read further about certain of these and other risk factors set forth under the caption "Certain Risk Factors That May Affect Future Results" in our Annual Report on Form 10-K filed for the year ended December 31, 2000. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2000.

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 three months ended September 30, 2001 and 2000:

	Three Months Ended September 30,				
	2001		2000		% Change
	(Dollars in thousands)				
Net revenues	$84,287	100.0%	$75,988	100.0%	10.9%
Cost of revenues	59,135	70.2	52,980	69.7	11.6
Gross profit	25,152	29.8	23,008	30.3	9.3
Selling, general and administrative expenses	17,481	20.7	15,995	21.0	9.3
Special charges	-	-	801	1.1	n/a
Operating income	7,671	9.1	6,212	8.2	23.5
Other (income) expense:					
Interest expense, net	1,919	2.3	2,149	2.9	(10.7)
Other expense, net	(84)	(0.1)	188	0.2	(144.7)
Income before income taxes	5,836	6.9	3,875	5.1	50.6
Provision for income taxes	2,334	2.7	1,588	2.1	47.0
Net Income	$ 3,502	4.2%	$ 2,287	3.0%	53.1%

Net revenues for the three months ended September 30, 2001 increased by $8.3 million, or 10.9%, to $84.3 million compared to $76.0 million for the three months ended September 30, 2000. The increase in net revenues for the three months ended September 30, 2001 was attributable to the following:

Segment	2001	2000	Total Change	Acquisitions	Operations	Foreign Exchange
			(In thousands)			
Instrumentation & Thermal Fluid Controls.	$46,911	$43,358	$3,553	$4,547	$ (891)	$(103)
Petrochemical............................	37,376	32,630	4,746	-	5,053	(307)
Total.................................	$84,287	$75,988	$8,299	$4,547	$4,162	$(410)

The Instrumentation and Thermal Fluid Controls segment accounted for 55.7% of net revenues for the three months ended September 30, 2001 compared to 57.1% for the three months ended September 30, 2000. The Petrochemical segment accounted for 44.3% of net revenues for the three months ended September 30, 2001 compared to 42.9% for the three months ended September 30, 2000.

Instrumentation and Thermal Fluid Controls segment revenues increased $3.6 million, or 8.2%. Revenue increases were due to: $4.6 million of incremental revenue from the Rockwood Swendeman product line, purchased in November 2000 and the RTK and SART operations, acquired at the end of June 2001; and a $1.3 million increase in instrumentation revenue from the European aerospace, power and power generation, medical and general instrumentation markets, primarily due to increased sales penetration and higher volume sales. These increases were partially offset by: a $2.2 million decrease from world-wide demand for instrumentation products for the chemical processing, semi-conductor manufacturing and general industrial markets; and a $0.1 million reduction resulting from changes in exchange rates affecting our European business units. The net $4.7 million increase in Petrochemical segment revenues, or 14.5%, was the result of: $2.6 million in higher North American revenues related to increased customer spending on maintenance and repair and small capital projects in both the oil and gas markets; a $2.3 million increase in revenues from our Italian based operation due to higher shipments of products for large oil and gas construction projects; a $0.1 million increase in revenues from Suzhou KF Valve Company, our Chinese joint venture; and partially offset by a $0.3 million decrease resulting from changes in exchange rates which affected our Canadian and Italian-based operations.

Gross profit increased approximately $2.1 million, or 9.3%, to $25.2 million for the three months ended September 30, 2001 compared to $23.0 million for the three months ended September 30, 2000. Gross margin decreased to 29.8% for the three months ended September 30, 2001 compared to 30.3% for the three months ended September 30, 2000. Gross profit from the Instrumentation and Thermal Fluid Controls segment decreased $0.6 million for the three months ended September 30, 2001 compared to the three months ended September 30, 2000. Increases in gross profit of $1.5 million from the newly acquired RTK and SART operations and the prior year Rockwood Swendeman acquisition were more than offset by $2.1 million in lower gross profit from other ongoing operations. The continued slowdown in the general industrial market has reduced the throughput of manufacturing operations for the Instrumentation and Thermal Fluid Controls. Despite spending cuts instituted during the current and prior quarters, the gross profit and gross margin for this segment has decreased, primarily as a result of unabsorbed manufacturing costs. Unfavorable net foreign currency adjustments accounted for $0.1 million. Gross profit for the Petrochemical segment increased $2.8 million for the three months ended September 30, 2001 compared to the three months ended September 30, 2000. Gross profit and gross margin increases were primarily due to: improved operating efficiencies in a key North American manufacturing plant; higher sales volume in a recovering worldwide petrochemical market; selective price increases; and improved margins in our Italian and Chinese based manufacturing operations. During the quarter ended September 30, 2000, both the gross profit and gross margin were negatively impacted as a result of inefficiencies and delays in the completion of the consolidation and integration of certain product lines in the key North American plant. Unfavorable changes in foreign currency exchange rate reduced gross profit by $0.1 million for the quarter ended September 30, 2001, as compared to the quarter ended September 30, 2000.

Selling, general and administrative expenses increased $1.5 million, or 9.3%, to $17.5 million for the three months ended September 30, 2001 compared with $16.0 million for the three months ended September 30, 2000. Operating expenses for the Instrumentation and Thermal Fluid Controls segment increased by net $0.4 million. This increase resulted from $0.8 million of incremental current year expenses in the Rockwood Swendeman, RTK and SART acquisitions partially offset by $0.4 million of operational expense reductions in our other businesses. The Petrochemical segment operating expenses increased $0.9 million for the three months ended September 30, 2001 compared to the three months ended September 30, 2000 primarily the result of increased variable operating expenses. Increased corporate spending of $0.1 million for the three months ended September 30, 2001 is primarily the result of increased variable employee compensation costs compared to the three months ended September 30, 2000. Worldwide operating expenses decreased $0.1 million as a result of changes in foreign currency exchange rates.

During the three months ended September 30, 2000, special charges of $0.8 million were incurred in the Instrumentation and Thermal Fluid Controls segment and none in the Petrochemical segment. These special charges were associated with the closure, consolidation and reorganization of certain U.S. manufacturing operations and were expensed in the period as incurred. There were no special charges incurred during the three months ended September 30, 2001.

The change in operating income for the three months ended September 30, 2001 compared to the three months ended September 30, 2000 was as follows:

Segment	2001	2000	Total Change	Acquisitions	Operations	Foreign Exchange
			(In thousands)			
Instrumentation & Thermal Fluid Controls.	$ 6,799	$ 7,061	$ (262)	$668	$ (924)	$ (6)
Petrochemical............................	2,718	855	1,863	-	1,906	(43)
Corporate................................	(1,846)	(1,704)	(142)	-	(142)	-
Total.................................	$ 7,671	$ 6,212	$1,459	$668	$ 840	$(49)

Operating income increased $1.5 million, or 23.5%, to $7.7 million for the three months ended September 30, 2001 compared to $6.2 million for the three months ended September 30, 2000. Operating income in the Instrumentation and Thermal Fluid Controls segment decreased by $0.3 million due to: lower gross profits, an overall increase in operating expenses due to the new acquisitions; that were partially offset by the absence of special charges during the current year. The $1.9 million increase in operating income in the Petrochemical segment was primarily due to: additional gross profits based on the higher current year sales volume; selective price increases, and manufacturing process improvements and efficiencies, that were partially offset by higher operating expense levels. Corporate spending increased by $0.1 million for the three months ended September 30, 2001 compared to the three months ended September 30, 2000.

Net interest expense decreased approximately $0.2 million to $1.9 million for the three months ended September 30, 2001 compared to $2.1 million for the three months ended September 30, 2000. The decrease was due to: the lower average debt balances outstanding, lower average interest rates on variable rate debt and an increase in current year interest income on invested balances. Significant net positive cash flow generated during our prior year enabled us to reduce our revolving line of credit debt balance to zero as of December 31, 2000. Proceeds from our equity offering in March 2001 were used to: pay-off first quarter borrowings from our unsecured revolving line of credit, fund our June 2001 acquisitions, reduce outstanding debt balances of acquired companies and generate interest income from invested balances.

Other expense decreased $0.3 million to $(0.1) million for the three months ended September 30, 2001, compared to $0.2 million for the three months ended September 30, 2000, primarily the result of lower net losses from hedge contracts and foreign currency exchange rate changes.

The effective tax rate decreased to 40.0% for the three months ended September 30, 2001 compared to 41.0% for the three months ended September 30, 2000 due to the implementation of various U.S. tax strategies during the second half of 2000.

Net income increased $1.2 million, or 53.1%, to $3.5 million for the three months ended September 30, 2001 compared to $2.3 million for the three months ended September 30, 2000. Improved operating results within the Petrochemical segment, the absence of special charges during the current year and reduced net interest expense were the primary reasons for this change.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2000.

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 nine months ended September 30, 2001 and 2000:

	Nine Months Ended September 30,				
	2001		2000		
	(Dollars in thousands)				% Change
Net revenues	$255,623	100.0%	$238,562	100.0%	7.2%
Cost of revenues	178,250	69.7	165,695	69.5	7.6
Gross profit	77,373	30.3	72,867	30.5	6.2
Selling, general and administrative expenses	53,009	20.8	50,050	21.0	5.9
Special charges	-	-	1,504	0.6	n/a
Operating income	24,364	9.5	21,313	8.9	14.3
Other expense:					
Interest expense, net	5,532	2.2	7,148	3.0	(22.6)
Other expense, net	409	0.1	777	0.3	(47.4)
Income before income taxes	18,423	7.2	13,388	5.6	37.6
Provision for income taxes	7,369	2.9	5,489	2.3	34.3
Net Income	$ 11,054	4.3%	$ 7,899	3.3%	39.9%

Net revenues for the nine months ended September 30, 2001 increased by approximately $17.1 million, or 7.2%, to $255.6 million compared to $238.6 million for the nine months ended September 30, 2000. The increase in net revenues for the nine months ended September 30, 2001 was attributable to the following:

Segment	2001	2000	Total Change	Acquisitions	Operations	Foreign Exchange
			(In thousands)			
Instrumentation & Thermal Fluid Controls	$138,265	$132,506	$ 5,759	$5,217	$ 1,671	$(1,129)
Petrochemical	117,358	106,056	11,302	-	13,706	(2,404)
Total	$255,623	$238,562	$17,061	$5,217	$15,377	$(3,533)

The Instrumentation and Thermal Fluid Controls segment accounted for 54.1% of net revenues for the nine months ended September 30, 2001 compared to 55.5% for the nine months ended September 30, 2000. The Petrochemical segment accounted for 45.9% of net revenues for the nine months ended September 30, 2001 compared to 44.5% for the nine months ended September 30, 2000.

Instrumentation and Thermal Fluid Controls segment revenues increased $5.8 million, or 4.3% for the nine months ended September 30, 2001. Revenue increases were due to: a $1.4 million increase in thermal fluid control markets resulting from higher year-to-year demand; $5.2 million of incremental revenue from the Rockwood Swendeman product line, purchased in November 2000 and the RTK and SART operations, acquired at the end of June 2001; and a $3.2 million increase in instrumentation revenues from the European aerospace, power and power generation, medical and general instrumentation markets, primarily due to increased sales penetration and higher volume sales. These increases were partially offset by a $2.9 million decrease in worldwide demand for instrumentation products for the chemical processing, semi-conductor manufacturing and general industrial markets; and a $1.1 million reduction resulting from changes in exchange rates affecting our European business units. The net increase in Petrochemical segment revenues of $11.3 million, or 10.7%, was the result of $7.8 million in higher North American revenues related to increased customer spending on maintenance and repair and small capital projects; a $5.6 million increase in revenues from our Italian based operation due to an increase in the number of large oil and gas construction projects; a $0.3 million increase in revenue from Suzhou KF Valve Company, our Chinese joint venture; and were partially offset by a $2.4 million decrease in revenues resulting from changes in exchange rates which affected our Canadian and Italian based operations.

Gross profit increased approximately $4.5 million, or 6.2%, to $77.4 million for the nine months ended September 30, 2001 compared to $72.9 million for the nine months ended September 30, 2000. Gross margin declined to 30.3% for the nine months ended September 30, 2001 compared to 30.5% for the nine months ended September 30, 2000. Gross profit from the Instrumentation and Thermal Fluid Controls segment increased $0.1 million as a result of: $1.8 million from the prior year Rockwood Swendeman acquisition and the newly acquired RTK and SART acquisitions; partially offset by a decrease of $1.4 million from operations and a decrease of $0.3 million due to changes in foreign currency exchange rates. Despite spending reductions instituted upon the slow-down in the general instrumentation markets, the gross profit and gross margin for this segment have decreased, primarily as a result of unabsorbed manufacturing costs. Gross profit for the Petrochemical segment increased $4.4 million for the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000. Gross profit improvements of $4.8 million and gross margin increases were primarily due to: improved operating efficiencies in a key North American manufacturing plant; higher sales volume in a recovering worldwide oil and gas markets; selective price increases and improved margins in our Italian and Chinese based manufacturing operation. During the nine months ended September 30, 2000, both the gross profit and gross margin were negatively impacted as a result of inefficiencies and delays in the completion of the consolidation and integration of certain product lines in one of our key North American plants. During the nine months ended September 30, 2001, we have realized significant improvement in the results of operations for this North American manufacturing plant. Gross profits for the nine months ended September 30, 2001 for our Italian based operation increased compared to the nine months ended September 30, 2000, despite the reduced margin contracts shipped and recognized in the first quarter of the current year. This plant's first quarter competitive pricing strategy, for certain large oil and gas projects, enabled us to demonstrate our engineering and manufacturing capabilities on the largest size ball valves and qualified us for follow-on application orders. Unfavorable exchange rates reduced Petrochemical segment gross profits by $0.4 million for the nine months ended September 30, 2001, compared to the nine months ended September 30, 2000.

Selling, general and administrative expenses increased approximately $3.0 million, or 5.9%, to $53.0 million for the nine months ended September 30, 2001 compared with $50.1 million for the nine months ended September 30, 2000. The Instrumentation and Thermal Fluid Controls segment had increased operating expenses of $0.8 million largely due to new acquisitions. The Petrochemical segment operating expenses increased $1.6 million due to of increased sales related and other operating costs. Increased corporate spending of $0.6 million for the nine months ended September 30, 2001 is attributable to a fully staffed headquarters unit, higher employee relocation and variable stock-based compensation expenses as compared to the nine months ended September 30, 2000.

During the nine months ended September 30, 2000, special charges of $1.4 million were incurred in the Instrumentation and Thermal Fluid Controls segment and $0.1 million in the Petrochemical segment. These special charges were associated with the closure, consolidation and reorganization of certain manufacturing operations and were expensed in the period as incurred. There were no special charges incurred during the nine months ended September 30, 2001.

The change in operating income for the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000 was as follows:

Segment	2001	2000	Total Change	Acquisitions	Operations	Foreign Exchange
			(In thousands)			
Instrumentation & Thermal Fluid Controls.	$22,057	$21,383	$ 674	$827	$ (101)	$ (52)
Petrochemical............................	8,022	5,060	2,962	-	3,102	(140)
Corporate................................	(5,715)	(5,130)	(585)	-	(585)	-
Total..................................	$24,364	$21,313	$3,051	$827	$2,417	$(192)

Operating income increased $3.1 million to $24.4 million for the nine months ended September 30, 2001 compared to $21.3 million for the nine months ended September 30, 2000. The increase in operating income in the Instrumentation and Thermal Fluid Controls segment was primarily attributable to improved manufacturing and administrative operating efficiencies and the absence of special charges in the current year, partially offset by the unfavorable impact of unabsorbed manufacturing costs. The increase in operating income in the Petrochemical segment was primarily due to: net cumulative manufacturing process improvements and efficiencies; higher current year sales volume, additional gross profits based on volume and selective price increases; partially offset by higher operating expense levels. Increased current year corporate spending for compensation related costs also adversely affected operating earnings.

Net interest expense decreased $1.6 million to $5.5 million for the nine months ended September 30, 2001 compared to $7.1 million for the three months ended September 30, 2000. The decrease during the nine months ended September 30, 2001 as compared with the nine months ended September 30, 2000 was due to: the lower average debt balances outstanding, lower average interest rates on variable rate debt and an increase in current year interest income on invested balances.

Significant net positive cash flow generated during our prior year enabled us to reduce our revolving line of credit balance to zero as of December 31, 2000. Proceeds from our equity offering in March 2001 were used to: pay-off first quarter borrowings from our unsecured revolving line of credit, fund our June 2001 acquisitions, reduce outstanding debt balances of acquired companies and generate interest income from invested balances.

Other expense decreased $0.4 million to $0.4 million for the nine months ended September 30, 2001, compared to $0.8 million for the nine months ended September 30, 2000. This reduction is primarily the result of reductions in net losses from foreign currency exchange rate changes.

The effective tax rate decreased to 40.0% for the nine months ended September 30, 2001 compared to 41.0% for the nine months ended September 30, 2000 due to the implementation of various U.S. tax strategies during the second half of 2000.

Net income increased approximately $3.2 million to $11.1 million for the nine months ended September 30, 2001 compared to $7.9 million for the nine months ended September 30, 2000. Improved operating results within both of our operating segments, the absence of special charges, reduced interest expense and lower foreign currency losses were the primary reasons for this change.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2001, we generated a net increase in cash of $36.2 million. Operating activities generated $30.1 million of cash, with $9.5 million of this amount coming from significant reductions in working capital. These gains were primarily realized as a result of continued efforts to reduce inventory levels and lower outstanding trade accounts receivable balances. We generated $19.7 million from financing activities. We received: $18.7 million as a result of the secondary public equity offering that we completed during March 2001, a net $2.3 million from short-term international credit facilities; and $0.3 million proceeds from the exercise of stock options. Additionally, we used $1.6 million to fund cash dividends paid to shareholders. We used: $13.4 million for investing activities, which included the purchase of RTK and SART for $9.2 million, net of acquired cash balances, and $3.9 million to purchase capital equipment. Both of the acquired companies manufacture and sell control valves, regulators, actuators and related instrumentation products primarily for steam and fluid process applications in the HVAC, industrial, food, beverage, and pharmaceutical markets. Capital expenditures were primarily for manufacturing machinery and equipment as part of our commitment to further improve our manufacturing operations. Our capital expenditure spending for the year ending December 31, 2001 is expected to be approximately $5.5 million. The effects of exchange rate changes on cash and cash equivalents reduced cash $0.2 million.

As of September 30, 2001, we had no balances outstanding under our $75.0 million unsecured revolving credit facility. As of September 30, 2001, we had $75.0 million available from this revolving credit facility to support our acquisition program, working capital requirements and for general corporate purposes.

On March 16, 2001, we completed a secondary equity offering in which we sold 1,552,500 shares of our common stock at $13.25 per share. We received net cash proceeds of $18.7 million, after deducting underwriters' fees and other estimated issuance and distribution expenses. Upon the closing of the equity offering, we immediately used $2.0 million to reduce the balance on our unsecured, revolving credit facility to zero. We acquired RTK and SART during June 2001. We have used $10.0 million to acquire these businesses, which on a combined basis included $0.8 million of cash and cash equivalents on their balance sheets. Subsequent to the acquisitions, we used an additional $0.2 million to pay-down a portion of the assumed debt. We expect to use the remainder of the proceeds to acquire complimentary businesses or products. Until such acquisitions require our capital, we may use a portion of the net proceeds for general corporate purposes, including working capital.

The ratio of current assets to current liabilities at September 30, 2001 was 4.2:1 compared to 3.8:1 as of December 31, 2000. Cash and cash equivalents were $44.4 million as of September 30, 2001 compared to $8.2 million as of December 31, 2000. Net debt (including cash) as a percentage of total capital employed was 16.9% as of September 30, 2001 compared to 29.5% as of December 31, 2000. As of September 30, 2001, we were in compliance with all covenants related to existing debt obligations.

We anticipate that available funds and those funds provided from ongoing operations will be sufficient to meet current operating requirements, anticipated capital expenditures, scheduled debt payments and contingencies for at least the next 24 months. Beginning in October 2002, we will commence making $15.0 million annual payments reducing our outstanding senior unsecured 8.23% notes, which mature in October 2006.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No. 133 established accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. On January 1, 2001, we adopted Statement No. 133, as amended by Statement No. 137 and Statement No. 138. The adoption of this statement did not have a significant impact on our financial condition, results of operations or cash flows.

In July 2001, the FASB issued Statement No. 141, "Business Combinations," and Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement No. 142. Statement No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

We were required to adopt the provisions of Statement No. 141 immediately and will adopt Statement No. 142 effective January 1, 2002. None of our business combinations initiated prior to July 1, 2001, were accounted for using the pooling-of-interests method. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement No. 142. Furthermore, any goodwill and any intangible asset acquired in a purchase business combination completed after June 30, 2001, that are determined to have an indefinite useful life, will not be amortized but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement No. 142 accounting literature.

Statement No. 141 will require, upon adoption of Statement No. 142, that we evaluate our existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement No. 141 for recognition apart from goodwill. Upon adoption of Statement No. 142, we will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, we will be required to test the intangible asset for impairment in accordance with the provisions of Statement No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, Statement No. 142 will require us to perform an assessment of whether there is an indication that goodwill, and equity-method goodwill, is impaired as of the date of adoption. To accomplish this we must determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. We will then have up to nine months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and we must perform the second step of the transitional impairment test. In the second step, we must compare the implied fair value to all of its assets and liabilities to its carrying amount, in a manner similar to a purchase price allocation in accordance with Statement No. 141, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in our statement of earnings.

As of the date of adoption, we expect to have unamortized goodwill of $92.2 million and unamortized identifiable intangible assets of $2.1 million, all of which will be subject to the transition provisions of Statements Nos. 141 and 142. We currently do not have and do not expect to record any unamortized negative goodwill. Amortization expense related to goodwill was $2.5 million and $1.9 million for the year ended December 31, 2000 and the nine months ended September 30, 2001, respectively. Due to the extensive effort needed to comply with adopting Statements Nos. 141 and 142, it is not practicable to reasonably estimate the impact of adopting these Statements on our financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

In August 2001, the FASB issued Statement No. 143 - "Accounting for Asset Retirement Obligations." Statement No. 143 requires us to record the fair value of a liability for an asset retirement obligation in the period in which the obligation is incurred. When the liability is initially recorded, we will capitalize the cost as part of the asset's carrying amount and expense the retirement obligation over the asset's useful life. The adoption of this statement is for fiscal years beginning after June 15, 2002, although earlier adoption is encouraged. We are in the process of determining the impact of this statement.

In October 2001, the FASB issued Statement No. 144 - "Accounting for the Impairment or Disposal of Long-Lived Assets". Statement No. 144 supersedes Statement No. 121 - "Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to Be Disposed Of" and establishes a single accounting method for valuation of long-lived assets to be disposed of by sale. Statement No. 144 is effective for fiscal years beginning after December 15, 2001. We currently cannot determine the potential effects this statement will have on our financial position since the provisions of this Statement, generally, only to apply to new disposal activities initiated after the adoption of this Statement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

The oil and gas market has historically been subject to cyclicality depending upon supply and demand of crude oil and its derivatives as well as 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 and gas price increases may be considered temporary in nature, or not driven by customer demand and, therefore, may result in longer lead times for obtaining petrochemical sales orders. As a result, the timing and magnitude of changes in market demand for oil and valve products are difficult to predict. Similarly, although not to the same extent as the oil and gas markets, the aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand, which also could have a material adverse effect on our business, financial condition or results of operations. Although not typically cyclical in nature, the strength of our other product markets may also vary based upon overall economic conditions.

INTEREST RATE RISK

At September 30, 2001, our primary interest rate risk relates to borrowings under our revolving credit facility and industrial revenue bonds. The interest rates for our revolving credit facility and industrial revenue bonds fluctuate with changes in short-term borrowing rates. There were no outstanding borrowings under our revolving credit facility as of September 30, 2001. Based upon the expected levels of borrowings under our credit facility in 2001 and our current balance for industrial revenue bonds, an increase in interest rates of 100 basis points would not have a material effect on our results of operations or cash flows.

CURRENCY EXCHANGE RISK

We use forward contracts to manage the currency risk related to business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, the contracts do not subject us to significant risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. Our foreign currency forward contracts have not been designated as hedging instruments and, therefore, did not qualify for fair value or cash flow hedge treatment under the criteria of Statement No. 133 for the nine months ended September 30, 2001. Therefore, the unrealized gains and losses on our contracts have been recognized as a component of other expense in the consolidated statement of operations. As of September 30, 2001, we had forward contracts to buy foreign currencies with a fair value of $2.1 million. These contracts mature on various dates between October 2001 and January 2002.

The counterparties to these contracts are major financial institutions. Our risk of loss in the event of non-performance by the counterparties is not significant. We do not use derivative financial instruments for speculative trading purposes. Risk management strategies are reviewed and approved by senior management before implementation.

COMMODITY PRICE RISK

The primary raw materials used in our products process are stainless steel, carbon steel, cast iron, aluminum and brass. We purchase these materials from numerous suppliers nationally and internationally and have not historically experienced significant difficulties in obtaining these commodities in quantities sufficient for our operations. However, these commodities are subject to price fluctuations, which may adversely affect our results of operations. We manage this risk by offsetting increases in commodities with increased sales prices, active materials management, product engineering programs and the diversity of materials used in our production process.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We, like other worldwide manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain $5.0 million in aggregate product liability insurance and $75.0 million coverage available under an excess umbrella liability insurance policy. We also maintain a products liability policy with aggregate limits of $200 million for the aviation products produced by our worldwide operations.

We believe this coverage to be generally in accordance with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims, which may arise from product defects and failures or from environmental liability.

Leslie Controls, Inc. ("Leslie") and Spence Engineering Company, Inc. ("Spence"), both subsidiaries of CIRCOR, are third-party defendants in over 300 civil product liability actions filed against ship owner defendants in the U.S. District Court, Northern District of Ohio (Cleveland) between the 1980s and 1996. These cases are part of tens of thousands of maritime asbestos cases filed in this court against multiple defendants. The ship owner defendants' third-party claims in the Leslie and Spence cases typically involve 20-30 third-party defendants. The claims against Leslie and Spence assert that the packing in metal pumps and the gaskets in metal valves supplied by Leslie and Spence contained asbestos that contributed to the asbestos exposure of plaintiffs who worked on the defendants' ships. To date, two cases involving Leslie only have settled in a way that required a payment from Leslie. One case settled in 1995 with a $2,000 payment from Leslie; another settled in 1989 with a $500 payment from Leslie. These thousands of cases are subject to court ordered moratoriums on answers and motion practice, and the very small percentage of these cases that have come to trial since 1996 have not involved Leslie or Spence.

More recently, Spence was named as one of approximately 60 defendants in approximately 90 civil product liability actions filed in the 5th Judicial District (Onendaga County) New York. These actions have been brought by a single law firm on behalf of past and present employees of Revere Copper Products (an upstate New York manufacturer) who claim to have been exposed to asbestos during the course of their employment at Revere Copper Products. We believe that the plaintiffs consider Spence to be a "de minimus" defendant in these actions. Although issuing a reservation of rights, Spence's insurers have agreed to assume responsibility for the defense of these actions.

We are currently a party to or otherwise involved in various administrative or legal proceedings under federal, state or local environmental laws or regulations involving a number of sites, in some cases as a participant in a group of potentially responsible parties, referred to as PRPs. Two of these sites, the Sharkey and Combe Landfills in New Jersey, are listed on the National Priorities List. With respect to the Sharkey Landfill, we have been allocated 0.75% of the remediation costs, an amount that is not material to us. With respect to the Combe Landfill, we have settled both the Federal Government's claim, and the State of New Jersey's claim, for an amount that is immaterial to us. Moreover, our insurers have covered defense and settlement costs to date with respect to the Sharkey and Combe Landfills. In addition we are involved as a PRP with respect to the Solvent Recovery Service of New England site and the Old Southington landfill site, both in Connecticut. These sites are on the National Priorities List but, with respect to both sites, we have the right to indemnification from the prior owners of the affected subsidiaries. Based on currently available information, we believe that our share of clean-up costs at these sites will not be material.

On July 12, 2000, we were notified that the United States Customs Service ("Customs") is conducting an investigation to determine whether our subsidiary KF Industries, Inc. ("KF"), is in compliance with country of origin marking requirements on those valves that KF imports from sources in the People's Republic of China including our joint venture there. While we believe that the Customs investigation will not result in any material liability to us, there can be no assurances as to the outcome of this matter. If the Customs investigation were to reveal that violations of the Customs laws had occurred, KF could be subjected to civil fines, forfeitures and (if such violations were determined to be intentional) criminal penalties, which could be material. We believe that KF's marking practices have been in substantial compliance with Customs' regulations and we are cooperating with Customs in its investigation.

We have established reserves for those claims discussed above for which losses are probable and estimable and we do not currently believe it is reasonably likely that a range of loss could occur in excess of the amounts accrued. We have not recorded any probable third-party recoveries.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

USE OF PROCEEDS FROM REGISTERED SECURITIES

The effective date of the Securities and Exchange Act registration statement for which the use of proceeds information is being disclosed was March 31, 2001, and the Commission File number assigned to the registration statement is 333-54428. As disclosed in our quarterly report on Form 10-Q for the period ended March 31, 2001, we used $2.0 million of the net proceeds to reduce the balance owed on our unsecured revolving credit facility to zero. During June 2001, we acquired the businesses of RTK and SART. We utilized $10.2 million of the proceeds to purchase these businesses and retire a portion of the assumed debt. No payments out of the net proceeds were made to (i) any of our directors, officers, general partners or their associates, (ii) any person(s) owning 10% or more of any class of our equity securities or (iii) any of our affiliates, except to Goodwin Procter LLP, the Boston, Massachusetts law firm that represented us in connection with the registration statement. David F. Dietz, a Director and Officer of our company, is the sole owner of David F. Dietz, P.C., a partner of Goodwin Procter LLP. The remaining proceeds have been invested overnight in money market funds with holdings of U.S. Government obligations and are included in cash and cash equivalents as of September 30, 2001. The uses of proceeds described do not represent a material change in the use of proceeds as described in our registration statement.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the three-month period ended September 30, 2001.

ITEM 6. EXHIBITS AND REPORTS OF FORM 8-K

(a) Exhibits

Exhibit No.	Description and Location
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:
2.1	Distribution Agreement between Watts Industries, Inc. and the Company dated as of October 1, 1999, is incorporated herein by reference to Exhibit 2.1 to Amendment No. 2 to the Company's Registration Statement on Form 10, File No. 000-26961, filed with the Securities and Exchange Commission on October 6, 1999 (Amendment No. 2 to the Form 10).
3	Articles of Incorporation and By-Laws:
3.1	The Amended and Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10, File No. 000-26961, filed with the Securities and Exchange Commission on August 6, 1999 ("Form 10").
3.2	The Amended and Restated By-Laws of the Company are incorporated herein by reference to Exhibit 3.2 to the Form 10.
3.3	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of CIRCOR International, Inc. classifying and designating the Series A Junior Participating Cumulative Preferred Stock is incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form 8-A, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999 ("Form 8-A").
4	Instruments Defining the Rights of Security Holders, Including Debentures:
4.1	Shareholder Rights Agreement, dated as of September 16, 1999, between CIRCOR International, Inc. and BankBoston, N.A., as Rights Agent is incorporated herein by reference to Exhibit 4.1 to the Form 8-A.

Exhibit No.	Description and Location
9	Voting Trust Agreements:
9.1	The Amended and Restated George B. Horne Voting Trust Agreement - 1997 dated as of September 14, 1999 is incorporated herein by reference to Exhibit 9.1 to Amendment No. 1 to the Company's Registration Statement on Form 10, File No. 000-26961, filed with the Securities and Exchange Commission on September 22, 1999 (Amendment No. 1 to the Form 10).
*10.28	Executive Change of Control Agreement between CIRCOR, Inc. and Paul M. Coppinger dated August 1, 2001.

(*) Filed herewith

(b) Reports on Form 8-K

The registrant filed no Current Reports on Form 8-K during the three-month period ended September 30, 2001.

SIGNATURES

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

CIRCOR INTERNATIONAL, INC.

DATE: NOVEMBER 13, 2001	/S/ DAVID A. BLOSS, SR. ----------------------- David A. Bloss, Sr. Chairman, President and Chief Executive Officer Principal Executive Officer
DATE: NOVEMBER 13, 2001	/S/ KENNETH W. SMITH ----------------------- Kenneth W. Smith Vice President, Chief Financial Officer and Treasurer Principal Financial Officer
Date: NOVEMBER 13, 2001	/S/ STEPHEN J. CARRIERE ----------------------- Stephen J. Carriere Vice President, Corporate Controller and Assistant Treasurer Principal Accounting Officer

EXHIBIT INDEX

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(*) Filed herewith

EXHIBIT 10.28

EXECUTIVE CHANGE OF CONTROL AGREEMENT

This EXECUTIVE CHANGE OF CONTROL AGREEMENT ("Agreement") is made as of the 1st day of August, 2001, between CIRCOR, Inc., a Massachusetts corporation (the "Company"), and Paul M. Coppinger ("Executive").

WHEREAS, the Company presently employs the Executive in which capacity the Executive serves as a divisional officer of the Company and its Parent (as defined below); and

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

WHEREAS, the Board has determined that it is in the best interests of the Company, the Parent and their 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 Parent;

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 minimis 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 Chief Executive Officer; or (d) a violation by Executive of the Company's employment policies which has continued following written notice of such violation from the Chief Executive Officer.

"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 Parent, any of its subsidiaries, any member of the Horne Family Group (as defined herein) or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Parent 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 Parent representing twenty-five percent (25%) or more of either (A) the combined voting power of the Parent's then outstanding securities having the right to vote in an election of the Parent's Board ("Voting Securities") or (B) the then outstanding shares of Parent's common stock, par value $0.01 per share ("Common Stock") (other than as a result of an acquisition of securities directly from the Parent); 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 Parent shall approve (A) any consolidation or merger of the Parent where the stockholders of the Parent, 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 Parent 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 Parent or (C) any plan or proposal for the liquidation or dissolution of the Parent.

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 Parent 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 Parent) 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 substantial diminution or other substantive adverse change, not consented to by Executive, in the nature or scope of Executive's responsibilities, authorities, powers, functions or duties; (b) any removal, during the term of this Agreement from Executive of his titles as an officer of the Parent; (c) an involuntary reduction in Executive's Base Salary except for across-the-board reductions similarly affecting all or substantially all management employees; (d) a breach by the Company of any of its other material obligations under this Agreement and the failure of the Company to cure such breach within thirty (30) days after written notice thereof by Executive; or (e) the involuntary relocation of the Company's offices at which Executive is principally employed or the involuntary relocation of the offices of Executive's primary workgroup to a location more than thirty (30) miles from such offices, or the requirement by the Company that Executive be based anywhere other than the Company's offices at such location on an extended basis, except for required travel on the Company's business to an extent substantially consistent with Executive's business travel obligations. "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; (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 Parent 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.

"PARENT" shall mean CIRCOR International, Inc., a Delaware corporation as well as its successors by merger or otherwise.

"HORNE FAMILY GROUP" shall mean Timothy P. Horne and the George B. Horne Voting Trust.

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 Parent. 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 one (1) times the sum of (A) Executive's current Base Salary plus (B) Executive's most recent annual incentive compensation under the Company's Executive Bonus Incentive Plan for the most recent fiscal year, excluding any sign-on bonus, retention bonus or any other special bonus; and

(ii) Notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, upon a Change in Control, all stock options and other stock-based awards granted to Executive by the Parent 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) If the Executive is otherwise eligible for participation in the Company's Supplemental Executive Retirement Plan ("SERP"), the Executive shall be fully vested in his accrued benefit under the SERP as of the Date of Termination; and

(iv) The Company shall, for a period of one (1) year commencing on the Date of Termination, 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.

(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, Executive shall determine which method shall be followed; provided that if Executive fails to make such determination within 45 days after the Company has sent Executive written notice of the need for such reduction, the Company may determine the amount of such reduction in its sole discretion.

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, 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, 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 DISCLOSURE. 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 Parent'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, the Parent's and their 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, the Parent's and their 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 or the Parent 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 and the Parent, (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 or the Parent, as appropriate, of such event, shall cooperate with the Company or the Parent, 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 or the Parent. At such time as Executive shall cease to be employed by the Company, he will immediately turn over to the Company or the Parent, as appropriate, 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's or the Parent's products which are produced by the Company or the Parent or any affiliate of either entity as of the date of Executive's termination of employment with the Company, in any area or territory in which the Company or the Parent or any affiliate of either entity 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 the Parent or any affiliate of either entity 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 the Parent without providing the Company or the Parent, 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:

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

if to the Company:

CIRCOR, Inc.
35 Corporate Drive
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 and the Parent 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 the Parent 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

Parent at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the Company and the Parent 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 Average Incentive Compensation) 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.

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

CIRCOR, INC.

By: /s/ DAVID A. BLOSS

David A. Bloss, Sr.
President

EXECUTIVE

/s/ PAUL M. COPPINGER

Paul M. Coppinger