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

FORM 10-Q

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

For the quarterly period ended March 31, 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
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

04-3477276
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

C/O CIRCOR, INC.
SUITE 290
35 CORPORATE DRIVE, BURLINGTON, MA
(Address of principal executive offices)

01803-4230
(ZIP CODE)

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

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE \$.01 PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

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

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

As of April 30, 2001, there were 14,815,391 shares of our common stock, par value \$0.01, outstanding.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2001 -----	December 31, 2000 -----
ASSETS		
CURRENT ASSETS:	(Unaudited)	
Cash and cash equivalents.....	\$ 25,307	\$ 8,192
Trade accounts receivable, less allowance for doubtful accounts of \$3,218 and \$2,831, respectively.....	65,350	58,457
Inventories.....	113,592	111,258
Prepaid expenses and other current assets.....	6,276	6,192
Deferred income taxes.....	6,086	6,141
	-----	-----
Total Current Assets.....	216,611	190,240
PROPERTY, PLANT AND EQUIPMENT, NET.....	62,989	64,794
OTHER ASSETS:		
Goodwill, net of accumulated amortization of \$14,940 and \$14,303, respectively.....	87,310	87,741
Other assets.....	4,105	4,287
	-----	-----
TOTAL ASSETS.....	\$371,015	\$347,062
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 28,891	\$ 30,767
Accrued expenses and other current liabilities.....	17,650	14,096
Accrued compensation and benefits.....	3,693	4,757
Income taxes payable.....	1,587	-
Current portion of long-term debt.....	1,711	940
	-----	-----
Total Current Liabilities.....	53,532	50,560
LONG-TERM DEBT, NET OF CURRENT PORTION.....	90,491	90,593
DEFERRED INCOME TAXES.....	2,833	2,873
OTHER NONCURRENT LIABILITIES.....	8,380	7,490
MINORITY INTEREST.....	4,478	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; 14,815,391 and 13,262,891 issued and outstanding at March 31, 2001 and December 31, 2000, respectively.....	148	133
Additional paid-in capital.....	199,906	181,184
Retained earnings.....	15,672	12,451
Accumulated other comprehensive loss.....	(4,425)	(2,587)
	-----	-----
Total Shareholders' Equity.....	211,301	191,181
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$371,015	\$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 March 31,	
	2001	2000
Net revenues	\$87,946	\$82,305
Cost of revenues	61,875	56,086
	26,071	26,219
GROSS PROFIT		
Selling, general and administrative expenses.....	17,764	17,518
Special charges	-	173
	8,307	8,528
OPERATING INCOME		
Other (income) expense:		
Interest income	(87)	(101)
Interest expense	2,056	2,726
Other, net	133	503
	2,102	3,128
INCOME BEFORE INCOME TAXES	6,205	5,400
Provision for income taxes	2,482	2,214
	\$ 3,723	\$ 3,186
NET INCOME	=====	=====
Earnings per common share:		
Basic	\$0.28	\$0.24
Diluted.....	\$0.27	\$0.24
Weighted average number of common shares outstanding:		
Basic.....	13,454	13,237
Diluted.....	13,802	13,486

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

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

	Three Months Ended March 31,	
	2001	2000
OPERATING ACTIVITIES		
Net income.....	\$ 3,723	\$ 3,186
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	2,405	2,690
Amortization.....	721	681
(Gain) loss on disposal of property, plant and equipment.....	1	(4)
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Trade accounts receivable.....	(7,958)	(2,007)
Inventories.....	(3,288)	(596)
Prepaid expenses and other assets.....	(99)	1,375
Accounts payable, accrued expenses and other liabilities.....	4,068	2,845
Net cash provided by (used in) operating activities.....	(427)	8,170
INVESTING ACTIVITIES		
Additions to property, plant and equipment.....	(915)	(1,272)
Disposal of property, plant and equipment.....	11	5
Increase in other assets.....	(432)	(75)
Net cash used in investing activities.....	(1,336)	(1,342)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings.....	14,307	6,847
Payments of long-term debt.....	(13,534)	(10,534)
Proceeds from the issuance of stock, net of issuance costs.....	18,698	-
Dividends paid.....	(503)	-
Net cash provided by (used in) financing activities.....	18,968	(3,687)
Effect of exchange rate changes on cash and cash equivalents.....	(90)	(15)
INCREASE IN CASH AND CASH EQUIVALENTS.....	17,115	3,126
Cash and cash equivalents at beginning of year.....	8,192	5,153
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 25,307	\$ 8,279

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

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

(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 March 31, 2001 and 2000, and our consolidated statements of operations and consolidated statements of cash flows for the three months ended March 31, 2001 and 2000.

The consolidated balance sheet at December 31, 2001 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 December 31, 2000 Annual Report.

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 issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." We adopted SFAS 133, as amended by SFAS No. 137 and SFAS 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.

(3) INVENTORIES

Inventories consist of the following (In thousands):

	March 31, 2001	December 31, 2000
	----- (Unaudited)	-----
Raw materials.....	\$ 42,977	\$ 41,233
Work in process.....	31,836	31,804
Finished goods.....	38,779	38,221
	-----	-----
	\$113,592	\$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 March 31, 2001				
- - - - -				
Net Revenues.....	\$46,309	\$41,637	\$ -	\$87,946
Operating income (loss).....	7,743	2,399	(1,835)	8,307
Three Months Ended March 31, 2000				
- - - - -				
Net Revenues.....	\$44,513	\$37,792	\$ -	\$82,305
Operating income (loss).....	6,843	3,391	(1,706)	8,528

The operating segments above are presented on a basis consistent with the presentation in our consolidated financial statements for the period ended December 31, 2000. In 2001, the name Instrumentation and Fluid Regulation was changed to Instrumentation and Thermal Fluid Controls. The name change better reflects our products and markets we serve as we increasingly sell our steam valves and actuators into end-user applications of higher and lower temperatures. Amounts included in identifiable assets, as of March 31, 2001, did not change significantly from those amounts reported in note 14, Segment Information, included in our Annual Report on Form 10-K for the year ended December 31, 2000.

(5) SPECIAL CHARGES

Special charges of \$0.2 million were incurred in the first three months of 2000, all associated with the closure, consolidation and reorganization of manufacturing plants in the Instrumentation and Thermal Fluid Controls segment. Special charges totaling \$1.9 million were recognized for the year ended December 31, 2000, of which \$1.6 million was incurred and expense in the Instrumentation and Thermal Fluid Controls segment and \$0.3 million in the Petrochemical segment. There were no special charges incurred during the three months ended March 31, 2001. The portion of the accrued severance costs to be paid subsequent to March 31, 2001 is less than \$0.1 million.

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

	Net Income	Shares	Per Share Amount
Three Months Ended March 31, 2001			
Basic EPS.....	\$3,723	13,454	\$ 0.28
Dilutive securities, principally common stock options.....	-	348	(0.01)
Diluted EPS.....	\$3,723	13,802	\$ 0.27

Options to purchase 190,207 shares of common stock at prices ranging from \$12.98 to \$13.94 were outstanding during the three-month period ended March 31, 2001. 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 shares during the period.

	Net Income	Shares	Per Share Amount
Three Months Ended March 31, 2000			
Basic EPS.....	\$3,186	13,237	\$0.24
Dilutive securities, principally common stock options.....	-	249	-
Diluted EPS.....	\$3,186	13,486	\$0.24

Options to purchase 28,000 shares of common stock at prices ranging from \$13.31 to \$13.94 were outstanding during the three-month period ended March 31, 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 shares during the period.

(7) Derivative Instruments and Hedging Activities

As of January 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133. "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138. SFAS 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 SFAS No. 133 did not have a material effect on assets, liabilities, accumulated comprehensive income or net income.

In the normal course of 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 SFAS 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 SFAS No. 133 for the three months ended March 31, 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. We recorded a net loss of less than \$0.1 million for the three months ended March 31, 2001. As of March 31, 2001, we had forward contracts to buy foreign currencies with a fair value of \$1.9 million. These contracts mature on various dates between April 2001 and July 2001.

(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 months ended March 31, 2001 and 2000 was as follows (Unaudited, in thousands):

	Three Months Ended March 31,	
	2001	2000
	-----	-----
Net income.....	\$ 3,723	\$3,186
Foreign currency translation adjustments	(1,838)	(680)
	-----	-----
Total comprehensive income.....	\$ 1,885	\$2,506
	=====	=====

(9) CONTINGENCIES AND ENVIRONMENTAL REMEDIATION CONTINGENCIES

Contingencies

We are subject to pending or threatened lawsuits and proceedings or claims arising from the ordinary course of operations. Reserves have been established which management presently believes are adequate in light of probable and estimable exposure to the pending or threatened litigation of which it has knowledge. Such contingencies are not expected to have a material effect on our financial position, results of operations, 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 Customs investigation will not result in any material liability to KF Industries, 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.

Environmental Remediation

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, 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 environmental remediation contingencies are not expected to have a material effect on our financial position, results of operation, or liquidity.

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," "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. 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, those set forth under the caption "Certain Risks 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 MARCH 31, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2000.

The following tables set forth the results of operations, percentage of net revenue and the year-to-year percentage change in certain financial data for the three months ended March 31, 2001 and 2000:

	Three Months Ended March 31,				%Change
	2001		2000		
	(Dollars In Thousands)				
Net revenues.....	\$87,946	100.0%	\$82,305	100.0%	6.9%
Cost of revenues.....	61,875	70.4	56,086	68.1	10.3
Gross profit.....	26,071	29.6	26,219	31.9	(0.6)
Selling, general and administrative expenses.....	17,764	20.2	17,518	21.3	1.4
Special charges.....	-	-	173	0.2	n/a
Operating income.....	8,307	9.4	8,528	10.4	(2.6)
Other expense:					
Interest expense, net.....	1,969	2.2	2,625	3.2	(25.0)
Other expense, net.....	133	0.1	503	0.6	(73.6)
Income before income taxes.....	6,205	7.1	5,400	6.6	14.9
Provision for income taxes.....	2,482	2.9	2,214	2.7	12.1
Net income.....	\$ 3,723	4.2%	\$ 3,186	3.9%	16.9%

Net revenues for the three months ended March 31, 2001 increased by \$5.6 million, or 6.9%, to \$87.9 million compared to \$82.3 million for the three months ended March 31, 2000. The increase in net revenues for the three months ended March 31, 2001 was attributable to the following:

Segment -----	2001 -----	2000 -----	Total Change -----	Acquisitions -----	Operations -----	Foreign Exchange -----
				(In Thousands)		
Instrumentation & Thermal Fluid Controls...	\$46,309	\$44,513	\$1,796	\$347	\$2,047	\$ (598)
Petrochemical.....	41,637	37,792	3,845	-	5,021	(1,176)
Total.....	<u>\$87,946</u>	<u>\$82,305</u>	<u>\$5,641</u>	<u>\$347</u>	<u>\$7,068</u>	<u>\$(1,774)</u>

The Instrumentation and Thermal Fluid Controls segment accounted for approximately 52.7% of net revenues for the three months ended March 31, 2001 compared to 54.1% for the three months ended March 31, 2000. The Petrochemical segment accounted for 47.3% of net revenues for the three months ended March 31, 2001 compared to 45.9% for the three months ended March 31, 2000.

Instrumentation and Thermal Fluid Controls revenues increased \$1.8 million, or 4.0%. The net increase was due to: a \$1.8 million increase in instrumentation revenues, primarily due to increased sales penetration and the of volume sales within the aerospace, power and power generation and European general instrumentation markets; a \$0.3 million increase in thermal fluid control markets, resulting from higher year-to-year demand; \$0.3 million of incremental revenue from the Rockwood Swendeman product line, purchased in November 2000. These increases were partially offset by a \$0.6 million reduction in revenues resulting from changes in exchange rates affecting our European business units. The net increase in Petrochemical revenues of \$3.8 million, or 10.2%, was the result of \$2.8 million in higher North American revenues, related to increased customer spending on maintenance and repair and small capital projects; a \$2.5 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 decrease in revenue from Suzhou KF Valve, our Chinese joint venture; and a \$1.2 million decrease in revenues resulting from changes in exchange rates which affected our Canadian and Italian-based operations.

Gross profit decreased \$0.1 million, or 0.6%, to \$26.1 million for the three months ended March 31, 2001 compared to \$26.2 million for the three-month ended March 31, 2000. Gross margin declined to 29.6% for the three months ended March 31, 2001 compared to 31.9% for the three months ended March 31, 2000. Gross profit from the Instrumentation and Thermal Fluid Controls segment increased \$0.8 million as a result of; \$0.2 million from the Rockwood Swendeman acquisition, \$0.8 million from operations; and unfavorable net foreign exchange rate changes of \$0.2 million. Gross profit for the Petrochemical segment decreased \$0.9 million for the three months ended March 31, 2001 compared to the three months ended March 31, 2000. Of this amount, a \$0.6 million decrease resulted from the consolidation and integration of product lines into a key North American manufacturing plant. Inefficiencies and delays in the completion of the consolidation and integration process resulted in higher manufacturing costs compared to last year. An additional \$0.3 million decrease was the result of reduced margin revenues for certain large oil and gas projects that were very competitively priced during the three months ended March 31, 2001. This competitive pricing strategy 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 accounted for an additional decrease of \$0.2 million.

Selling, general and administrative expenses increased \$0.3 million, or 1.4%, to \$17.8 million for the three months ended March 31, 2001 compared with \$17.5 million for the three months ended March 31, 2000. The Instrumentation and Thermal Fluid Controls segment increased operating expenses by \$0.1 million, primarily from increased sales commissions on higher revenue. The Petrochemical segment operating expenses remained unchanged. Increased corporate spending of \$0.1 million for the three months ended March 31, 2001 reflected a fully staffed unit compared to the three months ended March 31, 2000.

During the three months ended March 31, 2000, special charges of \$0.2 million were incurred in the Instrumentation and Thermal Fluid Controls segment associated with the closure, consolidation and reorganization of certain U.S. manufacturing operations. These special charges were expensed in the period as incurred. There were no special charges incurred during the three months ended March 31, 2001.

The change in operating income for the three months ended March 31, 2001 compared to the three months ended March 31, 2000 was as follows:

Segment	2001	2000	Total Change	Acquisitions	Operations	Foreign Exchange
-----	-----	-----	-----	-----	-----	-----
	(In Thousands)					
Instrumentation & Thermal Fluid Controls.	\$ 7,743	\$ 6,843	\$ 900	\$73	\$ 849	\$(22)
Petrochemical.....	2,399	3,391	(992)	-	(928)	(64)
Corporate.....	(1,835)	(1,706)	(129)	-	(129)	-
	-----	-----	-----	---	-----	----
Total.....	\$ 8,307	\$ 8,528	\$(221)	\$73	\$(208)	\$(86)
	=====	=====	=====	===	=====	=====

The increase in operating income in the Instrumentation and Thermal Fluid Controls segment was primarily attributable to improved manufacturing and administrative operating efficiencies. The decrease in operating income in the Petrochemical segment was primarily due to lower gross profit as a result of competitive pricing pressures and manufacturing cost inefficiencies at a key North American plant.

Net interest expense decreased \$0.6 million to \$2.0 million for the three months ended March 31, 2001 compared to \$2.6 million for the three months ended March 31, 2000. The decrease was primarily due to the lower average debt balances outstanding during the three months ended March 31, 2001 as compared with the three months ended March 31, 2000. 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.

Other expense declined \$0.4 million to \$0.1 million for the three months ended March 31, 2001, compared to \$0.5 million for the three months ended March 31, 2000, as a result of reductions in losses from foreign currency exchange rate changes.

The effective tax rate decreased to 40.0% for the three months ended March 31, 2001 compared to 41.0% for the three months ended March 31, 2000 due to the implementation of various U.S. tax strategies in the second half of 2000.

Net income increased for the three months ended March 31, 2001. Improved operating results within the Instrumentation and Thermal Fluid Controls segment, reduced interest expense and lower foreign currency losses were the primary reasons for this change.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 2001, we generated a net increase in cash of \$17.1 million. We received \$18.7 million as a result of a secondary public equity offering that we completed during March 2001 and \$0.8 million from short-term international credit facilities. We used: \$0.4 million of cash flow in operating activities; \$1.3 million for investing activities, which included the purchase of \$0.9 million of capital equipment; and \$0.5 million to fund cash dividends paid to shareholders. Capital expenditures were primarily for manufacturing machinery and equipment as part of our commitment to further improve our manufacturing operations. Our capital expenditure budget for the year ending December 31, 2001 is \$7.2 million.

As of March 31, 2001, we had no balances outstanding under our \$75.0 million unsecured revolving credit facility. As of March 31, 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 used \$2.0 million to reduce the balance on our unsecured, revolving credit facility to zero. We intend 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 March 31, 2001 was 4.0:1 compared to 3.8:1 at December 31, 2000. Cash and cash equivalents were \$25.3 million at March 31, 2001 compared to \$8.2 million at December 31, 2000. Net debt (including cash) as a percentage of total capital employed was 22.0% at March 31, 2001

compared to 29.5% at December 31, 2000. At March 31, 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 and anticipated capital expenditures for at least the next 24 months.

From time-to-time, we are involved with product liability, environmental proceedings and other litigation proceedings and incur costs on an ongoing basis related to these matters. We have not incurred material expenditures in the three months ended March 31, 2001 in connection with any of these matters. See Part II, Item 1, Legal Proceedings.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 3. QUALITATIVE AND QUANTITATIVE 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.

Interest Rate Risk

At March 31, 2001, our primary interest rate risk relates to borrowings under our revolving credit facility. The interest rate on those borrowings fluctuates with changes in short-term borrowing rates. There were no outstanding borrowings under our revolving credit facility as of March 31, 2001. Based upon the expected levels of borrowings under our credit facility in 2001, 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 SFAS No. 133 for the three months ended March 31, 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 March 31, 2001, we had forward contracts to buy foreign currencies with a fair value of \$1.9 million. These contracts mature on various dates between April 2001 and July 2001.

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

Commodity Price Risk

The primary raw materials used in our products process are stainless steel, carbon steel, cast iron 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 which 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.

Leslie and its insurers had been in dispute over payment of approximately \$560,000 in legal fees incurred to defend these cases through 1994 and approximately \$300,000 in legal fees incurred from 1995 through the present time. The dispute resulted from a gap in Leslie's insurance coverage from 1965 to 1973. During the fall of 1999, Leslie and its insurers entered into an agreement pursuant to which Leslie has agreed to be responsible for 41% of all legal fees and settlement costs incurred from 1995 forward.

We have established reserves for all of the claims discussed above, including reserves relating to the claims disputed by our insurance carriers, 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 of our own on these claims.

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 which 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 which 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 third parties. 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. 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.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Registered Securities

1. The effective date of the Securities Act registration statement for which the use of proceeds information is being disclosed was March 15, 2001, and the Commission file number assigned to the registration statement is 333-54428.
2. The offering commenced as of March 16, 2001.
3. The offering did not terminate before any securities were sold.
- 4.(i) As of the date of the filing of this report, the offering has terminated and 1,552,500 of the securities registered were sold.
 - (ii) The names of the managing underwriters are Robert W. Baird & Co. Incorporated and ING Barings LLC.
 - (iii) Our common stock, par value \$0.01 per share, was the class of securities registered.
 - (iv) We registered 1,552,500 shares of our common stock (which included 202,500 shares solely to cover over-allotments), having an aggregate price of the offering amount registered of \$20.6 million. As of the date of the filing of this report 1,552,500 of the total shares registered have been sold at an aggregate offering price of \$20.6 million.
 - (v) From March 15, 2001 to the filing of this Report, a reasonable estimate of the amount of expenses incurred by us in connection with the issuance and distribution of the securities totaled \$1.9 million, which consisted of direct payments of \$1.3 million in underwriters discount, fees and commissions and \$0.6 million in other issuance and distribution expenses (reasonable estimate). No payments for such expenses were made to (i) any of our directors, officers, general partners or their associates, except to Goodwin Procter LLP, Boston Massachusetts. 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. (ii) any person(s) owning 10% or more of any class of our equity securities or (iii) any of our affiliates.
 - (vi) Our net offering proceeds after deducting our total expenses were \$18.7 million.
 - (vii) Subsequent to receipt of the net proceeds, we used \$2.0 million to reduce the balance owed on our unsecured revolving credit facility to zero. The remaining proceeds have been invested in short-term investments and are included in cash and cash equivalents as of March 31, 2001. 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.
 - (viii) The uses of proceeds described do not represent a material change in the use of proceeds described in our registration statement.

ITEM 6. EXHIBITS AND REPORTS OF FORM 8-K

(A) EXHIBIT INDEX

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.
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	Material Contracts:
10.1	CIRCOR International, Inc. 1999 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.1 to Amendment No. 1 to the Form 10.
10.2	Form of Incentive Stock Option Agreement under the 1999 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.2 to Amendment No. 1 to the Form 10.
10.3	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Five Year Graduated Vesting Schedule) is incorporated herein by reference to Exhibit 10.3 to Amendment No. 1 to the Form 10.
10.4	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Performance Accelerated Vesting Schedule) is incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Form 10.
10.5	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Form 10.
10.6	CIRCOR International, Inc. Management Stock Purchase Plan is incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Form 10.
10.7	Form of CIRCOR International, Inc. Supplemental Employee Retirement Plan is incorporated herein by reference to Exhibit 10.7 to Amendment No. 1 to the Form 10.
10.8	Supply Agreement between Watts Industries, Inc. and CIRCOR International, Inc. is incorporated herein by reference to Exhibit 10.8 to Amendment No. 2 to the Form 10.
10.9	Trademark License Agreement between Watts Industries, Inc. and CIRCOR International, Inc. is incorporated herein by reference to Exhibit 10.9 to Amendment No. 2 to the Form 10.
10.10	Lease Agreement, dated as of February 14, 1999, between BY-PASS 85 Associates, LLC and Hoke Inc. is incorporated herein by reference to Exhibit 10.10 to Amendment No. 1 to the Form 10.

10.11 Trust Indenture from Village of Walden Industrial Development Agency to The First National Bank of Boston, as Trustee, dated June 1, 1994 is herein incorporated by reference to Exhibit 10.14 of the Watts Industries, Inc. Annual Report on Form 10-K, File No. 0-14787, filed with the Securities and Exchange Commission on September 26, 1994.

10.12 Loan Agreement between Hillsborough County Industrial Development Authority and Leslie Controls, Inc. dated July 1, 1994 is herein incorporated by reference to Exhibit 10.15 of the Watts Industries, Inc. Annual

- 10.13 Trust Indenture from Hillsborough County Industrial Development Authority to The First National Bank of Boston, as Trustee, dated July 1, 1994 is herein incorporated by reference to Exhibit 10.17 of the Watts Industries, Inc. Annual Report on Form 10-K, File No. 0-14787, filed with the Securities and Exchange Commission on September 26, 1994.
- 10.14 Form of Indemnification Agreement between CIRCOR and each of its directors is herein incorporated by reference to Exhibit 10.20 to the Form 10.
- 10.15 Executive Employment Agreement between CIRCOR, Inc. and David A. Bloss, Sr., dated as of September 16, 1999 is incorporated herein by reference to Exhibit 10.15 to Amendment No. 1 to the Form 10.
- 10.17 Amended and Restated Letter of Credit, Reimbursement and Guaranty Agreement dated as of October 18, 1999 among Leslie Controls, Inc., as Borrower, CIRCOR International, Inc., as Guarantor, and First Union National Bank as Letter of Credit Provider is herein incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999.
- 10.18 Amended and Restated Letter of Credit, Reimbursement and Guaranty Agreement dated as of October 18, 1999 among Spence Engineering Company, Inc. as Borrower, CIRCOR International, Inc., as Guarantor, and First Union National Bank as Letter of Credit Provider is herein incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999.
- 10.19 Credit Agreement, dated as of October 18, 1999, by and among CIRCOR International, Inc., a Delaware corporation, as Borrower, each of the Subsidiary Guarantors named therein, the Lenders from time to time a party thereto, ING (U.S.) Capital LLC, as Agent for such Lenders, BankBoston, N.A., as Syndication Agent, First Union National Bank, as Documentation Agent and ING Barings LLC, as Arranger for the Lenders is herein incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999.
- 10.20 Note Purchase Agreement, dated as of October 19, 1999, among CIRCOR International, Inc., a Delaware corporation, the Subsidiary Guarantors and each of the Purchasers listed on Schedule A attached thereto is herein incorporated by reference to Exhibit 10.20 to the Company's Current Report on Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999.
- 10.21 Sharing agreement regarding the rights of debt holders relative to one another in the event of insolvency is herein incorporated by reference to Exhibit 10.21 on Form 10 Q/A File No. 1-14962 filed with the Securities and Exchange Commission on August 14, 2000.
- 10.22 Executive Change of Control Agreement between CIRCOR, Inc. and Carmine F. Bosco dated August 8, 2000 is herein incorporated by reference to Exhibit 10.22 on Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on November 14, 2000.
- 10.23 Executive Change of Control Agreement between CIRCOR, Inc. and Alan R. Carlsen dated August 8, 2000 is herein incorporated by reference to Exhibit 10.23 on Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on November 14, 2000.
- 10.24 Executive Change of Control Agreement between CIRCOR, Inc. and Kenneth W. Smith dated August 8, 2000 is herein incorporated by reference to Exhibit 10.24 on Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on November 14, 2000.
- 10.25 Executive Change of Control Agreement between CIRCOR, Inc. and Stephen J. Carriere dated August 8, 2000.
- 10.26 Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass dated August 8, 2000.
- *10.27 Form of Indemnification Agreement between CIRCOR and each of its executive officers.
- 21 Subsidiaries of Registrant: A list of Subsidiaries of the Company is incorporated by reference to Exhibit 21 on Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 9, 2001.

(*) Filed herewith

(B) REPORTS ON FORM 8-K
None

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: May 15, 2001

/S/ DAVID A. BLOSS, SR.

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

Date: May 15, 2001

/S/ KENNETH W. SMITH

Kenneth W. Smith
Vice President, Chief Financial Officer
and Treasurer
Principal Financial Officer

Date: May 15, 2001

/S/ STEPHEN J. CARRIERE

Stephen J. Carriere
Vice President, Corporate Controller
and Assistant Treasurer
Principal Accounting Officer

INDEMNIFICATION AGREEMENT

This Agreement is made as of this __ day of ____ 2001 ("Agreement"), by and between CIRCOR International, Inc., a Delaware corporation (the "Company," which term shall include, where appropriate, any Entity (as hereinafter defined) controlled directly or indirectly by the Company) and _____ ("Indemnitee").

WHEREAS, it is essential to the Company that it be able to retain and attract as officers and directors the most capable persons available;

WHEREAS, increased corporate litigation has subjected officers and directors to litigation risks and expenses, and the limitations on the availability of directors and officers liability insurance have made it increasingly difficult for the Company to attract and retain such persons;

WHEREAS, the Company's Amended and Restated By-laws require it to indemnify its officers and directors to the fullest extent permitted by law and permit it to make other indemnification arrangements and agreements;

WHEREAS, the Company desires to provide Indemnitee with specific contractual assurance of Indemnitee's rights to full indemnification against litigation risks and expenses (regardless of, among other things, any amendment to or revocation of any such By-laws or any change in the ownership of the Company or the composition of its Board of Directors); and

WHEREAS, Indemnitee is relying upon the rights afforded under this Agreement in continuing in Indemnitee's position as an officer or director of the Company.

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Definitions.

- (a) "Corporate Status" describes the status of a person who is serving or has served (i) as a director or officer of the Company, (ii) in any capacity with respect to any employee benefit plan of the Company, or (iii) as a director, partner, trustee, officer, employee or agent of any other Entity at the request of the Company. For purposes of subsection (iii) of this Section 1(a), an officer or director of the Company who is serving or has served as a director, partner, trustee, officer, employee or agent of a Subsidiary shall be deemed to be serving at the request of the Company.
- (b) "Entity" shall mean any corporation, partnership, limited liability company, joint venture, trust, foundation, association, organization or other legal entity.
- (c) "Expenses" shall mean all fees, costs and expenses incurred in connection with any Proceeding (as defined below), including, without limitation, attorneys' fees, disbursements and retainers (including, without limitation, any such fees, disbursements and retainers incurred by Indemnitee pursuant to Sections 10 and 11(c) of this Agreement), fees and disbursements of expert witnesses, private investigators and

professional advisors (including, without limitation, accountants and investment bankers), court costs, transcript costs, fees of experts, travel expenses, duplicating, printing and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services, and other disbursements and expenses.

- (d) "Indemnifiable Expenses," "Indemnifiable Liabilities" and "Indemnifiable Amounts" shall have the meanings ascribed to those terms in Section 3(a) below.
- (e) "Liabilities" shall mean judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement.
- (f) "Proceeding" shall mean any threatened, pending or completed claim, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal, or any other proceeding, whether civil, criminal, administrative, arbitral or investigative, whether formal or informal, including a proceeding initiated by Indemnitee pursuant to Section 10 of this Agreement to enforce Indemnitee's rights hereunder.
- (g) "Subsidiary" shall mean any corporation, partnership, limited liability company, joint venture, trust or other Entity of which the Company owns (either directly or through or together with another Subsidiary of the Company) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other Entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity.

2. Services of Indemnitee. In consideration of the Company's covenants and commitments hereunder, Indemnitee agrees to serve or continue to serve as a director or officer of the Company. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

3. Agreement to Indemnify. The Company agrees to indemnify Indemnitee as follows:

- (a) Subject to the exceptions contained in Section 4(a) below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company against all Expenses and Liabilities incurred or paid by Indemnitee in connection with such Proceeding (referred to herein as "Indemnifiable Expenses" and "Indemnifiable Liabilities," respectively, and collectively as "Indemnifiable Amounts").
- (b) Subject to the exceptions contained in Section 4(b) below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of Indemnitee's

Corporate Status, Indemnatee shall be indemnified by the Company against all Indemnifiable Expenses.

4. Exceptions to Indemnification. Indemnatee shall be entitled to indemnification under Sections 3(a) and 3(b) above in all circumstances other than the following:

- (a) If indemnification is requested under Section 3(a) and it has been adjudicated finally by a court of competent jurisdiction that, in connection with the subject of the Proceeding out of which the claim for indemnification has arisen, Indemnatee failed to act (i) in good faith and (ii) in a manner Indemnatee reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding, Indemnatee had reasonable cause to believe that Indemnatee's conduct was unlawful, Indemnatee shall not be entitled to payment of Indemnifiable Amounts hereunder.
- (b) If indemnification is requested under Section 3(b) and

- (i) it has been adjudicated finally by a court of competent jurisdiction that, in connection with the subject of the Proceeding out of which the claim for indemnification has arisen, Indemnatee failed to act (A) in good faith and (B) in a manner Indemnatee reasonably believed to be in or not opposed to the best interests of the Company, Indemnatee shall not be entitled to payment of Indemnifiable Expenses hereunder; or

- (ii) it has been adjudicated finally by a court of competent jurisdiction that Indemnatee is liable to the Company with respect to any claim, issue or matter involved in the Proceeding out of which the claim for indemnification has arisen, including, without limitation, a claim that Indemnatee received an improper personal benefit, no Indemnifiable Expenses shall be paid with respect to such claim, issue or matter unless the Court of Chancery or another court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnity for such Indemnifiable Expenses which such court shall deem proper.

5. Procedure for Payment of Indemnifiable Amounts. Indemnatee shall submit to the Company a written request specifying the Indemnifiable Amounts for which Indemnatee seeks payment under Section 3 of this Agreement and the basis for the claim. The Company shall pay such Indemnifiable Amounts to Indemnatee within twenty (20) calendar days of receipt of the request. At the request of the Company, Indemnatee shall furnish such documentation and information as are reasonably available to Indemnatee and necessary to establish that Indemnatee is entitled to indemnification hereunder.

6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnatee is, by reason of Indemnatee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnatee shall be indemnified against all Expenses reasonably incurred by Indemnatee or on Indemnatee's behalf in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all

Expenses reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Agreement, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

7. Effect of Certain Resolutions. Neither the settlement or termination of any Proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create an adverse presumption that Indemnitee is not entitled to indemnification hereunder. In addition, the termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's action was unlawful.

8. Agreement to Advance Expenses; Conditions. The Company shall pay to Indemnitee all Indemnifiable Expenses incurred by Indemnitee in connection with any Proceeding, including a Proceeding by or in the right of the Company, in advance of the final disposition of such Proceeding. To the extent required by Delaware law, Indemnitee hereby undertakes to repay the amount of Indemnifiable Expenses paid to Indemnitee if it is finally determined by a court of competent jurisdiction that Indemnitee is not entitled under this Agreement to indemnification with respect to such Expenses. This undertaking is an unlimited general obligation of Indemnitee.

9. Procedure for Advance Payment of Expenses. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Expenses for which Indemnitee seeks an advancement under Section 8 of this Agreement, together with documentation evidencing that Indemnitee has incurred such Indemnifiable Expenses. Payment of Indemnifiable Expenses under Section 8 shall be made no later than twenty (20) calendar days after the Company's receipt of such request.

10. Remedies of Indemnitee.

- (c) Right to Petition Court. In the event that Indemnitee makes a request for payment of Indemnifiable Amounts under Sections 3 and 5 above or a request for an advancement of Indemnifiable Expenses under Sections 8 and 9 above and the Company fails to make such payment or advancement in a timely manner pursuant to the terms of this Agreement, Indemnitee may petition the Court of Chancery to enforce the Company's obligations under this Agreement.
- (d) Burden of Proof. In any judicial proceeding brought under Section 10(a) above, the Company shall have the burden of proving that Indemnitee is not entitled to payment of Indemnifiable Amounts hereunder.
- (e) Expenses. The Company agrees to reimburse Indemnitee in full for any Expenses incurred by Indemnitee in connection with investigating, preparing for, litigating, defending or settling any action brought by Indemnitee under Section 10(a)

above, or in connection with any claim or counterclaim brought by the Company in connection therewith.

- (f) Validity of Agreement. The Company shall be precluded from asserting in any Proceeding, including, without limitation, an action under Section 10(a) above, that the provisions of this Agreement are not valid, binding and enforceable or that there is insufficient consideration for this Agreement and shall stipulate in court that the Company is bound by all the provisions of this Agreement.
- (g) Failure to Act Not a Defense. The failure of the Company (including its Board of Directors or any committee thereof, independent legal counsel or stockholders) to make a determination concerning the permissibility of the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses under this Agreement shall not be a defense in any action brought under Section 10(a) above, and shall not create a presumption that such payment or advancement is not permissible.

11. Defense of the Underlying Proceeding.

- (a) Notice by Indemnitee. Indemnitee agrees to notify the Company promptly upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding which may result in the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses hereunder; provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right to receive payments of Indemnifiable Amounts or advancements of Indemnifiable Expenses unless the Company's ability to defend in such Proceeding is materially and adversely prejudiced thereby.
- (b) Defense by Company. Subject to the provisions of the last sentence of this Section 11(b) and of Section 11(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to the payment of Indemnifiable Amounts hereunder; provided, however that the Company shall notify Indemnitee of any such decision to defend within ten (10) days of receipt of notice of any such Proceeding under Section 11(a) above. The Company shall not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 11(b) shall not apply to a Proceeding brought by Indemnitee under Section 10(a) above or pursuant to Section 19 below.
- (c) Indemnitee's Right to Counsel. Notwithstanding the provisions of Section 11(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, Indemnitee reasonably concludes that it may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with the position of other defendants in such Proceeding, or if the Company fails to assume the defense of such proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to

declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company, to represent Indemnitee in connection with any such matter.

12. Representations and Warranties of the Company. The Company hereby represents and warrants to Indemnitee as follows:

- (a) Authority. The Company has all necessary power and authority to enter into, and be bound by the terms of, this Agreement, and the execution, delivery and performance of the undertakings contemplated by this Agreement have been duly authorized by the Company.
- (b) Enforceability. This Agreement, when executed and delivered by the Company in accordance with the provisions hereof, shall be a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally.

13. Insurance. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with a reputable insurance company providing Indemnitee with coverage for losses from wrongful acts, and to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's officers and directors. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, or if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit. The Company shall promptly notify Indemnitee of any good faith determination not to provide such coverage.

14. Contract Rights Not Exclusive. The rights to payment of Indemnifiable Amounts and advancement of Indemnifiable Expenses provided by this Agreement shall be in addition to, but not exclusive of, any other rights which Indemnitee may have at any time under applicable law, the Company's By-laws or Certificate of Incorporation, or any other agreement, vote of stockholders or directors (or a committee of directors), or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity as a result of Indemnitee's serving as an officer or director of the Company.

15. Successors. This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by

merger or consolidation or otherwise by operation of law) and (b) binding on and shall inure to the benefit of the heirs, personal representatives, executors and administrators of Indemnatee. This Agreement shall continue for the benefit of Indemnatee and such heirs, personal representatives, executors and administrators after Indemnatee has ceased to have Corporate Status.

16. Subrogation. In the event of any payment of Indemnifiable Amounts under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of contribution or recovery of Indemnatee against other persons, and Indemnatee shall take, at the request of the Company, all reasonable action necessary to secure such rights, including the execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

17. Change in Law. To the extent that a change in Delaware law (whether by statute or judicial decision) shall permit broader indemnification or advancement of expenses than is provided under the terms of the By-laws of the Company and this Agreement, Indemnatee shall be entitled to such broader indemnification and advancements, and this Agreement shall be deemed to be amended to such extent.

18. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement, or any clause thereof, shall be determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, in whole or in part, such provision or clause shall be limited or modified in its application to the minimum extent necessary to make such provision or clause valid, legal and enforceable, and the remaining provisions and clauses of this Agreement shall remain fully enforceable and binding on the parties.

19. Indemnatee as Plaintiff. Except as provided in Section 10(c) of this Agreement and in the next sentence, Indemnatee shall not be entitled to payment of Indemnifiable Amounts or advancement of Indemnifiable Expenses with respect to any Proceeding brought by Indemnatee against the Company, any Entity which it controls, any director or officer thereof, or any third party, unless such Company has consented to the initiation of such Proceeding. This Section shall not apply to counterclaims or affirmative defenses asserted by Indemnatee in an action brought against Indemnatee.

20. Modifications and Waiver. Except as provided in Section 17 above with respect to changes in Delaware law which broaden the right of Indemnatee to be indemnified by the Company, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver.

21. General Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) when transmitted by facsimile and receipt is acknowledged, or (c) if

mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(i) If to Indemnitee, to:

c/o CIRCOR International, Inc.

35 Corporate Drive

Burlington, Massachusetts 01803

(ii) If to the Company, to:

CIRCOR International, Inc.

35 Corporate Drive

Burlington, Massachusetts 01803

or to such other address as may have been furnished in the same manner by any party to the others.

22. Governing Law. This Agreement shall be governed by and construed and enforced under the laws of Delaware without giving effect to the provisions thereof relating to conflicts of law.

23. Consent to Jurisdiction. The Company hereby irrevocably and unconditionally consents to the jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware. The Company hereby irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding arising out of or relating to this Agreement in the courts of the State of Delaware or the United States District Court for the District of Delaware, and hereby irrevocably and unconditionally waives and agrees not to plead or claim that any such Proceeding brought in any such court has been brought in an inconvenient forum.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

CIRCOR INTERNATIONAL, INC.

By: _____
Name: David A. Bloss, Sr.
Title: Chairman, President & CEO

INDEMNITEE:

Name: (Enter Name Here)