As filed with the Securities and Exchange Commission on September 22, 1999

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM 10

GENERAL FORM FOR
REGISTRATION OF SECURITIES

Pursuant to Section 12(b) or 12(g) of
the Securities Exchange Act of 1934

CIRCOR International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	04-3477276
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

35 Corporate Drive
Burlington, Massachusetts 01803

(781) 273-6268

(Address, including zip code, and telephone number, including area code, of the principal executive offices of the registrant)

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

Title of Each Class to be so Registered	Name of Each Exchange on Which Each Class is to be Registered
Common Stock, par value $.01 per share	New York Stock Exchange

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

None

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CIRCOR International, Inc.

INFORMATION INCLUDED IN INFORMATION STATEMENT

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT
AND ITEMS OF FORM 10

ITEM NO.	ITEM CAPTION	LOCATION IN INFORMATION STATEMENT
1.	Business	"Summary;" "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."
2.	Financial Information	"Summary;" "Pro Forma Combined Financial Information;" "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."
3.	Properties	"Business."
4.	Security Ownership of Certain Beneficial Owners and Management	"Security Ownership of CIRCOR Common Stock By Certain Beneficial Owners, Directors and Executive Officers of CIRCOR."
5.	Directors and Executive Officers	"Management" and "Description of Capital Stock--Certain Provisions of Certificate of Incorporation and By-laws."
6.	Executive Compensation	"Management."
7.	Certain Relationships and Related Transactions	"Summary;" "Relationship Between CIRCOR and Watts" and "Certain Relationships and Related Transactions."
8.	Legal Proceedings	"Business."
9.	Market Price of and Dividends on the Registrant's Common Equity and Related Shareholder Matters	"Summary;" "The Distribution" and "Dividend Policy."
10.	Recent Sales of Unregistered Securities	Not Applicable.
11.	Description of Registrant's Securities to be Registered	"Description of Capital Stock."
12.	Indemnification of Directors and Officers	"Description of Capital Stock--Certain Provisions of Certificate of Incorporation and By-laws."
13.	Financial Statements and Supplementary Data	"Summary;" "Pro Forma Combined Financial Information;" "Selected Financial Data;" "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Index to CIRCOR Combined Financial Statements."
14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not Applicable.
15.	Financial Statements and Exhibits	"Combined Financial Statements" and "Exhibit List."

[Watts logo]

October , 1999

Dear Shareholder:

I am pleased to inform you that the Board of Directors of Watts Industries, Inc. has approved a distribution to our shareholders of all of the outstanding shares of common stock of CIRCOR International, Inc. The stock distribution will be made to holders of record of Watts stock as of October 6, 1999. You will receive one share of CIRCOR common stock for every two shares of Watts common stock you hold on such date. The IRS has ruled that the distribution will generally be tax-free, however, you should refer to pages 6-7 for a detailed review of the tax consequences of the distribution.

Following completion of the distribution, CIRCOR and its affiliates will own and operate all of the businesses which presently comprise Watts' instrumentation and fluid regulation and petrochemical businesses (formerly known as the industrial, oil and gas businesses). David A. Bloss, Sr., Watts' current President and Chief Operating Officer, who has been with us for six years, will be the Chairman, Chief Executive Officer and President of CIRCOR.

Your Board of Directors believes that the distribution will enable Watts and CIRCOR to focus their respective management teams on enhancing each company's competitive position in its respective industries with a view towards increasing the value of each of its businesses, thereby producing greater total shareholder value over the long term. In reaching this conclusion, Watts' Board of Directors and management considered that, among other things, as a result of these transactions, CIRCOR will be better able to raise equity capital in the financial markets to fund its plan for future growth, reduce debt incurred as well as obtain working capital for its future growth strategies. This transaction will also allow Watts to focus on its own business plan for enhancing shareholder value in its plumbing and heating and water quality businesses.

The enclosed Information Statement explains the proposed distribution in greater detail and provides financial and other important information regarding CIRCOR. We urge you to read it carefully. Holders of Watts stock are not required to take any action to participate in the distribution. A shareholder vote is not required in connection with this matter and, accordingly, your proxy is not being sought.

We are enthusiastic about the distribution and look forward to the future success of Watts and CIRCOR as highly focused, independent publicly traded companies.

Sincerely,

Timothy P. Horne
Chairman and Chief Executive Officer

[Circor logo]

October , 1999

Dear Shareholder:

I am very pleased that you will soon be a shareholder of CIRCOR International, Inc. As we approach the stock distribution date, I would like to take this opportunity to briefly introduce you to your new company and to convey the commitment of all CIRCOR employees to build an exciting and rewarding enterprise worthy of your investment.

As further described in this document, CIRCOR has been established to operate the former industrial, oil and gas product lines of Watts Industries, Inc. In this respect, CIRCOR is a new company. However, its underlying businesses have long histories with well recognized brand names in each of the markets they serve. The formation of CIRCOR creates a unique business entity that supplies valves and related products and services to original equipment manufacturers, petrochemical and industrial processors, the military, utilities and others who rely on fluid control to accomplish their missions. CIRCOR's products enable them and their customers to use fluids safely and efficiently. Our objective is to create a diversified international fluid-control company with exceptional growth prospects. Our strategy will be to use internal product development and acquisitions to enhance our core competencies, thereby enabling us to address more customer application needs than our competitors.

I believe that CIRCOR, as an independent company, will be better able to effectively focus on the needs of its customers and to manage its business by more closely aligning management objectives to fewer and a less diversified mix of businesses. Given the competitive environment in the industry and the accelerated rate of change in the global markets we serve, our success will depend on our ability to focus on our specific industry and the unique needs of our customers.

We expect that before the distribution, the New York Stock Exchange will approve shares of CIRCOR common stock for listing under the symbol "CIR," subject to official notice of issuance.

CIRCOR's Board of Directors, management and employees are excited about our future as an independent company and look forward to your participation in our success.

Sincerely,

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

[Circor logo]

INFORMATION STATEMENT

CIRCOR International, Inc.
Common Stock
Par Value $0.01 per Share

This information statement relates to the distribution of 100% of the common stock of CIRCOR International, Inc. ("CIRCOR") by Watts Industries, Inc. ("Watts"). Watts will make the distribution to record holders of Watts class A and class B common stock as of October 6, 1999. In the distribution, Watts shareholders will receive one share of CIRCOR common stock for every two shares of Watts common stock that they hold on that date. If you are a record holder of Watts common stock on October 6, 1999, you will receive your CIRCOR common shares automatically. You do not need to take any further action. Currently, we expect the distribution to occur on or about October 18, 1999.

We currently expect that before the distribution, the New York Stock Exchange will approve shares of CIRCOR common stock for listing under the symbol "CIR," subject to official notice of issuance, although we cannot guarantee that the New York Stock Exchange will approve such shares for listing.

IN REVIEWING THIS INFORMATION STATEMENT, YOU SHOULD CAREFULLY CONSIDER THE MATTERS AFFECTING CIRCOR'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND THE VALUE OF ITS COMMON SHARES THAT THIS DOCUMENT DESCRIBES IN DETAIL UNDER THE HEADING "RISK FACTORS" BEGINNING ON PAGE ONE.

SHAREHOLDER APPROVAL IS NOT REQUIRED FOR THE DISTRIBUTION OR ANY OF THE OTHER TRANSACTIONS THAT THIS DOCUMENT DESCRIBES. WE ARE NOT ASKING YOU FOR A PROXY AND WE REQUEST THAT YOU NOT SEND US ONE.

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS DOCUMENT IS NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

The date of this document is October , 1999, and we first mailed this document

to CIRCOR shareholders on October , 1999.

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QUESTIONS AND ANSWERS ABOUT THE DISTRIBUTION

The following questions and answers highlight important information about the distribution. For a more complete description of the terms of the distribution, please read this entire document and the other materials to which it refers.

Q:WHAT IS THE DISTRIBUTION?

A: Watts Industries, Inc., which has consisted of two principal businesses, (i) plumbing & heating and water quality, and (ii) industrial, oil and gas, has created a new company called CIRCOR International, Inc., which will operate all of the industrial, oil and gas product lines after the distribution. References to CIRCOR in this document will include the historical activities of Watts' industrial, oil and gas product lines.

Q: WHAT WILL HAPPEN IN THE DISTRIBUTION?

A: Watts will distribute all of the outstanding common stock of CIRCOR to Watts shareholders of record as of October 6, 1999 (this date is sometimes referred to as the "record date"). On October 18, 1999, Watts will issue all of the common stock of CIRCOR in a tax-free distribution to Watts' shareholders on a pro-rata basis. CIRCOR will then begin to operate as a separate, independent public company. Upon completion of the distribution, you will own shares in two separately traded public companies, Watts Industries, Inc. and CIRCOR International, Inc.

Q: WHAT WILL CIRCOR AND WATTS LOOK LIKE AFTER THE DISTRIBUTION?

A: CIRCOR will primarily consist of the Instrumentation and Fluid Regulation Products Group (Aerodyne Controls, Atkomatic Valve, Circle Seal Controls, Inc., Go Regulator, Inc., Hoke, Inc., Leslie Controls, Inc., Nicholson Steam Trap and Spence Engineering Company, Inc.) and the Petrochemical Products Group (Contromatics Industrial Products, Eagle Check Valve, KF Industries, Inc., Pibiviesse SpA, Suzhou Watts Valve Co., Ltd., SSI Equipment Inc. and Telford Valve and Specialities, Inc.).

Watts' companies will primarily consist of its flagship subsidiary Watts Regulator Company, as well as Ames Company, Inc., Anderson-Barrows Metals Corporation, Tianjin Tanggu Watts Valve Co. Ltd., Watts Brass & Tubular, Watts Drainage Products, Inc., Watts Industries (Canada), Inc. and Watts Industries Europe B.V. and its subsidiaries.

Q: WHAT ARE CIRCOR's KEY OBJECTIVES?

A: We intend to continue to build market positions in the global fluid-control industry through acquisitions and internal product development in order to capitalize on integration opportunities; expand our product offerings; diversify our product offerings into a variety of fluid-control industries and markets and expand our geographic coverage. These objectives are discussed in greater detail in "Business."

Q: WHAT WILL I RECEIVE IN THE DISTRIBUTION?

A: You will receive one share of CIRCOR common stock for every two shares of Watts common stock, either class A or class B, that you own of record on October 6, 1999, the record date for the distribution. CIRCOR will have only one class of stock entitled to one vote per share. After the distribution, you will also continue to own your shares of Watts common stock.

Q: WHAT ABOUT FRACTIONAL SHARES?

A: Watts will pay cash in lieu of distributing fractional shares. Shortly after the distribution date, the distribution agent will aggregate and sell all fractional shares and distribute the net proceeds of those sales to shareholders in accordance with their fractional share interests. No interest will be paid on any cash distributed in lieu of fractional shares.

Q: WHAT DO I HAVE TO DO TO PARTICIPATE IN THE DISTRIBUTION?

A: Nothing. No proxy or vote is necessary for the distribution or the other transactions described in this document to occur. You do not need to, and should not, mail in any certificates of Watts common stock to receive shares of CIRCOR common stock in the distribution.

Q: HOW WILL WATTS DISTRIBUTE CIRCOR COMMON STOCK TO ME?

A: If you are a record holder of Watts class A or class B common stock as of the close of business on the record date, Watts' distribution agent will automatically credit your shares of CIRCOR common stock to a book-entry account established to hold your CIRCOR common stock. This credit will occur on or around October 18, 1999. At that time, the distribution agent will mail you a statement of your CIRCOR common stock ownership. Following the distribution, you may retain your shares of CIRCOR common stock in your book-entry account, sell them or transfer them to a brokerage or other account.

You will not receive new CIRCOR stock certificates in the distribution. However, if you wish, you may request a physical stock certificate for your shares after you receive your statement of CIRCOR common stock ownership. The statement will contain instructions on how to do this.

Q: WHAT IF I HOLD MY SHARES OF WATTS COMMON STOCK THROUGH MY STOCKBROKER, BANK OR OTHER NOMINEE?

A: If you hold your shares of Watts common stock through your stockbroker, bank or other nominee, your receipt of CIRCOR common stock depends on your arrangements with the broker, bank or nominee that holds your shares of Watts common stock for you. CIRCOR anticipates that stockbrokers and banks will credit their customers' accounts with CIRCOR common stock on or about October 18, 1999, but you should confirm that with your stockbroker, bank or other nominee.

After the distribution, you may instruct your stockbroker, bank or other nominee to transfer your shares of CIRCOR common stock into your own name to be held in book-entry form through the direct registration system operated by the distribution agent.

Q: ON WHICH EXCHANGE WILL SHARES OF CIRCOR COMMON STOCK TRADE?

A: CIRCOR currently expects that shares of its common stock will trade on the New York Stock Exchange. Before the distribution, CIRCOR expects that the New York Stock Exchange will approve shares of CIRCOR common stock for listing under the symbol "CIR," subject to official notice of issuance. We cannot guarantee, however, that the New York Stock Exchange will approve the shares for listing.

Q: WHEN WILL I BE ABLE TO BUY AND SELL CIRCOR COMMON STOCK?

A: Regular trading in CIRCOR common stock will begin on the New York Stock Exchange, if the shares are approved for listing, on or about the distribution date of October 18, 1999. However, "when-issued" trading for CIRCOR common stock may develop before the distribution date.

"When-issued" trading means that you may trade CIRCOR common shares beginning on or shortly before the record date and before the distribution date. "When-issued" trading reflects the value at which the market expects the CIRCOR common shares to trade after the distribution.

If "when-issued" trading develops in CIRCOR common shares, you may buy and sell those shares before the distribution date. None of these trades will settle, however, until after the distribution date, when regular trading in CIRCOR common stock has begun. If the distribution does not occur, all "when-issued" trading will be null and void. If "when-issued" trading in CIRCOR common stock occurs, the symbol on the New York Stock Exchange will be "CIRwi."

Q: WHAT WILL HAPPEN TO THE LISTING OF WATTS COMMON STOCK ON THE NEW YORK STOCK EXCHANGE AFTER THE DISTRIBUTION?

A: Following the distribution, The New York Stock Exchange will continue to list the Watts common stock under the symbol "WTS." You will not receive new share certificates for Watts common stock, nor will the distribution change the number of Watts common shares that you own.

Q: HOW WILL I BE ABLE TO BUY AND SELL WATTS COMMON STOCK BEFORE THE DISTRIBUTION DATE?

A: Watts expects that its common stock will continue to trade on a regular basis through the distribution date under the current symbol "WTS." Any shares of Watts common stock sold on a regular basis in the period between the date that is two days before the record date and the distribution date (i.e., between October 4 and October 18, 1999) will be accompanied by an attached "due bill" representing CIRCOR common stock to be distributed in the distribution.

Additionally, "ex-distribution" trading for Watts common stock may develop after the record date but before the distribution date. "Ex-distribution" trading means that you may trade Watts common shares before the completion of the distribution, but on a basis that reflects the value at which the market expects the Watts common shares to trade after the distribution.

If "ex-distribution" trading develops in Watts common shares, you may buy and sell those shares before the distribution date on the New York Stock Exchange under the symbol "WTSwi." None of these trades, however, will settle until after the distribution date, when regular trading in CIRCOR common stock has begun. If the distribution does not occur, all "ex-distribution" trading will be null and void.

Q: HOW WILL THIS AFFECT MY DIVIDENDS?

A: After the distribution, the boards of directors of each of CIRCOR and Watts will be responsible for determining their respective companies' dividend policies. While CIRCOR currently intends to pay cash dividends as a proportion of earnings similar to that historically paid by Watts, payments of dividends will necessarily depend on the CIRCOR Board of Directors' assessment of CIRCOR's earnings, financial condition, capital requirements and other factors, including restrictions, if any, imposed by CIRCOR's lenders.

For its fiscal year ended June 30, 1999, Watts paid a regular cash dividend at the annual rate of $0.35 per share of its common stock. While Watts currently intends to pay cash dividends as a proportion of earnings similar to that historically paid by Watts, payments of dividends will necessarily depend on the Watts Board of Directors' assessment of Watts' earnings after the distribution, financial condition, capital requirements and other factors, including restrictions, if any, imposed by Watts' lenders.

Q: WILL I BE SUBJECT TO UNITED STATES INCOME TAXES AS A RESULT OF THE DISTRIBUTION?

A: Watts has received a ruling from the IRS to the effect that, for United States federal income tax purposes, your receipt of CIRCOR common stock in the distribution will be tax-free to you. However, you will be taxed on gain attributable to cash that you receive in the distribution instead of a fractional share of CIRCOR common stock. The ruling does not address the state, local or foreign tax consequences of the distribution that may be applicable to you. You should consult your tax advisor as to the particular tax consequences of the distribution to you.

Q: WHAT WILL BE THE RELATIONSHIP BETWEEN WATTS AND CIRCOR AFTER THE DISTRIBUTION?

A: Watts and CIRCOR will be separate, publicly owned companies. After the distribution, Watts will not own any of CIRCOR's common stock. After the distribution, two of CIRCOR's five initial directors will also be Watts directors. For further information on common ownership of stock in Watts and CIRCOR following the distribution, see page 44 of this document.

In connection with the distribution, Watts and CIRCOR are entering into agreements regarding supply and licensing arrangements, tax sharing arrangements, benefits and indemnification matters. This document describes these agreements in detail on pages 8-10.

Q: HOW WILL CIRCOR FINANCE ITS ACTIVITIES AFTER THE DISTRIBUTION?

A: Concurrent with the distribution, CIRCOR will enter into a $75 million revolving credit facility. Concurrent with or shortly after the distribution, CIRCOR will sell $75 million of senior unsecured notes to institutional investors in a private placement. The net proceeds of the notes offering and approximately $15 million of the available proceeds from the credit facility, together with approximately $7 million of cash from Watts, will be used to pay down approximately $97 million of debt assumed by CIRCOR from Watts. In addition, to fulfill representations made to the Internal Revenue Service as part of the request for tax-free treatment of the distribution, CIRCOR intends to engage in a public offering of approximately $35 million of its common stock within one year after the distribution. The timing, completion and size of any public offering will be subject to market conditions.

Q: WHOM SHOULD I CALL WITH QUESTIONS ABOUT THE DISTRIBUTION?

A: Before the distribution, shareholders of Watts with inquiries relating to the distribution should contact:

Watts Investor Relations Department
815 Chestnut Street
North Andover, Massachusetts 01845-6098
Telephone: (978) 688-1811

After the distribution, shareholders of CIRCOR with inquiries relating to their investment in CIRCOR common stock should contact:

CIRCOR Investor Relations Department
35 Corporate Drive
Burlington, Massachusetts 01803

Telephone: (781) 273-6268

The agent responsible for the distribution of CIRCOR common stock in the distribution and acting as transfer agent and registrar for CIRCOR common stock after the distribution is:

BankBoston, N.A.
c/o EquiServe
150 Royall Street
Canton, MA 02021
Telephone: (781) 575-3010

SUMMARY

The following is a brief summary of the matters that this document addresses. This summary does not contain all of the information that may be important to you. For a more complete description of the distribution, you should read this entire document and the other materials to which it refers.

CIRCOR

CIRCOR was incorporated under the laws of Delaware on July 1, 1999. Our principal executive offices are located at 35 Corporate Drive, Burlington, Massachusetts 01803, and our telephone number is (781) 273-6268.

Our objective is to create a diversified, international fluid-control company. Our key strategies will be to:

- Continue to build market positions through acquisitions;
- Capitalize on integration opportunities;
- Expand our product offerings through internal product development;
- Diversify into a variety of fluid-control industries and markets; and
- Expand our geographic coverage.

THE DISTRIBUTION

The following is a brief summary of the principal terms of the distribution.

Primary Purposes of the Distribution

The Board of Directors and management of Watts have concluded that separation of the plumbing & heating and water quality businesses and the instrumentation and fluid regulation and petrochemical businesses by means of the distribution is in the best interests of Watts, CIRCOR and Watts' shareholders. In reaching this conclusion, Watts' Board of Directors and management considered that, among other things, as a result of these transactions:

- CIRCOR will be better able to raise equity capital in the financial markets to fund its plan for future growth in order to expand its market positions in the instrumentation and fluid regulation and petrochemical industries; and
- Watts' plumbing & heating and water quality businesses and CIRCOR's instrumentation and fluid regulation and petrochemical businesses will be better able to respond to opportunities and challenges in their respective industries and thereby achieve their full potential under separate ownership;
- management of Watts and CIRCOR will be able to focus on their respective businesses;
- CIRCOR will be able to offer employee incentives that are more directly linked to the performance of the instrumentation and fluid regulation and petrochemical businesses so that these incentives are better aligned with the interests of CIRCOR shareholders; and
- investors and financial markets will be better able to understand and evaluate the respective businesses of Watts and CIRCOR.

Securities to be Distributed	All of the outstanding shares of CIRCOR common stock will be distributed to Watts shareholders of record as of October 6, 1999. Based on the number of shares of Watts common stock outstanding as of September 10, 1999 and the distribution ratio of one CIRCOR common share for every two Watts class A or class B common shares, Watts will distribute approximately 13,228,877 shares of CIRCOR common stock to Watts shareholders. After the distribution, CIRCOR will have approximately 193 shareholders of record.
Distribution Ratio	You will receive one share of CIRCOR common stock for every two shares of Watts common stock, either class A or class B, that you own as of the close of business on October 6, 1999.
Record Date	October 6, 1999.
Distribution Date	October 18, 1999. On the distribution date, Watts' distribution agent will credit the shares of CIRCOR common stock that you will receive in the distribution to your new book-entry account or to your stockbroker, bank or other nominee if you are not a registered shareholder of record.
Distribution Agent	Watts has appointed BankBoston, N.A., as its distribution agent for the distribution.
Trading Market and Symbol	There has been no trading market for CIRCOR common stock. We expect that a "when-issued" trading market will develop before the distribution date. We also anticipate that, before the distribution, the New York Stock Exchange will approve our common stock for listing under the symbol "CIR," subject to official notice of issuance, although we cannot guarantee that the New York Stock Exchange will approve the shares for listing.
Federal Income Tax Consequences	Watts has received a ruling from the IRS to the effect that, for federal income tax purposes, the distribution of CIRCOR common stock will be tax-free to Watts and its shareholders. However, you will be taxed on any gain attributable to cash you receive instead of a fractional CIRCOR common share in the distribution. For a detailed review of the tax consequences of the distribution, see pages 6-7 of this document.
Risk Factors	For a discussion of factors which may affect our financial condition and results of operation and/or the value of our common stock, you should carefully consider the matters discussed under the section of this document entitled "Risk Factors."
Fractional Share Treatment	Watts will pay cash in lieu of distributing fractional shares. Shortly after the distribution date, the distribution agent will aggregate and sell all fractional shares and distribute the net proceeds of those sales to shareholders in accordance with their fractional share interests. No interest will be paid on any cash distributed in lieu of fractional shares.
Relationship with Watts After the Distribution	We have entered into a distribution agreement with Watts. We will also enter into other short-term arrangements with Watts on or before the distribution date. This document describes these

agreements on pages 8-10.

SELECTED HISTORICAL FINANCIAL DATA

On December 15, 1998 Watts announced that it intended to complete the distribution and began to report the results of CIRCOR as discontinued operations as of January 1, 1999, and accordingly has restated its historical financial statements to conform with this presentation. For comparison purposes, based upon prior presentations before this change in reporting, Watts' fiscal year ended June 30, 1999 combined revenues would have been $796.1 million and Watts' June 30, 1999 total assets would have been $841.7 million. During the following fiscal years, based upon prior presentations before the change in reporting, CIRCOR and Watts results represented the following percentages of Watts' overall revenues and assets:

	Fiscal Years Ended June 30,				
	1999	1998	1997	1996	1995
CIRCOR revenues	40%	39%	38%	36%	37%
Watts revenues	60%	61%	62%	64%	63%
CIRCOR total assets	43%	38%	34%	31%	31%
Watts total assets	57%	62%	66%	69%	69%

SUMMARY COMBINED FINANCIAL DATA

We are providing you with the following summary financial information to highlight our selected financial information for your benefit.

The selected combined historical financial data shown below is derived from the Combined Financial Statements of the Company. The combined operating results data set forth below for each of the fiscal years ended June 30, 1999, 1998 and 1997 and the combined balance sheet data as of June 30, 1999 and 1998 are derived from, and are qualified by reference to, the audited combined financial statements of CIRCOR included on pages F-3 to F-6, and should be read in conjunction with those financial statments and notes thereto. The combined operating results data set forth below for each of the fiscal years ended June 30, 1996 and 1995 and the combined balance sheet data as of June 30, 1997, 1996 and 1995 are derived from unaudited combined financial statements of CIRCOR not included herein. Per share data has not been presented because CIRCOR was wholly-owned by Watts during the periods presented below.

The selected unaudited pro forma financial data set forth below are derived from the unaudited pro forma combined financial statements of CIRCOR at June 30, 1999 and for the year then ended set forth under the heading "Unaudited Pro Forma Combined Financial Statements" and give effect to the transactions described in that section of the document as if those transactions occurred, in the case of the pro forma balance sheet, on the date of the balance sheet and, in the case of the pro forma income statement, as of July 1, 1998.

The combined historical financial data and pro forma financial data below may not necessarily reflect future results of operations or financial position of CIRCOR or what the results of operations or financial position of CIRCOR would actually have been had CIRCOR operated as an independent company during the periods shown.

CIRCOR International, Inc.
FIVE YEAR FINANCIAL SUMMARY
(in thousands)

	Fiscal Years Ended June 30,					
	Pro Forma 1999	1999	1998	1997	1996(1)	1995
	(Unaudited)					
Selected Data						
Net revenues	$323,077	$323,077	$288,969	$274,716	$230,473	$216,052
Gross profit	104,726	104,726	94,657	88,623	68,675	77,063
Operating income (loss)	29,297	29,550	38,191	33,906	(23,469)	28,282
Net income (loss)	12,011	12,510	22,425	19,614	(31,609)	14,837
Total assets	362,370	362,370	256,914	212,727	202,956	216,112
Long term debt	112,070	22,404	12,776	12,891	13,645	16,273

(1) Fiscal 1996 includes an after tax charge of $48,304 related to: restructuring costs of $3,025; an impairment of long-lived assets of $38,462; other non-recurring charges of $3,875 principally for product liability costs, additional bad debt reserves and environmental remediation costs; and additional inventory valuation reserves of $2,942.

RISK FACTORS

In addition to the other information in this document, you should carefully review the following factors which may affect CIRCOR's financial condition or results of operations and/or the value of its common stock.

Our petrochemical business is cyclical.

We have experienced and expect to continue to experience fluctuations in revenues and operating results due to economic and business cycles. One segment of our business, specifically the petrochemical business, is cyclical in nature as the worldwide demand for oil and gas fluctuates. When the worldwide demand for oil and gas is depressed, the demand for our products used in maintenance and repair of existing oil and gas applications, as well as exploration and new oil and gas project applications, is reduced. As a result, we have historically generated lower revenues in periods of declining demand for petrochemical products. Results of operations for any particular period therefore are not necessarily indicative of the results of operations for any future period. Future downturns in demand for petrochemical products could have a material adverse effect on our business, financial condition and results of operations. Similarly, although not to the same extent as the petrochemical markets, the aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand which could also have a material adverse effect on our business, financial condition and results of operations.

Implementation of our acquisition strategy may not be successful.

One of our strategies is to increase our revenues and the markets we serve through the acquisition of additional instrumentation and fluid regulation and petrochemical products companies. We expect to spend significant time and effort in expanding our existing businesses and identifying, completing and integrating acquisitions. We expect to face competition for acquisition candidates which may limit the number of acquisition opportunities available to us and may result in higher acquisition prices. We cannot be certain that we will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies into CIRCOR without substantial costs, delays or other problems. In addition, there can be no assurance that companies acquired in the future will achieve revenues and profitability that justify our investment in them. In addition, acquisitions may involve a number of special risks, including adverse short-term effects on our reported operating results, diversion of management's attention, loss of key personnel at acquired companies, risks associated with unanticipated problems or legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on our business, financial condition and results of operations.

Our efforts to develop and market new products may not be successful.

We believe that to successfully implement our future growth strategy we must develop and market new products to respond to demand from the instrumentation and fluid regulation and petrochemical industries. The success of our new products depends on a number of factors, including our ability to develop products that will be useful to our customers and will respond to market trends in a timely manner. We cannot be certain that our efforts to develop new products will be successful or that our customers will accept our new products.

We face competition from other instrumentation, fluid regulation and petrochemical products companies.

The domestic and international markets for fluid-control products are highly competitive. Some of our competitors have substantially greater financial, marketing, personnel and other resources than we do. We consider product quality and performance, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in these markets. Our competitors with greater financial, marketing and other resources have the ability to increase competition for customer orders by significantly discounting the price of their products. In order to compete successfully in this market we may be required to offer similar discounting which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to continue operating successfully overseas or to successfully expand into new international markets.

We derive a significant portion of our revenue from sales outside the United States. In addition, one of our key growth strategies is to market our

products in international markets not currently served in Europe, Latin America and the Far East. We may not succeed in marketing, selling and distributing our products in these new markets. Moreover, conducting business outside the United States is subject to risks, including foreign currency

exchange rate fluctuations, changes in regional, political or economic conditions, trade protection measures such as tariffs or import/export restrictions, and unexpected changes in regulatory requirements. One or more of these factors could prevent us from successfully expanding into new international markets and could also have a material adverse effect on our current international operations, which would adversely affect our financial condition and results of operations.

Prices of raw materials that we use may increase.

We obtain our raw materials for the manufacture of our products from third-party suppliers, some of whom are international companies. We do not have contracts with many of these suppliers that require them to sell us the materials we need to manufacture our products. In the last few years, stainless steel, in particular, has increased in price as a result of increases in demand. While we have not historically experienced difficulties in obtaining the raw materials we require (including stainless steel), we cannot be certain that our suppliers will provide us with the raw materials we need in the quantities requested or at a price we are willing to pay. In the past we have been able to partially offset increases in the cost of raw materials by increased sales prices, an active materials management program and the diversity of materials used in our production processes. However, we cannot be certain that we will be able to accomplish this in the future. Since we do not control the actual production of these raw materials, we may be subject to delays caused by interruption in production of materials for reasons we cannot control. These include job actions or strikes by employees of suppliers, transportation interruptions and natural disasters or other catastrophic events. Our inability to obtain adequate supplies of raw materials for our products at favorable prices, or at all, could have a material adverse effect on our business, financial condition and results of operations.

The absence of a prior market for CIRCOR common stock and/or the sale of large amounts of CIRCOR's common stock after the distribution could result in significant fluctuation of the trading price for CIRCOR stock.

There has been no prior trading market for CIRCOR common stock. Until the CIRCOR common stock is fully distributed and an orderly market develops, the trading prices for CIRCOR common stock may fluctuate. Prices for the CIRCOR common stock will be determined in the trading markets and may be influenced by many factors, including, among others, the depth and liquidity of the market for CIRCOR common stock, investor perceptions of CIRCOR, performance of the instrumentation and fluid regulation and petrochemical industries generally, quarter-to-quarter variations in our actual or anticipated financial results or those of other companies in the markets we serve and other general economic or market conditions. The CIRCOR common stock distributed to Watts shareholders in the distribution will be freely transferable under the Securities Act of 1933, as amended, except for securities received by persons who are affiliates of CIRCOR. The sale of a substantial number of shares of CIRCOR common stock after the distribution by shareholders could adversely affect the market price of the CIRCOR common stock.

We face risks from product liability lawsuits.

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

indemnification, product liabilities relating to our products could have a material adverse effect on our business, financial condition and results of operations.

We have no operating history as an independent company.

We do not have an operating history as an independent public company and have historically relied on Watts for various financial, administrative and managerial expertise relevant to operating as an independent, public company. After the distribution, we will maintain our own lines of credit and banking relationships, perform our own administrative functions and employ senior executives, including the former President and Chief Operating Officer of Watts and other former executives of Watts, to manage CIRCOR. While we have been profitable as part of Watts, we cannot be certain that, as a stand-alone company, our future profits will be comparable to reported historical consolidated results before the distribution.

There may be conflicts of interest between CIRCOR and Watts.

Conflicts of interest may arise between CIRCOR and Watts in a number of areas relating to their past and ongoing relationships, including tax and employee benefit matters and indemnity arrangements. Several of the current executive officers of CIRCOR are former executives of Watts. In addition, the Chief Executive Officer and Chairman of the Board of Watts, as well as another director of Watts, will serve on the Board of Directors of CIRCOR. These relationships may create conflicts of interest with respect to matters potentially or actually involving or affecting CIRCOR and Watts.

We may be responsible for certain historical liabilities in the event Watts and its affiliates are ultimately unable to satisfy such liabilities.

Until the distribution occurs, we will be a member of Watts' consolidated group for federal income tax purposes. Each member of a consolidated group is liable for the federal income tax liability of the other members of the group, as well as for pension and benefit funding liabilities of the other group members. After the distribution, we will continue to be liable for these Watts' liabilities incurred for periods before the distribution.

CIRCOR and Watts have entered into a distribution agreement which allocates tax, pension and benefit funding liabilities between Watts and CIRCOR. Under this agreement, Watts will generally retain the authority to file returns, respond to inquiries and conduct proceedings on CIRCOR's behalf with respect to consolidated tax returns for years beginning before the distribution. These arrangements may result in conflicts of interest among Watts and CIRCOR. In addition, if Watts is ultimately unable to satisfy its liabilities, CIRCOR could be responsible for satisfying them despite the distribution agreement.

The IRS may treat the distribution as taxable to Watts and its shareholders if undertakings made to the IRS are not complied with or if representations made to the IRS were inaccurate.

Watts has received a ruling from the IRS to the effect that, for United States federal income tax purposes, the distribution will be tax-free to Watts and its shareholders. However, Watts shareholders will be taxed on gain attributable to cash received in lieu of fractional shares. In addition, Watts and its shareholders could be subject to a material amount of tax as a result of the distribution if Watts and CIRCOR do not comply with undertakings made to the IRS in connection with obtaining the ruling, or if representations made by Watts to the IRS in connection with obtaining the ruling are determined to be inaccurate. Under United States federal income tax law, Watts and CIRCOR would be jointly and severally liable for Watts' federal income taxes resulting from the distribution being taxable. For a description of the tax sharing provisions of the distribution agreement between Watts and CIRCOR, see "Relationship Between CIRCOR and Watts--Distribution Agreement," on page 8 of this document. For a detailed description of the tax consequences of the distribution, see "The Distribution--United States Federal Income Tax Consequences of the Distribution," on pages 6-7 of this document.

Voting control by our directors, executive officers and principal shareholders could delay or prevent a "change in control" of CIRCOR.

After giving effect to the distribution, our directors and executive officers and their affiliates will beneficially own in the aggregate approximately 30% of the outstanding common stock of CIRCOR. This percentage ownership does not give effect to the exercise of options to purchase 787,318 shares of common stock to be granted

to certain of these individuals, which, if exercised in whole or in part, will further concentrate ownership of the common stock. As a result, these shareholders, if they were to act together, could have the ability, as a practical matter, to significantly influence the outcome of the election of our directors and all other matters requiring approval by a majority of our shareholders including, in many cases, significant corporate transactions, such as mergers and sales of all or substantially all of our assets. Such concentration of ownership, together, in some cases, with certain provisions of our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and certain sections of the Delaware General Corporation Law, may have the effect of delaying or preventing a "change in control" of CIRCOR. Delaying or preventing a takeover of CIRCOR could result in shareholders of CIRCOR ultimately receiving less for their shares by deterring potential bidders for CIRCOR's stock or assets. For additional information about common stock ownership in Watts and CIRCOR following the distribution, see page 45 under the heading "Security Ownership of CIRCOR Common Stock by Certain Beneficial Owners, Directors and Executive Officers of CIRCOR."

Various restrictions and agreements could hinder a takeover of CIRCOR which is not supported by our Board of Directors or which is leveraged.

Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, the Delaware General Corporation Law and our shareholder rights plan contain provisions that could delay or prevent a change in control of CIRCOR in a transaction that is not approved by our Board of Directors or that is on a leveraged basis or otherwise. These include provisions creating a staggered board, limiting the shareholders' powers to remove directors, and prohibiting shareholders from calling a special meeting or taking action by written consent in lieu of a shareholders' meeting. In addition, our Board of Directors has the authority, without further action by the shareholders, to set the terms of and to issue preferred stock. Issuing preferred stock could adversely affect the voting power of the owners of CIRCOR common stock, including the loss of voting control to others. Additionally, we are entering into a shareholder rights agreement providing for the issuance of rights that will cause substantial dilution to a person or group of persons that acquires 15% or more of the CIRCOR common shares unless the rights are redeemed. You can find more information on these provisions under the heading "Description of Capital Stock."

Furthermore, for a period of two years following the distribution, the terms of the Distribution Agreement prohibit CIRCOR from engaging in any transaction that results in one or more persons acquiring a 50% or greater interest in CIRCOR unless CIRCOR obtains a supplemental ruling from the Internal Revenue Service or an opinion of legal counsel that the transaction will not adversely affect the qualification of the distribution as a tax-free transaction. See "Relationship Between CIRCOR and Watts--Distribution Agreement."

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

Year 2000 Compliance.

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of our computer programs or hardware that have date-sensitive software or embedded chips may recognize using "00" as the year 1900 rather than the year 2000. If we and/or third parties on which we rely do not successfully update computer systems to avoid this issue, we and/or third parties upon which we rely could experience system failures or miscalculations and, as a result, disruptions in operations.

We initiated our Year 2000 compliance program in fiscal 1997 and believe that only minor modifications remain to be completed to make our systems Year 2000 compliant. We are presently developing a Year 2000 contingency plan which we expect to be substantially completed in the fall of 1999. However, we cannot be certain that we will be in full Year 2000 compliance or that we will have developed a successful contingency plan by the Year 2000. Failure by us or any of our key suppliers or customers to achieve full Year 2000 compliance in a timely manner or consistent with our current cost estimates, or to rectify deficiencies through any contingency plans, could have a material adverse effect on our business, financial condition and results of operations. For a more detailed discussion of our Year 2000 Compliance Program, see page 18 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000 Compliance."

Forward-looking statements are subject to uncertainties that may cause actual results to differ materially from those projected.

This document contains forward-looking statements about CIRCOR and Watts. When used in this document, the words "anticipates," "believes," "expects," "intends," "projects," "forecasts," and similar expressions as they relate to CIRCOR and/or Watts or the management or board of directors of either of those companies are intended to identify the statements in which they are used as forward-looking statements. In making any forward-looking statement, CIRCOR believes that the expectations are based on reasonable assumptions. However, the subject of any of those statements may be influenced by risks and uncertainties, some of which are beyond the control of CIRCOR and/or Watts, that could cause actual outcomes and results to be materially different from those projected.

The actual results, performance or achievement by CIRCOR and/or Watts could differ materially from those expressed in, or implied by, any forward-looking statements. Accordingly, there is no assurance that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what impact they will have on the results of operations and financial condition of CIRCOR and/or Watts. Neither CIRCOR nor Watts undertakes any obligation to revise any forward-looking statement to reflect events or circumstances after the date of this document.

THE DISTRIBUTION

Background and Reasons for the Distribution

The Board of Directors and management of Watts have determined that separation of the plumbing & heating and water quality businesses and the instrumentation and fluid regulation and petrochemical businesses by means of the distribution of CIRCOR common stock to Watts' shareholders is in the best interests of Watts, CIRCOR and Watts' shareholders. In reaching this conclusion, Watts' Board of Directors and management considered, among other things, that:

- the separation will allow CIRCOR to raise equity capital in the financial markets to fund its plan for future growth in order to expand its market positions in the instrumentation and fluid regulation and petrochemical industries;

- Watts' plumbing & heating and water quality businesses and CIRCOR's instrumentation and fluid regulation and petrochemical businesses are distinct, complex businesses with different challenges, strategies and means of doing business and that, the businesses will be better positioned to respond to the opportunities and challenges in their respective industries and thereby achieve their full potential under separate ownership;

- the separation will permit the management of Watts and CIRCOR to focus on the opportunities and challenges specific to that company's business;

- the separation will allow CIRCOR to offer employee incentives that are more directly linked to the performance of the instrumentation and fluid regulation and petrochemical businesses so that these incentives are better aligned with the interests of CIRCOR shareholders; and

- the separation will result in two distinct publicly traded equity securities that will enable investors to better understand and evaluate the respective businesses of Watts and CIRCOR.

Description of the Distribution

The distribution agreement between Watts and CIRCOR sets forth the general terms and conditions relating to, and their relationship after, the distribution. For a description of the distribution agreement, see the section of this document found under the heading "Relationship Between CIRCOR and Watts--Distribution Agreement."

Watts will effect the distribution on or about October 18, 1999 by distributing all of the issued and outstanding shares of CIRCOR common stock to the record holders of Watts common stock on the record date for this transaction, which is October 6, 1999. Watts will distribute one share of CIRCOR common stock to each record holder for every two shares of Watts common stock owned as of the record date by that holder. The actual total number of shares of CIRCOR common stock that Watts will distribute will depend on the number of shares of Watts common stock outstanding on the record date. Based upon the one-for-two distribution ratio and the number of shares of Watts common stock outstanding on September 10, 1999, Watts will distribute approximately 13,228,877 shares of CIRCOR common stock to holders of Watts common stock. CIRCOR common shares will be fully paid and nonassessable, and the holders of those shares will not be entitled to preemptive rights. For a further description of CIRCOR common stock and the rights of its holders, see "Description of Capital Stock."

As part of the distribution, CIRCOR will be adopting a book-entry stock transfer and registration system for its common stock. Watts' distribution agent, BankBoston, N.A., will credit the shares of CIRCOR common stock distributed on the distribution date to book-entry accounts established for all CIRCOR common stock holders. The distribution agent will mail an account statement to each of those holders stating the number of shares of CIRCOR common stock received by that holder in the distribution. After the distribution, registered holders of CIRCOR common stock may request a transfer of their shares to a brokerage or other account or physical stock certificates for their whole shares of CIRCOR common stock.

For those holders of Watts common stock who hold their shares of Watts common stock through a stockbroker, bank or other nominee, the distribution agent will transfer the shares of CIRCOR common stock to the registered holders of record who will make arrangements to credit their customers' accounts with CIRCOR common stock. Watts anticipates that stockbrokers and banks will credit their customers' accounts with CIRCOR common stock on or about October 18, 1999.

Watts will pay cash in lieu of distributing fractional shares. Shortly after the distribution date, the distribution agent will aggregate and sell all fractional shares and distribute the net proceeds of those sales to shareholders in accordance with their fractional share interests. The distribution agent will pay the net proceeds from sales of fractional shares based upon the average selling price per share of CIRCOR common stock of all of those sales, less any brokerage commissions. CIRCOR expects the distribution agent to make sales on behalf of holders who will receive less than one whole CIRCOR common share in the aggregate in the distribution as soon as practicable after the distribution date. None of Watts, CIRCOR or the distribution agent will be certain any minimum sale price for those fractional shares of CIRCOR common stock, and no interest will be paid on the proceeds of those shares.

United States Federal Income Tax Consequences of the Distribution

The following is a summary of the material United States federal income tax consequences relating to the distribution. This summary is based on the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder, and interpretations of the Code and Treasury regulations by the courts and the IRS, all as of the date of this document. This summary does not discuss all tax considerations that may be relevant to Watts shareholders in light of their particular circumstances, nor does it address the consequences to Watts shareholders subject to special treatment under United States federal income tax laws, such as tax-exempt entities, non-resident alien individuals, foreign entities, foreign trusts and estates and fiduciaries thereof, persons who acquired their Watts stock pursuant to the exercise of employee stock options or otherwise as compensation, insurance companies, and dealers in securities. In addition, this summary does not address the United States federal income tax consequences of the distribution to shareholders who do not hold their Watts stock as a capital asset, nor does this summary address any state, local or foreign tax consequences of the distribution. Watts shareholders are urged to consult their tax advisors as to the particular tax consequences of the distribution to them.

Watts has received a ruling from the IRS to the effect that, for United States federal income tax purposes, the distribution will qualify under Section 355 of the Code as a distribution that is tax-free to Watts and its

shareholders. However, cash, if any, received by a Watts shareholder instead of a fractional share of CIRCOR common stock will be treated as if the shareholder received the fractional share in the distribution and then exchanged it for cash. The shareholder will recognize gain or loss to the extent of the difference between its tax basis in the fractional share and the amount of cash received. If the fractional share is held as a capital asset, the gain or loss will be capital gain or loss.

Watts, CIRCOR and Watts' shareholders will not be able to rely on the ruling if any factual representations made to the IRS in Watts' request for the ruling are incorrect or untrue in any material respect or any undertakings made to the IRS are not complied with. Neither Watts nor CIRCOR is aware of any facts or circumstances that would cause any representation made to the IRS in Watts' request for the ruling to be incorrect or untrue in any material respect.

If Watts completes the distribution and, notwithstanding the ruling, the distribution is held to be taxable for United States federal income tax purposes, both Watts and the Watts shareholders would be subject to a material amount of tax as a result of the distribution. Under United States federal income tax laws, Watts and CIRCOR would be jointly and severally liable for Watts' federal income taxes resulting from the distribution being taxable. For a summary of the arrangements between Watts and CIRCOR relating to tax sharing, tax indemnification and other tax matters, see "Relationship Between CIRCOR and Watts--Distribution Agreement," on page 8 of this document.

The ruling received from the IRS provides that for United States federal income tax purposes:

1. The distribution will qualify as a tax-free distribution under Section 355 of the Code.

2. No gain or loss will be recognized by, and no amount will be included in the income of, Watts as a result of the distribution of CIRCOR common stock.

3. No gain or loss will recognized by, and no amount will be included in the income of, the Watts shareholders as a result of their receipt of CIRCOR common stock in the distribution.

4. In connection with the distribution, a shareholder's tax basis in Watts common stock held at the time of the distribution will be apportioned between the Watts common stock and the CIRCOR common stock received in the distribution in accordance with their relative fair market values.

5. The holding period of the CIRCOR common stock received in the distribution will include the holding period of the Watts common stock with respect to which the CIRCOR common stock will be distributed, provided the Watts common stock is held as a capital asset on the distribution date.

United States Treasury regulations require each Watts shareholder to attach to the shareholder's United States federal income tax return for the year of the distribution a detailed statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Code to the distribution. Within a reasonable time after the distribution Watts will provide Watts shareholders with the information necessary to comply with such requirement, and will provide information regarding the allocation of tax basis described in point 4 of the preceding paragraph. The ruling received from the IRS does not specifically address the tax basis allocation rules applicable to Watts shareholders who hold blocks of Watts stock with different per-share tax bases. Such shareholders are urged to consult their tax advisors regarding basis allocation. All Watts shareholders are urged to consult their tax advisors as to the particular tax consequences of the distribution to them, including the application of state, local and foreign tax laws and any changes in United States federal income tax law that may occur after the date of this document.

Trading Market

Before the distribution, there has been no trading market for CIRCOR common stock, and we cannot assure you that a trading market will arise or continue. However, we currently expect that, before the distribution, the New York Stock Exchange will approve the CIRCOR common stock for listing under the symbol "CIR," subject to official notice of issuance. There is, however, no guarantee that the New York Stock Exchange will approve the shares for listing. We also anticipate that a "when-issued" trading market will develop in our common stock before the distribution date.

We cannot predict at what prices our common stock may trade (either before the distribution, on a "when-issued" basis, or after the distribution). The marketplace will determine the prices at which the CIRCOR common stock will trade, and these prices may fluctuate significantly. Many factors could affect these prices, including, among others, the depth and liquidity of the market for CIRCOR common stock, investor perceptions of CIRCOR, performance of the instrumentation and fluid regulation and petrochemical industries generally and quarter-to-quarter variations in our actual or anticipated financial results or those of other companies in the markets we serve and other general economic or market conditions. These and other factors may adversely affect the market price of CIRCOR common stock. For a description of some of the factors that may affect the prices at which shares of CIRCOR common stock may trade, see "Risk Factors."

CIRCOR common stock received in the distribution will be freely transferable, except for those shares received by any person who is a CIRCOR "affiliate" within the meaning of Rule 144 under the Securities Act of 1933. Persons who are CIRCOR affiliates after the distribution are individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by, or are under common control with CIRCOR. CIRCOR affiliates may sell their CIRCOR common stock received in the distribution only under an effective registration statement under the Securities Act or under another exemption from registration under the Securities Act.

In addition to the approximately 13,228,877 shares being distributed, options to purchase CIRCOR common stock will be issued to certain of our employees after the distribution. We cannot predict the number of CIRCOR options that we will issue after the distribution, although the total number of shares of CIRCOR common stock authorized for issuance under the CIRCOR stock option plan will initially be limited to 2,000,000. Shares of CIRCOR common stock issued upon exercise of all options referred to above will be registered on a Registration Statement on Form S-8 under the Securities Act and will therefore generally be freely transferable under the securities laws, except by affiliates as described above. Except as described above and except for the shareholder rights plan which is discussed below under the heading "Shareholder Rights Plan," we will not have any other securities outstanding as of or immediately after the distribution and we have not entered into any agreement or otherwise committed to register any shares of the CIRCOR common stock under the Securities Act for sale by shareholders. CIRCOR has agreed in the tax sharing provisions of the distribution agreement to engage in a public offering of approximately $35 million of CIRCOR common stock within a year of the distribution. The timing, completion and size of any public offering will be subject to market conditions.

RELATIONSHIP BETWEEN CIRCOR AND WATTS

This section describes the primary agreements between CIRCOR and Watts that will define the ongoing relationship between them and their subsidiaries and affiliates after the distribution and will provide for an orderly separation of the two companies. The following description of agreements summarizes the material terms of the agreements. All shareholders should read the agreements, which we filed as exhibits to the registration statement of which this document is a part.

Distribution Agreement

We have entered into a distribution agreement with Watts providing for, among other things, the principal corporate transactions required to effect the distribution, the conditions precedent to the distribution, the allocation between Watts and CIRCOR of certain assets and liabilities, the settlement of intercompany accounts between Watts and CIRCOR, indemnification obligations of Watts and CIRCOR, and certain other transition arrangements.

The distribution agreement provides generally that all assets and liabilities that are associated exclusively with the business of CIRCOR will be transferred to or retained by CIRCOR, including certain capitalized lease obligations and obligations under industrial revenue bonds totaling approximately $12.5 million. Under the distribution agreement, Watts will retain sole responsibility for all other external debt for borrowed money and

other financings (including Watts' publicly held bonds) with the exception of approximately $97 million outstanding under Watts' credit facility, which will be assumed by CIRCOR. The distribution agreement provides that all assets and liabilities of Watts that are not identified or described as being the property or responsibility of CIRCOR will remain the property or responsibility of Watts.

Watts and CIRCOR have each agreed to indemnify, defend and hold harmless the other party and its subsidiaries and their respective directors, officers, employees and agents from and against any and all damage, loss, liability and expense arising out of or due to the failure of the indemnitor or its subsidiaries to pay, perform or otherwise discharge any of the liabilities or obligations for which it is responsible under the terms of the distribution agreement, which include, subject to certain exceptions, all liabilities and obligations arising out of the conduct or operation of their respective businesses before, on or after the distribution date. The distribution agreement includes procedures for notice and payment of indemnification claims and provides that the indemnifying party may assume the defense of the claim or suit brought by a third party.

The distribution agreement provides generally that a portion of the assets of the tax-qualified retirement plans currently maintained by Watts will be transferred after the distribution to similar qualified retirement plans established by CIRCOR. In the case of the Watts 401(k) plan, the amount transferred will be the value of the accounts of employees of companies in the instrumentation and fluid regulation and petrochemical businesses. In the case of the other Watts pension plans, the portion of plan assets transferred will be based generally on the percentage of plan liabilities attributable to plan participants who will be CIRCOR employees after the distribution.

CIRCOR and its subsidiaries have historically been included with Watts and its subsidiaries in a single consolidated group for United States federal income tax purposes. Under United States federal income tax law, each member of a consolidated group is jointly and severally liable for the United States federal income tax liability of each other member of the consolidated group. Accordingly, members of the CIRCOR group could be held liable by the IRS for federal income tax liabilities arising from periods beginning before the distribution date.

The tax sharing provisions of the distribution agreement provide that Watts will be responsible for all domestic income taxes attributable to taxable periods beginning before the distribution date. For domestic income taxes attributable to taxable periods beginning on or after the distribution date, the tax sharing provisions of the distribution agreement provide that Watts will be responsible for domestic income taxes of the Watts group, and that CIRCOR will be responsible for domestic income taxes of the CIRCOR group. The tax sharing provisions also provide that taxes other than domestic income taxes will be the responsibility of Watts or CIRCOR according to whether the tax is attributable to the assets or business operations of the Watts group or the CIRCOR group.

In addition, the tax sharing provisions of the distribution agreement provide that CIRCOR will indemnify Watts for taxes arising from any act or omission by CIRCOR which causes the distribution to be taxable. The tax sharing provisions of the distribution agreement also provide that Watts will indemnify CIRCOR for taxes arising from any act or omission by Watts which causes the distribution to be taxable.

CIRCOR has agreed in the tax sharing provisions of the distribution agreement to engage in a public offering of a significant amount of CIRCOR stock within one year of the distribution in accordance with statements and representations made by Watts in its request for the ruling from the IRS regarding the distribution. The timing, completion and size of any public offering will be subject to market conditions. CIRCOR has also agreed in the tax sharing provisions of the distribution agreement not to engage within two years of the distribution in any merger, reorganization, acquisition, equity restructuring or other transaction that results in one or more individuals or entities acquiring a 50% or greater interest in CIRCOR. CIRCOR has also agreed in the tax sharing provisions of the distribution agreement that it will not take any action that is inconsistent with the statements and representations made by Watts in its request for the ruling from the IRS regarding the distribution. Watts has agreed in the tax sharing provisions of the distribution agreement not to engage within two years of the distribution in any merger, reorganization, acquisition, equity restructuring or other transaction that results in one or more individuals or entities acquiring a 50% or greater interest in Watts. Watts has also agreed in the tax

sharing provisions of the distribution agreement that it will not take any action that is inconsistent with the statements and representations made by Watts in its request for the ruling from the IRS regarding the distribution. The tax sharing provisions of the distribution agreement provide, however, that CIRCOR or Watts may act or fail to act in a way contrary to the commitments referred to in this paragraph after first obtaining an opinion from Goodwin, Procter & Hoar llp (or other mutually acceptable law firm) or a ruling from the IRS to the effect that such action (or inaction) will not cause the distribution to be taxable to either Watts or the Watts shareholders.

Supply Agreement

On or before the distribution date, Watts and CIRCOR will enter into a supply agreement under which Watts will provide certain products to CIRCOR and CIRCOR will provide certain products to Watts after the distribution. Watts and CIRCOR will sell these products under market or formula-based pricing mechanisms.

Trademark License Agreement

On or before the distribution date, Watts and CIRCOR will enter into a trademark license agreement under which Watts will grant to KF Industries, Inc. a royalty-free, non-exclusive license to use the name "Watts" as part of a brand name of CIRCOR or one of its subsidiaries for a period of 18 months following the distribution date.

CAPITALIZATION

The following table sets forth the combined capitalization of CIRCOR as of June 30, 1999 on an historical basis and as adjusted to reflect (1) the distribution and (2) the assumption by CIRCOR of debt under the Watts credit facility as described on page 20 of this document under the heading "Description of Financings," as if they had occurred as of that date. You should read this table in conjunction with the information located under the heading "Unaudited Pro Forma Combined Financial Statements" and the historical combined financial statements and notes thereto of the Company, included on pages F-1 to F-18 of this document.

	Actual	Pro Forma Adjustments	As Adjusted
	(in thousands)		
Short-term borrowings	$ 4,178	$ --	$ 4,178
Long-term debt	22,404	89,666	112,070
Total debt	26,582	89,666	$116,248
Common stock	--	1,322	1,322
Additional paid-in capital	--	168,959	168,959
Accumulated other comprehensive income	(691)	--	(691)
Equity from Watts Industries, Inc.	259,947	(259,947)	--
Total shareholders' equity	259,256	(89,666)	$169,590
Total capitalization	$285,838	$ --	$285,838

DIVIDEND POLICY

CIRCOR does not currently have a formal dividend policy. While CIRCOR currently intends to pay cash dividends as a proportion of earnings similar to that historically paid by Watts, payments of dividends will necessarily depend on the CIRCOR Board of Directors' assessment of CIRCOR's earnings, financial condition, capital requirements and other factors, including restrictions, if any, imposed by CIRCOR's lenders.

PRO FORMA COMBINED FINANCIAL INFORMATION

The unaudited Pro Forma Combined Statement of Operations of CIRCOR for the fiscal year ended June 30, 1999 presents the pro forma combined results of operations of CIRCOR, assuming that the transactions contemplated by the distribution, including the borrowing to be incurred by the Company in connection with the distribution, had been completed as of July 1, 1998, and include all material adjustments necessary to restate CIRCOR's historical results. The adjustments required to reflect such transactions are set forth in the "Pro Forma Adjustments" column.

The unaudited Pro Forma Combined Balance Sheet of CIRCOR as of June 30, 1999 presents the pro forma combined financial position of CIRCOR, assuming that the transactions contemplated by the distribution described in the preceding paragraph had been completed as of that date. The adjustments required to reflect such transactions are set forth in the "Pro Forma Adjustments" column.

The unaudited pro forma combined financial statements of CIRCOR should be read in conjunction with the historical financial statements and related notes of the Company included on pages F-1 to F-18 of this document. The pro forma financial information presented is for informational purposes only and may not necessarily reflect future results of operations or financial position of CIRCOR or what the results of operations or financial position of CIRCOR would actually have been had CIRCOR operated as an independent company during the period shown.

CIRCOR INTERNATIONAL, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(in thousands, except per share data)

	Historical	Pro Forma Adjustments	Pro Forma
Net revenues	$323,077	$ --	$323,077
Cost of goods sold	218,351	--	218,351
GROSS PROFIT	104,726	--	104,726
Selling, general and administrative expenses	75,176	253 (a)	75,429
OPERATING INCOME	29,550	(253)	29,297
Other (income) expense:			
Interest income	(333)	--	(333)
Interest expense	9,141 (b)	1,037 (b)	10,178
Other	(229)	--	(229)
INCOME BEFORE INCOME TAXES	20,971	(1,290)	19,681
Provision for income taxes	8,461	(516)(c)	7,945
NET INCOME	$ 12,510	$ (774)	$ 11,736
Net income per share--basic			$ .88 (d)
Net income per share--diluted			$ .88 (d)

See accompanying notes to Unaudited Pro Forma Combined Financial Statements.

CIRCOR INTERNATIONAL, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
JUNE 30, 1999
(in thousands)

	Historical	Pro Forma Adjustments	Pro Forma
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 6,714	$ --	$ 6,714
Trade accounts receivable	49,857	--	49,857
Inventories	108,910	--	108,910
Other current assets	18,736	--	18,736
TOTAL CURRENT ASSETS	184,217	--	184,217
Property, plant and equipment	76,682	--	76,682
Goodwill	96,900	--	96,900
Other assets	4,571	--	4,571
TOTAL ASSETS	$362,370	$ --	$362,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 25,543	$ --	$ 25,543
Accrued expenses	25,153	--	25,153
Income taxes payable	3,275	--	3,275
Current portion of long-term debt	4,178	--	4,178
TOTAL CURRENT LIABILITIES	58,149	--	58,149
Long term debt, net of current portion	22,404	89,666	112,070
Deferred income taxes	10,766	--	10,766
Other noncurrent liabilities	11,795	--	11,795
SHAREHOLDER'S EQUITY:			
Common stock	--	1,322	1,322
Additional paid-in capital	--	168,959	168,959
Accumulated other comprehensive income	(691)	--	(691)
Shareholders' Equity	259,947	(259,947)	--
TOTAL SHAREHOLDERS' EQUITY	259,256	(89,666)(e)	169,590
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$362,370	$ --	$362,370

See accompanying notes to Unaudited Pro Forma Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA
COMBINED FINANCIAL INFORMATION
(in thousands)

(a) To record estimated additional administrative expenses that would have been incurred by CIRCOR as a publicly held, independent company. CIRCOR would have incurred additional compensation and related costs for employees to perform functions that have been performed at Watts' corporate headquarters (treasury, investor relations, regulatory compliance, risk management, etc.). CIRCOR would have also incurred additional amounts for corporate governance costs, stock transfer agent costs, incremental professional fees and other administrative activities. Approximately $253,000 of such incremental costs are expected above the $5,617,000 of general and administrative expenses allocated from Watts.

(b) Historical interest expense includes $6,455,000 of interest expense allocated from Watts to CIRCOR. Pro forma interest expense includes $7,492,000 of interest expense on borrowings under the CIRCOR credit facility and from the issuance of senior unsecured notes. The borrowings under the CIRCOR credit facility and senior unsecured notes are assumed to bear an annualized interest rate, including amortization of related fees, of 8.5%, which is management's estimate of the currently available rate for borrowings under comparable credit facilities. This rate may change prior to the incurrence of such debt on or before the distribution date; further, after the distribution the interest rate on the borrowings under the CIRCOR credit facility will continue to be subject to changes in interest rates generally. The historical allocation of Watts' interest expense was based on Watts' weighted average interest rate applied to the average balance of investments by and advances from Watts to CIRCOR.

(c) To record income tax benefits attributable to adjustments (a) and (b) at a combined Federal and state tax rate of 40.0%.

(d) Pro forma earnings per share information is based upon the weighted average number of common and common equivalent shares used by Watts to determine its earnings per share for the respective periods, adjusted in accordance with the distribution ratio (one share of CIRCOR Common Stock for every two shares of Watts Common Stock held). The pro forma number of common and common equivalent shares for the fiscal year ended June 30, 1999 are 13,368,064 for basic and 13,374,834 for diluted.

(e) To record payments to be made to Watts by CIRCOR, anticipated to aggregate $89,666,000, which will be applied to settle all intercompany loans and advances with any balance to be paid as a cash dividend.

SELECTED FINANCIAL DATA

The following table summarizes certain selected historical financial and operating information of CIRCOR and is derived from the Combined Financial Statements of the Company. The information shown below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical combined financial statements of CIRCOR and the notes thereto included on pages F-1 to F-18 of this document. The combined operating results data shown below for each of the fiscal years ended June 30, 1999, 1998 and 1997 and the combined balance sheet data as of June 30, 1999 and 1998 are derived from, and are qualified by reference to, the audited combined financial statements of CIRCOR included elsewhere in this document, and should be read in conjunction with those financial statements and notes thereto. The combined operating results data shown below for each of the fiscal years ended June 30, 1996 and 1995 and the combined balance sheet data as of June 30, 1997, 1996 and 1995 are derived from unaudited combined financial statements of CIRCOR not included herein. Per share data has not been presented because CIRCOR was wholly-owned by Watts during the periods presented below.

The combined historical financial information presented below may not necessarily reflect future results of operations or financial position of CIRCOR or what the results of operations or financial position of CIRCOR would actually have been had CIRCOR operated as an independent company during the periods shown.

FIVE YEAR FINANCIAL SUMMARY
(in thousands)

	1999	1998	1997	1996(1)	1995
Selected Data					
Net revenues	$323,077	$288,969	$274,716	$230,473	$216,052
Gross profit	104,726	94,657	88,623	68,675	77,063
Operating income (loss)	29,550	38,191	33,906	(23,469)	28,282
Net income (loss)	12,510	22,425	19,614	(31,609)	14,837
Total assets	362,370	256,914	212,727	202,956	216,112
Long term debt	22,404	12,776	12,891	13,645	16,273

(1) Fiscal 1996 includes an after tax charge of $48,304 related to: restructuring costs of $3,025; an impairment of long-lived assets of $38,462; other charges of $3,875 principally for product liability costs, additional bad debt reserves and environmental remediation costs; and additional inventory valuation reserves of $2,942.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based upon and should be read in conjunction with the "Pro Forma Combined Financial Information," "Selected Financial Data" and CIRCOR's Combined Financial Statements, including the notes thereto, included elsewhere in this document.

Results of Operations for the Twelve Months Ended June 30, 1999 Compared to the Twelve Months Ended June 30, 1998

Net revenues for the twelve months ended June 30, 1999 increased by $34.1 million, or 11.8%, from $289.0 million to $323.1 million compared to the fiscal year ended June 30, 1998. The increase in net revenues is attributable to the following factors:

	(in thousands)	
Acquisitions	$ 79,171	27.4%
Operations	(45,552)	(15.8%)
Foreign Exchange	489	0.2%
TOTAL CHANGE	$ 34,108	11.8%

The growth in net revenues is primarily attributable to the inclusion of the revenues of recently acquired companies, including Hoke, Inc., which was acquired during July 1998, and Telford Valve and Specialties, Inc. acquired in March 1998. Hoke is part of CIRCOR's Instrumentation and Fluid Regulation Products Group and Telford Valve is part of CIRCOR's Petrochemical Products Group. The decrease in revenues from operations is primarily attributable to decreases in unit shipments of both domestic and international oil and gas valves. Revenues of these products have been adversely affected by the reduced demand for our products used in petrochemical facility projects and maintenance programs which has been caused by reduced energy prices during CIRCOR's last fiscal year.

International business accounted for approximately 41.4% of net revenues in fiscal year 1999 compared to 31.9% in fiscal year 1998. CIRCOR monitors its revenues in two market segments: Instrumentation and Fluid Regulation Products Group and the Petrochemical Products Group. The Instrumentation and Fluid Regulation Products Group accounted for approximately 54.3% of net revenues in fiscal year 1999 compared to 38.2% in fiscal year 1998. The Petrochemical Products Group accounted for approximately 45.7% of net revenues in fiscal

year 1999 compared to 61.8% in fiscal year 1998. CIRCOR's revenues in these groups for fiscal year 1999 and fiscal year 1998 were as follows:

(in thousands)

	1999 Revenues	1998 Revenues	Change in Revenues
Instrumentation and Fluid Regulation	$175,444	$110,332	$ 65,112
Petrochemical	147,633	178,637	(31,004)
TOTAL	$323,077	$288,969	$ 34,108

The decrease in petrochemical net revenues of $31.0 million, or 17.4%, for the fiscal year ended June 30, 1999 was predominantly in the domestic markets which reflected a 23.8% decrease over the previous fiscal year. The increase in instrumentation and fluid regulation net revenues of $65.1 million, or 59.0%, for the fiscal year ended June 30, 1999 consisted primarily of volume derived from acquisitions consisting of Hoke, Inc. and several product lines.

CIRCOR's gross profit increased $10.1 million, or 10.6%, to $104.7 million. Gross margin declined slightly from 32.8% in fiscal 1998 to 32.4% in fiscal 1999. The increased gross profit is attributable to the increased sales due to the acquisitions discussed above. These acquisitions operated at a gross margin slightly higher than the remainder of CIRCOR. The increased gross profits from acquisitions were partially offset by decreased gross profits in CIRCOR's domestic and international oil and gas valve product lines. Lower energy prices resulted in lower demand, increased competition and adversely impacted unit pricing. Additionally, the reduced manufacturing levels, caused by these reduced revenues, also created unfavorable overhead absorption of fixed manufacturing expenses thereby decreasing gross margins in fiscal year 1999 compared to fiscal year 1998.

Selling, general and administrative expenses increased $18.7 million to $75.2 million for the fiscal year ended June 30, 1999. This increase is attributable to the inclusion of the expenses related with recent acquisitions. This increase was partially offset by both cost reductions and reduced variable selling expenses within CIRCOR's oil and gas business units.

CIRCOR's operating income by segment for fiscal year 1999 and fiscal year 1998 were as follows:

(in thousands)

	1999 Operating Income	1998 Operating Income	Change in Operating Income
Instrumentation and Fluid Regulation	$24,844	$17,883	$ 6,961
Petrochemical	10,323	25,256	(14,933)
Corporate	(5,617)	(4,948)	(669)
TOTAL	$29,550	$38,191	$ (8,641)

The increase in operating income in the Instrumentation and Fluid Regulation Products Group is attributable primarily to acquisitions. The decrease in operating income in the Petrochemical Products Group reflects reduced energy prices and reduced demand for our products used in petrochemical facility projects and maintenance programs.

The effective tax rate increased to 40.3% from 36.0%. The increase is a result of increased earnings in foreign jurisdictions with higher tax rates.

Net income decreased $9.9 million to $12.5 million. This decrease is primarily attributable to the decreased net revenues and gross margins in the petrochemical market.

CIRCOR's combined results of operations are impacted by the effect that changes in foreign exchange rates have on its international subsidiaries' operating results. Changes in foreign exchange rates had an immaterial impact on net income in fiscal 1999.

Results of Operations for the Twelve Months Ended June 30, 1998 Compared to the Twelve Months Ended June 30, 1997

Net revenues for the twelve months ended June 30, 1998 increased $14.3 million, or 6.2%, from $274.7 million to $289.0 million compared to the fiscal year ended June 30, 1997. This increase in net revenues is attributable to the following factors:

	(in thousands)	
Acquisitions	$14,624	5.3%
Operations	4,008	1.5%
Foreign Exchange	(4,379)	(1.6%)
TOTAL CHANGE	$14,253	5.2%

The growth in net revenues due to acquired companies is primarily attributable to the inclusion of the net revenues of Telford Valve which was acquired in March 1998 and the net revenues of Aerodyne Controls Corporation which was acquired in December 1997. Aerodyne Controls Corporation is part of CIRCOR's Instrumentation and Fluid Regulation Products Group. The increase in net revenues from operations is primarily attributable to increased unit shipments of international oil and gas valves and increased unit shipments of domestic instrumentation valves. CIRCOR's net revenues were adversely impacted by a change in foreign exchange rates primarily associated with the Italian lire during fiscal year 1998.

CIRCOR monitors its performance in two segments: the Instrumentation and Fluid Regulation Products Group and the Petrochemical Products Group. CIRCOR's revenues in these markets for fiscal 1997 and fiscal 1998 were as follows:

	(in thousands)		
	1998 Revenues	1997 Revenues	Change in Revenues
Instrumentation and Fluid Regulation	$110,332	$102,691	$ 7,641
Petrochemical	178,637	172,025	6,612
TOTAL	$288,969	$274,716	$14,253

The increase in instrumentation and fluid regulation revenues is primarily attributable to the acquisition of Aerodyne Controls Corporation, increased unit shipments of domestic valves and two product line acquisitions. The increase in petrochemical revenues is primarily attributable to increased unit shipments of international oil and gas valves and the acquisition of Telford Valve. These increases were partially offset by the unfavorable foreign exchange rates associated with the Italian lire.

CIRCOR's gross profit increased $6.0 million, or 6.8%, to $94.7 million for the fiscal year ended June 30, 1998 and gross margin increased from 32.2% to 32.8% compared to the fiscal year ended June 30, 1997. This percentage increase is primarily attributable to improved gross margins for international oil and gas valves and domestic steam valves. These improvements were partially offset by the inclusion of certain acquisitions which operated at a lower gross margin than the remainder of CIRCOR.

Selling, general and administrative expenses increased $1.8 million, or 3.2%, to $56.5 million. This increase is primarily attributable to the inclusion of the expenses of acquired companies and increased selling expenses for oil and gas valves. This increase is partially offset by the effect of the change in foreign exchange rates.

CIRCOR's operating income increased by $4.3 million, or 12.6%, from $33.9 million to $38.2 million and increased as a percentage of revenues from 12.3% in fiscal 1997 to 13.2% in fiscal 1998.

CIRCOR's operating income by market segments for fiscal year 1998 and fiscal year 1997 were as follows:

(in thousands)

	1998 Operating Income	1997 Operating Income	Change in Operating Income
Petrochemical.....	$25,256	$21,012	$4,244
Instrumentation and Fluid Regulation.....	17,883	17,280	603
Corporate.....	(4,948)	(4,386)	(562)
TOTAL.....	$38,191	$33,906	$4,285

The increase in operating income in the Instrumentation and Fluid Regulation Products Group is primarily attributable to increased net revenues.

The increase in operating income in the Petrochemical Products Group is primarily attributable to the increase in net revenues and increased gross margins on international oil and gas valves.

The effective tax rate increased to 36.0% from 34.5%. This increase is attributable to acquisition related goodwill amortization which is not deductible for US Federal Income Tax purposes.

Net income increased by nearly $2.8 million, or 14.3%, to $22.4 million. This increase is primarily attributable to increased net revenues and improved gross margins.

CIRCOR's combined results of operations are impacted by the effect that changes in foreign exchange rates have on its international subsidiaries' operating results. Changes in foreign exchange rates had an adverse impact on net income for fiscal 1998 of approximately $700,000.

Liquidity and Capital Resources

During the twelve month period ended June 30, 1999, CIRCOR generated $20.5 million in cash flow from continuing operations, which was principally used to fund capital expenditures of $9.5 million. The capital expenditures were primarily for manufacturing, machinery, equipment and upgrading the Company's information technology. CIRCOR reduced $19.7 million of accounts payable, accrued expenses and other current liabilities during the twelve month period. This decrease was partially offset by decreases in accounts receivable and inventories. Most of the changes in working capital were attributable to the decrease in CIRCOR's revenues from international oil and gas valves.

On July 21, 1998, a wholly owned subsidiary of CIRCOR acquired the common equity of Hoke, Inc. headquartered in Cresskill, New Jersey. Hoke is a manufacturer and distributor of industrial valves and fittings, including its well known line of Gyrolok(R) tube fittings for instrumentation applications. Hoke sells its products primarily to the industrial, OEM and analytical instrumentation markets. Sales are conducted through owned and independent stocking distributors world-wide with nearly one-half of its sales outside of North America. The purchase price, including the assumption of debt, was approximately $85.0 million and was funded using Watts' line of credit.

CIRCOR has access to Watts' unsecured $125.0 million line of credit until CIRCOR is spun-off as a separate entity. CIRCOR has utilized this credit facility to support its acquisition program, working capital requirements, and for general corporate purposes.

In anticipation of the spin-off of CIRCOR from Watts, CIRCOR is (i) negotiating with ING (U.S.) Capital LLC, BankBoston, N.A. and First Union National Bank for a $75.0 million unsecured revolving credit facility and (ii) negotiating the sale of $75.0 million of senior unsecured notes to institutional investors. The net proceeds of the notes offering and approximately $15.0 million of the proceeds available from the credit facility, together with approximately $7.0 million of cash from Watts, will be used to repay the indebtedness assumed by CIRCOR

under the Watts credit facility. Also, to fulfill representations made to the Internal Revenue Service as part of the request for tax-free treatment of the distribution, CIRCOR intends to engage in a public offering of approximately $35.0 million of its common stock within one year after the distribution. The timing, completion and size of any public offering will be subject to market conditions.

The ratio of current assets to current liabilities was 3.2 to 1 at June 30, 1999 and 2.8 to 1 at June 30, 1998. This improvement is primarily attributable to inclusion of Hoke's inventory in conjunction with the decrease in CIRCOR's accounts payable and accrued expenses. At June 30, 1999, CIRCOR was in compliance with all covenants related to its existing debt.

CIRCOR anticipates that available funds and those funds provided from ongoing operations will be sufficient to meet current operating requirements and anticipated capital expenditures over the next 24 months.

CIRCOR, from time to time, is involved with product liability, environmental proceedings and other litigation proceedings and incurs costs on an ongoing basis related to these matters. CIRCOR has not incurred material expenditures in fiscal 1999 in connection with any of these matters. See "Business--Product Liability, Environmental and Other Litigation Matters" on page 30 of this document.

Year 2000 Compliance

CIRCOR has developed a comprehensive program to address its potential exposure to the Year 2000 issue. CIRCOR manages the program by having each subsidiary and operating unit identify their own Year 2000 issues and develop appropriate corrective action steps, while instituting a series of management processes that coordinate and manage the program across CIRCOR. Watts' Corporate Vice President of Administration has been assigned responsibility for the overall coordination and monitoring of the program, including establishment of policies, tracking progress, and leveraging solutions across CIRCOR.

A significant portion of CIRCOR's Year 2000 issues relative to its information technology systems are being addressed as part of a CIRCOR-wide initiative to upgrade and replace its information systems which began in fiscal 1997. At June 30, 1999, approximately 98% of CIRCOR's critical information technology systems and approximately 95% its other information technology systems have been replaced or upgraded and are Year 2000 compliant. CIRCOR expects to complete the replacement or upgrade of the remaining systems in the fall of 1999.

Inventories, assessments and remediation activities for non-information technology systems, including manufacturing equipment, have been completed at June 30, 1999.

CIRCOR has identified critical vendors, suppliers of information processing services, customers, financial institutions and other third parties and surveyed their Year 2000 remediation efforts. Additionally, CIRCOR has contacted all vendors and third party suppliers in this regard. All but three vendors have responded. These three vendors and those determined not to be Year 2000 compliant have been replaced with vendors who are Year 2000 compliant. This vendor survey and review process is complete. The cost of the program was immaterial. CIRCOR did not utilize any independent verification processes to confirm that these vendor responses were reliable. However, CIRCOR purchasing department personnel communicate regularly with critical vendors. This communication includes Year 2000 compliance confirmation.

CIRCOR considers less than ten of its vendors critical and has developed contingency plans for those vendors. Critical vendors supply CIRCOR with base raw materials and certain component parts. Contingency plans include increasing levels of on-site and consigned inventory. Additionally, raw materials are readily available and most can be supplied by a number of alternative vendors who are Year 2000 compliant. These contingency plans for vendors are complete.

CIRCOR's operations depend on infrastructure in a number of foreign countries in which it operates, and, therefore, a failure of any of those infrastructures could adversely affect its operations. CIRCOR's most

significant foreign markets are Canada, China, Germany, Italy and the United Kingdom. In these countries, CIRCOR is not aware of any significant weaknesses in their infrastructure.

CIRCOR continues to develop detailed contingency plans to deal with unexpected issues which may occur. These plans include the identification of appropriate resources and response teams. Individual business managers at each of CIRCOR's subsidiaries and operating units are responsible to ensure their business functions continue to operate normally. While the specifics vary by operation, the general contingency planning strategies include: increasing the on-hand supply of raw materials and finished goods; identifying alternate suppliers of raw materials; ensuring key personnel (both business and technical) are physically on-site; backing up critical systems just before year-end; and identifying alternative methods of doing business with customers as necessary. CIRCOR expects to complete its contingency plans in the fall of 1999.

Despite CIRCOR's comprehensive program CIRCOR cannot be certain that issues will not develop or events occur that could have material adverse affects on CIRCOR's financial condition or results of operations. Nevertheless, CIRCOR does not expect a material failure. CIRCOR's Year 2000 program is designed to minimize the likelihood of any failure occurring. The most reasonably likely worst case scenario is that a short-term disruption will occur with a small number of customers or suppliers requiring an appropriate response.

Spending for the program is budgeted and expensed as incurred. Spending to date for the program has amounted to approximately $3.7 million. Additional spending to complete the program is estimated at $1.4 million.

Conversion to Euro

On January 1, 1999, 11 of the 15 member countries of the European Union adopted the Euro as their common legal currency and established fixed conversion rates between their existing sovereign currencies and the Euro. The Euro trades on currency exchanges and is available for non-cash transactions. The introduction of the Euro will affect CIRCOR as CIRCOR has manufacturing and distribution facilities in several of the member countries and trades extensively across Europe. The long-term competitive implications of the conversion are currently being assessed by CIRCOR. At this time, CIRCOR is not anticipating that any significant costs will be incurred due to the introduction and conversion to the Euro.

Other

In 1998, the Financial Accounting Standards Board issued SFAS 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits," and SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." The Company has adopted SFAS 132. The Company will adopt SFAS 133 on January 1, 2001. The impact of SFAS 133 on the combined financial statements is still being evaluated, but is not expected to be material.

Also in 1998, the American Institute of Certified Public Accountants issued SOP 98-1, "Accounting for the Costs of Computer Software Developed of Obtained for Internal Use," and SOP 98-5, "Reporting on the Costs of Start-Up Activities." The Company will adopt SOP 98-1 and SOP 98-5 in fiscal 2000. These statements are not expected to have a material affect the combined financial statements.

Quantitative and Qualitative Disclosures About Market Risk

CIRCOR uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in foreign exchange rates. CIRCOR does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives the Company uses are straightforward instruments with liquid markets.

CIRCOR manages most of its foreign currency exposures on a consolidated basis. CIRCOR identifies all of its known exposures. As part of that process, all natural hedges are identified. CIRCOR then nets these natural hedges from its gross exposures.

CIRCOR's consolidated earnings are subject to fluctuations due to changes in foreign currency exchange rates. However, its overall exposure to such fluctuations is reduced by the diversity of its foreign operating locations which encompass a number of different European locations, Canada, and China.

CIRCOR's foreign subsidiaries transact most business, including certain intercompany transactions, in foreign currencies. Such transactions principally relate to material purchases and sales to customers. CIRCOR uses foreign currency forward exchange contracts to manage the risk related to intercompany purchases that occur during the course of a fiscal year and certain open foreign currency denominated commitments to sell products to third parties. At June 30, 1998, there were no significant amounts of open foreign currency forward exchange contracts or related unrealized gains or losses.

CIRCOR has historically had a very low exposure to changes in interest rates. Additionally, the Company historically has strong cash flows, and any amounts of variable rate debt could be paid down through cash generated from operations. Information about related interest rates appears in Note 9 to the financial statements included herein.

CIRCOR purchases significant amounts of bronze ingot, brass rod, stainless steel, cast iron, and carbon steel which are utilized in manufacturing its many product lines. CIRCOR's operating results can be adversely affected by changes in commodity prices if it is unable to pass on related price increases to its customers. CIRCOR manages this risk by monitoring related market prices, working with its suppliers to achieve the maximum level of stability in their costs and related pricing, seeking alternative supply sources when necessary and passing increases in commodity costs to its customers, to the maximum extent possible, when they occur. CIRCOR does not use derivative financial instruments to manage this risk.

DESCRIPTION OF FINANCINGS

Following the distribution CIRCOR plans to have a $75.0 million unsecured revolving credit facility with ING (U.S.) Capital LLC, BankBoston, N.A. and First Union National Bank. The credit facility will provide that CIRCOR may borrow an aggregate principal amount of up to $75.0 million, subject to the terms and conditions of the credit agreement. CIRCOR expects to use approximately $15.0 million of the available funds, together with $7.0 million of cash from Watts and the net proceeds of the senior notes offering described below, to repay amounts assumed by CIRCOR under Watts' credit facility, and the balance of the funds for capital expenditure needs, working capital and general corporate purposes. The credit facility will contain representations, warranties, affirmative, negative and financial covenants, and events of default customary for such facilities. Interest rates charged on borrowings outstanding under the credit facility will be based on market rates which can vary over time.

Shortly after the distribution, CIRCOR also intends to sell approximately $75.0 million of senior unsecured notes to institutional investors. The agreement under which CIRCOR sells the notes will contain representations, warranties, affirmative, negative and financial covenants, and events of default customary for such agreements.

Also, to fulfill representations made to the Internal Revenue Service as part of the request for tax-free treatment of the distribution, CIRCOR intends to engage in a public offering of approximately $35.0 million of its common stock within one year after the distribution. The timing, completion and size of any public offering will be subject to market conditions.

CIRCOR designs, manufactures and distributes valves and related products and services for use in a wide range of applications to optimize the efficiency or ensure the safety of fluid-control systems. The valves and related fluid-control products we manufacture are used in processing industries; oil and gas production, pipeline construction and maintenance; aerospace, military and commercial aircraft; and maritime manufacturing and maintenance. We have used both internal product development and strategic acquisitions to assemble a complete array of fluid-control products and technologies that enables us to address our customers' unique fluid-control application needs. CIRCOR has two major product groups: Instrumentation and Fluid Regulation Products and Petrochemical Products. For the year ended June 30, 1999, CIRCOR had the following sales composition: 54.3% instrumentation and fluid regulation products; and 45.7% petrochemical products.

Instrumentation and Fluid Regulation Products Group

The Instrumentation and Fluid Regulation Products Group designs, manufactures and supplies valves and controls for diverse end-uses including hydraulic, pneumatic, cryogenic and steam applications. Selected products include precision valves, compression tube and pipe fittings, control valves and regulators. The Instrumentation and Fluid Regulation Products Group consists primarily of the following: Aerodyne Controls, Atkomatic Valve, Circle Seal Controls, Inc., Go Regulator, Inc., Hoke, Inc., Leslie Controls, Inc., Nicholson Steam Trap, and Spence Engineering Company, Inc. The Instrumentation and Fluid Regulation Products Group had combined revenues of approximately $175.4 million for the year ended June 30, 1999.

CIRCOR entered the instrumentation valve market in October 1990, with the acquisition of Circle Seal, based in Corona, California. Circle Seal designs and manufactures a broad range of valve products, including check valves, relief valves, solenoid valves, motor operated valves, regulators, plug valves, needle valves, control systems and manifolded valve solutions. Circle Seal specializes in providing custom solutions for applications requiring precise performance, quality and reliability. From its initial focus on the aerospace and military markets, Circle Seal has diversified into many other industrial markets where performance, quality and reliability attributes are most valued, such as medical, food processing, ultra high purity and fluid power.

Since acquiring Circle Seal, we have acquired eight complementary instrumentation and fluid regulation businesses, including Aerodyne (December 1997), Atkomatic (April 1998), Hoke (July 1998) and Go Regulator (April 1999). Aerodyne, based in Ronkonkoma, New York, manufactures high-precision valve components for the medical, analytical, military and aerospace markets. Aerodyne also provides advanced technologies and control systems capabilities to other companies in the Instrumentation and Fluid Regulation Products Group. Atkomatic, formerly based in Indianapolis, Indiana, makes heavy-duty process solenoid valves for clean air, gases, liquids, steam, corrosive fluids and cryogenic fluids. In July 1998, we combined the Atkomatic product line with Circle Seal's administrative, manufacturing and distribution facilities in Corona, California. Go Regulator of San Dimas, California, offers a complete line of pneumatic pressure regulators for instrumentation, analytical and process applications, in addition to an emerging product line of regulators for the ultra high purity market, specialized cylinder valves and customized valves.

We significantly expanded the breadth of our instrumentation valve product line with the acquisition of Hoke in July 1998. CIRCOR's largest acquisition to date, Hoke brought to CIRCOR its leading line of Gyrolok(R) compression tube fittings as well as instrumentation ball valves, plug valves, metering valves and needle valves. Circle Seal and Hoke serve several common markets and their products are cross-marketed through their respective distribution channels. Furthermore, Hoke, with nearly 50% of its revenues derived outside of the United States, significantly expanded Circle Seal's geographic marketing and distribution capabilities. We are currently in the process of integrating Circle Seal's and Hoke's administrative and distribution activities as well as combining manufacturing operations. We believe that our ability to provide the instrumentation market a complete fluid-control solution is enhanced by combining the product line offerings of Circle Seal, Hoke and Go Regulator.

CIRCOR has had a long-standing presence in the steam industry, starting with its acquisition of Spence Engineering in 1985. Our steam product offering grew substantially with the acquisitions of Leslie Controls of Tampa, Florida and Nicholson Steam Trap of Wilkes Barre, Pennsylvania in 1989. Management believes that we have a very strong franchise in steam valve products, with both Leslie Controls and Spence Engineering having been in the steam pressure reduction business for over 75 years. Our steam valve products are used in municipal and institutional heating and air-conditioning applications, as well as, in power plants, industrial processing and commercial and military maritime applications.

Petrochemical Products Group

The Petrochemical Products Group designs, manufactures and supplies flanged and threaded floating and trunnion ball valves, needle valves, check valves, butterfly valves and large forged steel ball valves, gate valves and strainers for use in oil, gas and chemical processing and industrial applications. Management believes that the Petrochemical Products Group is one of the top three producers of ball valves for the oil and gas market worldwide. The Petrochemical Products Group consists primarily of the following: Contromatics Industrial Products, Eagle Check Valve, KF Industries, Inc., Pibiviesse SpA, Suzhou Watts Valve Co., Ltd., SSI Equipment Inc. and Telford Valve and Specialties, Inc. The Petrochemical Products Group had combined revenues of approximately $147.6 million for the year ended June 30, 1999.

CIRCOR entered the petrochemical products market in 1978 with the formation of the industrial products division and its development of the floating ball valve for industrial and chemical processing applications. With the acquisition of KF Industries in July 1988, CIRCOR expanded its product offerings to floating and trunnion-supported valves, ball valves and needle valves. KF Industries gave CIRCOR entry into the oil and gas transmission, distribution and exploration markets. In 1989, CIRCOR acquired Eagle Check Valve, which added check valves to CIRCOR's product line. Pibiviesse SpA, based in Nerviano, Italy, was acquired in November 1994. Pibiviesse manufactures ball valves for the petrochemical market, including a complete range of trunnion mounted ball valves. Pibiviesse's manufacturing capabilities include up through 60" diameter valves, including Class 2500 pressure ratings to meet demanding international oil and gas pipeline and production requirements. In March 1998, Telford Valve was added to KF Industries. Telford Valve had been one of KF Industries' largest distributors and, with its acquisition, KF Industries increased its presence in Canada as well as introduced Telford Valve's products (check valves, pipeline closures, and specialty gate valves for use in industrial and oil and gas applications) through its worldwide representative network. Telford Valve has also assumed the Canadian sales activities for other Petrochemical Products Group divisions to strengthen our overall presence in Canada. In January 1999, SSI Equipment was acquired and added a wide variety of strainers to the KF Industries product line. During 1999, the industrial product division of Watts was consolidated into the KF Industries facility in Oklahoma City, Oklahoma. The industrial products division consists of carbon steel and stainless steel ball valves, butterfly valves and pneumatic actuators that are used in a variety of industrial, pulp and paper and chemical processing applications. We believe that this consolidation, together with the combining of the sales, manufacturing, engineering and other administrative activities of these business units, will result in cost savings.

We also own 60% of Suzhou Watts Valve Company, Ltd., a joint venture located in Suzhou, Peoples Republic of China. Suzhou Watts Valve manufactures carbon and stainless steel ball valves sizes 2" through 12" for us and SUFA, our joint venture partner, which is a valve company publicly-traded on the China Exchange. We sell products manufactured by Suzhou Watts Valve Company, Ltd. to customers worldwide for oil and gas applications and outside the People's Republic of China for all industrial applications. SUFA has exclusive rights to sell Suzhou Watts Valve products for all industrial (i.e., non-oil and gas) applications within the People's Republic of China.

Industry Background / Market Overview

Oil and Gas and Petrochemical Markets. The oil and gas and petrochemical markets include domestic and international oil and gas exploration, production, pipeline construction and maintenance, chemical processing and general industrial applications. Both KF Industries and Pibiviesse have positioned themselves favorably within the industry with both major oil companies and major distributors of valve products. Also, on the project side of

the business, where KF Industries and Pibiviesse deal directly with engineering firms who specify product purchases, many companies have specified KF Industries and Pibiviesse products in many applications.

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 and 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. When oil and gas prices rise, maintenance and repair activity increase and we benefit from increased demand for valve products.

Process and Power Markets. The industrial and process markets use steam and other fluids for a variety of applications, including heating of facilities, production of hot water, heat tracing of external piping, heating of industrial processes, cleaning by laundries, food processing, cooking, sterilization, vulcanization, pulp making, textiles and other processes found across a wide range of industries.

The power industry uses steam and other fluid-control products in the production of electric power. While some steam applications have been eliminated by the introduction of certain alternative methods, such as combined cycle units and portable peaking units, the use of steam in the generation of electrical power continues to prevail. The U. S. power industry is currently undergoing deregulation that management believes will result in increased emphasis on cost efficiency and a greater need for the high performance, high pressure control valves that we produce.

Aerospace and Military Markets. The aerospace and military markets we serve include applications used on military combat and transport aircraft, helicopters, missiles, tracked vehicles and ships. CIRCOR products are also used on commercial aircraft, smaller commuter and business aircraft, and space launch vehicles, space shuttles and satellites. Our products are also sold into the support infrastructure for these markets, from laboratory equipment to ground support maintenance equipment. The products supplied are used in hydraulic systems, fuel systems, water systems and air systems. These products are typically custom-designed for specific applications to optimize performance, reliability, quality and minimum weight/volume.

HVAC and Maritime Markets. The heating, air conditioning and ventilation market utilizes valves and control systems, primarily in steam-related applications. Although certain new commercial applications are converting to hot water heating, most metropolitan areas, universities and commercial institutions are heated by a central steam loop.

Steam control products are also used in the maritime market, which includes US Navy and commercial shipping. Leslie Controls sells steam regulators, water regulators, and electric actuated shut-off valves to this market. Leslie Controls has focused its sales efforts towards growth of its international business, where steam use is more prevalent, especially in emerging markets. Building on established relationships in Europe and creating new channels of distribution in Latin America and Asia, CIRCOR is positioning itself for growth in these areas.

Pharmaceutical, Medical and Analytical Instrumentation Markets. The pharmaceutical industry uses products manufactured by our Instrumentation and Fluid Regulation Products Group in research & development, analytical instrumentation, steam generation, pilot plant and process measurement applications. We believe that automation and control of process and increased efficiency requirements in the pharmaceutical industry will continue to drive the demand for these products.

The medical devices market CIRCOR serves consists of the following categories: surgical and medical instruments, orthopedic devices and surgical supplies, diagnostic reagents, electromedical equipment, x-ray equipment and dental equipment. The Instrumentation and Fluid Regulation Products Group markets its products to original equipment manufacturers of surgical and medical instruments.

The analytical instrumentation market includes laboratory instruments and measuring and controlling instruments. The key drivers in the laboratory instrumentation and analytical instrumentation market are industrial capital investment spending in research and development and plant equipment. Non-industrial construction spending and government spending on research and development and defense are secondary drivers.

Laboratory instruments requiring valves and fittings include gas chromatographs, mass spectrometers and liquid chromatographs. This represents a significant original equipment manufacturers' market for valves, fittings and other products from the Instrumentation and Fluid Regulation Products Group.

Process control instruments requiring valves and fittings include process analytical instruments and differential pressure transmitters. These categories not only require valves and fittings in or attached to the instrument, but also often require extensive sampling extraction systems installed by the manufacturer, system integrators or site contractors. The primary economic driver of process control instruments is spending on nondurable-goods plant and equipment, including chemicals, pulp & paper, electric and gas utilities, and petroleum refining.

Business Objectives and Strategies

Our objective is to create a diversified, international fluid-control company. Our key strategies will be to:

- Continue to build market positions through acquisitions;
- Capitalize on integration opportunities;
- Expand product offerings through internal product development;
- Diversify into a variety of fluid-control industries and markets; and
- Expand our geographic coverage

Continue to build market positions through acquisitions. We plan to continue our acquisition strategy, having completed 24 transactions since September 1984. We believe that the global valve industry remains highly fragmented, with numerous potential acquisition candidates. We plan to expand our current market positions, primarily through acquisitions in the Instrumentation and Fluid Regulation Product Group, thereby reducing our exposure to the cyclicality of the petrochemical industry. Although we are constantly evaluating acquisition opportunities, at this time there are no discussions or negotiations taking place with any potential acquisition candidate.

Capitalize on integration opportunities. Management believes that there remain meaningful synergies to be realized from the reorganization of CIRCOR as an independent company and from recent acquisitions. The integration of Go Regulator and of Hoke, our largest acquisition to date, with Circle Seal should result in cost savings and revenue growth. We are completing integration of two manufacturing facilities into existing operations of the Instrumentation and Fluid Regulation Products Group. The acquisition of Hoke has enabled Circle Seal and Go Regulator to expand their presence in overseas markets, most notably in Europe. Circle Seal has also incorporated Hoke's and Go Regulator's product lines into its strong domestic marketing and distribution channels.

Within the Petrochemical Products Group, KF Industries' recent consolidation of the Watts industrial products division has allowed it to merge the administrative and manufacturing functions, which is expected to reduce operating costs and improve manufacturing efficiencies within this group of businesses. The acquisition of the Telford Valve "Top Flow" brand name product line not only expands KF Industries' product offering through existing oil field distribution channels, but also provides an entry into the industrial market segment. The SSI acquisition provided KF Industries with a strainer product line that can be marketed through KF Industries' existing petrochemical distribution networks. While this acquisition broadens KF Industries' product offerings to the petrochemical market, our strategy is to continue to expand the strainer product line to other markets through internal development and/or acquisitions. KF Industries expects to reduce the selling, general and administrative costs of both Telford Valve and SSI by centralizing and/or eliminating functions that can be combined with KF Industries' existing operations.

Management's consolidation strategy is expected to provide continued fold-in acquisitions which offer integration savings opportunities and marketing and distribution benefits.

Expand product offerings through internal product development. New products are being developed through engineering efforts within our existing businesses. Our Instrumentation and Fluid Regulation Products Group focuses on providing our customers with customized products designed to meet their specifications. Circle Seal's product development efforts are currently directed to provide new products under the Circle Seal, Hoke and Go Regulator franchises which can be mass-marketed through its global distributor network. Recent product offerings include an excess flow check valve line, three new check valve lines, a new diaphragm shut-off valve line and a miniature solenoid valve line. Leslie Controls is developing control valves up to the 4,500 pound class, 16" diameter range. They have also developed Hastelloy-C construction valves for chemical weapons disarmament programs. KF Industries and Pibiviesse are developing products to take our international gas transmission expertise and compete more effectively in the North American market for these products. KF Industries is also developing products such as Class 150 and 300 3-way diverter valves, Class 150, 300 and 600 check valves and floating ball valves with spring energized lip seal designed for chemical plants and refineries. Management plans to continue to invest in its internal research and development program and to integrate product development across its businesses.

Diversify into a variety of fluid-control industries and markets. Through the acquisition of businesses, we intend to diversify our product offerings to appeal to an increasing variety of industries and markets. In addition to focusing on acquisitions outside of the petrochemical market, we are implementing strategic actions to broaden our distribution and product offerings in companies such as KF Industries, which historically has earned the majority of its revenues in the oil and gas industry, to expand its industrial market presence.

Expand our geographic coverage. Management believes there are ample opportunities to grow through expanding geographic coverage. KF Industries is broadening its presence in Latin America, Western Africa and the Middle East, often expanding to meet US customers' growing international businesses. Pibiviesse is joint marketing with KF Industries to increase its presence in North America as well as increasing its penetration of markets such as China, Russia, Latin America, and the Middle East. Within the Instrumentation and Fluid Regulation Products Group, Hoke's strong international distribution network is benefitting other companies within the group.

Products

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

INSTRUMENTATION AND FLUID REGULATION PRODUCTS GROUP

Company	Principal Products	Primary Markets Served
Circle Seal	Motor operated valves; check valves; relief valves; pneumatic valves; solenoid valves; regulators	General industrial; semiconductors; medical; pharmaceutical; cryogenics; aerospace; military
Hoke	Compression tube fittings; pipe fittings; instrument ball and needle valves; cylinders and cylinder valves; actuators	Petrochemical; oil and gas; general industrial; analytical instrumentation; compressed natural gas/natural gas vehicles
Leslie Controls	Regulators; steam control valves; actuators; steam-water heaters	General industrial and power; maritime; chemical processing
Spence Engineering/ Nicholson Steam Trap	Pilot operated and direct steam regulators; steam control valves; safety and relief valves; steam traps	Heating, ventilation and air conditioning; general industrial

PETROCHEMICAL PRODUCTS GROUP

Company	Principal Products	Primary Markets Served
KF Industries	Threaded and flanged-end floating ball valves; butterfly valves; gate valves; actuators; pipeline closures; trunnion supported ball valves; needle valves; check valves; strainers	Oil and gas exploration, production, refining and transmission; general industrial; maritime; chemical processing
Pibiviesse	Forged steel ball valves	Oil and gas exploration, production and transmission

Sales and Distribution

CIRCOR sells its products to distributors and end-users primarily through commissioned representatives and secondarily through a direct sales force. Our representative network offers a technically trained sales force with strong relationships to key markets without fixed costs to us. Our representatives also have established distributors and resellers who stock products that have more predictable demand and usage patterns.

Management believes that CIRCOR's multifaceted sales and distribution channel is a competitive strength, providing access to all markets. Management believes that it has good relationships with its representatives and distributors and continues to implement marketing programs to enhance these relationships. Ongoing distribution-enhancement programs include maximizing shelf stock delivery and turns, reducing assemble-to-order lead times, new product introductions and competitive pricing.

KF Industries has a strong distribution and consigned warehouse network, making it the preferred choice for many of the larger and independent supply stores. We also sell products directly to certain large original equipment manufacturers, contractors and end users. Such accounts require custom specification engineering support and other individualized services that we can best offer directly. KF Industries is positioned to increase its sales through this distribution channel as it continues to acquire and accumulate a wider variety of valve products.

Manufacturing

We have fully integrated and highly automated manufacturing capabilities including machining operations and assembly. Our machining operations feature computer-controlled machine tools, high-speed chucking machines and automatic screw machines for machining brass, iron and steel components. Management believes that fully integrated manufacturing capabilities are essential in the valve industry in order to control product quality, to be responsive to customers' custom design requirements and to ensure timely delivery. Product quality and performance are a priority for our customers, especially since many of the product applications involve caustic or volatile chemicals and, in many cases, involve processes that require precise control of fluids. We have implemented or are currently implementing integrated enterprise-wide software systems at all of our major locations to make operations more efficient and to improve communications with suppliers and customers.

We are committed to maintaining our manufacturing equipment at a level consistent with current technology in order to maintain high levels of quality and manufacturing efficiencies. As part of this commitment, we have spent a total of $9,499,000, $6,115,000 and $5,457,000 on capital expenditures for the fiscal years ended June 30, 1999, 1998 and 1997, respectively. Depreciation and amortization for such periods were $12,762,000, $7,844,000 and $6,916,000, respectively.

Management believes that its current facilities will meet near-term production requirements without the need for additional facilities.

Quality Control

Products representing a majority of our sales have been approved by applicable industry standards agencies in the United States and European markets. We have consistently advocated the development and enforcement of performance and safety standards, and are currently planning new investments and implementing additional procedures as part of our commitment to meet these standards. We maintain quality control and testing procedures at each of our manufacturing facilities in order to produce products in compliance with code requirements. Additionally, all of our major manufacturing subsidiaries have acquired ISO 9000, 9001 or 9002 certification from the International Organization for Standardization and, for those in the Petrochemical Products Group, American Petroleum Institute certification.

Our products are designed, manufactured and tested to meet the requirements of various government or industry regulatory bodies. The primary industry standards that our Instrumentation and Fluid Regulation Products Group meet are Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers, U.S. Military Standards, the American Gas Association and the Department of Transportation. The primary industry standards that our Petrochemical Products Group meet are American National Standards Institute, American Society of Mechanical Engineers, the American Petroleum Institute and Factory Mutual.

Product Development

We continue to develop new and innovative products to enhance our market positions. Our product development capabilities include the ability to design and manufacture custom applications to meet high tolerance or close precision requirements. For example, KF Industries has fire-safe testing capabilities, Circle Seal has the ability to meet all the testing specifications of the aerospace industry and Pibiviesse can meet the tolerance requirements of sub-sea and cryogenic environments. These testing and manufacturing capabilities have enabled us to develop customer-specified applications, unique characteristics of which have been subsequently utilized in broader product offerings. Research and development expenditures by the Company during fiscal years 1999, 1998 and 1997 were $6,094,000, $5,479,000 and $5,581,000, respectively.

Raw Materials

The raw materials used most often in our production processes 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 materials are subject to price fluctuations which may adversely affect our results of operations. Historically, increases in the prices of raw materials have been partially offset by increased sales prices, an active materials management program and the diversity of materials used in our production processes.

Properties

We maintain 15 major facilities worldwide, including 14 manufacturing facilities located in the United States, Canada, Europe and the People's Republic of China. Many of these facilities contain sales offices or warehouses from which we ship finished goods to customers, distributors and commissioned representative organizations.

In general, we believe that our properties, including machinery, tools and equipment, are adequate and suitable for their intended uses. We believe that the manufacturing facilities are currently operating at normal capacity. This utilization is subject to change as a result of increases or decreases in revenues.

Our corporate headquarters are located in Burlington, Massachusetts. The following is a list of our major properties.

Company	Location	Approx. Sq. Ft.	Owned/Leased	Principal Use
Instrumentation and Fluid Regulation Products Group				
Circle Seal Controls	Corona, California	105,000	Owned	Manufacturing, Administrative
Hoke	Berlin, Connecticut	25,000	Leased	Manufacturing
Hoke	Spartanburg, South Carolina	116,000	Leased	Manufacturing
Circle Seal Controls (Aerodyne)	Ronkonkoma, New York	26,000	Leased	Manufacturing
Go Regulator	San Dimas, California	114,000	Owned	Manufacturing
Leslie Controls	Tampa, Florida	150,000	Owned	Manufacturing, Administrative
Spence Engineering	Walden, New York	80,000	Owned	Manufacturing
Petrochemical Products Group				
KF Industries	Oklahoma City, Oklahoma	162,000	Owned	Manufacturing, Administrative
KF Industries	Houston, Texas	58,000	Owned	Warehouse
SSI	Burlington, Ontario, Canada	25,000	Owned	Manufacturing
Telford Valve	Edmonton, Alberta, Canada	25,000	Leased	Manufacturing
KF Industries (Contromatics Industrial Products)	New Hampshire	25,000	Leased	Manufacturing
Suzhou (Joint Venture)	Suzhou, PR China	70,000	Owned (30 yr land lease)	Manufacturing
Pibiviesse	Nerviano, Italy	170,000	Leased	Manufacturing, Administrative
DeMartin	Naviglio, Italy	22,000	Leased	Manufacturing

Competition

The domestic and international markets for fluid-control products are highly competitive. Some of our competitors have substantially greater financial, marketing, personnel and other resources than CIRCOR. We consider product quality and performance, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in these markets. Management believes that new product development and product engineering are also important to CIRCOR' success and that our position in the industry is attributable, in significant part, to our ability to develop innovative products quickly and to adapt and enhance existing products.

The primary competitors of our Instrumentation and Fluid Regulation Products Group include: Swagelok, Parker Hannifin Corporation, Spirax-Sarco Engineering plc, Hoffman Specialty (a subsidiary of ITT Industries, Inc.), Keystone and Kunkle Industries, Inc. (a division of Tyco International, Inc.), Fisher Controls Corp. (a subsidiary of Emerson Electric Co.), Armstrong International, Inc., Jordon Valve (a division of Richards Industries), Masoneilan North America (a division of Dresser Industries, Inc.), Flowseal (a division of Crane Co.), Flowserve Corporation and Copes-Vulcan Inc. The primary competitors of our Petrochemical Products Group include: Grove Valve and Regulator Co. (a division of the Halliburton Company), Cooper Cameron Corporation, Apollo (a division of Conbraco Industries, Inc.), Jamesbury, Inc. (a division of Neles Control Group which is part of the Rauma Corporation), Worcester Controls Corp. (a subsidiary of BTR, Inc.), Kitz Corp. of America, Velan Valve Corp., Balon Corp. and Flow Control Technologies.

Trademarks & Patents

We own patents that are scheduled to expire between 2004 and 2016 and trademarks that can be renewed as long as we continue to use them. We do not believe that the vitality and competitiveness of our business as a whole depends on any one or more patents or trademarks. We also own certain licenses such as software licenses, but we do not believe that our business as a whole depends on any one or more licenses.

Customers, Cyclicality and Seasonality

For the year ended June 30, 1999, no single customer accounted for more than 10% of revenues for either the Instrumentation and Fluid Regulation Products Group or the Petrochemical Products Group.

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

We do not believe that our business is subject to seasonal fluctuations of a material nature.

Backlog

Backlog was $55,664,000 at June 30, 1999, compared to $70,072,000 at June 30, 1998. The decrease in backlog is primarily due to the reduction in major oil and gas project activity in response to lower world-wide oil and gas prices. The decrease in project activity principally affected the backlog of Pibiviesse SpA and KF Industries, Inc.

Employees

As of June 30, 1999, our worldwide operations directly employed approximately 1,635 people, in addition to 80 employees in the Suzhou joint venture. We have approximately 75 employees in the United States and Canada who are covered by collective bargaining agreements. We also have 80 employees in Italy covered by union regulations. We believe that our employee relations are good.

Government Regulation

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

We do not currently anticipate any materially adverse impact on our results of operations, financial condition or competitive position as a result of compliance with federal, state, local and foreign environmental laws or other legal requirements. However, risk of environmental liability and charges associated with maintaining compliance with environmental laws is inherent in the nature of our manufacturing operations and there is no assurance that material liabilities or charges could not arise. During fiscal 1999 CIRCOR capitalized approximately $273,000 related to environmental and safety control facilities and expects to capitalize $286,000 during the next twelve months. CIRCOR also incurred and expensed $235,000 of other related charges during fiscal 1999 and expects to incur approximately $553,000 during the next twelve months.

Product Liability, Environmental and Other Litigation Matters

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 $85.0 million coverage available under an excess umbrella liability insurance policy. 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. and Spence Engineering Company, both subsidiaries of CIRCOR, are third-party defendants in 314 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. Although new cases continue to be filed against the defendant ship owners, third-party claims against Leslie or Spence have not been filed since 1996.

Leslie and its insurers are in dispute over payment of approximately $560,000 in legal fees incurred to defend these cases through 1994. The dispute resulted from a gap in Leslie's insurance coverage from 1965 to 1973, and discussions regarding the $560,000 payment are ongoing. Of the approximately $295,000 of legal fees incurred after 1994 and through December 1998, it is likely that Leslie will pay 41%, or approximately $121,000.

We have established total reserves of $1.7 million for all of the claims discussed above, including reserves of $681,000 relating to the claims disputed by our insurance carriers, 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 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 the Federal Government's claim for an amount which is immaterial and anticipate settling with the State of New Jersey for an amount not greater than that paid to the Federal Government. 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.

MANAGEMENT

Directors

The directors of CIRCOR are described below.

Name	Principal Occupation or Employment for Past Five Years	Age	Class (Year of Annual Shareholders Meeting on Which Term Expires)
David A. Bloss, Sr.	Mr. Bloss was appointed Chairman, President and Chief Executive Officer of CIRCOR in 1999. He joined Watts as Executive Vice President in July 1993 and has served as President and Chief Operating Officer from April 1997 until the distribution. Prior to joining Watts, Mr. Bloss was associated for five years with the Norton Company, a manufacturer of abrasives and cutting tools, serving most recently as President of the Superabrasives Division. Mr. Bloss is also a director of Watts and will resign as a director of Watts immediately after the distribution.	49	III (2002)
Dewain K. Cross	Mr. Cross was the Senior Vice President of Finance for Cooper Industries, Inc. and is now retired. Mr. Cross is also a director of Magnetek, Inc.	61	II (2001)
David F. Dietz	Mr. Dietz or his professional corporation has been a partner of the law firm of Goodwin, Procter & Hoar LLP since 1984. Mr. Dietz is also a director of the Andover Companies, a property and casualty insurance company and High Liner Foods (USA), Inc., a frozen foods company.	50	I (2000)
Timothy P. Horne	Mr. Horne has been the Chief Executive Officer of Watts since 1978 and Chairman of the Board of Watts since 1986. Prior to that, Mr. Horne served as the President of Watts from 1976 to 1978 and again from 1994 to April 1997. Mr. Horne joined Watts in September 1959 and has been a director of Watts since 1962.	61	III (2002)
Daniel J. Murphy, III	Mr. Murphy has been the Chairman of Northmark Bank since August 1987. Prior to forming Northmark Bank in 1987, Mr. Murphy was a Managing Director of Knightsbridge Partners, Inc., a venture capital firm, from January to August 1987, and President and Director of Arltru Bancorporation, a bank holding company, and its wholly owned subsidiary, Arlington Trust Company from 1980 to 1986. Mr. Murphy is also a director of Bay State Gas Company and has been a director of Watts since 1986.	57	II (2001)

Executive Officers

The executive officers of CIRCOR are described below.

Name	Position	Age
David A. Bloss, Sr.	Chairman of the Board, Chief Executive Officer, President and Director	49
Cosmo S. Trapani	Chief Financial Officer, Treasurer and Secretary	60
Alan R. Carlsen	Vice President, Operations	51
George M. Orza	Vice President, Operations	50

David A. Bloss, Sr. was appointed Chairman, President and Chief Executive Officer in 1999. He joined Watts as Executive Vice President in July 1993 and served as President and Chief Operating Officer from April 1997 until the distribution. Prior to joining Watts, Mr. Bloss was associated for five years with the Norton Company, a manufacturer of abrasives and cutting tools, serving most recently as President of the Superabrasives Division.

Cosmo S. Trapani joined CIRCOR in August 1999 as Chief Financial Officer, Treasurer and Secretary. From 1990 to 1999, Mr. Trapani was the Chief Financial Officer of Unitrode Corporation, a publicly traded manufacturer of analog and mixed signal integrated circuits.

Alan R. Carlsen joined CIRCOR in August 1999 as Vice President, Operations. Mr. Carlsen served as Group Vice President of Steam Products for Watts from September 1998 until the distribution. Prior to that time, Mr. Carlsen was the Vice President and General Manager of Leslie Controls, Inc. from July 1997 to September 1998, was the corporate Vice President of Manufacturing of Watts from June 1995 to July 1997 and prior to that was Director of Manufacturing for Senior Flexonics, Inc., a manufacturer of tubular goods.

George M. Orza joined CIRCOR in August 1999 as Vice President, Operations. Mr. Orza served as Group Vice President of KF Industries from April 1999 until the distribution. Mr. Orza served as Vice President/General Manager of KF Industries from December 1995 to April 1999. Prior to that time, Mr. Orza was associated for 19 years with ITT Barton, a manufacturer of measurement and control instrumentation products and services, most recently as Director of Marketing Oil & Gas.

Summary Compensation Table

The following table presents information regarding the compensation, if any, paid by Watts to each of CIRCOR's four most highly compensated executive officers for the fiscal year ended June 30, 1999.

		Annual Compensation		Long Term Compensation Awards	
Name and Principal Position (1)	Fiscal Year	Salary ($)	Bonus ($) (2)	Restricted Stock Units ($) (3) (4)	Options (#)
David A. Bloss, Sr. Chairman of the Board, Chief Executive Officer and President	1999	326,667	--	4,093	45,000
Cosmo S. Trapani. Chief Financial Officer, Treasurer, Secretary	1999	--	--	--	--
Alan R. Carlsen. Vice President, Operations	1999	158,333	--	8,336	10,000
George M. Orza. Vice President, Operations	1999	167,885	--	527	10,000

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(1) Each of Messrs. Bloss, Trapani, Carlsen and Orza became an officer of CIRCOR as of August 10, 1999.

(2) Represents the cash portion of bonuses awarded under the Watts Executive Incentive Bonus Plan.

(3) Represents the dollar value (net of any consideration paid by the named executive officer) of restricted stock units received under the Watts Management Stock Purchase Plan in August 1999, determined by multiplying the number of restricted stock units received by the closing market price of Watts class A common stock of $19.25 on the date of grant of the restricted stock units.

(4) Each of the named executive officers other than Mr. Trapani made an election in December 1998 under the Watts Management Stock Purchase Plan to receive restricted stock units in lieu of a specified percentage or dollar amount of his actual annual incentive cash bonus or for a specified dollar amount, up to 100% of his targeted maximum cash bonus. The named executive officers received these awards in Watts restricted stock units on August 9, 1999 under the Watts Management Stock Purchase Plan. The number of restricted stock units awarded was equal to the named executive officer's election amount divided by the restricted stock unit cost, which was 67% of the closing market price of Watts common stock on August 9, 1999. After the distribution, Watts restricted stock units held by CIRCOR employees will be replaced by CIRCOR restricted stock units of equivalent value under the CIRCOR management stock purchase plan.

Option Grants

The following table shows option grants by Watts to the named executive officers during fiscal year 1999. After the distribution, these options will be terminated and will be replaced with CIRCOR options of comparable value.

Option Grants During Fiscal Year 1999

	Individual Grants				Potential Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
Name	Number of Securities Underlying Options Granted(#)(1)(2)	% of Total Options Granted to Employees In Fiscal Year (%)	Exercise Or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
David A. Bloss, Sr. (4).....	45,000	23.3	18.4375	8/11/08	521,663	1,322,213
Cosmo S. Trapani.....	--	--	--	--	--	--
Alan R. Carlsen (5).....	10,000	5.2	18.4375	8/11/08	115,925	293,825
George M. Orza (5).....	10,000	5.2	18.4375	8/11/08	115,925	293,825

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(1) All options were granted on August 11, 1998.
(2) Options vest over five years at the rate of 20% per year on successive anniversaries of the respective dates on which the options were granted and generally terminate upon the earlier of the optionee's termination of employment, subject to certain exceptions, or ten years from the date of grant.
(3) Based upon the market price on the date of grant and an annual appreciation at the rate stated on such market price through the expiration date of such options. The dollar amounts in these columns are the result of calculations at the 5% and 10% rate set by the SEC and therefore are not intended to forecast possible future appreciation, if any, of Watts' stock price.
(4) Awarded under the Watts 1989 Nonqualified Stock Option Plan.
(5) Awarded under the Watts 1996 Stock Option Plan.

Option Exercises

The following table shows Watts stock option exercises for named executive officers during fiscal year 1999 and the fiscal year-end value of unexercised Watts options. After the distribution, any remaining unexercised Watts options will be terminated and will be replaced by CIRCOR options of comparable value.

Aggregated Option Exercises In Fiscal Year 1999 and Fiscal Year Option Values

			Number of Unexercised Options at Fiscal Year End (#)(2)		Value of Unexercised In-the-Money Options at Fiscal Year End ($)(3)	
Names	Shares Acquired On Exercise (#)	Value Realized ($) (1)	Exercisable	Unexercisable	Exercisable	Unexercisable
David A. Bloss, Sr.....	0	0	96,000	129,000	119,875	109,687
Cosmo S. Trapani.....	--	--	--	--	--	--
Alan R. Carlsen.....	0	0	14,500	33,000	16,875	32,813
George M. Orza.....	0	0	4,500	26,000	5,625	24,375

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(1) Represents the difference between the market price on the date of exercise and the exercise price of the options before income taxes.
(2) Options vest over five years at the rate of 20% per year on successive anniversaries of the respective dates on which the options were granted and generally terminate upon the earlier of the optionee's termination of employment, subject to certain exceptions, or ten years from the date of grant.
(3) Represents the difference between the market price on the last day of the fiscal year and the exercise price of the options before income taxes.

Treatment of Options and Restricted Stock Units in the Distribution

Watts currently maintains the Watts 1986 Incentive Stock Option Plan, the Watts 1989 Non-qualified Stock Option Plan and the Watts 1996 Stock Option Plan, and options are currently outstanding under each plan. Each current holder of options to purchase shares of Watts common stock under these plans who will continue to be an employee or director of Watts following the distribution will have the exercise price and number of shares subject to his or her Watts options equitably adjusted to give effect to the distribution.

Watts options held by individuals who will be CIRCOR employees after the distribution will be terminated and will be replaced by CIRCOR options with comparable values, based upon the closing price on the New York Stock Exchange of Watts stock immediately before the date on which when-issued trading in CIRCOR common stock begins and the closing price on the New York Stock Exchange of CIRCOR stock as of the date on which when-issued trading in CIRCOR common stock begins. Both the exercise prices and the number of shares of CIRCOR common stock subject to the replacement CIRCOR options will be equitably adjusted to give effect to the distribution. The vesting provisions and the other terms and conditions of the replacement CIRCOR options will remain the same.

In addition, Watts currently maintains the Watts Management Stock Purchase Plan, under which participants may elect to receive restricted stock units in lieu of all or a portion of their pre-tax annual incentive bonus and, in some circumstances, make after-tax contributions in exchange for restricted stock units. When vested, each restricted stock unit is payable in a share of Watts common stock. Each current participant in the Watts Management Stock Purchase Plan who will continue to be employed by Watts following the distribution will have the number of shares attributable to him or her under the Watts Management Stock Purchase Plan equitably adjusted to give effect to the distribution.

Furthermore, in connection with the distribution, each restricted stock unit outstanding under the Watts Management Stock Purchase Plan which is attributable to an individual who will be a CIRCOR employee after the distribution will be appropriately converted into a restricted stock unit payable in CIRCOR common stock after the distribution, pursuant to the terms of the CIRCOR Management Stock Purchase Plan (which is a component plan of the CIRCOR 1999 Stock Option and Incentive Plan). Each restricted stock unit will be 100% vested three years after the date of its original grant, and at the end of a deferral period, if one is specified by the participant, CIRCOR will issue one share of CIRCOR common stock for each vested restricted stock unit. Cash dividends equivalent to those paid on Watts common stock (or CIRCOR common stock after the distribution) will be credited to the participant's account for each nonvested restricted stock unit and will be paid in cash to such person when such restricted stock units become vested. Such dividends will also be paid in cash to individuals for each vested restricted stock unit held during any deferral period.

CIRCOR 1999 Stock Option and Incentive Plan

The CIRCOR 1999 Stock Option and Incentive Plan (the "1999 Stock Plan") was adopted by our Board of Directors and approved by Watts, in its capacity as our sole shareholder, on August 10, 1999. In order to ensure that compensation paid pursuant to the 1999 Stock Plan will qualify as "performance-based compensation" not subject to the federal tax limitations on deductibility of certain executive compensation in excess of $1 million, we intend to seek shareholder approval of the material terms of the performance goals under the 1999 Stock Plan at our first shareholder meeting, which is anticipated to occur in the spring of 2000. Such shareholder approval is not required for any other purpose.

Generally, the 1999 Stock Plan permits the grant of the following types of awards:

- incentive stock options;
- non-qualified stock options;
- deferred stock awards;
- restricted stock awards;
- unrestricted stock awards;
- performance share awards; and
- dividend equivalent rights.

Grants of awards may be made under the 1999 Stock Plan to our officers, other employees and directors. The 1999 Stock Plan currently provides for the issuance of up to 2,000,000 shares of common stock (subject to adjustment for stock splits and similar events). The number of shares available for grant under the 1999 Stock Plan will not be reduced by the issuance of shares of CIRCOR common stock as a result of the substitution of awards under the 1999 Stock Plan for stock and stock-based awards held by employees of an acquired or merged corporation. Options with respect to no more than 500,000 shares of common stock (subject to adjustment for stock splits and similar events) may be granted to any one individual in any calendar year. The maximum award of restricted stock, deferred stock or performance shares (or combination thereof) for any one individual that is intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code may not exceed 200,000 shares of common stock (subject to adjustment for stock splits and similar events) for any performance cycle.

Summary of the 1999 Stock Plan

The following is a summary of material terms of the 1999 Stock Plan, which is filed as an exhibit to the registration statement of which this document is a part.

Administration. The 1999 Stock Plan provides for administration by either the Board of Directors or a committee of not fewer than two non-employee directors, as appointed by the Board of Directors from time to time.

The Administrator has full power to select, from among the employees and directors eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 1999 Stock Plan. The Administrator may permit common stock, and other amounts payable pursuant to an award, to be deferred. In such instances, the Administrator may permit interest, dividends or deemed dividends to be credited to the amount of deferrals.

Eligibility and Limitations on Grants. All officers, employees and directors of the Company are eligible to participate in the 1999 Stock Plan, subject to the discretion of the Administrator. In no event may any one participant receive options to purchase more than 500,000 shares of common stock (subject to adjustment for stock splits and similar events) during any one calendar year, as stated above. In addition, as stated above, the maximum award of restricted stock, deferred stock or performance shares (or combination thereof) for any one individual that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code may not exceed 200,000 shares of common stock (subject to adjustment for stock splits and similar events) for any performance cycle.

Stock Options. Options granted under the 1999 Stock Plan may be either incentive options (within the definition of Section 422 of the Code) or non-qualified options. Options granted under the 1999 Stock Plan will be non-qualified options if they (1) fail to meet such definition of incentive options, (2) are granted to a person not eligible to receive incentive options, or (3) otherwise so provide. Incentive options may be granted only to our officers or other employees. Non-qualified options may be granted to persons eligible to receive incentive options and to non-employee directors.

Other Option Terms. The Administrator has authority to determine the terms of options granted under the 1999 Stock Plan. Generally, except in the case of options granted in replacement of terminated Watts options, incentive options granted to employees and non-qualified options granted to non-employee directors will be granted with an exercise price that is not less than the 100% of the fair market value of the shares of common stock on the grant date, and all other non-qualified options will be granted at not less than 80% of the fair market value of the shares of common stock on the grant date. The fair market value will be the last reported sale price of our common stock on the NYSE on the date of grant.

The term of each option will be fixed by the Administrator and may not exceed ten years from date of grant. The Administrator will determine at what time or times each option may be exercised and, subject to the provisions of the 1999 Stock Plan, the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments, based on achievement of performance requirements and/or the completion of a specified period of service, and the exercisability of options may be accelerated by the Administrator. In general, unless otherwise permitted by the Administrator, no option granted under the 1999 Stock Plan is transferable by the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Options granted under the 1999 Stock Plan may be exercised for cash or, if permitted by the Administrator:

- by transfer to us (either actually or by attestation) of shares of common stock which are not then subject to restrictions under any stock plan, which have been held by the optionee for at least six months or were purchased on the open market, and which have a fair market value equivalent to the option exercise price of the shares being purchased; or

- by compliance with certain provisions pursuant to which a securities broker delivers the purchase price for the shares to us.

At the discretion of the Administrator, stock options granted under the 1999 Stock Plan may include a "re-load" feature pursuant to which an optionee exercising an option by the delivery of shares of common stock would automatically be granted an additional stock option (with an exercise price equal to the fair market value of the common stock on the date the additional stock option is granted) to purchase that number of shares of common stock equal to the number delivered to exercise the original stock option and withheld to satisfy tax liabilities. The purpose of this feature is to enable participants to maintain an equity interest in the Company without dilution.

To qualify as incentive options, options must meet additional Federal tax requirements, including a $100,000 limit on the value of shares subject to incentive options which first become exercisable in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large stockholders.

Tax Withholding. Participants under the 1999 Stock Plan are responsible for the payment of any federal, state or local taxes which we are required by law to withhold upon any option exercise or vesting of other awards. Participants may elect to have the minimum tax withholding obligation satisfied either by authorizing us to withhold shares of common stock to be issued pursuant to an option exercise or other award, or by transferring to us shares of common stock having a value equal to the amount of such taxes.

Restricted Stock Awards. The Administrator may grant shares (at par value or for a higher purchase price determined by the Administrator) of common stock to any participant subject to such conditions and restrictions as the Administrator may determine. These conditions and restrictions may include the achievement of pre-established performance goals and/or continued employment (or other business relationship) with us through a specified vesting period. The vesting period will be determined by the Administrator. The purchase price of shares of restricted stock will be determined by the Administrator. If the applicable performance goals and other restrictions are not attained, the participant will forfeit his or her award of restricted stock. Dividends paid on restricted stock may be paid, waived, deferred or invested, as set forth in the award agreement.

Deferred Stock Awards. The Administrator may also award phantom stock units as deferred stock awards to participants. Deferred stock awards are ultimately payable in the form of shares of common stock and may be subject to such conditions and restrictions as the Administrator may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment (or other business relationship) with us through a specified vesting period. During the deferral period, subject to terms and conditions imposed by the Administrator, the deferred stock awards may be credited with dividend equivalent rights. Subject to the consent of the Administrator, a participant may make an advance election to receive a portion of his or her compensation or restricted stock award otherwise due in the form of a deferred stock award.

The CIRCOR Management Stock Purchase Plan, which is filed as an exhibit to this registration statement, is a component of the 1999 Stock Plan. Certain key employees and directors are eligible to participate in the plan, which provides that eligible employees may elect to receive restricted stock units in lieu of all or a portion of their pre-tax annual incentive bonus and, in some circumstances, make after-tax contributions in exchange for restricted stock units. In addition, non-employee directors may elect to receive restricted stock units in lieu of all or a portion of their annual directors' fees. Participants are required to make an election no later than December 31 of the calendar year prior to calendar year for which the annual incentive bonus will be determined or the compensation or directors' fees will be paid. Each restricted stock unit represents the right to receive one share of CIRCOR common stock after a three-year vesting period, and a participant may elect to defer receipt of shares of common stock for an additional period of time after the vesting period. Furthermore, income and the associated income taxes will be deferred until the time that the restricted stock units are converted to shares of common stock. Restricted stock units are granted at a discount of 33% from the fair market value of the shares of common stock on the date of grant. The date of grant is the date that the annual incentive bonuses, compensation or directors' fees are paid or would otherwise be paid.

Unrestricted Stock Awards. The Administrator may also grant shares (at par value or for a higher purchase price determined by the Administrator) of common stock which are free from any restrictions under the 1999 Stock Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation due to such participant.

Performance Share Awards. The Administrator may grant performance share awards to any participant, which will entitle the recipient to receive shares of common stock upon the achievement of specified individual or company performance goals and such other conditions as the Administrator shall determine. The Administrator may require that the vesting of certain awards of restricted stock, performance shares and deferred stock be conditioned on the satisfaction of performance criteria, which may include any or all of the following:

- our return on equity, assets, capital or investment;
- our pre-tax or after-tax profit levels or those of any subsidiary, division, operating unit or business segment, or any combination of the foregoing;
- cash flow or similar measures;
- total stockholder return;
- changes in the market price of our common stock;
- sales or market share; or
- earnings per share.

The Administrator will select the particular performance criteria within 90 days following the commencement of a performance cycle. In addition, as noted above, the maximum award of restricted stock, deferred stock or performance shares (or combination thereof) for any one individual that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code may not exceed 200,000 shares of common stock (subject to adjustment for stock splits and similar events) for any performance cycle.

Dividend Equivalent Rights. The Administrator may grant dividend equivalent rights which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalent rights may be granted as a component of another award or as a freestanding award. Dividend equivalent rights credited under the 1999 Stock Plan may be paid currently or be deemed to be reinvested in additional shares of common stock, which may thereafter accrue additional dividend equivalent rights at fair market value at the time of deemed reinvestment or on the terms then governing the reinvestment of dividends under our dividend reinvestment plan, if any. Dividend equivalent rights may be settled in cash, shares of common stock or a combination thereof, in a single installment or installments, as specified in the award. Awards under the 1999 Stock Plan that are payable in cash on a deferred basis may provide for crediting and payment of interest equivalents.

Mergers and Other Transactions. The 1999 Stock Plan provides that in the event of a merger, consolidation, dissolution or liquidation or similar transaction affecting us, all stock options will automatically become fully exercisable, and all other awards with conditions relating solely to the passage of time and continued employment will automatically become fully vested, unless the Administrator otherwise specifies with respect to particular awards. Unless a provision is made for the assumption or substitution of outstanding awards (as appropriately adjusted), the 1999 Stock Plan and all outstanding awards will terminate upon the consummation of the transaction, although optionees will be permitted to exercise any vested outstanding options prior to, and subject to, the consummation of the transaction.

Adjustments for Stock Dividends, Stock Splits, etc. The 1999 Stock Plan authorizes the Administrator to make appropriate adjustments to the number of shares of common stock that are subject to the 1999 Stock Plan and to any outstanding awards to reflect stock dividends, stock splits and similar changes in our capital stock.

Amendments and Termination. The Board of Directors may at any time amend or discontinue the 1999 Stock Plan and the Administrator may at any time amend or cancel any outstanding award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action may be taken that would adversely affect the rights of a holder under an outstanding award without the holder's consent. To the extent required by the Code to ensure that options granted under the 1999 Stock Plan qualify as incentive options, and to ensure that compensation earned under certain awards qualifies as performance-based compensation under Section 162(m) of the Code, certain amendments to the 1999 Stock Plan will be subject to approval by our shareholders.

Initial CIRCOR Option Grants

The following table shows (i) new CIRCOR options and (ii) replacement CIRCOR options, each to be granted under the CIRCOR 1999 Stock Option and Incentive Plan to the named executive officers and directors immediately after the distribution. All options will be granted as of the distribution date. The options may be partially or fully vested at grant and will generally continue to vest at the rate of 20% of the specific grant per year. Generally, the options will terminate upon the earlier of the optionee's termination of employment or directorship, subject to certain exceptions, or ten years from the date of grant (or, if applicable, ten years from the date of grant of the Watts options being replaced).

Initial CIRCOR Option Grants

	Individual Grants				Potential Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (8)	
Name	Number of Securities Underlying Options Granted(#)(1)	% of Total Options Granted to Employees In Fiscal Year (%)	Exercise Or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
David A. Bloss, Sr.....	100,000(2)(6)	11.3%	(6)	10/18/09		
	25,000(3)(6)	2.8%	(6)	10/18/09		
	73,636(4)(7)	8.4%	(7)	8/11/08		
	73,636(4)(7)	8.4%	(7)	8/4/07		
	73,636(4)(7)	8.4%	(7)	8/5/06		
	57,273(4)(7)	6.5%	(7)	9/1/05		
	57,273(4)(7)	6.5%	(7)	9/1/04		
	32,727(4)(7)	3.7%	(7)	7/19/03		
	493,182	55.9%				
Cosmo S. Trapani.....	42,000(2)(6)	4.8%	(6)	10/18/09		
	14,000(3)(6)	1.6%	(6)	10/18/09		
	56,000	6.4%				
Alan R. Carlsen.....	25,000(2)(6)	2.8%	(6)	10/18/09		
	12,500(3)(6)	1.4%	(6)	10/18/09		
	16,364(4)(7)	1.9%	(7)	8/11/08		
	20,455(4)(7)	2.3%	(7)	8/4/07		
	24,545(4)(7)	2.9%	(7)	8/5/06		
	16,364(4)(7)	1.9%	(7)	9/1/05		
	115,227	13.1%				
George M. Orza.....	22,000(2)(6)	2.5%	(6)	10/18/09		
	11,000(3)(6)	1.2%	(6)	10/18/09		
	16,364(4)(7)	1.9%	(7)	8/11/08		
	20,455(4)(7)	2.3%	(7)	8/4/07		
	13,091(4)(7)	1.5%	(7)	8/5/06		
	82,909	9.4%				
Dewain K. Cross.....	12,000(5)(6)		(6)	10/18/09		
David F. Dietz.....	12,000(5)(6)		(6)	10/18/09		
Timothy P. Horne.....	12,000(5)(6)		(6)	10/18/09		
Daniel J. Murphy, III...	12,000(5)(6)		(6)	10/18/09		

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(1) All options will be granted as of the distribution date.

(2) Options vest over five years at the rate of 20% per year on successive anniversaries of the date on which the options were granted.

(3) Options are a one-time grant of performance accelerated stock options and have a seven-year cliff vesting provision with a performance accelerator that triggers earlier vesting if certain of our financial goals are met.

(4) Options, granted as replacements for terminated Watts options, continue to vest at the rate of 20% of the specific grant per year.

(5) Options vest over three years at the rate of 33 1/3% per year on successive anniversaries of the date on which the options were granted.

(6) The number of securities underlying each option is shown for illustrative purposes only, and is based upon targeted Black-Scholes values using an assumed price for CIRCOR common stock on the distribution date. The actual number of securities underlying each option and the exercise price of each option will be based upon the reported closing price of CIRCOR common stock on the New York Stock Exchange on the distribution date, and the number of securities will be appropriately adjusted after the distribution date to maintain a pre-determined Black-Scholes value per grant, based upon the Black-Scholes value of CIRCOR common stock on the distribution date.

(7) The number of securities underlying each option is shown for illustrative purposes only, and is based upon an assumed pre-distribution price for Watts common stock and an assumed price for CIRCOR common stock. The actual number of securities underlying each option and the exercise price of each option will be based upon the reported closing price for Watts common stock on the New York Stock Exchange on the day before the date on which when-issued trading in CIRCOR common stock begins and the reported closing price for CIRCOR common stock on the New York Stock Exchange on the date on which when-issued trading in CIRCOR common stock begins.

(8) The actual exercise price of all options initially granted will be calculated as described in footnotes (6) and (7), and cannot be calculated prior to the date on which when-issued trading in CIRCOR common stock begins and the distribution date. Therefore, the potential realizable values cannot be projected.

Director Compensation

Each non-employee director will receive a fee of $27,500 per year and also receive reimbursement for out-of-pocket expenses incurred in connection with attending board of directors or committee meetings. In addition, each non-employee director is eligible to receive grants of stock options under the 1999 Stock Option and Incentive Plan and defer compensation under the CIRCOR Management Stock Purchase Plan. Directors of CIRCOR who are our employees will not receive compensation for their services as directors.

Pension Plan and Supplemental Plan

CIRCOR sponsors a qualified noncontributory defined benefit pension plan for eligible salaried employees, including the named executive officers specified in the Summary Compensation Table above (except for Mr. Trapani, who is not currently eligible to participate in the pension plan), and maintains a nonqualified noncontributory defined benefit supplemental plan for certain highly compensated employees, which also covers the named executive officers specified in the Summary Compensation Table (except for Mr. Trapani, who is not currently eligible to participate in the supplemental plan). The eligibility requirements of the pension plan are generally the attainment of age 21 and the completion of at least 1,000 hours of service in a specified 12-month period. The assets of the pension plan are maintained in a trust fund at State Street Bank and Trust Company. The pension plan is administered by the compensation committee, which is appointed by our board of directors. Annual contributions to the pension plan are computed by an actuarial firm based on normal pension costs and a portion of past service costs. The pension plan provides for monthly benefits to, or on behalf of, each participant at age 65 and has provisions for early retirement after attainment of age 55 and five or ten years of service and surviving spouse benefits after five years of service. Participants in the pension plan who terminate employment prior to retirement with at least five years of service are vested in their accrued retirement benefit. The pension plan is subject to the Employee Retirement Income Security Act of 1974, as amended.

The normal retirement benefit for participants in the pension plan is an annuity payable monthly over the participant's life. If the participant is married, he or she will receive a spousal joint and 50% survivor annuity, unless an election out is made. Generally, the annual normal retirement benefit is an amount equal to 1.67% of the participant's final average compensation (as defined in the pension plan), reduced by the maximum offset allowance (as defined in the pension plan) multiplied by years of service (maximum 25 years). For the 1997, 1998 and 1999 plan years, annual compensation in excess of $160,000 per year is disregarded for all purposes under the pension plan ($150,000 for plan years prior to 1997). However, benefits accrued prior to the 1994 plan year may be based on compensation in excess of $150,000. Compensation recognized under the pension plan generally includes base salary and annual bonus.

The supplemental plan provides additional monthly benefits to (i) a select group of key executives, (ii) individuals who were projected to receive reduced benefits as a result of changes made to the pension plan to comply with the Tax Reform Act of 1986 and (iii) executives who will be affected by IRS limits on compensation under the pension plan. The supplemental plan is not a tax-qualified plan, and is subject to certain provisions of the Employee Retirement Income Security Act of 1974, as amended. The supplemental plan is not funded.

Tier one benefits are provided under the supplemental plan to a select group of key executives. The annual benefit under tier one payable at normal retirement is equal to the difference between (1) 2% of the highest three year average pay multiplied by years of service up to ten years, plus 3% of average pay times years of service in excess of ten years, to a maximum of 50% of average pay, less (2) the annual benefit payable under the pension plan formula described above. Normal retirement age under tier one is age 62.

The following table illustrates total annual normal retirement benefits (payable from both the pension plan and from the supplemental plan and assuming attainment of age 62 during 1999) for various levels of final average compensation and years of benefit service under tier one of the supplemental plan.

Final Average Compensation for Three Highest Consecutive Years in Last 10 Years	Estimated total Annual Retirement Benefit (Pension Plan plus Supplemental Plan, Tier One) Based on Years of Service(1)			
	5 Years	10 Years	15 Years	20 Years
$100,000	$ 10,000	$ 20,000	$ 35,000	$ 50,000
150,000	15,000	30,000	52,500	75,000
200,000	20,000	40,000	70,000	100,000
250,000	25,000	50,000	87,500	125,000
300,000	30,000	60,000	105,000	150,000
350,000	35,000	70,000	122,500	175,000
400,000	40,000	80,000	140,000	200,000
450,000	45,000	90,000	157,500	225,000
500,000	50,000	100,000	175,000	250,000
550,000	55,000	110,000	192,500	275,000
600,000	60,000	120,000	210,000	300,000

(1) The annual pension plan and supplemental plan benefits are computed on the basis of a straight life annuity.

Messrs. Bloss, Carlsen and Orza have 7, 5 and 3 years, respectively, of benefit service under the pension plan (which includes years of benefit service credited under the Watts pension plan) and are eligible for tier one benefits. Mr. Trapani has no years of benefit service under the pension plan and is accordingly not currently eligible for any retirement benefits under the pension plan or the supplemental plan. Eligible employees are currently limited to a maximum annual benefit under the pension plan of $130,000 (subject to cost of living adjustments) under Internal Revenue Code requirements regardless of their years of service or final average compensation. Accordingly, under current salary levels and law, annual benefits are limited to such amount under the pension plan.

401(k) Plan

CIRCOR sponsors a defined contribution 401(k) plan for eligible employees, including the named executive officers specified in the Summary Compensation Table above (except for Mr. Trapani, who is not currently eligible to participate in the 401(k) plan). The eligibility requirements of the 401(k) plan are generally the attainment of age 21 and the completion of at least 1,000 or more hours of service in a specified 12-month period. The assets of the 401(k) plan are maintained in a trust fund at Fidelity Institutional Retirement Services Company. The 401(k) plan is administered by the compensation committee, which is appointed by our Board of Directors.

The 401(k) plan permits eligible employees to make pretax 401(k) contributions of 1% to 18% of compensation, which is defined in the 401(k) plan generally as W-2 pay, plus amounts deferred pursuant to the 401(k) plan and section 125 of the Internal Revenue Code, but excluding income realized upon the exercise of stock options and subject to certain other limitations. Compensation in excess of $160,000 per year ($150,000 for years prior to 1997) is disregarded under the 401(k) plan.

In addition, the 401(k) plan provides for employer matching contributions of 30% of the first 4% of compensation (up to $40,000) contributed by a participant to the 401(k) plan. However, certain participants with compensation in excess of $60,000 and certain other participants are not eligible for employer matching contributions.

Participants' accounts are always fully vested with respect to their 401(k) contributions and are fully vested with respect to employer matching contributions after five (5) years of vesting service or upon the participant's retirement date (as defined in the 401(k) plan). Participants may direct the investment of their accounts among the available investment funds. Participants may request hardship withdrawals and loans from the 401(k) plan while still employed. Participants may request a withdrawal of all or part of their vested account at or after age 59 1/2, whether or not still employed. Distributions at retirement, disability, death or termination of employment for any other reason are made in a single lump sum cash payment.

Employment Agreements

We will enter into an employment agreement as of the distribution with Mr. Bloss, pursuant to which Mr. Bloss will serve as our Chief Executive Officer and President and as our Chairman of the Board for a term of three years beginning on the distribution date. The agreement will be automatically extended for an additional one-year term unless either we or Mr. Bloss elects to terminate it by notice in writing at least 90 days prior to the third anniversary of the agreement or each anniversary thereafter. Mr. Bloss's base salary is $400,000. Mr. Bloss is also eligible to receive incentive compensation in an amount to be determined by the Board.

Upon termination of employment due to the death or disability of Mr. Bloss, all unexercisable stock options will immediately vest and will be exercisable for one year and we will pay health insurance premiums for Mr. Bloss and his family for one year.

If employment is terminated by Mr. Bloss for "good reason," or if we terminate his employment without "cause," we will pay Mr. Bloss a severance payment equal to two times the sum of his average base salary and average incentive compensation (as determined in accordance with the agreement), payable over 24 months. In addition, certain CIRCOR options and restricted stock units held by Mr. Bloss will become exercisable or nonforfeitable, and Mr. Bloss will receive additional vesting credit under the supplemental plan.

If a "change in control" (as defined in the agreement) occurs and Mr. Bloss's employment is terminated by us without cause or by Mr. Bloss with good reason within 18 months of such change in control, we will pay Mr. Bloss a lump sum amount in cash equal to three times the sum of his then current base salary and most recent bonus, all of his stock options and stock-based awards will become immediately exercisable, he will be

fully vested in his accrued benefit under the supplemental plan, and we will pay health insurance premiums for Mr. Bloss and his family for one year. In addition, we will provide Mr. Bloss with a tax gross-up payment to cover any excise tax due.

We will also enter into an employment agreement as of the distribution date with Mr. Trapani, who will have a base salary of $225,000. Pursuant to the agreement, Mr. Trapani will serve as our Chief Financial Officer, Treasurer and Secretary. The agreement has a term of one year and has substantially similar provisions as Mr. Bloss's agreement, except that the severance payment is equal to the sum of Mr. Trapani's average base salary and average incentive compensation (as determined in accordance with the agreement), payable over 12 months. In addition, if a "change in control" (as defined in the agreement) occurs and Mr. Trapani's employment is terminated by us without cause or by Mr. Trapani with good reason within 12 months of such change in control, we will pay Mr. Trapani a lump sum amount in cash equal to two times the sum of his then current base salary and most recent bonus. Mr. Trapani will not receive a tax gross-up payment with respect to any excise taxes; instead, if any excise taxes would apply, Mr. Trapani's severance payments will be reduced by us if Mr. Trapani would be better off on an after-tax basis.

Compensation Committee Interlocks and Insider Participation

The members of our compensation committee are Messrs. Cross, Dietz and Murphy. None of these individuals is an executive officer of CIRCOR.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

After the distribution, Watts and CIRCOR will have continuing obligations to one another under the distribution agreement and certain other agreements described in "Relationship Between CIRCOR and Watts."

Mr. Timothy P. Horne, a director of CIRCOR, is also a director of Watts and will, immediately after the distribution, beneficially own voting securities entitled to approximately 78.1% of the voting power of the outstanding Watts common stock and approximately 29.9% of the voting power of the outstanding CIRCOR common stock.

Mr. David F. Dietz, a director of CIRCOR, has a professional corporation which is a partner of Goodwin, Procter & Hoar LLP, a law firm which provides legal services to CIRCOR.

Mr. Daniel J. Murphy, III, a director of CIRCOR, is also a director of Watts.

Policy Regarding Insider Transactions

Our policy is that any future transactions with our directors, officers, employees or affiliates be approved in advance by a majority of the Board of Directors, including a majority of the disinterested members of the Board, and be on terms no less favorable to CIRCOR than we could obtain from non-affiliated parties.

SECURITY OWNERSHIP OF CIRCOR COMMON STOCK BY CERTAIN BENEFICIAL OWNERS, DIRECTORS AND EXECUTIVE OFFICERS OF CIRCOR

The table below sets forth certain projected information regarding the direct beneficial ownership of shares of CIRCOR common stock and the indirect beneficial ownership of CIRCOR common stock associated with the contemplated issuance of CIRCOR stock options immediately following the distribution, by: (1) each person we estimate will beneficially own more than five percent (5%) of the outstanding shares of CIRCOR common stock; (2) each director of CIRCOR; (3) each named executive officer; and (4) the directors and executive officers of CIRCOR as a group. The ownership information presented below with respect to all persons and organizations:

- is based on beneficial ownership of Watts' common stock at September 10, 1999 excluding for this purpose any options to purchase Watts common stock;
- reflects the distribution ratio of one share of CIRCOR common stock for every two shares of Watts common stock;
- assumes no change in beneficial ownership of Watts' common stock or beneficial ownership of Watts options between such dates and the distribution date; and
- "Beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared power to dispose of, or to direct the disposition of, a security. A person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

Name of Beneficial Owner (1)	Number of Shares Beneficially Owned(2)	Options(3)	Total Percent
Timothy P. Horne (4).....	3,955,391(5)(6)	12,000	29.9%
George B. Horne (4)(7).....	1,062,300	--	8.03%
Frederic B. Horne (8).....	920,236	--	6.96%
Daniel W. Horne (4)(9).....	667,920	--	5.05%
Deborah Horne (4)(9).....	667,920	--	5.05%
Franklin Resources, Inc. (10)....	690,775	--	5.22%
David A. Bloss, Sr.....	4,500	493,182	1.70%
Dewain K. Cross.....	0	12,000	*
David F. Dietz.....	0	12,000	*
Daniel J. Murphy, III.....	2,200	12,000	*
Cosmo S. Trapani.....	0	56,000	*
Alan R. Carlsen.....	4,429	115,227	*
George M. Orza.....	0	82,909	*
All executive officers and directors as a group (8) persons.....	3,966,520	787,318	30.0%

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* Less than one percent.

(1) The address of each shareholder in the table is c/o CIRCOR International, Inc., 35 Corporate Drive, Burlington, Massachusetts 01803, except that Frederic B. Horne's address is c/o Conifer Ledges, Ltd., 219 Liberty Square, Danvers, Massachusetts 01923 and Franklin Resources, Inc.'s address is 777 Mariners Island Blvd., San Mateo, California 94403.

(2) Assumes distribution of shares of CIRCOR common stock in accordance with the distribution ratio of one CIRCOR share for each two shares of Watts owned as of the record date.

(3) Reflects CIRCOR stock options to be issued as of the distribution date. See "Management--Initial CIRCOR Option Grants."

(4) Timothy P. Horne, George B. Horne, Daniel W. Horne and Deborah Horne, together with Tara V. Horne and Judith Rae Horne (as trustee and custodian for her minor daughter), as depositors under the 1997 Voting Trust (see footnote 6), may be deemed a "group" as that term is used in Section 13(d)(3) of the Exchange Act.

(5) Includes (i) 1,406,981 shares of common stock beneficially owned by Timothy P. Horne (for purposes of this footnote, "Mr. Horne"), (ii) 667,920 shares held for the benefit of Daniel W. Horne, Mr. Horne's brother, under a revocable trust for which Mr. Horne serves as sole trustee, (iii) 667,920 shares held for the benefit of Deborah Horne, Mr. Horne's sister, under a trust for which Mr. Horne serves as sole trustee, which trust is revocable with the consent of the trustee, (iv) 1,062,300 shares held for the benefit of George B. Horne, Mr. Horne's father, under a revocable trust for which Mr. Horne serves as co-trustee, (v) 20,000 shares owned by Tara V. Horne, Mr. Horne's daughter, (vi) 103,870 shares held by Judith Rae Horne, Mr. Horne's wife, as trustee and custodian for her minor daughter, (vii) 15,100 shares held for the benefit of Tara V. Horne, under an irrevocable trust for which Mr. Horne serves as trustee and (viii) 11,300 shares held for the benefit of Mr. Horne's minor daughter, under an irrevocable trust for which Mr. Horne serves as trustee. See footnote 7. A total of 1,375,610 of the shares noted in clause (i) and all of the shares noted in clauses (ii) through (viii) of this footnote (3,924,020 shares in the aggregate) are held in a voting trust for which Mr. Horne serves as trustee. See footnote 6.

(6) 1,375,610 shares of common stock held by Timothy P. Horne, individually, all shares of common stock held by trusts for the benefit of Daniel W. Horne, Deborah Horne, Tara V. Horne, Timothy P. Horne's minor daughter and George B. Horne, 103,870 shares of common stock held by Judith Rae Horne, as custodian and trustee for her minor daughter, and 20,000 shares of common stock held by Tara V. Horne (3,924,020 shares in the aggregate) are subject to the terms of The Amended and Restated George B. Horne Voting Trust Agreement--1997 (the "1997 Voting Trust"). Under the terms of the 1997 Voting Trust, the trustee (currently Timothy P. Horne) has sole power to vote all shares subject to the 1997 Voting Trust. Timothy P. Horne, for so long as he is serving as trustee of the 1997 Voting Trust, has the power to determine in his sole discretion whether or not proposed actions to be taken by the trustee of the 1997 Voting Trust shall be taken, including the trustee's right to authorize the withdrawal of shares from the 1997 Voting Trust (for purposes of this footnote, the "Determination Power"). In the event that Timothy P. Horne ceases to serve as trustee of the 1997 Voting Trust, no trustee thereunder shall have the Determination Power except in accordance with a duly adopted amendment to the 1997 Voting Trust. Under the terms of the 1997 Voting Trust, in the event Timothy P. Horne ceases to serve as trustee of the 1997 Voting Trust, then Walter J. Flowers, David F. Dietz and Daniel J. Murphy, III (the "Successor Trustees") shall thereupon become co-trustees of the 1997 Voting Trust. At any time, Timothy P. Horne, if then living and not subject to incapacity, may designate up to two additional persons, one to be designated as the primary designee (the "Primary Designee") and the other as the secondary designee ("Secondary Designee"), to serve in the stead of any Successor Trustee who shall be unable or unwilling to serve as a trustee of the 1997 Voting Trust. Such designations are revocable by Timothy P. Horne at any time prior to the time at which such designees become trustees. If any of the Successor Trustees is unable or unwilling or shall otherwise fail to serve as a trustee of the 1997 Voting Trust, or after becoming a co-trustee shall cease to serve as such for any reason, then there shall continue to be two trustees and a third trustee shall be selected in accordance with the following line of succession: first, any individual designated as the Primary Designee, next, any individual designated as the Secondary Designee, and then, any individual appointed by the holders of a majority in interest of the voting trust certificates then outstanding. In the event that the Successor Trustees shall not concur on matters not specifically contemplated by the terms of the 1997 Voting Trust, the vote of a majority of the Successor Trustees shall be determinative. No trustee or Successor Trustee shall possess the Determination Power unless it is specifically conferred upon such trustee by way of an amendment to the 1997 Voting Trust.

The 1997 Voting Trust expires on August 26, 2021, subject to extension on or after August 26, 2019 by shareholders (including the trustee of any trust stockholder, whether or not such trust is then in existence) who deposited shares of common stock in the 1997 Voting Trust and are then living or, in the case of shares

in the 1997 Voting Trust the original depositor of which (or the trustee of the original deposit of which) is not then living, the holders of voting trust certificates representing such shares. The 1997 Voting Trust may be amended by vote of the holders of a majority of the voting trust certificates then outstanding and by the number of trustees authorized to take action at the relevant time or, if the trustees (if more than one) do not concur with respect to any proposed amendment at any time when any trustee holds the Determination Power, then by the trustee having the Determination Power. In certain cases (i.e., changes to the extension, termination and amendment provisions), each individual depositor must also approve amendments. Shares may not be removed from the 1997 Voting Trust during its term without the consent of the requisite number of trustees required to take action under the 1997 Voting Trust. Voting trust certificates are subject to any restrictions on transfer applicable to the stock which they represent.

Timothy P. Horne holds 35.1% of the total beneficial interest in the 1997 Voting Trust (the "Beneficial Interest") individually, 17.0% of the Beneficial Interest as trustee of a revocable trust, 17.0% of the Beneficial Interest as trustee of a trust revocable with the consent of the trustee, 26.8% of the Beneficial Interest as co-trustee of a revocable trust and 0.7% of the Beneficial Interest as trustee of two irrevocable trusts (representing an aggregate of 96.85% of the Beneficial Interest). George B. Horne holds 26.8% of the Beneficial Interest as co-trustee of a revocable trust. Tara V. Horne, individually and as a beneficiary of an irrevocable trust holds 0.9% of the Beneficial Interest, and Judith Rae Horne, as trustee or custodian for Timothy P. Horne's minor daughter, holds 2.7% of the Beneficial Interest.

(7) Consists of 1,062,300 shares held in a revocable trust for which Timothy P. Horne and George B. Horne serve as co-trustees. All of such shares are subject to the 1997 Voting Trust. See footnote 6.

(8) The information relating to the number and nature of Frederic B. Horne's beneficial ownership is based on a Schedule 13D filed with the Securities and Exchange Commission on September 17, 1999 by Frederic B. Horne (for purposes of this footnote, "Mr. Horne"). The equity and voting percentages were calculated as of September 10, 1999. Includes (i) 903,436 shares of common stock beneficially owned by Mr. Horne, (ii) 11,300 shares held for the benefit of Mr. Horne's minor daughter, under an irrevocable trust for which Mr. Horne serves as trustee, and (iii) 5,500 shares beneficially owned by Mr. Horne's minor daughter for which Mr. Horne is custodian.

(9) Shares held in a revocable trust for which Timothy P. Horne serves as sole trustee, and are subject to the 1997 Voting Trust. See footnote 6.

(10) The information is based on a Form 13F filed with the Securities and Exchange Commission by Franklin Resources, Inc., Franklin Advisory Services, Inc., Franklin Management, Inc. and Franklin Advisers, Inc. reporting their aggregate holdings of shares of Class A Common Stock as of February 10, 1999. Franklin Advisory Services, Inc., Franklin Management, Inc. and Franklin Advisors, Inc. have stated in the Form 13F that they are investment advisers registered under the Investment Advisers Act of 1940, and that as direct or indirect investment advisory subsidiaries of Franklin Resources, Inc. have all investment and/or voting power of the shares.

DESCRIPTION OF CAPITAL STOCK

Authorized and Outstanding Capital Stock

Upon completion of this offering, the authorized capital stock of the Company will consist of 29,000,000 shares of common stock, of which 13,228,877 shares will be issued and outstanding, and 1,000,000 shares of undesignated preferred stock issuable in one or more series by the Board of Directors, of which no shares will be issued and outstanding.

Common Stock. The holders of common stock are entitled to one vote per share on all matters to be voted on by stockholders and are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors from funds legally available therefor. Any issuance of preferred stock with a dividend preference over common stock could adversely affect the dividend rights of holders of common stock. Holders of common stock are not entitled to cumulative voting rights. Therefore, the holders of a majority of the shares voted in the election of directors can elect all of the directors then standing for election, subject to any voting rights of the holders of any then outstanding preferred stock. The holders of common stock have no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to the common stock. All outstanding shares of common stock, including the shares offered hereby, are, or will be upon completion of the offering, fully paid and non-assessable.

The Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-laws, which will be effective upon completion of this offering, provide that the number of directors shall be fixed by the Board of Directors, subject to the rights of the holders of any preferred stock then outstanding. The directors, other than those who may be elected by the holders of any preferred stock, are divided into three classes, as nearly equal in number as possible, with each class serving for a three-year term. Subject to any rights of the holders of any preferred stock to elect directors, and to remove any director whom the holders of any preferred stock had the right to elect, any director of CIRCOR may be removed from office only with cause and by the affirmative vote of at least two-thirds of the total votes which would be eligible to be cast by stockholders in the election of such director.

Undesignated Preferred Stock. The Board of Directors of CIRCOR is authorized, without further action of the stockholders, to issue up to 1,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereon as set forth in the Certificate. Any such preferred stock issued by CIRCOR may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock.

The issuance of preferred stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring or seeking to acquire, a significant portion of the outstanding common stock.

Certain Provisions of Certificate of Incorporation and By-laws

A number of provisions of the Certificate and By-laws which will be effective upon completion of this offering concern matters of corporate governance and the rights of shareholders. Certain of these provisions, as well as the ability of the Board of Directors to issue shares of preferred stock and to set the voting rights, preferences and other terms thereof, may be deemed to have an anti-takeover effect and may discourage takeover attempts not first approved by the Board of Directors, including takeovers which shareholders may deem to be in their best interests. To the extent takeover attempts are discouraged, temporary fluctuations in the market price of the common stock, which may result from actual or rumored takeover attempts, may be inhibited. These provisions, together with the classified Board of Directors and the ability of the Board to issue preferred stock without further shareholder action, also could delay or frustrate the removal of incumbent directors or the assumption of control by shareholders, even if such removal or assumption would be beneficial to shareholders of the Company. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if favorable to the interests of shareholders, and could depress the market price of the common stock. The Board of Directors believes that these provisions are appropriate to protect the interests of CIRCOR and all of its shareholders.

Meetings of Shareholders. The By-laws provide that a special meeting of shareholders may be called only by a majority of Board of Directors unless otherwise required by law. The By-laws provide that only those matters set forth in the notice of the special meeting may be considered or acted upon at that special meeting

unless otherwise provided by law. In addition, the By-laws set forth certain advance notice and informational requirements and time limitations on any director nomination or any new proposal which a shareholder wishes to make at an annual meeting of shareholders.

No Shareholder Action by Written Consent. The Certificate provides that any action required or permitted to be taken by the shareholders of CIRCOR at an annual or special meeting of shareholders must be effected at a duly called meeting and may not be taken or effected by a written consent of shareholders in lieu thereof.

Indemnification and Limitation of Liability. The By-laws provide that directors and officers of CIRCOR shall be, and in the discretion of the Board of Directors non-officer employees may be, indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Company. The By-laws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any by-law, agreement, vote of shareholders or otherwise. The Certificate contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. This provision does not alter a director's liability under the federal securities laws and does not affect the availability of equitable remedies, such as an injunction or recision, for breach of fiduciary duty. CIRCOR also entered into indemnification agreements with each of its directors reflecting the foregoing and requiring the advancement of expenses in proceedings involving the directors in most circumstances.

Amendment of the Certificate. The Certificate provides that an amendment thereof must first be approved by a majority of the Board of Directors and (with certain exceptions) thereafter approved by a majority (or two-thirds in the case of any proposed amendment to the provisions of the Certificate relating to stockholder action, the composition of the Board, limitation of liability or amendments of the Certificate) of the total votes eligible to be cast by holders of voting stock with respect to such amendment.

Amendment of By-laws. The Certificate provides that the By-laws may be amended or repealed by the Board of Directors or by the shareholders. Such action by the Board of Directors requires the affirmative vote of a majority of the directors then in office. Such action by the shareholders requires the affirmative vote of at least two-thirds of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal at an annual meeting of shareholders or a special meeting called for such purpose unless the Board of Directors recommends that the shareholders approve such amendment or repeal at such meeting, in which case such amendment or repeal shall only require the affirmative vote of a majority of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal.

Statutory Business Combination Provision

Upon completion of the offering, CIRCOR will be subject to the provisions of Section 203 of the Delaware General Corporation Law. Section 203 provides, with certain exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person or affiliate, or associate of such person, who is an "interested shareholder" for a period of three years from the date that such person became an interested shareholder unless: (i) the transaction resulting in a person becoming an interested shareholder, or the business combination, is approved by the board of directors of the corporation before the person becomes an interested shareholder; (ii) the interested shareholder acquired 85% or more of the outstanding voting stock of the corporation in the same transaction that makes it an interested shareholder (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans); or (iii) on or after the date the person becomes an interested shareholder, the business

combination is approved by the corporation's board of directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested shareholder. Under Section 203, an "interested shareholder" is defined (with certain limited exceptions) as any person that is (i) the owner of 15% or more of the outstanding voting stock of the corporation or (ii) an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested shareholder.

A corporation may, at its option, exclude itself from the coverage of Section 203 by amending its certificate of incorporation or by-laws by action of its shareholders to exempt itself from coverage, provided that such by-law or charter amendment shall not become effective until 12 months after the date it is adopted. Neither the Certificate nor the By-laws contains any such exclusion; however, the Board of Directors of CIRCOR has voted to exempt from the coverage of Section 203 persons who will own 15% or more of the outstanding CIRCOR common stock immediately after the distribution.

Shareholder Rights Plan

We have adopted a shareholder rights plan to help ensure that our shareholders receive fair and equal treatment in the event of any proposed acquisition of CIRCOR. The rights plan may delay, defer or prevent a change of control of CIRCOR and, therefore, could adversely affect shareholders' ability to realize a premium over the then-prevailing market price for our common stock in connection with such a transaction.

In connection with the adoption of the rights plan, our Board of Directors will declare a dividend distribution of one preferred stock purchase right for each outstanding share of common stock to shareholders of record (the "rights plan record date") as of a specified date following the record date for the distribution. Each right will entitle its registered holder to purchase from us a unit consisting of one ten-thousandth of a share of CIRCOR's Series A Junior Participating Cumulative Preferred Stock, par value $0.01 per share, at a cash exercise price per unit of $48.00, subject to adjustment.

The rights initially will not be exercisable and will be attached to and will trade with all shares of common stock outstanding as of, and issued subsequent to, the rights plan record date. The rights will separate from the common stock and will become exercisable upon the earlier of the following (a "distribution event"):

- the close of business on the tenth calendar day following the first public announcement that a person or group of affiliated or associated persons, referred to as an "acquiring person," has acquired beneficial ownership of 15% or more of the outstanding shares of common stock; or

- the close of business on the tenth business day following the commencement of a tender offer or exchange offer that could result upon its completion in a person or group becoming the beneficial owner of 15% or more of the outstanding shares of common stock; or

- the declaration by the board of directors that a person or group that has become the beneficial owner of 10% or more of the outstanding shares of common stock is an "adverse person."

Some of our shareholders will be "grandfathered persons" under the rights plan. They will be Timothy P. Horne, George B. Horne, Daniel W. Horne, Deborah Horne, Judith Rae Horne, Tara Horne, the George B. Horne Trust, the Daniel W. Horne Trust, the Deborah Horne Trust, the Tara Horne 1995 Trust, the Tiffany Horne 1984 Trust, the Tiffany Horne 1995 Trust, the George B. Horne Voting Trust, any trustees of that trust, and any other trust or entity of which Timothy P. Horne has the exclusive right to vote the shares held in such trust or by such entity. These individuals, trusts and entities are referred to in the rights plan as "family stockholders" and the family stockholders are permitted to own, collectively, 35% of the common stock. The rights plan also grandfathers any other person who or which, together with all their respective affiliates and associates, beneficially owns 15% or more of the outstanding shares of common stock as of the date on which CIRCOR announces the adoption of the rights plan. In the case of a grandfathered person, the rights will separate from the

common stock and will become exercisable upon the earlier of the first two events described above, provided that for such purposes the applicable percentage for such grandfathered person is not 15% but is instead 35% in the case of the family stockholders and in the case of any other grandfathered person is the percentage ownership of the outstanding common stock owned by such person as of the date on which CIRCOR announces the adoption of the rights plan, plus 1%. In addition, a grandfathered person will not be an acquiring person unless it acquires additional shares of our common stock after the date on which CIRCOR announces the adoption of the rights plan in excess of the applicable grandfathered percentage.

If a person becomes an acquiring person, the shareholder rights plan provides that as of the close of business ten calendar days after the first public announcement of that event, each holder of a right will be entitled to receive, upon payment of the exercise price, shares of preferred stock of our company having a market value of twice the exercise price of the right. If CIRCOR is acquired in a merger or similar transaction, the shareholder rights plan provides that as of the close of business ten calendar days following the first public announcement of that event, each holder of a right will be entitled to receive, upon payment of the exercise price, shares of common stock of the acquiring company having a market value of twice the exercise price of the right.

In the event that our board of directors approves a transaction that it has determined is in the best interest of our shareholders but that otherwise would cause a distribution event under the rights plan, the board may, in connection with such approval, redeem the rights for a nominal price. Once the rights are redeemed, the transaction can proceed without causing a distribution event. The rights plan could make it more difficult for a third party to acquire, and could discourage a third party from acquiring or seeking to acquire, CIRCOR or a large block of the common stock of CIRCOR.

WHERE TO FIND ADDITIONAL INFORMATION

CIRCOR has filed a registration statement with the Commission under the Exchange Act concerning the shares of CIRCOR common stock being received by Watts' shareholders in the distribution. This document does not contain all of the information set forth in the registration statement and the exhibits and schedules filed with it. Statements made in this document concerning the contents of any contract, agreement or other document referred to herein are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Exchange Act Registration Statement, you should refer to that exhibit for a more complete description of the matter involved.

The registration statement and the exhibits and schedules filed with it may be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Securities and Exchange Commission at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such information can be obtained by mail from the Public Reference Branch of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such material can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005 or accessed electronically by means of the Securities and Exchange Commission's home page on the Internet (http://www.sec.gov).

Following the distribution, CIRCOR will be required to comply with the reporting requirements of the Exchange Act and will file annual, quarterly and other reports with the Securities and Exchange Commission. CIRCOR will also be subject to the proxy solicitation requirements of the Exchange Act and, accordingly, will furnish audited financial statements to its shareholders in connection with its annual meetings of shareholders.

No person is authorized by Watts or CIRCOR to give any information or to make any representations other than those contained in this document, and if given or made, such information or representations must not be relied upon as having been authorized.

INDEX TO CIRCOR INTERNATIONAL, INC.
COMBINED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Watts Industries, Inc.

We have audited the accompanying combined balance sheets of CIRCOR International, Inc. as of June 30, 1999 and 1998, and the related combined statements of operations, cash flows and shareholder's equity for each of the years in the three-year period ended June 30, 1999. In connection with our audits of the combined financial statements, we also audited the accompanying financial statement schedule of valuation and qualifying accounts. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of CIRCOR International, Inc. as of June 30, 1999 and 1998, and the results of their operations and their cash flows for the each of the years in the three-year period ended June 30, 1999 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial schedule, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Boston, Massachusetts
August 3, 1999

CIRCOR INTERNATIONAL, INC.
COMBINED BALANCE SHEETS
(in thousands)

	June 30, 1999	June 30, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,714	$ 6,241
Trade accounts receivable, less allowance for doubtful accounts of $2,949 in 1999 and $2,092 in 1998	49,857	53,565
Inventories	108,910	89,788
Prepaid expenses and other assets	6,817	2,634
Deferred income taxes	11,919	5,619
Total Current Assets	184,217	157,847
PROPERTY, PLANT AND EQUIPMENT	76,682	55,982
OTHER ASSETS:		
Goodwill, net of accumulated amortization of $10,353 in 1999 and $7,688 in 1998	96,900	39,173
Other	4,571	3,912
TOTAL ASSETS	$362,370	$256,914
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 25,543	$ 28,345
Accrued expenses and other current liabilities	19,448	15,238
Accrued compensation and benefits	5,705	5,099
Income taxes payable	3,275	5,344
Current portion of long-term debt	4,178	2,977
Total Current Liabilities	58,149	57,003
LONG-TERM DEBT, NET OF CURRENT PORTION	22,404	12,776
DEFERRED INCOME TAXES	10,766	9,647
OTHER NONCURRENT LIABILITIES	7,675	4,568
MINORITY INTEREST	4,120	4,264
SHAREHOLDER'S EQUITY:		
Accumulated Other Comprehensive Income	(691)	479
Shareholder's Equity	259,947	168,177
Total Shareholder's Equity	259,256	168,656
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$362,370	$256,914

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

CIRCOR INTERNATIONAL, INC.
COMBINED STATEMENTS OF OPERATIONS
(in thousands)

	Fiscal Year Ended June 30,		
	1999	1998	1997
Net revenues	$323,077	$288,969	$274,716
Cost of goods sold	218,351	194,312	186,093
GROSS PROFIT	104,726	94,657	88,623
Selling, general and administrative expenses	75,176	56,466	54,717
OPERATING INCOME	29,550	38,191	33,906
Other (income) expense:			
Interest income	(333)	(427)	(148)
Interest expense	9,141	3,898	3,422
Other	(229)	(306)	673
	8,579	3,165	3,947
INCOME BEFORE INCOME TAXES	20,971	35,026	29,959
Provision for income taxes	8,461	12,601	10,345
NET INCOME	$ 12,510	$ 22,425	$ 19,614

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

CIRCOR INTERNATIONAL, INC.
COMBINED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended June 30,		
	1999	1998	1997
OPERATING ACTIVITIES			
Net Income	$12,510	$22,425	$19,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,440	6,312	5,844
Amortization	3,322	1,532	1,072
Deferred income taxes (benefit)	4,193	173	(151)
(Gain) loss on disposal of property, plant and equipment	(54)	19	119
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts receivable	13,665	(6,254)	(204)
Inventories	209	(9,783)	(1,988)
Prepaid expenses and other assets	(3,102)	1,491	(1,842)
Accounts payable, accrued expenses and other liabilities	(19,655)	5,160	5,378
Net cash provided by operating activities	20,528	21,075	27,842
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(9,499)	(6,115)	(5,457)
Disposal of property, plant and equipment	1,208	146	--
Increase in other assets	(237)	(725)	(402)
Business acquisitions, net of cash acquired	(74,176)	(22,503)	(933)
Net cash used in investing activities	(82,704)	(29,197)	(6,792)
FINANCING ACTIVITIES			
Proceeds from long-term borrowings	4,331	2,957	93
Payments of long-term debt	(20,646)	(428)	(862)
Net intercompany activity with Watts Industries, Inc	79,260	9,104	(17,036)
Net cash used in financing activities	62,945	11,633	(17,805)
Effect of exchange rate changes on cash and cash equivalents	(296)	143	(44)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	473	3,654	3,201
Cash and cash equivalents at beginning of year	6,241	2,587	(614)
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,714	$ 6,241	$ 2,587

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

CIRCOR INTERNATIONAL, INC.
COMBINED STATEMENTS OF CHANGES
IN SHAREHOLDER'S EQUITY
(in thousands)

	Shareholder's Equity	Accumulated Other Comprehensive Income	Comprehensive Income
YEARS ENDED JUNE 30,			
BALANCE AT JUNE 30, 1996.....	$134,070	$ 1,051	
Net Income.....	19,614	--	$19,614
Cumulative translation adjustment....	--	(422)	(422)
Net Intercompany activity.....	(17,036)	--	--
COMPREHENSIVE INCOME.....			$19,192
BALANCE AT JUNE 30, 1997.....	136,648	629	
Net Income.....	22,425	--	$22,425
Cumulative translation adjustment....	--	(150)	(150)
Net intercompany activity.....	9,104	--	--
COMPREHENSIVE INCOME.....			$22,275
BALANCE AT JUNE 30, 1998.....	168,177	479	
Net Income.....	12,510	--	$12,510
Cumulative translation adjustment....	--	(1,170)	(1,170)
Net Intercompany activity.....	79,260	--	--
COMPREHENSIVE INCOME.....			$11,340
BALANCE AT JUNE 30, 1999.....	$259,947	$ (691)	

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

(1)Description of Business

On December 15, 1998 the Board of Directors of Watts Industries, Inc. ("Watts") approved a plan to spin off its industrial, oil and gas businesses as an independent, publicly-traded company through a distribution (the "Distribution") to its shareholders of all of the outstanding shares of CIRCOR International, Inc. "CIRCOR" or the "Company"). CIRCOR will own the assets and assume the liabilities of Watts' industrial, oil and gas businesses. Watts expects the Distribution to be completed by October 18, 1999, after the appropriate approvals of third parties and the receipt of a private letter ruling from the Internal Revenue Service that the receipt of the Company shares by Watts shareholders will be tax-free and that no gain or loss will be recognized by Watts or Watts' shareholders on the Distribution. However, Watts' shareholders will be subject to tax on gains attributable to cash received in lieu of fractional shares.

Prior to the Distribution, it is anticipated that CIRCOR will obtain an unsecured credit facility which is intended to provide sufficient liquidity for the Company's current funding needs. The Company expects the unsecured credit facility will have a four year term.

In addition, CIRCOR and Watts will enter into several agreements providing for the separation of the companies and governing various relationships between CIRCOR and Watts, including a Distribution Agreement, Supply Agreement, and Tradename License Agreement.

(2) Basis of Presentation

The accompanying Combined Financial Statements of CIRCOR include the results of operations and assets and liabilities directly related to CIRCOR's operations. CIRCOR's intercompany accounts and transactions have been eliminated.

CIRCOR was allocated approximately $5,600,000, $4,900,000, and $4,400,000 of costs related to Watts' shared administrative functions in 1999, 1998 and 1997, respectively. The allocation was based on CIRCOR's revenue as a percent of Watts' total revenue and payroll as a percent of Watts' total payroll, and the allocation costs are included in the general, administrative and other expenses in the combined statements of operations. Management believes that such allocation methodology is reasonable. The expenses allocated to CIRCOR for these services are not necessarily indicative of the expenses that would have been incurred if CIRCOR had been a separate, independent entity and had otherwise managed these functions. Subsequent to the Distribution, CIRCOR will be required to manage these functions and will be responsible for the expenses associated with the management of CIRCOR as a public corporation. It is anticipated that when CIRCOR becomes a separate public company, administration expenses will increase by approximately $250,000 (unaudited) per year as a result of additional financial reporting requirements, stock transfer fees, director's fees, insurance and executive compensation and benefits.

CIRCOR's operations have been financed through its operating cash flows. CIRCOR's interest expense includes an allocation of Watts' interest expense (Watts' weighted average interest rate applied to the average balance of investments by and advances from Watts to CIRCOR) and interest expense on its external debt. CIRCOR's external debt is primarily limited to capital lease obligations and, to a much lesser extent, assumed debt of acquired businesses and international third-party debt. CIRCOR is expected to have a capital structure different from the capital structure in the combined financial statements and accordingly, interest expense is not necessarily indicative of the interest expense that CIRCOR would have incurred as a separate, independent company.

Income tax expense was calculated as if CIRCOR filed separate income tax returns. As Watts manages its tax position on a consolidated basis, which takes into account the results of all of its businesses, CIRCOR's effective tax rate in the future could vary from its historical effective tax rates. CIRCOR's future effective tax rate will largely depend on its structure and tax strategies as a separate, independent company.

(3)Accounting Policies

Revenue Recognition

Revenue is recognized upon shipment, net of a provision for estimated returns and allowances.

Cash Equivalents and Short-Term Investments

Cash equivalents consist of investments with maturities of three months or less at the date of original issuance. Short-term investments consist of participation in mutual funds whose portfolios consist principally of United States Government securities. Short-term investments are valued at cost, which approximates market.

Inventories

Inventories are stated at the lower of cost (principally first-in, first-out method) or market.

Goodwill

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. This balance is amortized over 40 years using the straight-line method. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Plant and equipment under capital leases are stated at the present value of minimum lease payments.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets which range from 10 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment. Plant and equipment held under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Long-Lived Assets

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In such instances, the carrying value of long-lived assets is reduced to their estimated fair value, as determined using an appraisal or a discounted cash flow approach, as appropriate.

Income Taxes

Prior to the Distribution, the Company's operations are included in the U.S. federal consolidated tax returns of Watts. The provision for income taxes includes the Company's allocated share of Watts' consolidated income tax provision and is calculated on a separate company basis pursuant to the requirements of the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Allocated income taxes payable are reflected herein as being settled with Watts on a current basis. Deferred taxes are provided for differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Foreign Currency Translation

Balance sheet accounts of foreign subsidiaries are translated into United States dollars at fiscal year-end exchange rates. Operating accounts are translated at weighted average exchange rates for each year. Net translation gains or losses are adjusted directly to a separate component of shareholder's equity. The

Company does not provide for U.S. income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries.

Stock Based Compensation

As allowed under Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, the Company accounts for its stock-based employee compensation plans in accordance with the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees.

Derivative Financial Instruments

The Company uses foreign currency forward exchange contracts to manage currency exchange exposures in certain foreign currency denominated transactions. Gains and losses on contracts designated as hedges are recognized when the contracts expire, which is generally in the same time period as the underlying foreign currency denominated transactions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In 1998, the Financial Accounting Standards Board issued SFAS 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits," and SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." The Company has adopted SFAS 132. The Company will adopt SFAS 133 on January 1, 2001. The impact of SFAS 133 on the combined financial statements is still being evaluated, but is not expected to be material.

Also in 1998, the American Institute of Certified Public Accountants issued SOP 98-1, "Accounting for the Costs of Computer Software Developed of Obtained for Internal Use," and SOP 98-5, "Reporting on the Costs of Start-Up Activities." The Company will adopt SOP 98-1 and SOP 98-5 in fiscal 2000. These statements are not expected to have a material affect the combined financial statements.

(4)Business Acquisitions

On July 22, 1998, CIRCOR acquired Hoke, Inc. ("Hoke"), a multinational manufacturer of industrial valves and fittings, for approximately $85,000,000, including assumption of debt. The following table reflects unaudited pro forma combined results of operations of the Company and Hoke on the basis that the acquisition had taken place and was recorded at the beginning of the fiscal year for each of the periods presented:

	Fiscal Year Ended June 30,	
	1999	1998
	(in thousands)	
Revenues.....	$ 326,707	$ 358,191
Net income.....	$ 12,436	$ 19,365

In management's opinion the unaudited pro forma combined results of operations are not indicative of the actual results that would have occurred had the acquisition been consummated at the beginning of fiscal 1998 or at the beginning of fiscal 1999 or of future operations of the combined companies under the ownership and management of CIRCOR.

As allowed in the purchase agreement, the Company has initiated an arbitration proceeding against the former shareholders of Hoke to recover a portion of the purchase price based on alleged misrepresentations made by the former shareholders and errors in the financial information provided to the Company. At this time, the Company cannot determine how much, if any, of the purchase price will be recovered.

In connection with the Hoke acquisition, the Company has implemented a plan to integrate certain of Hoke's operations and activities into the existing operations of the Company. This plan includes the closure of Hoke's headquarters facility and relocation of certain manufacturing operations to other CIRCOR facilities. As a result of this plan, it is anticipated that 170 former Hoke employees will be involuntarily terminated (45 employees have been involuntarily terminated to date). Details of costs recorded as part of the acquisition for the integration activities and the related activity to date are as follows:

	Original Accrual	Activity to Date	Remaining Balance
	(in thousands)		
Employee severance and related benefits.....	$ 3,167	$838	$2,329
Relocation of employees.....	45	--	45
Other exit costs.....	1,365	76	1,289
	$ 4,577	$914	$3,663

During fiscal 1999, the Company also acquired SSI Equipment, Inc. of Burlington, Ontario, Canada, and Go Regulator, Inc. of San Dimas, California. In fiscal 1998 the Company acquired Telford Valve and Specialities, Inc. of Edmonton, Alberta, Canada, Atkomatic Valve Company, located in Indianapolis, Indiana and Aerodyne Controls Corp. of Ronkonoma, New York. All of these acquired companies are valve manufacturers and the aggregate purchase price of these acquisitions was approximately $33,400,000. The goodwill which resulted from these acquisitions is being amortized on a straight-line basis over a 40-year period.

All acquisitions have been accounted for under the purchase method and the results of operations of the acquired businesses have been included in the combined financial statements from the date of acquisition. Had these acquisitions, other than Hoke, occurred at the beginning of fiscal year 1999, 1998 or 1997, the effect on operating results would not have been material.

(5) Inventories

Inventories consist of the following:

	June 30,	
	1999	1998
	(in thousands)	
Raw materials.....	$ 45,098	$32,874
Work in process.....	23,087	25,970
Finished goods.....	40,725	30,944
	$ 108,910	$89,788

(6) Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30,	
	1999	1998
	(in thousands)	
Land	$ 6,222	$ 4,445
Buildings and improvements	26,022	22,041
Machinery and equipment	105,085	85,881
Construction in progress	6,548	2,106
	143,877	114,473
Accumulated depreciation	(67,195)	(58,491)
	$ 76,682	$55,982

(7) Income Taxes

The significant components of the Company's deferred income tax liabilities and assets are as follows:

	June 30,	
	1999	1998
	(in thousands)	
Deferred income tax liabilities:		
Excess tax over book depreciation	$ 6,819	$ 5,373
Inventory	3,327	3,437
Other	620	837
Total deferred income tax liabilities	10,766	9,647
Deferred income tax assets:		
Accrued expenses	5,554	1,849
Net operating loss carryforward	716	--
Other	5,649	3,770
Total deferred income tax assets	11,919	5,619
Valuation allowance	--	--
Net deferred income tax assets	11,919	5,619
Net deferred income tax asset (liability)	$ 1,153	$(4,028)

The provision for income taxes is based on the following pre-tax income:

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
Domestic	$14,011	$22,864	$25,238
Foreign	6,960	12,162	4,721
	$20,971	$35,026	$29,959

The provision for income taxes consists of the following:

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
Current tax expense (benefit):			
Federal	$ 173	$ 7,156	$ 8,481
Foreign	2,408	3,085	(312)
State	26	1,678	1,737
	2,607	11,919	9,906
Deferred tax expense (benefit):			
Federal	4,684	599	364
Foreign	613	(22)	11
State	557	105	64
	5,854	682	439
	$8,461	$12,601	$10,345

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

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
Computed expected federal income tax expense (benefit)	$7,340	$12,259	$10,486
State income taxes, net of federal tax benefit	416	703	1,069
Goodwill amortization	806	284	314
Foreign tax rate differential	384	(1,124)	(1,329)
Other, net	(485)	479	(195)
	$8,461	$12,601	$10,345

Undistributed earnings of the Company's foreign subsidiaries amounted to $3,216,629, $831,399 and $86,926 at June 30, 1999, 1998 and 1997, respectively. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been recorded thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company will be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of U.S. income tax liability that would be incurred is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce some portion of any U.S. income tax liability. Withholding taxes of $160,831 would be payable upon remittance of all previously unremitted earnings at June 30, 1999. The Company made income tax payments of $4,715,782, $4,282,482 and $7,567,927 in fiscal years 1999, 1998 and 1997, respectively.

(8)Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 30,	
	1999	1998
	(in thousands)	
Commissions and sales incentives payable	$ 4,272	$ 2,846
Acquisition related costs	4,708	1,507
Other	10,468	10,885
	$19,448	$15,238

(9)Financing Arrangements

Long-term debt consists of the following:

	June 30,	
	1999	1998
	(in thousands)	
Industrial Revenue Bonds, maturing periodically from 2003 through 2020, accruing interest at a variable rate based on weekly tax-exempt interest rates (3.88% and 3.60% at June 30, 1999 and 1998, respectively)	$12,540	$12,265
Term Loan, maturing 2003, due in monthly installments of $108,333, bearing interest at prime or LIBOR plus 150 basis points (8.5% at June 30, 1999)	4,658	--
Capital Lease Obligations	4,081	--
Other borrowings	5,303	3,488
	26,582	15,753
Less current portion	4,178	2,977
	$22,404	$12,776

The Company has an available revolving credit facility that provides for borrowings up to $13,000,000 at an interest rate of either prime or LIBOR plus 150 basis points. This credit facility expires on June 30, 2000, and no amounts were outstanding at June 30, 1999 or 1998.

Certain of the Company's loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and limit the Company's ability to enter into secured borrowing arrangements.

Principal payments during each of the next five fiscal years are due as follows (in thousands): 2000-$4,178; 2001-$2,839; 2002-$3,149; 2003-$1,766; and 2004-$1,421. Interest paid for all periods presented in the accompanying combined financial statements approximates interest expense.

(10) Stock-Based Compensation

CIRCOR employees were granted options under several Watts stock option plans through which key employees have been granted incentive (ISOs) and nonqualified (NSOs) options to purchase Watts class A common stock. Generally, options become exercisable over a five-year period at the rate of 20% per year and expire ten years after the date of grant. ISOs and NSOs granted under the plans have exercise prices of not less than 100% and 50% of the fair market value of the common stock on the date of grant, respectively. The total number of options granted to CIRCOR employees under the Watts stock option plans was 75,000 in fiscal 1999, 97,500 in fiscal 1998 and 111,000 in fiscal 1997.

Certain CIRCOR employees also participated in Watts' Management Stock Purchase Plan which allows for the granting of Restricted Stock Units (RSUs) to key employees to purchase up to 1,000,000 shares of Watts class A common stock at 67% of the fair market value on the date of grant. RSUs vest annually over a three-year period from the date of grant. The difference between the RSU price and fair market value at the date of award is amortized to compensation expense ratably over the vesting period. At June 30, 1999, 47,756 RSUs were outstanding for CIRCOR employees. Compensation expense related to nonqualified stock options and restricted stock units recognized by the Company during fiscal years 1999, 1998 and 1997 amounted to $98,000, $72,000 and $26,000, respectively.

Following the distribution, vested and non-vested Watts options held by CIRCOR employees will terminate in accordance with their terms, and vested and nonvested Watts RSUs held by CIRCOR employees will be converted into comparable awards based on CIRCOR stock under the CIRCOR Management Stock Purchase Plan and will be payable in shares of CIRCOR stock. CIRCOR will issue new CIRCOR options of equivalent value to CIRCOR employees.

Pro forma information regarding net income (loss) is required by SFAS No. 123 for awards granted as if the Company had accounted for its stock-based awards to employees under the fair value method of SFAS 123. The weighted average grant date fair value of Watts options granted to CIRCOR employees during fiscal years 1999, 1998 and 1997 was $3.82, $5.52 and $3.72, respectively. The fair value of the Watts stock-based awards granted to CIRCOR employees was estimated using a Black-Scholes option pricing model and the following assumptions:

	Fiscal Year Ended June 30,		
	1999	1998	1997
Expected life (years)	4.0	4.0	4.0
Expected stock price volatility	15.0%	15.0%	15.0%
Expected dividend yield	1.9%	1.3%	1.8%
Risk-free interest rate	5.92%	5.54%	6.56%

The Company's pro forma information follows:

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
Net income--as reported	$12,510	$22,425	$19,614
Net income--pro forma	$12,177	$22,153	$19,448

The pro forma amounts above are not necessarily representative of the effects of stock-based awards on future pro forma net income because (1) future grants of employee stock options by CIRCOR management may not be comparable to awards made to employees while CIRCOR was part of Watts, (2) the assumptions used to compute the fair value of any stock option awards will be specific to CIRCOR and may not be comparable to the Watts assumptions used and (3) because SFAS 123 is applicable only to awards granted subsequent to June 30, 1995, the amounts exclude the pro forma compensation expense related to unvested options granted before 1995, and the pro forma effects will not be fully reflected until fiscal year 2000.

(11)Employee Benefit Plans

Employees of CIRCOR participate in defined benefit pension plans sponsored by Watts covering substantially all of its domestic non-union employees. Benefits are based primarily on years of service and employees' compensation. The funding policy of Watts for these plans is to contribute annually the maximum amount that can be deducted for federal income tax purposes.

Following the Distribution, the Company will establish a defined benefit pension plan for the Company's domestic non-union employees that will

provide benefits based on service with Watts and the Company. The Company will be liable for payment of all pension plan benefits earned by Company employees prior

to and following the Distribution who retire after the Distribution. Watts will transfer assets to the Company's pension plan and the amount of the assets will be calculated as required using the asset allocation methodology set forth in Section 4044 of the Employee Retirement Income Security Act of 1974, as amended. The following tables reflect the components of the net pension cost and the funded status of the portion of the Watts retirement plans which represent the Company's share and are reflected in the combined financial statements.

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
Change in projected benefit obligation			
Balance at beginning of year	$ 7,021	$ 5,035	$4,718
Service costs	1,085	786	684
Interest costs	531	459	378
Actuarial loss/(gain)	(623)	624	(849)
Amendments	--	117	104
Balance at end of year	$ 8,014	$ 7,021	$5,035
Change in fair value of plan assets			
Balance at beginning of year	$ 6,459	$ 4,784	$4,472
Actual return on assets	595	1,323	164
Employer contributions	119	352	148
Fair value of plan assets at end of year	$ 7,173	$ 6,459	$4,784
Funded Status			
Unrecognized transition obligation/(asset)	$ (257)	$ (313)	$ (370)
Unrecognized prior service cost	207	229	136
Unrecognized net actuarial loss/(gain)	(1,047)	(450)	(160)
Prepaid (accrued) benefit cost	$(1,938)	$(1,096)	$ (645)
Weighted Average Assumptions used			
Discount rate	7.00%	7.00%	8.00%
Expected return on plan assets	9.00%	9.00%	8.00%
Rate of compensation	5.00%	5.00%	5.00%

Substantially all domestic non-union employees of the Company participate in a 401(k) Savings Plan sponsored by Watts. Under the Plan, the Company matches a specified percentage of employee contributions, subject to certain limitations. Company expense incurred in connection with this plan was $216,287, $209,685 and $137,608 in fiscal years 1999, 1998 and 1997, respectively.

(12)Contingencies and Environmental Remediation

Contingencies

The Company has lawsuits and proceedings or claims arising from the ordinary course of operations pending or threatened. The Company has established reserves 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 financial position, results of operations, or liquidity of the Company.

Environmental Remediation

The Company has 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. The Company's 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. The Company recognizes changes in estimates as new remediation requirements are defined or as new information becomes available. The Company estimates that its 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 the financial position, results of operation, or liquidity of the Company.

(13)Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, short-term investments, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments.

The fair value of the Company's variable rate debt approximates its carrying value.

Use of Derivatives

The Company uses foreign currency forward exchange contracts to reduce the impact of currency fluctuations on certain anticipated intercompany purchase transactions that are expected to occur within the fiscal year and certain other foreign currency transactions. Related gains and losses are recognized when the contracts expire, which is generally in the same period as the underlying foreign currency denominated transaction. These contracts do not subject the Company to significant market risk from exchange movement because they offset gains and losses on the related foreign currency denominated transactions. At June 30, 1998, there were no significant amounts of open foreign currency forward exchange contracts or related unrealized gains or losses. At June 30, 1999, the Company had forward contracts to buy foreign currencies with a face value $9,000,000. These contracts mature on various dates between July 1999 and January 2000 and have a fair market value of $632,491 at June 30, 1999. The counterparties to these contracts are major financial institutions. The risk of loss to the Company in the event of non-performance by a counterparty is not significant.

(14)Related Party Transactions

The Company conducts, under various contracts and agreements, business with various subsidiaries of Watts, which are not included in the combined financial statements. The following table summarizes transactions with these related parties:

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
Purchases of Inventory	$7,484	$7,672	$8,182
Sales of Goods	$1,366	$1,081	$1,611

(15) Segment Information

The following table presents certain operating segment information:

	Instrumentation & Fluid Regulation Products	Petrochemical Products	Corporate Adjustments	Combined Total
	(in thousands)			
Fiscal Year Ended June 30, 1999				
Net Revenues	$175,444	$147,633	$ --	$323,077
Operating income (loss)	24,844	10,323	(5,617)	29,550
Identifiable assets	136,328	218,732	7,310	362,370
Capital expenditures	6,592	2,907	--	9,499
Depreciation and amortization	7,939	4,823	--	12,762
Fiscal Year Ended June 30, 1998				
Net Revenues	$110,332	$178,637	$ --	$288,969
Operating income (loss)	17,883	25,256	(4,948)	38,191
Identifiable assets	97,245	153,186	6,483	256,914
Capital expenditures	1,586	4,529	--	6,115
Depreciation and amortization	3,611	4,233	--	7,844
Fiscal Year Ended June 30, 1997				
Net Revenues	$102,691	$172,025	$ --	$274,716
Operating income (loss)	17,280	21,012	(4,386)	33,906
Identifiable assets	85,069	121,840	5,818	212,727
Capital expenditures	2,148	3,309	--	5,457
Depreciation and amortization	3,544	3,372	--	6,916

Each operating segment is individually managed and has separate financial results that are reviewed by the Company's chief operating decision-maker. Each segment contains closely related products that are unique to the particular segment. Refer to the Business section on pages 21 to 30 for further discussion of the products included in each segment.

In calculating profit from operations for individual operating segments, substantial administrative expenses incurred at the operating level that are common to more than one segment are allocated on a net revenues basis. Certain headquarters expenses of an operational nature also are allocated to segments and geographic areas.

All intercompany transactions have been eliminated, and inter-segment revenues are not significant.

Net revenues by geographic area follow:

	Fiscal Year Ended June 30,		
	1999	1998	1997
	(in thousands)		
United States	$189,193	$196,927	$198,398
Italy	42,491	49,708	45,475
Canada	27,830	23,783	7,682
Other	63,563	18,551	23,161
	$323,077	$288,969	$274,716

Long-lived assets by geographical area follow:

	June 30,		
	1999	1998	1997
	(in thousands)		
United States	$64,773	$43,916	$44,388
Italy	4,254	4,942	3,868
Canada	2,671	1,154	353
Other	4,984	5,970	6,102
	$76,682	$55,982	$54,711

(16)Quarterly Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
Fiscal year ended June 30, 1999:				
Net revenues	$80,997	$85,089	$79,234	$77,757
Gross profit	25,830	26,563	25,867	26,466
Net income	3,706	3,134	2,493	3,177
Fiscal year ended June 30, 1998:				
Net revenues	$67,891	$67,624	$75,719	$77,735
Gross profit	22,805	23,274	25,267	23,311
Net income	5,589	5,291	6,077	5,468

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, on September 21, 1999.

CIRCOR International, Inc.

By: /s/ David A. Bloss, Sr.

Name: David A. Bloss, Sr.
Title: Chairman of the Board, Chief Executive Officer and President

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

CIRCOR International, Inc.

(in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts - Describe	Deductions Describe (1)	Balance at End of Period
Year ended June 30, 1999					
Deducted from asset account:					
Allowance for doubtful accounts	$2,092	$106	$1,259 (2)	$508	$2,949
Year ended June 30, 1998					
Deducted from asset account:					
Allowance for doubtful accounts	$1,709	$493	$208 (2)	$318	$2,092
Year ended June 30, 1997					
Deducted from asset account:					
Allowance for doubtful accounts	$1,803	$455	--	$549	$1,709

(1) Uncollectible accounts written off, net of recoveries.
(2) Balance acquired in connection with acquisition of SSI and Hoke, Inc. in 1999, and Telford Valve in 1998.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
*2.1	Distribution Agreement between Watts Industries, Inc. and CIRCOR International, Inc.
**3.1	Form of amended and restated certificate of incorporation of CIRCOR International, Inc.
**3.2	Form of amended and restated by-laws of CIRCOR International, Inc.
*4.1	Specimen stock certificate for shares of CIRCOR International, Inc. common stock, par value $.01 per share.
*9.1	The Amended and Restated George B. Horne Voting Trust Agreement--1997 dated as of September 14, 1999.
*10.1	CIRCOR International, Inc. 1999 Stock Option and Incentive Plan.
*10.2	Form of Incentive Stock Option Agreement under the 1999 Stock Option and Incentive Plan.
*10.3	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Five Year Graduated Vesting Schedule).
*10.4	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Performance Accelerated Vesting Schedule).
*10.5	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan.
*10.6	CIRCOR International, Inc. Management Stock Purchase Plan.
*10.7	Form of CIRCOR International, Inc. Supplemental Employee Retirement Plan.
*10.8	Supply Agreement between Watts Industries, Inc. and CIRCOR International, Inc.
*10.9	Trademark License Agreement between Watts Industries, Inc. and CIRCOR International, Inc.
*10.10	Lease Agreement, dated as of February 14, 1999, between BY-PASS 85 Associates, LLC and CIRCOR International, Inc.
10.11	Trust Indenture from Village of Walden Industrial Development Agency to The First National Bank of Boston, as Trustee, dated June 1, 1994 (incorporated by reference to Exhibit 10.14 of the Watts Industries, Inc. Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 26, 1994 (File No. 0-14787).
10.12	Loan Agreement between Hillsborough County Industrial Development Authority and Leslie Controls, Inc. dated July 1, 1994 (incorporated by reference to Exhibit 10.15 of the Watts Industries, Inc. Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 26, 1994 (File No. 0-14787).
10.13	Trust Indenture from Hillsborough County Industrial Development Authority to The First National Bank of Boston, as Trustee, dated July 1, 1994 (incorporated by reference to Exhibit 10.17 of the Watts Industries, Inc. Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 26, 1994 (File No. 0-14787).
**10.14	Form of Indemnification Agreement between CIRCOR and each of its directors.
*10.15	Executive Employment Agreement between CIRCOR, Inc. and David A. Bloss, Sr., dated as of September 16, 1999.

EXHIBIT NUMBER	DESCRIPTION
*10.16	Executive Employment Agreement between CIRCOR, Inc. and Cosmo S. Trapani, dated as of September 16, 1999.
*21.1	List of subsidiaries of CIRCOR International, Inc.
**27.1	Financial Data Schedule

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* Filed herewith

** Previously filed

EXHIBIT 2.1

DISTRIBUTION AGREEMENT

DATED AS OF

SEPTEMBER __, 1999

BY AND BETWEEN

WATTS INDUSTRIES, INC.

AND

CIRCOR INTERNATIONAL, INC.

DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT ("Agreement") dated as of September __, 1999 by and among Watts Industries, Inc., a Delaware corporation (together with its successors and permitted assigns, "Watts"), CIRCOR International, Inc., a Delaware corporation (together with its successors and permitted assigns, "Circor") and the subsidiaries of Watts listed on the signature pages hereof.

RECITALS

A. The Board of Directors of Watts has determined that it is in the best interest of Watts and the stockholders of Watts to spin off the Circor Business (as defined herein) to the stockholders of Watts.

B. In order to spin off the Circor Business, Watts and its subsidiaries will, pursuant to the Internal Reorganization (as defined below), transfer certain operating assets of the Circor Business and the capital stock of the subsidiaries of Watts engaged solely in the Circor Business.

C. After the completion of such transfers, Watts will distribute (the "Distribution") to the holders of Watts Common Stock (as defined herein) all of the outstanding shares of Circor Common Stock (as defined herein) at the rate of one share of Circor Common Stock for every two shares of Watts Common Stock outstanding as of the Record Date (as defined herein).

D. It is the intention of the parties that the Distribution will not be taxable to the stockholders of Watts pursuant to Section 355 of the Code (as defined herein).

E. The parties have determined that it is necessary and desirable to set forth the principal transactions required to effect the Distribution and to set forth other agreements that will govern certain matters following the Distribution.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements and covenants contained in this Agreement, the parties hereby agree as follows:

ARTICLE I - DEFINITIONS

Section I.1 Definitions. As used herein, the following terms have the following meanings:

"Action" means any claim, suit, arbitration, inquiry, proceeding or investigation by or before any court, governmental or other regulatory or administrative agency or commission or any other tribunal.

"Adjustment" means a change in a Tax liability made by the IRS or other taxing authority.

"Affiliate" of any Person means a Person that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

"Affiliated Group" means an affiliated group of corporations (within the meaning of Code Section 1504(a)).

"Ancillary Agreements" means all of the written agreements, instruments, understandings, assignments and other arrangements entered into in connection with the transactions contemplated hereby, including, without limitation, the Supply Agreement and the Tradename License Agreement.

"Assets" means all properties, rights, contracts, leases and claims, of every kind and description, wherever located, whether tangible or intangible, and whether real, personal or mixed.

"Carryback Item" means any net operating loss, unused general business credit or other Tax item that under the Code or other Domestic Income Tax law can be used to reduce the Domestic Income Tax liability of a taxable period preceding the taxable period in which such item is created.

"Carryback Period" means the taxable periods to which a Carryback Item can be applied.

"Circor Affiliated Group" means the Affiliated Group which has Circor as its common parent (within the meaning of Code Section 1504(a)) for the taxable period in question.

"Circor Assets" means all Assets that are (i) owned of record or held in the name of a member of the Circor Group, or (ii) described on Schedule A-1 attached hereto; provided, that rights to indemnification from third parties in respect of Liabilities that are not Circor Liabilities, including without limitation the rights described on Schedule A-2 attached hereto, shall not be Circor Assets but shall remain Assets of the Watts Group after the Distribution.

"Circor Balance Sheet" means the consolidated balance sheet of Circor as of June 30, 1999 set forth in the Information Statement.

"Circor Business" means the business conducted by Circor and its subsidiaries on the Distribution Date.

"Circor Bylaws" means the amended and restated Bylaws of Circor in the form filed as an exhibit to the Form 10 at the time it becomes effective.

"Circor Certificate" means the restated certificate of incorporation of Circor in the form filed as an exhibit to the Form 10 at the time it becomes effective.

"Circor Common Stock" means the shares of common stock, $.01 par value, of Circor.

"Circor Group" means Circor and its subsidiaries, which as of the Distribution Date are listed on Exhibit A.

"Circor Liabilities" means (i) Liabilities of Circor under this Agreement or any Ancillary Agreement, (ii) except as otherwise expressly provided in this Agreement or any Ancillary Agreement, Liabilities incurred in connection with the conduct or operation of the Circor Business or the ownership or use of the Circor Assets, whether arising before, on or after the Distribution Date, and (iii) except as otherwise expressly provided in this Agreement or any Ancillary Agreement, Liabilities set forth on the Circor Balance Sheet as increased or reduced in the operation of the Circor Business after June 30, 1999, in case of each of (i), (ii) and (iii), including without limitation the Liabilities listed on Schedule L-1 attached hereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission.

"Distribution" is defined in the recitals to this Agreement.

"Distribution Agent" means BankBoston, N.A., in its capacity as agent for Watts in connection with the Distribution.

"Distribution Date" means September 30, 1999 or such other business day as of which the Distribution shall be effective, as determined by the Board of Directors of Watts.

"Disclosure Documents" means the Form 10 and the Information Statement.

"Domestic Income Tax" means any tax imposed under Subtitle A of the Code, any state or local tax imposed on or measured by income, and any related state or local franchise, excise or similar tax that has customarily been included in any provision for income taxes on Watts' financial statements, together with any related interest, penalties and additions to tax.

"Effective Realization" (and the correlative terms "Effectively Realized" and "Effectively Realizes") means, with respect to a Tax Benefit, the first to occur of (i) the receipt by the Watts Affiliated Group or the Circor Affiliated Group of cash from a taxing authority reflecting such Tax Benefit or (ii) the application of such Tax Benefit to reduce (A) the tax liability on a Return of the Watts Affiliated Group or the Circor Affiliated Group, or (B) any other outstanding tax liability of the Watts Affiliated Group or the Circor Affiliated Group.

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

"Final Determination" means the final resolution of any Tax liability (together with all related interest, penalties and additions to tax) for a taxable period. A Final Determination shall result from the first to occur of: (i) the expiration of 30 days after the official IRS acceptance of a Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment on Federal Revenue Form 870 or 870-AD (or any successor comparable form) or the expiration of a comparable period with respect to any comparable agreement or form under

applicable law unless, within such period, the taxpayer (whether Watts or Circor) gives notice to the other party of the taxpayer's intention to attempt to recover all or part of any amount paid pursuant to the Waiver by filing a timely claim for refund; (ii) a decision, judgment, decree or other order of a court of competent jurisdiction with respect to any Tax liability that has become final and is not subject to further judicial review by appeal or otherwise; (iii) the execution of a closing agreement under Section 7121 of the Code or the official acceptance by the IRS of an offer in compromise under Section 7122 of the Code, or comparable agreements under applicable law; (iv) the expiration of the time for filing a claim for refund or for instituting suit in respect of a claim for refund disallowed in whole or part by the IRS; (v) any other final disposition of a Tax liability by reason of the expiration of the applicable statute(s) of limitations; or (vi) any other event that the parties agree is a final and irrevocable determination of the Tax liability at issue.

"Form 10" means the registration statement on Form 10 filed by Circor with the Commission to effect the registration of the Circor Common Stock pursuant to the Exchange Act, as such registration statement may be amended from time to time.

"Group" means the Watts Group or the Circor Group, as applicable.

"Information Statement" means the information statement contained in the Form 10 and to be sent to each holder of Watts Common Stock in connection with the Distribution.

"Intercompany Tax Payment" means any payment between the Watts Affiliated Group and the Circor Affiliated Group required under Article VII of this Agreement.

"Internal Reorganization" means the transactions set forth in the Sequence of Transactional Steps attached hereto as Exhibit B.

"IRS" means the Internal Revenue Service.

"Letter Ruling" means the private letter ruling received from the IRS and dated September ___, 1999 regarding the federal income tax consequences of the Distribution and the Internal Reorganization.

"Letter Ruling Request" means the request for the Letter Ruling submitted to the IRS and dated January 28, 1999 and accompanying documents, together with all supplements thereto and accompanying documents.

"Liabilities" means any and all claims, debts, liabilities and obligations, absolute or contingent, matured or not matured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, including all costs and expenses relating thereto, and including, without limitation, those debts, liabilities and obligations arising under this Agreement, any law, rule, regulation, action, order or consent decree of any governmental entity or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking.

"Other Tax" means any Tax other than a Domestic Income Tax or Transaction Tax.

"Person" means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any governmental authority.

"Record Date" means the date designated by Watts' Board of Directors as the record date for determining the stockholders of Watts entitled to receive the Distribution.

"Return" means any Tax return, statement, report, form or election (including, without limitation, estimated Tax returns and reports, extension requests and forms, and information returns and reports) required to be filed with any taxing authority, in each case as amended and finally adjusted.

"Securities Act" means the Securities Act of 1933, as amended.

"Spin-Off Tax" means any Domestic Income Tax incurred by the Watts Affiliated Group as a result of the Distribution failing to qualify as a transaction described in Code Section 355 or through the application of Code Section 355(d) or (e).

"Supply Agreement" means the Supply Agreement entered into on or before the Distribution Date between Watts and Circor, as amended from time to time.

"Tax" means any Domestic Income tax, Spin-Off Tax or Transaction Tax, any tax imposed under the Code, and any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding (as payor or recipient), payroll, employment, excise, severance, stamp, capital stock, occupation, property, real property gains, environmental, windfall, premium, custom, duty or other tax, recording fee, governmental fee or other like assessment or charge of any kind whatsoever imposed by any domestic or foreign jurisdiction, together with any related interest, penalties and additions to tax.

"Tax Benefit" means any item of loss, deduction, amortization, credit, exclusion from income or similar item that reduces a Tax liability and would not, but for an Adjustment, be allowable.

"Tax Counsel" means an attorney, law firm, accountant, accounting firm or other person with an expertise in Tax matters.

"Tax Proceeding" means any Tax audit, dispute or proceeding (whether administrative or judicial).

"Trademark License Agreement" means the Trademark License Agreement entered into on or before the Distribution Date between Watts and Circor, as amended from time to time.

"Tradenames" has the meaning set forth in Section 3.06.

"Transaction Tax" means any Tax incurred as a result of the transactions provided for in this Agreement other than a Domestic Income Tax or Spin-Off Tax.

"Watts Affiliated Group" means the Affiliated Group which has Watts as its common parent (within the meaning of Code Section 1504(a)) for the taxable period in question.

"Watts Business" means the business now or formerly conducted by Watts and its present and former subsidiaries, other than the Circor Business.

"Watts Common Stock" means, collectively, the class A common stock, $.01 par value and class B common stock, $.01 par value, of Watts.

"Watts Group" means Watts and its subsidiaries, excluding any member of the Circor Group.

"Watts Liabilities" means (i) Liabilities of Watts under this Agreement or any Ancillary Agreement and (ii) Liabilities, other than Circor Liabilities, incurred in connection with the operation of the Watts Business, whether arising before, on or after the Distribution Date, including without limitation the Liabilities listed on Schedule L-2 attached hereto.

ARTICLE II - THE DISTRIBUTION

Section II.1. Actions to be Taken Prior to the Distribution.

Watts and Circor shall take the following actions before the Distribution Date:

(a) Watts and Circor shall prepare, and Circor shall file with the Commission, the Form 10, which shall include the Information Statement. The Information Statement shall set forth appropriate disclosure concerning Circor, the Distribution and any other appropriate matters. Watts and Circor shall use all reasonable efforts to cause the Form 10 to become effective under the Exchange Act. Watts shall mail the Information Statement to the holders of Watts Common Stock as of the Record Date.

(b) Watts and Circor shall cooperate in preparing, filing with the Commission under the Securities Act and causing to become effective as of the Distribution Date any registration statements or amendments thereto that are appropriate to reflect the establishment of or amendments to any employee benefit plan contemplated by the Benefits Agreement.

(c) Watts and Circor shall by means of a stock split or stock distribution cause the number of outstanding shares of Circor Common Stock to be equal to the number of shares to be distributed in the Distribution.

(d) Circor shall prepare, file and pursue an application to permit listing of the Circor Common Stock on the New York Stock Exchange.

Section II.2. Watts Board Action; Conditions Precedent to the Distribution.

Watts' Board of Directors shall, in its sole discretion, establish the Record Date and the Distribution Date and any appropriate procedures in connection with the Distribution. In no event shall the

Distribution occur unless the following conditions shall have been satisfied or waived by both Watts and Circor:

(a) the Internal Reorganization shall have been completed;

(b) Watts shall have received a private letter ruling from the Internal Revenue Service, in form and substance satisfactory to Watts, that the Distribution will not be taxable to the shareholders of Watts pursuant to Section 355 of the Code;

(c) any necessary government approvals shall have been received and be in full force and effect;

(d) the Form 10 shall have become and remain effective under the Exchange Act;

(e) Circor's Board of Directors, as named in the Form 10, shall have been elected, and the Circor Certificate and Circor Bylaws shall be in effect;

(f) Watts and Circor shall have entered into the Ancillary Agreements;

(g) the Circor Common Stock shall have been approved for listing on the New York Stock Exchange, subject to official notice of distribution; and

(h) Circor shall have obtained debt financing in amounts and on terms and conditions satisfactory to Circor.

Section II.3. The Distribution. On or before the Distribution Date, subject to satisfaction or waiver of the conditions set forth in this Agreement, Watts shall deliver to the Distribution Agent a certificate or certificates representing all of the then outstanding shares of Circor Common Stock held by Watts, endorsed in blank, and shall instruct the Distribution Agent, except as otherwise provided in Section 2.04, to distribute to each holder of record of Watts Common Stock on the Record Date a certificate or certificates representing one share of Circor Common Stock for each two shares of Watts Common Stock held by such holder. Circor agrees to provide all share certificates and any information that the Distribution Agent shall require in order to effect the Distribution.

Section II.4. Fractional Shares. The Distribution Agent will not distribute any fractional share of Circor Common Stock to any holder. Watts shall instruct the Distribution Agent to aggregate all such fractional shares and sell them in an orderly manner after the Distribution Date in the open market or otherwise (in each case at then prevailing trading prices) and, after completion of such sales, distribute a pro rata portion of the proceeds from such sales, based upon the average gross selling price of all such Circor Common Stock, less a pro rata portion of the aggregate brokerage commissions payable in connection with such sales, to each holder of Watts Common Stock who would otherwise have received a fractional share of Circor Common Stock.

ARTICLE III - INTERNAL REORGANIZATION; TRANSITION ARRANGEMENTS

Section III.1. Internal Reorganization; Discharge of Liabilities.

(a) On or before the Distribution Date, Watts will effect and will cause its subsidiaries to effect the Internal Reorganization. In connection therewith, Watts shall execute and deliver, and shall cause its subsidiaries to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of Watts' and its subsidiaries' right, title and interest in and to the Circor Assets to the Circor Group, and the assumption by the Circor Group of all the Circor Liabilities.

(b) Except as otherwise expressly provided herein or in any of the Ancillary Agreements, on the Distribution Date, whether or not all Circor Assets and Circor Liabilities shall have been legally transferred to and assumed by the Circor Group, (i) all Circor Assets are intended to be and shall become exclusively the Assets of the Circor Group, (ii) all Circor Liabilities are intended to be and shall become exclusively the Liabilities of the Circor Group and (iii) all other Assets and Liabilities of Watts and its subsidiaries are intended to be and shall remain exclusively the Assets or Liabilities of the Watts Group.

(c) Circor agrees that on and after the Distribution Date it will pay, perform and discharge, or cause to be paid, performed or discharged, all of the Circor Liabilities in accordance with their respective terms.

(d) Watts agrees that on and after the Distribution Date it will pay, perform and discharge, or cause to be paid, performed and discharged, all of the Watts Liabilities in accordance with their respective terms.

(e) In the event that any transfer, assignment or conveyance of an Asset required hereby is not effected on or before the Distribution Date, the obligation to transfer such Asset shall continue past the Distribution Date and shall be accomplished as soon thereafter as practicable.

(f) If any Circor Asset may not be transferred by reason of the requirement to obtain the consent of any third party and such consent has not been obtained by the Distribution Date, then such Circor Asset shall not be transferred until such consent has been obtained, and Watts shall cause the owner of such Circor Asset to use all reasonable efforts to provide to the appropriate member of the Circor Group all the rights and benefits under such Circor Asset and cause such owner to enforce such Circor Asset for the benefit of the Circor Group. Both parties shall otherwise cooperate and use all reasonable efforts to provide the economic and operational equivalent of an assignment or transfer of the Circor Asset.

(g) From and after the Distribution Date, each party shall promptly transfer or cause the members of its Group to promptly transfer to the other party or the appropriate member of the other party's Group, from time to time, any property received that is an Asset of the other party or a member of the other party's Group. Without limiting the foregoing, funds received by a member of one Group upon the payment of accounts receivable that belongs to a member of the

other Group shall be transferred to the other Group by wire transfer not more than five (5) business days after receipt of such payment.

Section III.2. Termination of Agreements.

(a) Except as set forth in Section 3.02(b), in furtherance of the releases and other provisions of Section 4.01 hereof, Circor and each member of the Circor Group, on the one hand, and Watts and each member of the Watts Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among Circor and/or any member of the Circor Group, on the one hand, and Watts and/or any member of the Watts Group, on the other hand, effective as of the Distribution Date. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Distribution Date. Each party shall, at the reasonable request of any other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 3.02(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) this Agreement, the Ancillary Agreements and each other agreement or instrument expressly contemplated by this Agreement or the Ancillary Agreements to be entered into by any of the parties hereto or any of the members of their respective Groups; (ii) any agreements, arrangements, commitments or understandings listed or described on Schedule 3.02(b)(ii); and (iii) any other agreements, arrangements, commitments or understandings that this Agreement or any Ancillary Agreement expressly contemplates will survive the Distribution Date.

Section III.3. Disclaimer of Representations and Warranties.

(a) Each of Watts (on behalf of itself and each member of the Watts Group) and Circor (on behalf of itself and each member of the Circor Group) understands and agrees that, except as expressly set forth herein or in any Ancillary Agreement, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, is representing or warranting in any way as to the Assets, businesses or Liabilities transferred or assumed as contemplated hereby or thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any security interests of, or any other matter concerning, any Assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Asset or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth herein or in any Ancillary Agreement, all such Assets are being transferred on an "as is," "where is" basis.

Section III.4. Insurance.

(a) Before the Distribution Date, Watts and Circor will cooperate in obtaining insurance (or binders therefor) providing coverage to the Circor Group on terms and conditions satisfactory to Circor.

(b) Watts will use all reasonable efforts to maintain directors' and officers' liability insurance at substantially the level of Watts's current directors' and officers' liability insurance policy with respect to the directors and officers of Watts who will become directors and officers of Circor as of the Distribution Date for acts as directors and officers of members of the Watts Group during periods prior to the Distribution Date.

(c) Watts will pay or reimburse the Circor Group for the amount of any deductible or self-insured retention maintained by Watts in respect of any loss or damage to any Circor Assets in excess of normal intercompany deductibles incurred on or before September 30, 1999 that would be covered by insurance maintained by Watts but for such deductible or self-insured retention. Circor shall submit to Watts such evidence of the loss as Watts may reasonably require.

Section III.5. Certain Intellectual Property Matters. Except as set forth in the Trademark License Agreement:

(a) After the Distribution Date neither party shall, directly or indirectly, use any name or any other trademark or tradename (collectively, the "Tradenames") of the other party or its Group or any tradename or trademark likely to cause confusion with the Tradenames of the other party or its Group.

(b) After the Distribution Date, each party shall have the right to sell existing inventory and to use existing brochures, packaging, labeling, containers, supplies, advertising materials, technical data sheets and any similar materials bearing any Tradenames until the earlier of (i) one (1) year after the Distribution Date and (ii) the date existing stocks are exhausted. Each party shall comply with all applicable laws or regulations in any use of packaging or labeling containing the Tradenames.

(c) Neither party shall be obligated to change the Tradenames on finished goods in inventory and other materials in the hands of dealers, distributors and customers at the time of expiration of a time period set forth in (b) above.

(d) Each party agrees to use reasonable efforts to cease using the Tradenames of the other party on buildings, cars, trucks and other fixed assets as soon as possible but in any event within a period not to exceed one (1) year after the Distribution Date.

ARTICLE IV - INDEMNIFICATION

Section IV.1. Release of Pre-closing Claims.

(a) Except as provided in Section 4.01(c), effective as of the Distribution Date, Circor does hereby, for itself and each other member of the Circor Group, their respective Affiliates (other than any member of the Watts Group), successors and assigns, release and forever discharge Watts, the members of the Watts Group, their respective Affiliates (other than any member of the Circor Group), successors and assigns, from any and all Liabilities

whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Distribution Date, including in connection with the transactions and all other activities to implement any of the Internal Reorganization and the Distribution.

(b) Except as provided in Section 4.01(c), effective as of the Distribution Date, Watts does hereby, for itself and each other member of the Watts Group, their respective Affiliates (other than any member of the Circor Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been shareholders, directors, officers, agents or employees of any member of the Watts Group (in their respective capacities as such), release and forever discharge Circor, the respective members of the Circor Group, their respective Affiliates (other than any member of the Watts Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been shareholders, directors, officers, agents or employees of any member of the Circor Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Distribution Date, including in connection with the transactions and all other activities to implement any of the Internal Reorganization and the Distribution.

(c) Nothing contained in Section 4.01(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in Section 3.02(b) or the applicable Schedules thereto not to terminate as of the Distribution Date, in each case in accordance with its terms. Nothing contained in Section 4.01(a) or (b) shall release any member of the Circor Group or any member of the Watts Group from the Circor Liabilities or the Watts Liabilities, respectively.

(d) Circor shall not make, and shall not permit any member of the Circor Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Watts or any member of the Watts Group, or any other Person released pursuant to Section 4.01(a), with respect to any Liabilities released pursuant to Section 4.01(a). Watts shall not, and shall not permit any member of the Watts Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Circor or any member of the Circor Group, or any other Person released pursuant to Section 4.01(b), with respect to any Liabilities released pursuant to Section 4.01(b).

(e) It is the intent of each of Watts and Circor by virtue of the provisions of this Section 4.01 to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Distribution Date, between or among Circor or any member of the Circor Group, on the one hand, and Watts or any member of the Watts Group, on the other hand (including any

contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Distribution Date), except as expressly set forth in Section 4.01(c). At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

Section IV.2. Circor Indemnification of the Watts Group. On and after the Distribution Date, Circor shall indemnify, defend and hold harmless each member of the Watts Group, and each of their respective directors, officers, employees and agents (the "Watts Indemnitees") from and against any and all damage, loss, liability and expense (including, without limitation, reasonable expenses of investigation and reasonable attorneys, fees and expenses in connection with any and all Actions or threatened Actions) (collectively, "Indemnifiable Losses") incurred or suffered by any of the Watts Indemnitees and arising out of, or due to the failure of Circor or any member of the Circor Group to pay, perform or otherwise discharge, any of the Circor Liabilities, whether before or after the Distribution Date.

Section IV.3. Watts Indemnification of the Circor Group. On and after the Distribution Date, Watts shall indemnify, defend and hold harmless each member of the Circor Group and each of their respective directors, officers, employees and agents (the "Circor Indemnitees") from and against any and all Indemnifiable Losses incurred or suffered by any of the Circor Indemnitees and arising out of, or due to the failure of Watts or any member of the Watts Group to pay, perform or otherwise discharge, any of the Watts Liabilities, whether before or after the Distribution Date.

Section IV.4. Insurance and Third Party Obligations. The parties intend that any Liability subject to indemnification pursuant to this Article IV will be net of insurance proceeds and tax benefits (if any) that actually reduce the amount of the Liability. Accordingly, the amount which any Indemnifying Party is required to pay to any Indemnified Party will be reduced by any insurance proceeds theretofore actually recovered by or on behalf of the Indemnified Party in reduction of the related Liability. If an Indemnified Party receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives insurance proceeds, then the Indemnified Party will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the insurance proceeds had been received or realized before the Indemnity Payment was made. No insurer or any other third party shall be (a) entitled to a benefit it would not be entitled to receive in the absence of the foregoing indemnification provisions; (b) relieved of the responsibility to pay any claims for which it is obligated or (c) entitled to any subrogation rights with respect to any obligation hereunder. Nothing contained in this Agreement shall obligate any member of any Group to seek to collect or recover any insurance proceeds.

Section IV.5. Survival. The rights and obligations of each party under this Article IV shall survive the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities.

ARTICLE V - INDEMNIFICATION PROCEDURES

Section V.1 Notice and Payment of Claims. If any Watts Indemnitee or Circor Indemnitee (the "Indemnified Party") determines that it is or may be entitled to indemnification by a party (the "Indemnifying Party") under Article IV (other than in connection with any Action or claim subject to Section 6.02), the Indemnified Party shall deliver to the Indemnifying Party a written notice specifying, to the extent reasonably practicable, the basis for its claim for indemnification and the amount for which the Indemnified Party reasonably believes it is entitled to be indemnified. After the Indemnifying Party shall have been notified of the amount for which the Indemnified Party seeks indemnification, the Indemnifying Party shall, within thirty (30) days after receipt of such notice, pay the Indemnified Party such amount in cash or other immediately available funds (or reach agreement with the Indemnified Party as to a mutually agreeable alternative payment schedule) unless the Indemnifying Party objects to the claim for indemnification or the amount thereof. If the Indemnifying Party objects to a claim for indemnification or the amount thereof or does not respond to such claim within the same thirty (30) day period, the Indemnified Party may exercise any and all of its rights under this Agreement and applicable law with respect to such claim.

Section V.2 Notice and Defense of Third-Party Claims.

(a) Promptly following the earlier of (i) receipt of notice of the commencement by a third party of any Action against or otherwise involving any Indemnified Party or (ii) receipt of information from a third party alleging the existence of a claim against an Indemnified Party, in either case, with respect to which indemnification may be sought pursuant to this Agreement (a "Third-Party Claim"), the Indemnified Party shall give the Indemnifying Party written notice thereof describing the Third-Party Claim in reasonable detail. The failure of the Indemnified Party to give notice as provided in this Section 5.02 shall not relieve the Indemnifying Party of its obligation sunder this Agreement, except to the extent that the Indemnifying Party is prejudiced by such failure to give notice. Within thirty (30) days after receipt of such notice (or sooner, if the nature of the Third-Party Claim so requires), the Indemnifying Party may by giving written notice thereof to the Indemnified Party, (a) acknowledge, as between the parties hereto, liability for and at its option elect to assume the defense of such Third-Party Claim at its sole cost and expense or (b) object to the claim of indemnification set forth in the notice delivered by the Indemnified Party pursuant to the first sentence of this Section 5.02; provided that if the Indemnifying Party does not within the same thirty (30) day period give the Indemnified Party written notice objecting to such claim and setting forth the grounds therefor, the Indemnifying Party shall be deemed to have rejected any liability for such Third-Party Claim. Any contest of a Third-Party Claim as to which the Indemnifying Party has elected to assume the defense shall be conducted by attorneys employed by the Indemnifying Party and reasonably satisfactory to the Indemnified Party; provided that the Indemnified Party shall have the right to participate in such proceedings and to be represented by attorneys of its own choosing at the Indemnified Party's sole cost and expense.

If the Indemnifying Party assumes the defense of a Third-Party Claim, the Indemnifying Party may settle or compromise the claim without the prior written consent of the Indemnified Party; provided that the Indemnifying Party may not agree to any such settlement pursuant to which any such remedy or relief, other than monetary damages for which the Indemnifying Party

shall be responsible hereunder, shall be applied to or against the Indemnified Party, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld. If the Indemnifying Party does not assume the defense of a Third-Party Claim for which it has acknowledged liability for indemnification under Article IV, the Indemnified Party may require the Indemnifying Party to reimburse it on a current basis for its reasonable expenses of investigation, reasonable attorney's fees and reasonable out-of-pocket expenses incurred in defending against such Third-Party Claim and the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party; provided that the Indemnifying Party shall not be liable for any settlement effected without its consent, which consent shall not be unreasonably withheld. The Indemnifying Party shall pay to the Indemnified Party in cash the amount for which the Indemnified Party is entitled to be indemnified (if any) within fifteen (15) days after the final resolution of such Third-Party Claim (whether by the final nonappealable judgment of a court of competent jurisdiction or otherwise) or, in the case of any Third-Party Claim as to which the Indemnifying Party has not acknowledged liability, within fifteen (15) days after such Indemnifying Party's objection has been resolved by settlement, compromise or the final nonappealable judgment of a court of competent jurisdiction.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnified Party in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnified Party as to any events or circumstances in respect of which such Indemnified Party may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other person. Such Indemnified Party shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

ARTICLE VI - ALLOCATION OF PENSION PLAN ASSETS

Section V.I.1 Establishment of Plans.

(a) Circor shall establish the CIRCOR International, Inc. Retirement Plan for Salaried Employees (the "Circor Salaried Plan") and the CIRCOR International, Inc. Retirement Plan for Hourly Employees (the "Circor Hourly Plan"), to be effective immediately following the Distribution. Participants in the Watts Industries, Inc. Retirement Plan for Salaried Employees (the "Watts Salaried Plan") who are employees of the Circor Group immediately after the Distribution will become participants in the Circor Salaried Plan as of such time, and participants in the Watts Industries, Inc. Hourly Pension Plan (the "Watts Hourly Plan") who are employees of the Circor Group immediately after the Distribution will become participants in the Circor Hourly Plan as of such time. Eligible employees of the Circor Group after the Distribution shall become participants in the Circor Salaried Plan or the Circor Hourly Plan, as appropriate.

(b) Watts currently maintains the Watts Industries, Inc. 401(k) Savings Plan (the "Watts 401(k) Plan"). Effective September 1, 1999, Watts shall adopt a 401(k) plan with provisions substantially similar to those of the Watts 401(k) Plan (the "Circor International, Inc. 401(k) Savings Plan") except that participation in the Circor Group 401(k) Plan shall be limited to employees of the Circor Group. Watts shall transfer the assets, forfeitures and outstanding

promissory notes of the Watts 401(k) Plan which are attributable to participants who are or were, and beneficiaries of, employees of the Circor Group, to the Circor Group 401(k) Plan on or about September 1, 1999. Beginning with the effective date of the Circor Group 401(k) Plan until the Distribution, all eligible employees of the Circor Group shall become participants in the Circor Group 401(k) Plan. At the Distribution, Watts shall transfer sponsorship of the Circor Group 401(k) Plan to Circor. Eligible employees of the Circor Group after the Distribution shall become participants in the Circor 401(k) Plan.

Section VI.2. Allocation of Assets and Liabilities. The assets and liabilities of the Watts Salaried Plan and the Watts Hourly Plan shall be allocated between Watts and Circor as described herein:

(a) Watts Salaried Plan. The assets and liabilities of the Watts Salaried Plan shall be allocated between Watts and Circor, and the assets and liabilities allocated to Circor shall be transferred to the Circor Salaried Plan, based upon the following methodology:

(1) the total value of plan assets of the Watts Salaried Plan as of the Distribution Date shall be determined by adding (i) the fair market value of the assets of such plan as of the Distribution Date and (ii) the portion of the minimum required contribution for the 1999 plan year for such plan which has not yet been contributed to such plan by the Distribution Date;

(2) the plan termination liability (the "PTL") shall be determined for the Watts Salaried Plan as of the Distribution Date ("Total Salaried Plan PTL"). The PTL shall be the amount of benefits that would be provided as benefits to participants in the Watts Salaried Plan pursuant to Section 4044 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations thereunder if the plan terminated, using the assumptions used by the Pension Benefit Guaranty Corporation as of the Distribution Date as required by Treas. Reg. Section 1.414(l)-1(b)(5)(ii). The Total Salaried Plan PTL determined for the Watts Salaried Plan shall be bifurcated into (1) the PTL of the group of participants in the Watts Salaried Plan who will become employees of the Circor Group immediately following the Distribution (the "Circor Salaried Plan PTL"), and (2) the difference between the Total Salaried Plan PTL less the Circor Salaried Plan PTL (the "Non-Circor Salaried Plan PTL");

(3) (i) If the total value of plan assets of the Watts Salaried Plan is greater than or equal to the Total Salaried Plan PTL, a portion of such assets shall be allocated to Circor by multiplying the total amount of such assets by a fraction, the numerator of which is the Circor Salaried Plan PTL and the denominator of which is the Total Salaried Plan PTL.

(ii) If the total value of plan assets of the Watts Salaried Plan is less than the Total Salaried Plan PTL, the portion of plan assets which shall be allocated to Watts and Circor shall be based on the priority categories under Section 4044 of ERISA, as required by Treas. Reg. Section 1.414(l)-1(b)(5)(ii).

(4) Within a reasonable time after the assets of the Watts Salaried Plan have been allocated as set forth above, the amount of assets allocated to Circor which shall be transferred in cash or in kind to the Circor Salaried Plan on the Salaried Plan Transfer Date (as

defined herein) shall be equal to the sum of the amount allocated to Circor as of the Distribution Date, plus a pro-rata amount of the investment return earned by the Watts Salaried Plan from the Distribution Date to the most recent monthly statement date prior to the Salaried Plan Transfer Date, plus interest, at a rate equal to the average of the daily 3-month Treasury bill rates which are published each business day in the Wall Street Journal for the period of time beginning on the first business day after the most recent monthly statement date and ending on the last business day before the Salaried Plan Transfer Date, on such allocated assets from the most recent monthly statement date to the Salaried Plan Transfer Date, less Salaried Plan Allocated Benefit Payments (as defined herein) and Salaried Plan Allocated Expenses (as defined herein) from the Distribution Date to the Salaried Plan Transfer Date.

For purposes hereof, the "Salaried Plan Transfer Date" shall be defined as the date that plan assets from the Watts Salaried Plan are transferred to the trust for the Circor Salaried Plan, which date shall occur as soon as reasonably practicable following receipt by Circor of a favorable determination letter from the Internal Revenue Service to the effect that the Circor Salaried Plan meets the qualification requirements of Code Section 401(a) or an opinion from Circor's legal counsel which is reasonably satisfactory to Watts to the effect that the Circor Salaried Plan meets the qualification requirements of Code Section 401(a). For purposes hereof, "Salaried Plan Allocated Benefit Payments" shall be equal to any benefit payments made under the Watts Salaried Plan to or in respect of any individual who was a participant in such plan as of the Distribution, who is an employee of the Circor Group immediately following the Distribution and who becomes eligible for benefit payments following the Distribution but prior to the Salaried Plan Transfer Date. For purposes hereof, "Salaried Plan Allocated Expenses" shall be equal to any administrative expenses paid by the trust of the Watts Salaried Plan after the Distribution which are attributable to the administration of the Watts Salaried Plan with respect to participants in the Watts Salaried Plan as of the Distribution who are employees of the Circor Group immediately following the Distribution, including, but not limited to, PBGC premium payments, consulting fees or accounting fees. Notwithstanding the foregoing, Watts shall pay any and all expenses associated with the allocation and transfer of assets from the Watts Salaried Plan to the Circor Salaried Plan.

(b) Watts Hourly Plan. The assets and liabilities of the Watts Hourly Plan shall be allocated between Watts and Circor, and the assets and liabilities allocated to Circor shall be transferred to the Circor Hourly Plan, based upon the following methodology:

(1) the total value of plan assets of the Watts Hourly Plan as of the Distribution Date shall be determined by adding (i) the fair market value of the assets of such plan as of the Distribution Date and (ii) the portion of the minimum required contribution for the 1999 plan year for such plan which has not yet been contributed to such plan by the Distribution Date;

(2) the plan termination liability (the "PTL") shall be determined for the Watts Hourly Plan as of the Distribution Date ("Total Hourly Plan PTL"). The PTL shall be the amount of benefits that would be provided as benefits to participants in the Watts Hourly Plan pursuant to Section 4044 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations thereunder if the plan terminated, using the assumptions used by the Pension Benefit Guaranty Corporation as of the Distribution Date as

required by Treas. Reg. Section 1.414(l)-1(b)(5)(ii). The Total Hourly Plan PTL determined for the Watts Hourly Plan shall be bifurcated into (1) the PTL of the group of participants in the Watts Hourly Plan who will become employees of the Circor Group immediately following the Distribution (the "Circor Hourly Plan PTL"), and (2) the difference between the Total Hourly Plan PTL less the Circor Hourly Plan PTL (the "Non-Circor Hourly Plan PTL");

(3) (i) If the total value of plan assets of the Watts Hourly Plan is greater than or equal to the Total Hourly Plan PTL, a portion of such assets shall be allocated to Circor by multiplying the total amount of such assets by a fraction, the numerator of which is the Circor Hourly Plan PTL and the denominator of which is the Total Hourly Plan PTL.

(ii) If the total value of plan assets of the Watts Hourly Plan is less than the Total Hourly Plan PTL, the portion of plan assets which shall be allocated to Watts and Circor shall be based on the priority categories under Section 4044 of ERISA, as required by Treas. Reg. Section 1.414(l)-1(b)(5)(ii).

(4) Within a reasonable time after the assets of the Watts Hourly Plan have been allocated as set forth above, the amount of assets allocated to Circor which shall be transferred in cash or in kind to the Circor Hourly Plan on the Hourly Plan Transfer Date (as defined herein) shall be equal to the sum of the amount allocated to Circor as of the Distribution Date, plus a pro-rata amount of the investment return earned by the Watts Hourly Plan from the Distribution Date to the most recent monthly statement date prior to the Hourly Plan Transfer Date, plus interest, at a rate equal to the average of the daily 3-month Treasury bill rates which are published each business day in the Wall Street Journal for the period of time beginning on the first business day after the most recent monthly statement date and ending on the last business day before the Hourly Plan Transfer Date, on such allocated assets from the most recent monthly statement date to the Hourly Plan Transfer Date, less Hourly Plan Allocated Benefit Payments (as defined herein) and Hourly Plan Allocated Expenses (as defined herein) from the Distribution Date to the Hourly Plan Transfer Date.

For purposes hereof, the "Hourly Plan Transfer Date" shall be defined as the date that plan assets from the Watts Hourly Plan are transferred to the trust for the Circor Hourly Plan, which date shall occur as soon as reasonably practicable following receipt by Circor of a favorable determination letter from the Internal Revenue Service to the effect that the Circor Hourly Plan meets the qualification requirements of Code Section 401(a) or an opinion from Circor's legal counsel which is reasonably satisfactory to Watts to the effect that the Circor Hourly Plan meets the qualification requirements of Code Section 401(a). For purposes hereof, "Hourly Plan Allocated Benefit Payments" shall be equal to any benefit payments made under the Watts Hourly Plan to or in respect of any individual who was a participant in such plan as of the Distribution, who is an employee of the Circor Group immediately following the Distribution and who becomes eligible for benefit payments following the Distribution but prior to the Hourly Plan Transfer Date. For purposes hereof, "Hourly Plan Allocated Expenses" shall be equal to any administrative expenses paid by the trust of the Watts Hourly Plan after the Distribution which are attributable to the administration of the Watts Hourly Plan with respect to participants in the Watts Hourly Plan as of the Distribution who are employees of the Circor Group immediately following the Distribution, including, but not limited to, PBGC premium payments, consulting fees or accounting fees. Notwithstanding the foregoing, Watts shall pay any and all

expenses associated with the allocation and transfer of assets from the Watts Hourly Plan to the Circor Hourly Plan.

Section VI.3 Reporting Requirements. Watts and Circor shall each reasonably cooperate with the other party with respect to any required Internal Revenue Service, Department of Labor or Pension Benefit Guaranty Corporation reporting for the transfer of assets described herein.

ARTICLE VII - TAX MATTERS

Section VII.1 Returns and Tax Proceedings.

(a) Domestic Income Taxes. With respect to Domestic Income Taxes, Watts shall be responsible for filing Returns for members of the Watts Affiliated Group for taxable periods beginning before the Distribution Date.

(b) Other Taxes. With respect to Other Taxes, responsibility for filing a Return shall fall on the party that under Section 7.03(b) is responsible for paying the Other Tax to which the Return relates.

(c) Post-Distribution Periods. With respect to Domestic Income Taxes for taxable periods other than taxable periods beginning before the Distribution Date, Watts shall be responsible for filing Returns for members of the Watts Affiliated Group, and Circor shall be responsible for filing Returns for members of the Circor Affiliated Group.

(d) Transaction Taxes. Watts shall be responsible for filing Returns relating to Transaction Taxes.

(e) Tax Proceedings. Except as provided in Section 7.06(a), the party responsible for filing a Return under this Section 7.01 shall have full control over any Tax Proceeding regarding matters subject to such Return.

Section VII.2. Tax Return Positions. Watts and Circor agree that, except as otherwise provided herein, the transactions contemplated in this Agreement shall be treated by Watts and Circor on all Returns in a manner which conforms to the representations, undertakings and statements made in the Letter Ruling Request. In their preparation and filing of Returns, both the Watts Affiliated Group (and any direct or indirect subsidiaries) and the Circor Affiliated Group (and any direct or indirect subsidiaries) shall follow prior methods, practices and procedures (except to the extent that departure from such methods, practices and procedures would not materially adversely affect members of the other Affiliated Group (or their direct or indirect subsidiaries) and Watts shall not discriminate against members of the Circor Affiliated Group (or their direct or indirect subsidiaries) in the preparation of Returns under Section 7.01(a) for the period beginning July 1, 1999.

Section VII.3. Responsibility for Taxes Generally.

(a) Domestic Income Taxes.

(i) Except as otherwise provided herein, the Watts Affiliated Group shall pay, and shall indemnify and hold harmless each member of the Circor Affiliated Group (and each direct or indirect foreign subsidiary thereof) from, all Domestic Income Taxes with respect to which Watts is responsible for filing a Return under Section 7.01(a) and (c), and the Watts Affiliated Group shall be entitled to receive and retain all refunds of Income Taxes for which the Watts Affiliated Group would have been responsible hereunder in the absence of the refund.

(ii) Except as otherwise provided herein, the Circor Affiliated Group shall pay, and shall indemnify and hold harmless each member of the Watts Affiliated Group (and each direct or indirect foreign subsidiary thereof) from, all Domestic Income Taxes with respect to which Circor is responsible for filing a Return under Section 7.01(c), and the Circor Affiliated Group shall be entitled to receive and retain all refunds of Income Taxes for which the Circor Affiliated Group would have been responsible hereunder in the absence of the refund.

(b) Other Taxes.

(i) Except as otherwise provided herein, the Watts Affiliated Group shall pay, and shall indemnify and hold harmless each member of the Circor Affiliated Group and each foreign subsidiary thereof from, all Other Taxes attributable to a Watts Asset or the operation of the Watts Business, and the Watts Affiliated Group shall be entitled to receive and retain all refunds of Other Taxes for which the Watts Affiliated Group would have been responsible hereunder in the absence of the refund.

(ii) Except as otherwise provided herein, the Circor Affiliated Group shall pay, and shall indemnify and hold harmless each member of the Watts Affiliated Group and each foreign subsidiary thereof from, all Other Taxes attributable to a Circor Asset or the operation of the Circor Business, and the Circor Affiliated Group shall be entitled to receive and retain all refunds of Other Taxes for which the Circor Affiliated Group would have been responsible hereunder in the absence of the refund.

(iii) In no event shall the Circor Affiliated Group be required to reimburse the Watts Affiliated Group for Other Taxes actually paid by the Watts Affiliated Group prior to the Distribution Date.

(c) Transaction Taxes. Except as otherwise provided herein, the Watts Affiliated Group shall pay, and shall indemnify and hold harmless each member of the Circor Affiliated Group (and each direct or indirect foreign subsidiary thereof) from, all Transaction Taxes, and the Watts Affiliated Group shall be entitled to receive and retain all refunds of Transaction Taxes for which the Watts Affiliated Group would have been responsible hereunder in the absence of the refund.

(d) Tax Benefits.

(i) If an Adjustment to any Return filed by Watts under Section 7.01(a) or (c) results in a Tax Benefit to the Circor Affiliated Group, Circor shall pay Watts an amount equal to the cash value of such Tax Benefit (net of any concomitant increase in any Tax liability incurred by Circor) as and to the extent that such Tax Benefit is Effectively Realized.

(ii) If an Adjustment to any Return filed by Circor under Section 7.01(c) results in a Tax Benefit to the Watts Affiliated Group, Watts shall pay Circor an amount equal to the cash value of such Tax Benefit (net of any concomitant increase in any Tax liability incurred by Watts) as and to the extent that such Tax Benefit is Effectively Realized.

(e) Carrybacks. If the Carryback Period of a Circor Carryback Item includes a taxable period subject to a Return filed by Watts under Section 7.01(a), Circor shall elect (under Code Section 172(b)(3) and (f)(6) and any other applicable Code provision and, to the extent feasible, any similar provision of applicable state or local Income Tax law) to relinquish such Carryback Period unless the parties agree otherwise.

(f) Allocation. Neither Watts nor Circor shall make the election available under Regulations Section 1.1502-76(b)(2)(ii)(D) to ratably allocate items of members of the Circor Affiliated Group unless the parties agree otherwise.

Section VII.4. Responsibility for Spin-Off Tax; Covenants.

(a) Circor Responsibility. Circor and any successor shall be responsible for, and shall indemnify and hold harmless each member of the Watts Affiliated Group (and each direct or indirect foreign subsidiary thereof) from, any loss (including but not limited to any increase in Domestic Income Taxes and reasonable expenses) directly or indirectly caused by a Spin-Off Tax that is attributable to any action or omission of Circor (or any successor).

(b) Watts Responsibility. Watts and any successor shall be responsible for, and shall indemnify and hold harmless each member of the Circor Affiliated Group (and each direct or indirect foreign subsidiary thereof) from, any loss (including but not limited to any increase in Domestic Income Taxes and reasonable expenses) directly or indirectly caused by a Spin-Off Tax that is attributable to any action or omission of Watts (or any successor).

(c) Shared Responsibility. If a Spin-Off Tax is incurred and responsibility for such Spin-Off Tax under Section 7.04(a) and (b) rests either with both parties or neither party, then the responsibility of each party shall be determined in accordance with Section 11.11 hereof.

(d) Circor Covenants. Circor covenants and agrees to:

(i) engage in a public offering of a significant amount of Circor stock within one year of the Distribution Date in a manner consistent with the Letter Ruling and the Letter Ruling Request;

(ii) not participate in any merger, reorganization, acquisition, equity restructuring or other transaction that results in one or more persons acquiring in Circor a 50% or

greater interest, within the meaning of subsection (e) of Section 355 of the Code, within two years of the Distribution Date; and

(iii) not undertake any action (or inaction) that is inconsistent with any undertaking, representation or statement made in the Letter Ruling Request.

(e) Watts Covenants. Watts covenants and agrees to:

(i) not participate in any merger, reorganization, acquisition, equity restructuring or other transaction that results in one or more persons acquiring in Watts a 50% or greater interest, within the meaning of subsection (e) of Section 355 of the Code, within two years of the Distribution Date; and

(ii) not undertake any action (or inaction) that is inconsistent with any undertaking, representation or statement made in the Letter Ruling Request.

(f) Exceptions. Notwithstanding the foregoing, Watts or Circor may act or fail to act in a way that is contrary to the covenants in Section 7.04(d) and (e) if prior to such action (or inaction) Watts or Circor, as the case may be, (i) promptly notifies the other party that it intends to pursue such action (or inaction), and (ii) obtains an opinion from Goodwin, Procter & Hoar llp (or other mutually acceptable Tax Counsel) or a ruling from the IRS to the effect that such action (or inaction) will not result in a Spin-Off Tax.

Section VII.5. Payments.

(a) Interest. Any Intercompany Tax Payment that is not paid when due under Section 7.03(d) (or, where Section 7.03(d) is inapplicable, under Article X) shall bear interest as provided in Article X.

(b) Reporting. Watts and Circor agree that all Intercompany Tax Payments shall be reported for U.S. federal income tax purposes as non-deductible and non-taxable.

Section VII.6. Cooperation and Exchange of Information.

(a) Tax Proceedings.

(i) Notice. If during the course of a Tax Proceeding under the control of one party (whether Watts or Circor, and whether such control is pursuant to Section 7.01(e) or pursuant to applicable Tax law) (the "Tax Indemnitee") any taxing authority proposes or indicates an intention to propose an Adjustment which would result, if confirmed by a Final Determination, in a loss against which the other party (the "Tax Indemnitor") may be required to indemnify the Tax Indemnitee pursuant to this Article VII, the Tax Indemnitee shall promptly notify the Tax Indemnitor thereof in writing. Such notice shall include sufficient information with respect to the issues as to which indemnity may be sought to enable the Tax Indemnitor to determine whether to request the Tax Indemnitee to contest the Adjustment.

(ii) Contest Rights and Conditions. If the Tax Indemnitor requests in writing within 20 days of the receipt of the notification referred to in Section 7.06(a)(i) that the Tax Indemnitee contest the Adjustment, the Tax Indemnitee shall contest the Adjustment; provided that in no event shall the Tax Indemnitee be required to contest any Adjustment unless coincident with the Tax Indemnitor's request (A) the Tax Indemnitee shall have received (I) a written acknowledgment from the Tax Indemnitor of its obligation to indemnify the Tax Indemnitee in the event it does not prevail in contesting such Adjustment and (II) an opinion from mutually acceptable Tax Counsel to the effect that a reasonable basis exists for contesting such Adjustment; and (B) if such contest is to be conducted in a manner requiring payment of a proposed tax deficiency, the Tax Indemnitor shall have advanced to the Tax Indemnitee, on an interest-free basis, an amount sufficient to make payment of the amount attributable to the contested Adjustment, together with any required interest, penalties and additions to tax. If any funds are advanced by the Tax Indemnitor in connection with any Tax Proceeding, any refund received to the extent fairly attributable to such advance shall be returned to the Tax Indemnitor, together with any interest thereon paid by the relevant taxing authority, promptly upon the Tax Indemnitee's receipt of such funds. If the Tax Indemnitor shall have requested the Tax Indemnitee to contest an Adjustment and complied with each of the terms and conditions set forth above, such Adjustment shall be contested, at the direction of the Indemnitor, by mutually acceptable Tax Counsel. If the Tax Indemnitor or the Tax Counsel conducting the contest advocates or fails to protest before any taxing authority a position which would result in a material tax detriment to the Tax Indemnitee not subject to indemnification hereunder, the Tax Indemnitee may replace such Tax Counsel with Tax Counsel of its own selection and any tax detriment suffered by the Tax Indemnitee attributable to such position shall be an amount for which the Tax Indemnitee is entitled to indemnification hereunder.

(iii) Settlement; Release of Indemnification. If the Tax Indemnitor shall have requested the Tax Indemnitee to contest an Adjustment and complied with each of the terms and conditions set forth above, the Tax Indemnitee shall not settle or compromise any Adjustment for which indemnity is sought hereunder without the consent of the Tax Indemnitor unless it simultaneously releases the Tax Indemnitor from its obligations to indemnify the Tax Indemnitee with respect to the issues so settled or compromised. If the Tax Indemnitor shall fail to request the Tax Indemnitee to contest any Adjustment or shall fail to comply with the terms and conditions entitling it to make such request as set forth in Section 7.06(a)(ii), the Tax Indemnitee may in its sole discretion elect to contest (or not contest) such Adjustment with Tax Counsel selected by it, and may at any time settle or compromise the matter without the consent of the Tax Indemnitor and without releasing its rights to indemnity from the Tax Indemnitor.

(iv) Joint Responsibility. If for the reasons described in Section 7.04(c) a Spin-Off Tax is incurred or is proposed by the IRS (or other taxing authority), the notice provisions in Section 7.06(a)(i) hereof shall apply, and notwithstanding any other provision of this Article VII Watts shall have control over any Tax Proceeding relating to such Spin-Off Tax, including without limitation the choice of

Tax Counsel to represent it; provided, however, that Watts shall keep Circor informed of the such Tax Proceeding and shall consult with Circor regarding the material issues raised; and further provided that (A) any choice of forum, (B) any decision to appeal, and (C) any settlement relating to the Spin-Off Tax shall be subject to Circor's approval, which shall not be unreasonably withheld.

(b) Cooperation. Without limiting Section 7.06(a) hereof, Watts and Circor agree to cooperate fully with each other in connection with all matters subject to this Agreement. Such cooperation includes but is not limited to:

(i) making personnel and records available within 10 days (or such other period as may be reasonable under the circumstances) after a request for such personnel or records is made by the other party;

(ii) retaining all records which may contain information or provide evidence relevant to any taxable period until such time as a Final Determination occurs with respect to such taxable period; provided, however, that such records need not be retained longer than 15 years after the end of the latest taxable period to which they relate and such records do not relate to an ongoing contest;

(iii) executing, acknowledging and delivering any instrument or document (including protective refund claims) that may be necessary or helpful in connection with (A) any Return that the other party has the authority to prepare and file under this Agreement, (B) any refund or Tax Benefit to which the other party may be entitled, (C) any Tax Proceeding or other litigation, investigation or action that the other party has authority to control under this Agreement or which may effect any obligation or Tax liability of the other party under this Agreement, or (D) the carrying out of any obligation of the other party under this Agreement;

(iv) using best efforts to obtain any documentation from any governmental authority or other third party that may be necessary or helpful in connection with the foregoing; and

(v) keeping the other party fully informed with respect to any material developments relating to any matter subject to this Agreement.

(c) Failure to Cooperate. If Watts or Circor, as the case may be, fails to provide any information requested pursuant to Section 7.06(b)(i), then the requesting party shall have the right to engage a public accountant of its choice to gather such information. Watts and Circor agree to permit such public accountant full access to all appropriate records or other information in the possession of any member of the Watts Affiliated Group or the Circor Affiliated Group, as the case may be, during reasonable business hours, and to reimburse or pay directly all costs and expenses in connection with the engagement of such public accountant.

(d) Indemnity. Watts agrees to indemnify and hold harmless each member of the Circor Affiliated Group and each direct or indirect foreign subsidiary thereof (and their officers and employees), and Circor agrees to indemnify and hold harmless each member of the Watts Affiliated Group and each direct or indirect foreign subsidiary thereof (and their officers and employees) from any cost, fine, penalty or other expense of any kind attributable to the negligence or misconduct of a member of the Watts Affiliated Group or the Circor Affiliated Group, as the case may be, in supplying inaccurate or incomplete information to a member of the other Affiliated Group.

Section VII.7. Sole Tax Sharing Agreement.

(a) All existing Tax sharing agreements or arrangements (if any), written or unwritten, between the Watts Affiliated Group the Circor Affiliated Group shall be or shall have been terminated as of the Distribution Date. On and after the Distribution Date the Watts Affiliated Group and the Circor Affiliated Group shall have no rights or liabilities (including, without limitation, any rights and liabilities that accrued prior to the Distribution Date) under such terminated agreements and arrangements, and this Article VII shall constitute the sole Tax sharing agreement between the Watts Affiliated Group and the Circor Affiliated Group.

(b) This Article VII does not address the Tax sharing arrangements, if any, (i) among members of the Watts Affiliated Group or (ii) among members of the Circor Affiliated Group.

ARTICLE VIII - ACCOUNTING MATTERS

Section VIII.1. Allocation of Prepaid Items and Reserves. All prepaid items and reserves that have been maintained by Watts on a consolidated basis but that relate in part to assets or liabilities of the Circor Group shall be allocated between Watts and Circor in such reasonable manner as they shall mutually agree.

Section VIII.2. Accounting Treatment of Assets Transferred and Liabilities Assumed. All transfers of Assets of the Watts Group to the Circor Group pursuant to this Agreement shall constitute contributions by Watts to the capital of Circor. All transfers of Assets of the Circor Group to the Watts Group, and the assumption by the Circor Group of Liabilities of the Watts Group, net of Assets received, shall be treated as a distribution by Circor to Watts.

Section VIII.3. Intercompany Accounts. All intercompany accounts between members of the Watts Group and members of the Circor Group existing as of 11:59 p.m. on the day before the Distribution Date, shall be canceled as of such time and netted into equity in accordance with Section 8.02 above.

ARTICLE IX - INFORMATION

Section IX.1. Provision of Corporate Records. Watts and Circor shall each arrange as soon as practicable following the Distribution Date for the delivery to the other of existing corporate documents (e.g. minute books, stock registers, stock certificates, documents of title, contracts, etc.) in its possession relating to the other or its business and affairs.

Section IX.2. Access to Information. From and after the Distribution Date, Watts and Circor shall each afford the other and its accountants, counsel and other designated representatives reasonable access (including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to all records, books, contacts, instruments, computer data and other data and information in its possession relating to the business and affairs of the other (other than data and information subject to an

attorney/client or other privilege), insofar as such access is reasonably required by the other including, without limitation, for audit, accounting and litigation purposes.

Section IX.3. Litigation Cooperation. Watts and Circor shall each use reasonable efforts to make available to the other, upon written request, its officers, directors, employees and agents as witnesses to the extent that such persons may reasonably be required in connection with any legal, administrative or other proceedings arising out of the business of the other prior to the Distribution Date in which the requesting party may from time to time be involved.

Section IX.4. Reimbursement. Watts and Circor, each providing information or witnesses under Sections 9.01, 9.02 or 9.03 to the other, shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payment for all out-of-pocket costs and expenses as may be reasonably incurred in providing such information or witnesses.

Section IX.5. Retention of Records. Except as otherwise required by law or agreed to in writing, each party shall, and shall cause the members of its Group to, retain all information relating to the other's business in accordance with the Watts Industries, Inc. record retention policy and with past practice. Notwithstanding the foregoing, either party may destroy or otherwise dispose of any information at any time in accordance with the corporate record retention policy maintained by such party with respect to its own records.

Section IX.6. Confidentiality.

(a) Each party shall, and shall cause each member of its Group to, hold and cause its directors, officers, employees, agents, consultants and advisors to hold, in strict confidence, all information concerning the other party (except to the extent that such information can be shown to have been (i) in the public domain through no fault of such party or any of its directors, officers, employees, agents, consultants or advisors, or (ii) later lawfully acquired on a non-confidential basis from other sources by the party to which it was furnished), and neither party shall release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors, who shall be advised of and agree in writing to comply with the provisions of this Section 9.06. Each party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

(b) In the event that any party or any member of its Group either (i) determines on the advice of its counsel that it is required to disclose any information pursuant to applicable law or (ii) receives any demand under lawful process or from any governmental authority to disclose or provide information of any other party (or any member of any other party's Group) that is subject to the confidentiality provisions hereof, such party shall notify the other party prior to disclosing or providing such information and shall cooperate at the expense of the requesting party in seeking any reasonable protective arrangements requested by such other party. Subject to the foregoing, the person that received such request may thereafter disclose or provide information to the extent required by such law (as so advised by counsel) or by lawful process or such governmental authority.

ARTICLE X - INTEREST ON PAYMENTS

Except as otherwise expressly provided in this Agreement, all payments by one party to the other under this Agreement or any Ancillary Agreement shall be paid, by wire transfer of immediately available funds to an account in the United States designated by the recipient, within [thirty (30)] days after receipt of an invoice or other written request for payment setting forth the specific amount due and a description of the basis therefor in reasonable detail. Any amount remaining unpaid beyond its due date, including disputed amounts that are ultimately determined to be payable, shall bear interest at a floating rate of interest equal to the prime commercial lending rate publicly announced by BankBoston, N.A. or any successor thereto at its principal office (or any alternative rate substituted therefor by such bank).

ARTICLE XI - MISCELLANEOUS

Section XI.1. Expenses. Except as specifically provided in this Agreement or any Ancillary Agreement, all costs and expenses incurred in connection with the preparation, execution, delivery and implementation of this Agreement and the Ancillary Agreements and with the consummation of the transactions contemplated by this Agreement (including transfer taxes and the fees and expenses of the Distribution Agent and of all counsel, accountants and financial and other advisors) shall be paid by Watts. Without limiting the foregoing, Watts shall pay the legal, filing, accounting, printing and other expenses in connection with the preparation, printing and filing of the Form 10.

Section IX.2. Notices. All notices and communications under this Agreement shall be in writing and any communication or delivery hereunder shall be deemed to have been duly given addressed as follows (i) one business day after deposit with a recognized overnight mail carrier, (ii) upon receipt of a confirmation by the sender, in the case of a facsimile, or (iii) if sent by certified U.S. Mail, three (3) days after being deposited:

If to Watts, to:
Watts Industries, Inc.
815 Chestnut Street
North Andover, MA 01845-6098
Facsimile: (978) 794-1848
Attention: General Counsel

If to Circor, to:
CIRCOR International, Inc.
35 Corporate Drive
Burlington, MA 01803
Attention: Corporate Secretary

Either party may, by written notice so delivered to the other party, change the address to which delivery of any notice shall thereafter be made.

Section IX.3. Amendment and Waiver. This Agreement may not be altered or amended, nor may rights hereunder be waived, except by an instrument in writing executed by the party or parties to be charged with such amendment or waiver. No waiver of any terms, provision or

condition of or failure to exercise or delay in exercising any rights or remedies under this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, provision, condition, right or remedy or as a waiver of any other term, provision or condition of this Agreement.

Section IX.4. Entire Agreement. This Agreement, together with the Ancillary Agreements, constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter. To the extent that the provisions of this Agreement are inconsistent with the provisions of any Ancillary Agreement, the provisions of such Ancillary Agreement shall prevail.

Section IX.5. Assignment. Neither of the parties hereto may assign its rights or delegate any of its duties under this Agreement without the prior written consent of the other party. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns. Nothing contained in this Agreement, express or implied, is intended to confer any benefits, rights or remedies upon any person or entity other than members of the Watts Group and the Circor Group and the Watts Indemnitees and Circor Indemnitees under Articles IV and V hereof.

Section IX.6. Further Assurances and Consents. In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto will use its reasonable efforts to (i) execute and deliver such further instruments and documents and take such other actions as any other party may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof and (ii) take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements or otherwise to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using its reasonable efforts to obtain any consents and approvals and to make any filings and applications necessary or desirable in order to consummate the transactions contemplated by this Agreement; provided that no party hereto shall be obligated to pay any consideration therefor (except for filing fees and other similar charges) to any third party from whom such consents, approvals and amendments are requested or to take any action or omit to take any action if the taking of or the omission to take such action would be unreasonably burdensome to the party or its Group or the business thereof.

Section IX.7. Severability. The provisions of this Agreement are severable and should any provision hereof be void, voidable or unenforceable under any applicable law, such provision shall not affect or invalidate any other provision of this Agreement, which shall continue to govern the relative rights and duties of the parties as though such void, voidable or unenforceable provision were not a part hereof.

Section IX.8. Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of The Commonwealth of Massachusetts, without regard to the conflicts of law rules of such commonwealth.

Section IX.9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

Section IX.10. Survival of Covenants. Except as expressly set forth in any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and liability for the breach of any obligations contained herein, shall survive the Distribution and shall remain in full force and effect.

Section IX.11. Disputes.

(a) Resolution of any and all disputes arising from or in connection with this Agreement, whether based on contract, tort, statute or otherwise, including, but not limited to, disputes in connection with claims by third parties (collectively, "Disputes"), shall be subject to the provisions of this Section 11.11; provided, however, that nothing contained herein shall preclude either party from seeking or obtaining equitable or other judicial relief (including without limitation injunctive relief) to enforce the provisions hereof or to preserve the status quo pending resolution of Disputes hereunder.

(b) Either party may give the other party written notice of any Dispute not resolved in the normal course of business. The parties shall thereupon attempt in good faith to resolve any Dispute promptly by negotiation between executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Within twenty (20) days after delivery of the notice, the receiving party shall submit to the other a written response. The notice and the response shall include a statement of such party's position and a summary of arguments supporting that position and the name and title of the executive who will represent that party and of any other person who will accompany such executive. Within forty-five (45) days after delivery of the first notice, the executives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute. All reasonable requests for information made by one party to the other will be honored.

(c) If the Dispute has not been resolved by negotiation within sixty (60) days of the first party's notice, or if the parties failed to meet within forty-five (45) days, the parties shall endeavor to settle the Dispute by mediation under the mediation rules of the Center for Public Resources (the "CPR") with the mediator to be appointed by the CPR from its National CPR Panel.

(d) If the Dispute has not been resolved within 180 days after delivery of the first notice under Section 11.11(b), then the Dispute shall be finally settled by binding arbitration conducted expeditiously in accordance with the Center for Public Resources Rules for Nonadministered Arbitration of Business Disputes (the "CPR Arbitration Rules"). The Center for Public Resources shall appoint a neutral advisor from its National CPR Panel. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. (S)(S)1-16, and judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The place of arbitration shall be Boston, Massachusetts.

Such proceedings shall be administered by the neutral advisor in accordance with the CPR Arbitration Rules as he/she deems appropriate, however, such proceedings shall be guided by the following agreed upon procedures:

(i) mandatory exchange of all relevant documents, to be accomplished within forty-five (45) days of the initiation of the procedure;

(ii) no other discovery;

(iii) hearings before the neutral advisor which shall consist of a summary presentation by each side of not more than three hours; such hearings to take place on one or two days at a maximum; and

(iv) decision to be rendered not more than ten (10) days following such hearings.

Notwithstanding anything to the contrary contained herein, the provisions of this Section 11.11 shall not apply with respect to any equitable remedies to which any party may be entitled.

[END OF TEXT]

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

WATTS INDUSTRIES, INC.

By:

Timothy P. Horne
President and Chief Executive Officer

CIRCOR INTERNATIONAL, INC.

By:

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

EXHIBIT A

Circor Group

Circle Seal Controls, Inc.
Circle Seal Corporation
CIRCOR IP Holding Corp.
CIRCOR, Inc.
De Martin Srl
Hoke, Inc.
IOG Canada
KF Industries, Inc.
KF Sales Corp.
Leslie Controls, Inc.
Pibiviesse SpA
SSI Equipment, Inc.
Spence Engineering Co., Inc.
Suzhou Watts Joint Venture (SWJV)

EXHIBIT B

Sequence of Transactional Steps

See attached.

Schedule 3.02(b)(ii)

Agreements Surviving the Distribution

Schedule A-1

Circor Assets

Schedule A-2

Assets Retained by Watts

Schedule L-1

Circor Liabilities

Schedule L-2

Watts Liabilities

Schedule L-2

Watts Liabilities

TEMPORARY CERTIFICATE - EXCHANGEABLE FOR DEFINITIVE ENGRAVED CERTIFICATE WHEN READY FOR DELIVERY

Exhibit 4.1

Common Stock, $.01 Par Value Common Stock, $.01 Par Value

NUMBER SHARES

CIRCOR INTERNATIONAL, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFICATE IS TRANSFERABLE
IN BOSTON, MA OR NEW YORK, NY CUSIP 17273K 10 9

THIS CERTIFIES THAT

SEE REVERSE SIDE FOR
CERTAIN DEFINITIONS

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF THE PAR VALUE OF ONE CENT ($.01) EACH OF

CIRCOR International, Inc.
(hereinafter called the "Corporation"), transferable on the books of the Corporation by the holder in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. The shares represented by this Certificate are subject to the provisions of the Restated Certificate of Incorporation and the By-Laws of the Corporation as now or hereafter amended.

This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ Cosmo S. Trapani [SEAL APPEARS HERE] /s/ David A. Bloss, Sr.
SECRETARY CHAIRMAN OF THE BOARD

COUNTERSIGNED AND REGISTERED:
BankBoston, N.A.
TRANSFER AGENT AND REGISTRAR

BY /s/ William L. Goldberg

AUTHORIZED SIGNATURE

CIRCOR INTERNATIONAL, INC.

The Corporation has more than one class of stock authorized to be issued. The Corporation will furnish without charge to each stockholder upon request a copy of the full text of the powers, designations, preferences and relative, participating, optional or other rights of the shares of each class of stock (and any series thereof) authorized to be issued by the Corporation and the qualifications, limitations or restrictions of such preferences and/or rights, all as set forth in the Certificate of Incorporation and amendments thereto filed with the Secretary of State of the State of Delaware.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEM COM - as tenants in common	UNIF GIFT MIN ACT-	Custodian
TEN ENT - as tenants by the entireties		----------
JT TEN - as joint tenants with right of survivorship and not as tenants in common		(Cust) (Minor) under Uniform Gifts to Minors Act
		----------
		(State)

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ shares

of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.
Dated _____

_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:_____

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-19.

EXHIBIT 9.1

THE AMENDED AND RESTATED GEORGE B. HORNE VOTING TRUST AGREEMENT - 1997

THIS AGREEMENT, amended and restated as of the 14th day of September, 1999 (this "Agreement"), by and among Timothy P. Horne, as trustee (together with his successors in trust as provided herein, the "Trustees"), WATTS INDUSTRIES, INC., a Delaware corporation (the "Company"), Timothy P. Horne, individually, Timothy P. Horne, as Trustee of the George B. Horne Trust - 1982, as currently republished, Timothy P. Horne, as Trustee of the Daniel W. Horne Trust - 1980, Timothy P. Horne, as Trustee of the Deborah Horne Trust - 1976, Timothy P. Horne, as Trustee of the George B. Horne Grandchildren's Trust -1995 F/B/O Tara V. Horne, Timothy P. Horne, as Trustee of the George B. Horne Grandchildren's Trust - 1995 F/B/O Tiffany Horne, Tara V. Horne, Judith Rae Horne, as Trustee of the Tiffany Horne Trust - 1984 and Judith Rae Horne as custodian for Tiffany Horne (together with any other person or persons who hereafter might deposit shares in this voting trust and thereby become holders of voting trust certificates hereunder, individually as a "Depositor" and collectively as the "Depositors"), and GEORGE B. HORNE individually (in such capacity hereinafter sometimes referred to, together with the Depositors and any other person or persons who are or hereafter become parties hereto as "Beneficiaries" hereunder or subject hereto as holders of voting trust certificates, individually as a "Beneficiary" and collectively as the "Beneficiaries").

WITNESSETH:

WHEREAS, the parties hereto entered into the George B. Horne Voting Trust Agreement-1997 dated as of August 26, 1997, as amended by the Amendment (the "First Amendment") to The George B. Horne Voting Trust Agreement-1997 dated as of October 30, 1997 (the "Existing Agreement"), with a view toward promoting and enhancing the long-term stability and growth of the Company; and

WHEREAS, the Trustees and the registered holders of greater than a majority of voting trust certificates outstanding under the Voting Trust Agreement, desire to amend and restate the Voting Trust Agreement to incorporate the First Amendment and to further amend the Voting Trust Agreement to provide, among other things, that any capital stock or other equity interest of a corporation or other entity, other than the Company, received by a Beneficiary as a result of a dividend or other distribution or issuance in respect of any capital stock of the Company held by such Beneficiary will become subject to the Voting Trust Agreement; and

WHEREAS, the parties hereto agree that, pursuant to this Agreement and on the terms and conditions set forth herein, the Trustees shall be granted the sole and exclusive voting power in all matters with respect to those shares of capital stock of the Company and other securities which are subject to this Agreement as set forth herein, together with the other rights and powers specified herein; and

WHEREAS, the parties hereto intend that this Agreement will satisfy the requirements of Section 218(a) of the Delaware General Corporation Law, as amended (the "DGCL"), and be treated as a voting trust thereunder; and

WHEREAS, the Trustees have consented to act under this Agreement for the purposes hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually promise, covenant, undertake and agree as follows:

1. Transfer of Stock to Trustees. The Depositor is, contemporaneously with the execution of this Agreement, depositing with the Trustees one or more certificates representing that number of shares of the Class B Common Stock of the Company held by such Depositor as set forth opposite such Depositor's name on Schedule A attached hereto, and each Beneficiary shall deposit with the Trustees immediately upon receipt certificates representing (a) any shares of capital stock of the Company having voting powers, (b) any shares of capital stock or other equity interest or rights of a corporation (other than the Company) or other entity having voting powers that are issued as a result of a dividend or other distribution or issuance in respect of any shares of capital stock of the Company (such corporation or other entity, an "Additional Issuer") and (c) any shares of capital stock or other equity interest or rights of an Additional Issuer having voting powers that are issued as a result of a dividend or other distribution or issuance in respect of any shares of capital stock or other equity interest of such Additional Issuer, in each case which shares or other equity interest or rights are acquired or received by such Beneficiary during the term of this Agreement other than (i) shares of Class A Common Stock of the Company or shares of capital stock or other equity interest of an Additional Issuer acquired by such Beneficiary under any stock purchase, savings, option, bonus, stock appreciation, profit-sharing, thrift, incentive, pension or similar plan of the Company or an Additional Issuer, or acquired by such Beneficiary in any open market purchase, (ii) any shares of Class B Common Stock listed on Schedule A as not being held pursuant to and subject to this Agreement, if any, and (iii) shares of capital stock or other equity interest of the Company or an Additional Issuer issued as a stock dividend or pursuant to a stock split in respect of any shares of capital stock or other equity interest of the Company or an Additional Issuer held by such Beneficiary which are not subject to this Agreement. All such stock certificates shall be so endorsed, or accompanied by such instruments of transfer, as to enable the Trustees to cause such certificates to be transferred into the names of the Trustees after the filing of this Agreement as required by law, which the Trustees shall forthwith cause to be done as hereinafter provided. Upon receipt by the Trustees of the certificates for any such shares of stock and the transfer of the same into the names of the Trustees, the Trustees shall hold the same subject to the terms of this Agreement and shall issue and deliver to the depositors of shares of stock hereunder voting trust certificates representing their interests in such stock deposited pursuant to this Agreement. Except as specifically provided in this Agreement, and without limitation of the voting rights of the Trustees including in connection with any merger or other sale of the Company or any Additional Issuer, the Trustees shall not

sell, assign, donate, pledge, encumber, grant any security interest with respect to, hypothecate, or otherwise transfer or dispose of any of the capital stock or other equity interest of the Company or any Additional Issuer held pursuant to this Agreement.

During the term of this Agreement, no shares subject to this voting trust may be withdrawn except in the manner provided below in this Section 1. Any such withdrawal by a registered holder of voting trust certificates shall be effected only by a written amendment to this Agreement in the form of Schedule B attached hereto executed by the requisite number of Trustees then serving as such hereunder then required to take action under Section 10. The Trustee having the Determination Power shall have the right to consent to such amendment and withdrawal in his sole discretion and approval by such Trustee having the Determination Power with respect to such amendment and withdrawal shall be deemed to constitute approval of all Trustees at any time serving. If TIMOTHY P. HORNE is not then serving as a Trustee hereunder, then consent to such amendment and withdrawal shall be by the holders of at least a majority vote of the outstanding voting trust certificates issued in respect of capital stock or other securities of the Company or any Additional Issuer, as the case may be, as to which the proposed withdrawal relates. Upon the surrender by such holder to the Trustees of the voting trust certificate or certificates designated in such amendment, the Trustees are authorized to deliver or cause to be delivered to such holder (i) a certificate or certificates for the shares of the capital stock or other equity interest of the Company or the Additional Issuer so withdrawn, with any appropriate restrictive legends, and (ii) a new voting trust certificate in respect of the remaining shares held hereunder, if any signed in the manner contemplated by the terms of this Agreement. Shares withdrawn from this voting trust, when so withdrawn, shall be free of any restrictions imposed by this Agreement, but shall remain subject to any and all restrictions imposed by other agreements or by law. Nothing in this Section 1 or in any such amendment shall modify, amend, limit or terminate any other restrictions contained in, or be construed as a consent to any transfer of shares subject to this Agreement under, any other agreement or instrument, unless such amendment specifically refers to such other agreement or instrument and satisfies all requirements for amendment or waiver thereof (including execution and delivery by appropriate parties).

The other provisions of this Section 1 notwithstanding, removal of shares from this Voting Trust shall be required if the removal and liquidation of such shares is needed to enable the Estate of a deceased holder of voting trust certificates to pay its federal and/or state death or estate tax, and the other assets of such estate are insufficient to pay such tax.

Any depositor may request that he or she be allowed to withdraw one or more shares of stock from the trust by filing a written request for withdrawal with the Trustee of the Trust. Such written request shall set forth the number of shares that the depositor wishes to withdraw from the trust and shall state the intended purpose for the requested withdrawal of shares from the trust. Any request for withdrawal of shares may be approved by the Trustee, within the Trustee's absolute discretion, provided that the Trustee in his discretion shall have determined that approval of the request for withdrawal shall not be adverse to the best interests of Watts Industries, Inc. ("Watts") or its successors or the Additional Issuer or its successors, as

applicable, and provided that the Trustee shall have determined that a request for withdrawal of any shares of Class B Common Stock of Watts, if approved, shall be in the best interests of the Class B Stockholders of Watts. Shares of Class B Common Stock of Watts so withdrawn for any reason in accordance with these provisions shall be subject to any restrictions imposed upon the said shares of Class B Common Stock of Watts in accordance with any Stock Restriction Agreement entered by or on behalf of such Holder during his or her lifetime.

2. Agreement. Copies of this Agreement and of every agreement supplemental hereto or amendatory hereof shall be provided to the Trustees, the Company, and any Additional Issuer and shall, prior to the issuance of voting trust certificates hereunder, be filed with and maintained in the registered office of the Company in Delaware, in the registered office of any Additional Issuer in its state of incorporation or organization and at such other place as the Trustees shall designate, and shall be open to inspection daily during business hours by any Beneficiary. All voting trust certificates shall be issued, received and held subject to all of the terms of this Agreement. All persons and entities who accept a voting trust certificate issued hereunder shall be bound by the provisions of this Agreement with the same effect as if they were parties to this Agreement.

All certificates for the Company's or any Additional Issuer's capital stock or other equity interest transferred and delivered to the Trustees pursuant hereto shall be surrendered by the Trustees to the Company or such Additional Issuer, as applicable, and canceled and new certificates therefor shall be issued to and held by the Trustees in their own names in their capacities as Trustees hereunder and shall bear a legend indicating that the shares represented by such certificate are subject to this Agreement (which fact shall also be stated in the stock ledger of the Company or the Additional Issuer, as applicable).

3. Voting Trust Certificates. Each voting trust certificate to be issued and delivered by the Trustees in respect of the capital stock or other equity interest of the Company or any Additional Issuer, as hereinbefore provided, shall state the number of shares which it represents, shall be signed by the Trustees then in office, and shall be in substantially the form of Schedule C attached hereto and bear the restrictive legend set forth thereon, it being understood that during any period in which a Trustee has the Determination Power (as hereinafter defined), voting trust certificates issued hereunder may be signed by that Trustee alone and such Trustee's signature shall be deemed for all purposes to constitute the signature and authorization of all Trustees hereunder and to evidence conclusively that the issuance of the related certificate is the act of all Trustees then serving. In connection with the issuance of voting trust certificates in respect of shares of capital stock or other equity interest in an Additional Issuer, the voting trust certificate may include changes to the form of certificate included herewith as Schedule C to reflect such Additional Issuer.

4. Transfer of Certificates; Restrictions. The transfer of any voting trust certificate (including without limitation any sale, assignment, donation, pledge, encumbrance, grant of a security interest, hypothecation or other transfer or disposition) (a) shall be effected only with the written consent of all of the Trustees then serving hereunder (acting together, or, if all such

Trustees do not agree, by the Trustee, if any, having the Determination Power with respect to such transfer under Section 10 hereof) and (b) shall be subject to any restrictions, conditions and other provisions to the extent applicable to it or to the stock which it represents, whether imposed by law, specified on the relevant certificate or specified in the Restated Certificate of Incorporation of the Company, as amended (the "Restated Certificate") (provided that any transfer of voting trust certificates without a transfer of the underlying stock held in this voting trust shall in no way affect the voting rights of such underlying stock, consistent with the terms of the Restated Certificate), the Certificate of Incorporation or other organizational documents of the applicable Additional Issuer, as in effect from time to time, this Agreement or any other agreement, including without limitation the Stock Restriction Agreement dated as of August 28, 1986, as the same may have been or may hereafter be amended and/or restated, among parties hereto. Any attempted transfer in violation of such restrictions, conditions and other provisions shall be void ab initio and the
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Trustees shall not register such transfer or recognize the intended transferee as the holder of the voting trust certificate for any purpose. To the extent permitted by law, voting trust certificates shall not be subject to attachment, garnishment, judicial order, levy, execution or similar process, however instituted, for satisfaction of a judgment or otherwise.

Subject to the foregoing provisions, the voting trust certificates shall be transferable on the books of the Trustees, at such office as the Trustees may designate, by the registered owner thereof, either in person or by attorney duly authorized, upon surrender thereof, according to the rules established for that purpose by the Trustees, and the Trustees may treat the registered holder as the owner thereof for all purposes whatsoever, but they shall not be required to deliver new voting trust certificates hereunder without the surrender of such existing voting trust certificates for cancellation by the Trustees at the time of their issuance of new voting trust certificates.

If a voting trust certificate is lost, stolen, mutilated or destroyed, the Trustees, in their discretion, may issue a duplicate of such certificate upon receipt of (a) evidence of such fact satisfactory to them; (b) indemnity satisfactory to them; (c) the existing certificate, if mutilated; and (d) their reasonable fees and expenses in connection with the issuance of a new trust certificate.

5. Termination Procedure. Upon the termination of the voting trust at
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any time, as hereinafter provided, the Trustees shall mail written notice of such termination to the registered owners of the outstanding voting trust certificates at the address appearing on the transfer books of the Trustees. From the date specified in any such notice (which date shall be fixed by the Trustees) the voting trust certificates shall cease to have any effect, and the holders of such voting trust certificates shall have no further rights under this voting trust other than to receive certificates for shares of stock of the Company or any Additional Issuer or other property distributable under the terms hereof upon the surrender of such voting trust certificates.

Within 30 days after the termination of this voting trust, the Trustees shall deliver to the registered holders of all voting trust certificates outstanding as of the date of such termination, stock certificates for the number of shares of such class or classes of the Company's or any Additional Issuer's capital stock or other equity interest represented thereby as to which they shall be entitled upon the surrender for cancellation of such voting trust certificates, properly endorsed or accompanied by properly endorsed instruments of transfer, if appropriate, at the place designated by the Trustees, and after payment, if the Trustees so require, by the persons entitled to receive such stock certificates, of a sum sufficient to cover any stamp tax or governmental charge in respect of the transfer or delivery of such stock certificates. Such certificates or shares shall bear such legend referring to the restrictions on transfer of such shares as may be required by this Agreement, by law or otherwise. Thereupon, all liability of the Trustees for delivery of such certificates of shares shall terminate, and the voting trust certificates representing the beneficial interest in the shares so delivered by the Trustees shall be null and void.

If upon such termination, one or more registered holders of outstanding voting trust certificates shall fail to surrender such voting trust certificates, or the Trustees for any reason shall be unable to comply with the provisions of the preceding paragraph, the Trustees may, at any time subsequent to 30 days after the termination of this Agreement, deposit (x) with the Company stock certificates representing the number of shares of capital stock or other equity interest represented by such voting trust certificates, together with written instructions authorizing the Company to deliver to the applicable registered holder such stock certificates representing stock in the Company in exchange for voting trust certificates representing a like interest in the capital stock of the Company and (y) with each Additional Issuer stock certificates representing the number of shares of capital stock or other equity interest in such Additional Issuer represented by such voting trust certificates, together with written instructions authorizing such Additional Issuer to deliver to the applicable registered holder such stock certificates representing capital stock or other equity interest in such Additional Issuer in exchange for voting trust certificates representing a like interest in the capital stock or other equity interest of such Additional Issuer; and upon such deposit, all further liability of the Trustees for the delivery of such stock certificates and the delivery or payment of dividends upon surrender of the voting trust certificates shall cease, and the Trustees shall not be required to take any further actions hereunder.

Notwithstanding anything herein to the contrary, upon any extension of this voting trust as contemplated by Section 13 hereof, the shares of stock held herein with respect to which this voting trust is being extended shall continue to be held by the Trustees and/or their successor Trustees rather than being transferred to the registered holders of voting trust certificates in respect thereof for recontribution, and in such event no transfer of such shares shall be deemed to have occurred for any purpose.

6. Dividends. If any dividend in respect of the stock deposited with
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the Trustee is paid, in whole or in part, in stock of the Company or an Additional Issuer having voting

powers, the Trustees shall likewise hold, subject to the terms of this Agreement, the stock certificates which are received by them on account of such dividend, and the holder of each outstanding voting trust certificate representing stock on which such dividend has been paid shall be entitled to receive a voting trust certificate issued under this Agreement for the number of shares and class of stock received as such dividend with respect to the shares represented by such voting trust certificate. Holders entitled to receive the voting trust certificates issued in respect of such dividends shall be those registered as such on the transfer books of the Trustees at the close of business on the record date for such dividend.

If any dividend in respect of the stock deposited with the Trustees is paid other than in capital stock or other equity interest having voting powers of the Company or any Additional Issuer, then the Trustees shall promptly distribute the same to the holders of outstanding voting trust certificates registered as such at the close of business on the record date for such distribution. Such distribution shall be made to such holders of voting trust certificates ratably, in accordance with the number of shares represented by their respective voting trust certificates.

In lieu of receiving cash dividends upon the capital stock or other equity interest of the Company or any Additional Issuer deposited with the Trustees and paying the same to the holders of outstanding voting trust certificates pursuant to the preceding paragraph, the Trustees may instruct the Company or the Additional Issuer in writing to pay such dividends directly to the holders of the voting trust certificates specified by the Trustees. Such instructions are deemed given hereby and until receipt of written instructions to the contrary from the Trustees, the Company or the applicable Additional Issuer agrees to pay such dividends directly to the holders of the voting trust certificates. The Trustees may at any time revoke such instructions and by written notice to the Company or the applicable Additional Issuer direct it to make dividend payments to the Trustees. Neither the Company nor any Additional Issuer shall be liable to any holder of a voting trust certificate or any person claiming to be entitled to any such dividends by reason of adhering to any written instructions of the Trustees.

7. Subscription Rights. If any stock or other equity interest of the Company or any Additional Issuer are offered for subscription to all of the holders of any class of the Company's or such Additional Issuer's capital stock or other equity interest deposited hereunder, the Trustees promptly, upon receipt of notice of such offer, shall mail a copy thereof to each registered holder of the outstanding voting trust certificates representing such class of capital stock or other equity interest. Upon receipt by the Trustees, at least five days prior to the last day fixed by the Company or such Additional Issuer, as applicable, for subscription and payment, of a request for any such registered holder of voting trust certificates to subscribe for such shares on behalf of such registered holder, accompanied by the sum of money required to pay for such stock or other equity interest, the Trustees shall make such subscription and payment, and upon receipt from the Company or such Additional Issuer, as applicable of the certificates for shares or other equity interest so subscribed for, shall issue to such registered holder a voting trust certificate representing such shares if the

same be stock of the Company or such Additional Issuer, as applicable, having voting powers, but if the same be shares or securities other than stock having voting powers, the Trustees shall mail or deliver such securities to the voting trust certificate holder in whose behalf the subscription was made, or may instruct the Company or such Additional Issuer, as applicable to make delivery directly to the voting trust certificate holder entitled thereto.

8. Dissolution of the Company. In the event of the dissolution or total or partial liquidation of the Company or an Additional Issuer (other than in the event of a transaction described in Section 9 below), whether voluntary or involuntary, the Trustees shall receive the moneys, securities, rights or property to which the holders of outstanding shares of the Company's or such Additional Issuer's capital stock or other equity interest, as applicable, deposited hereunder are entitled, and shall distribute the same among the registered holders of voting trust certificates in proportion to their interests, as shown by the transfer books of the Trustees, or the Trustees may in their discretion deposit such moneys, securities, rights or property with any bank or trust company with authority and instructions to distribute the same as above provided, and upon such deposit, all further obligations or liabilities of the Trustee in respect of such moneys, securities, rights or property so deposited shall cease.

9. Reorganization or Sale of the Company. In the event that there occurs (i) any merger or consolidation transaction involving the Company or an Additional Issuer and one or more other entities, or a transaction in which all or substantially all of the assets of the Company or an Additional Issuer are transferred to another entity or (ii) a transaction in which stockholders of the Company or an Additional Issuer transfer or exchange shares held by them wholly or partially for capital stock or other equity interest of another entity having voting powers, and in any such transaction securities of such entity having voting powers are received by the Trustees in respect of the shares subject to this voting trust, it being understood that in connection with any such transaction or otherwise all voting powers in respect of shares subject to this voting trust shall be exercised by the Trustees in accordance with the terms hereof and that shares may be removed from this voting trust only in accordance with Section 1, thus giving the Trustees all power and authority to vote all shares subject hereto in connection with any such transaction, then (x) in connection with any such transaction involving the Company the term "Company" for all purposes of this Agreement shall include the successor entity to the Company, (y) in connection with any such transaction involving an Additional Issuer the term "Additional Issuer" for all purposes of this Agreement shall include the successor entity to such Additional Issuer and (z) the Trustees shall receive and hold under this Agreement any such capital stock or other equity interest of such successor entity received on account of the ownership, as Trustees hereunder, of the stock held hereunder immediately prior to such transaction. Voting trust certificates issued and outstanding under this Agreement at the time of such transaction may remain outstanding or the Trustees may, in their discretion, substitute for such voting trust certificates new voting trust certificates in appropriate form and with appropriate modifications to reflect the number of shares of other securities then held, and the terms, "stock" and "capital stock" as used herein shall be taken to include any securities, including any other type of equity interest, which may be received by the Trustees in lieu of all

or any part of the capital stock or other securities of the Company or an Additional Issuer, as applicable.

In the event that there occurs any transaction described in the preceding paragraph and in connection therewith the Trustees receive assets other than capital stock or other equity interest having voting powers, the Trustees shall distribute such assets to the registered holders of the outstanding voting trust certificates hereunder pro rata on the basis of their respective interests in the shares held hereunder and, if such consideration shall consist wholly of such assets, this Agreement shall thereafter terminate.

10. Rights, Powers and Duties of Trustees. Until the actual delivery to the holders of voting trust certificates issued hereunder of stock certificates in exchange therefor, and until the surrender of such voting trust certificates for cancellation, in each case in accordance with the terms of this Agreement, title to all of the Company's and each Additional Issuer's stock deposited hereunder shall be vested in the Trustees, who shall be deemed the holders of record of such shares for all purposes, and the Trustees shall have the sole and exclusive right, acting as hereinafter provided and subject to such limitations as are set forth herein, to exercise, in person or by their nominees or proxies, all of the rights and powers in respect of all stock deposited hereunder, including the right to vote such stock and to take part in or consent to any corporate or stockholders' action of any kind whatsoever, whether ordinary or extraordinary, subject to the provisions hereinafter set forth. The right to vote shall include the right to vote in connection with the election of directors and other resolution or proposed action of any character whatsoever which may be presented at any meeting or require the consent of stockholders of the Company or any Additional Issuer. It is expressly understood and agreed that the holders of voting trust certificates in their capacities as such shall not have any right, either under said voting trust certificates or under this Agreement, or under any agreement or doctrine or concept of law, express or implied, or otherwise, with respect to any shares held by the Trustees hereunder to vote such shares or to take part in or consent to any corporate action, or to do or perform any other act or thing which the holders of the Company's or any Additional Issuer's common stock of any class are now or may hereafter become entitled to do or perform.

No Trustee shall incur any responsibility in his capacity as trustee, individually or otherwise, in voting the shares held hereunder or in any matter or act committed or omitted to be done under or in connection with this Agreement, or for any vote or act committed or omitted to be done by any predecessor or successor Trustee, except for such Trustee's willful malfeasance.

The Trustees shall at all times keep, or cause to be kept, complete and accurate records of all stock deposited with them hereunder, the identity, addresses and ownership of the Depositors and Beneficiaries, and all voting trust certificates issued by the Trustee. Such records shall be open to inspection by any Depositor or Beneficiary under this Agreement on reasonable notice given to the Trustees at their usual place of business during their normal business hours.

Whenever action is required of the Trustees, such action may be taken by written consent signed by the requisite number of Trustees or by vote of the requisite number of Trustees at a meeting of the Trustees. So long as there are two (2) or more Trustees hereunder, the concurrence of both (if there are two (2) Trustees) or a majority (if there are more than two (2) Trustees) of the Trustees then serving shall be necessary and sufficient for the validity of any action taken by the Trustees, and if at any time there is one Trustee hereunder (subject to Section 11) such Trustee's action shall be necessary and sufficient for the validity of any action taken by the Trustees. Notwithstanding the foregoing, if at any time TIMOTHY P. HORNE and or any other person shall serve as co-Trustees hereunder, and if for any reason the Trustees shall fail to concur with respect to any action proposed to be taken by the Trustees under or pursuant to this Agreement (including without limitation any voting decision, any amendment in connection with the withdrawal of shares as contemplated by Section 1, any other trust amendment or trust termination), then TIMOTHY P. HORNE, for so long as he is serving as a Trustee hereunder, shall have the power (such power being herein called the "Determination Power") to determine in his sole discretion, whether or not such proposed action is to be taken and upon his approval such action when and if taken shall have the same force and effect as if both or all of the Trustees had agreed with respect thereto. Any and all documents or instruments executed by or on behalf of the Trustees hereunder (including without limitation voting trusting certificates) may be executed by Timothy P. Horne alone and his signature shall evidence conclusively the authorization and all of the Trustees hereunder.

In the event that TIMOTHY P. HORNE shall cease to serve as a Trustee hereunder, then no Trustee hereunder shall have the Determination Power, except in accordance with a duly-published amendment to this Agreement adopted in accordance with the terms hereof, provided, however, that the foregoing shall not be deemed to limit the authority of any person serving as a sole Trustee under and in accordance with this Agreement.

11. Remaining Trustees; Successor Trustees, Successors' Determination Power. At least one (1) individual shall serve as a Trustee hereunder during any period in which TIMOTHY P. HORNE serves as a Trustee hereunder. The said TIMOTHY P. HORNE shall have full discretionary authority to serve as the sole Trustee until such time as he shall determine that he is unwilling or unable to so serve and shall have resigned by written instrument, or until his death or permanent incapacity or disability. During any period following TIMOTHY P. HORNE's service as a Trustee hereunder (subject to the further provisions of this Section 11 as set forth in the second paragraph hereof), there shall be at least two (2) Trustees hereunder. Notwithstanding the preceding two sentences or any other provisions of this Agreement or otherwise to the contrary, if at any time no Trustee shall be serving hereunder for any reason (as a result, for example, of the deaths of the Trustees), then this Agreement and the voting trust created hereby shall nevertheless remain in existence and in full force and effect until a new Trustee shall be appointed in accordance with this Section 11. All Trustees hereunder shall be individuals. Trustees shall in no event be subject to removal for any reason and any Trustee hereunder shall serve until his or her resignation, death, permanent disability or incapacity (as hereinafter defined). Any Trustee hereunder may

resign by a signed instrument delivered to the remaining Trustee or Trustees, if any, or otherwise to the registered holders of the outstanding voting trust certificates.

The following provisions shall govern the succession of Trustees hereunder. In the event TIMOTHY P. HORNE shall cease to serve as a Trustee hereunder, then Attorney WALTER J. FLOWERS, Attorney DAVID F. DIETZ and DANIEL J. MURPHY, III shall thereupon become Co-Trustees hereunder if they are then living and willing and able to serve as such. In the event that any of WALTER J. FLOWERS, DAVID F. DIETZ or DANIEL J. MURPHY, III shall be unwilling or unable to serve as a Co-Trustee, then a Primary Designee or a Secondary Designee (as defined hereinbelow) shall be appointed to serve in the stead of any such named Co-Trustee who shall be unwilling or unable to serve in that capacity. In the event that any of WALTER J. FLOWERS, DAVID F. DIETZ or DANIEL J. MURPHY, III or any Primary Designee or Secondary Designee is unable or unwilling or shall otherwise fail to serve as a Trustee hereunder at the time he would otherwise become such, or after becoming a Co-Trustee shall cease to serve as such for any reason, then there shall continue to be two (2) trustees hereunder, and a person or the persons indicated below (if available) shall become a Co-Trustee or Co-Trustees in accordance with the following line of succession in order that there will ultimately be three (3) Co-Trustees to serve in such office in accordance with the terms of this Trust:

(1) First, any individual designated as the "Primary Designee" in accordance with the following paragraph of this Section 11;

(2) Next, any individual designated as the "Secondary Designee" in accordance with the following paragraph of this Section 11; and

(3) Then, one (1) or two (2) individuals (as applicable) appointed by the holders of a majority in interest of the voting trust certificates issued in respect of capital stock of the Company then outstanding

such that in the event the individual or individuals contemplated to serve as a Trustee or Trustee(s) hereunder for any reason fail or are unable to serve as such at the time they would otherwise be a Trustee or Trustees hereunder or thereafter cease to serve as such for any reason, or if no designation of a Primary Designee and/or a Secondary Designee shall be in effect, then the next available individual in the line of succession shall become a Trustee hereunder, provided, however, that if for any reason there shall ever be a single Trustee hereunder during any period following Timothy P. Horne's service as a Trustee hereunder, then such sole Trustee shall be authorized to take all actions on behalf of the Trustee until such time as another Trustee shall be appointed, provided that the party or parties authorized to designate a successor or successors shall endeavor to do so promptly. In the event of any disagreement between the Co-Trustees with regard to any issue involving the Trust, the majority vote of the Trustees then in office shall be determinative of any issue which shall be considered by the Trustees.

At any time TIMOTHY P. HORNE, if then living and not then subject to any incapacity (as hereinafter defined) may by written instrument signed and filed with the registered office of the Company in Delaware and with the registered office of each Additional Issuer in its state of incorporation or organization, designate (i) an individual to serve as Primary Designee in the line of succession contemplated by this Section 11 (the "Primary Designee"), and (ii) if he so elects, an additional individual to succeed, or to serve in lieu of or with the Primary Designee as a trustee hereunder (the "Secondary Designee") as also contemplated by this Section 11. Any such designation shall also be revocable by a written instrument signed by TIMOTHY P. HORNE if then living and not then subject to any incapacity (as hereinafter defined), and filed with the registered office of the Company in Delaware and with the registered office of each Additional Issuer in its state of incorporation or organization at any time prior to the time at which a designated successor becomes a Trustee hereunder. It is understood that the provisions of this Section 11 are intended to permit the designation of up to two individuals to become Trustees in accordance with the line of succession as Trustees hereunder, and while designations of particular individuals may be revoked and a new individual designated in his or her place (such as in the case of a designee's death, for example), no more than two individuals may become Trustees hereunder pursuant to a designation as a Primary or Secondary Designee absent an amendment to this Agreement, it being understood that in event a Secondary Designee becomes a Trustee hereunder because a Primary Designee shall have failed to serve as a Trustee hereunder, then the individual who becomes a Trustee hereunder shall be deemed the Primary Designee and the individuals so empowered in this paragraph may thereafter name a new Secondary Designee in accordance with the terms hereof. In the event that TIMOTHY P. HORNE dies or becomes subject to any incapacity (as hereinafter defined), the power designated in this paragraph shall become personal to and may be exercised only by the individuals named in this paragraph in accordance with the terms hereof. The provisions of this paragraph are intended to be permissive and shall authorize, but not require, the appointment of a Primary or Secondary Designee.

In the event of the permanent disability or incapacity of a Trustee, he shall cease to serve in that capacity as provided in this paragraph. For purposes of this Agreement, "permanent disability" shall mean any physical or mental disability or incapacitation that precludes a Trustee from performing his responsibilities under this Agreement and which is not capable of cure or correction, and "incapacity" shall mean any mental state by reason of which the individual in question would not be deemed competent under the law of his state of principal residence. If permanent disability or incapacity is claimed with respect to a Trustee or other person, said permanent disability or incapacity shall be evidenced by a written certification (a "Certification") signed by two doctors attending such Trustee or other person, which doctors shall be licensed to practice medicine in the state of the relevant person's principal residence, and , in the case of a Trustee, such Trustee shall cease to serve in such capacity upon receipt by a co-Trustee, successor Trustee or the registered holders of the voting trust certificates then outstanding, as the case may be, of a Certification. Absent a Certification, the individual in question shall be presumed to be not subject to any permanent disability or incapacity and he shall be recognized as a duly-appointed Trustee of this Trust.

The rights, powers and privileges of each of the Trustees named hereunder shall be possessed by any successor Trustee with the same effect as though such successor had originally been a party to this Agreement; provided, however, that no Trustee or successor Trustee hereunder shall possess the Determination Power referred to in Section 10 unless it is specifically conferred upon such Trustee pursuant to the provisions hereof.

In any other circumstance, no Trustee hereunder other than TIMOTHY P. HORNE shall have the Determination Power. In the event that there shall be more than one Trustee serving at any time, and in the event that the Trustees shall not concur on matters not specifically contemplated by the terms of this Agreement, the Trustees shall consider such matter and they shall vote among them to determine the disposition of the issue among them, (bearing in mind the relative interests of the Shareholders, the Company, and the Depositors into this Trust). The majority vote of the Trustees shall be determinative and shall resolve the matter after giving due consideration to the purposes of this Trust.

Each Trustee shall affix his signatures to this Agreement and each successor Trustee appointed pursuant to this Section 11 shall accept appointment or election hereunder by affixing his signature to this Agreement at the time he becomes a Trustee hereunder. By affixing their signatures to this Agreement, the Trustees and each successor Trustee agree to be bound by the terms hereof.

Reference in this Agreement to "Trustees" means the Trustee or Trustees at the time acting in that capacity, whether an original Trustee or any additional or successor Trustee, as the context requires.

12. Compensation and Reimbursement of Trustees. Each Trustee shall serve without compensation. The Trustees shall have the right to incur and to pay such reasonable expenses and charges and to employ and pay such agents, attorneys and counsel as they may deem necessary and proper. Any such expenses or charges incurred by and due to the Trustees may be deducted from the dividends, proceeds or other moneys or property received by the Trustees in respect of the stock deposited hereunder or may be payable by the Company or any Additional Issuer in their discretion. Nothing herein contained shall disqualify any Trustee or any successor Trustee, including without limitation any person named as a Primary or Secondary Designee, or any firm in which he is interested, from serving the Company, any Additional Issuer or any of their respective subsidiaries as an officer or director or in any other capacity (including without limitation as legal counsel, financial adviser or lender), holding any class of stock in the Company or any Additional Issuer, becoming a creditor of the Company or any Additional Issuer or otherwise dealing with it in good faith, depositing his stock in trust pursuant to this Agreement, voting for himself as a director of the Company or any Additional Issuer in any election thereof, or taking any other action as a Trustee hereunder in connection with any matter in which such Trustee has any direct or indirect interest. The provisions of the foregoing notwithstanding, each Trustee shall be entitled to be fully indemnified by the assets of the voting trust and the holders of outstanding voting trust certificates, pro rata in accordance with their interests at the time of the relevant payment, against all costs, charges,

expenses, loss, liability and damage (except for damage caused by his own willful malfeasance) incurred by him in the administration of this trust or in the exercise of any power conferred upon the Trustees by this Agreement.

13. Amendment, Termination. This Agreement may be amended by a written amendment signed by the number of Trustees authorized to take action at the relevant time under Section 10, or, if the Trustees (if more than one) do not concur with respect to any proposed amendment at any time when any Trustee holds the Determination Power, then by the Trustee having the Determination Power, which approval shall constitute approval of all of the Trustees then serving and, except as contemplated by Section 1, by registered holders of at least a majority vote of the outstanding voting trust certificates issued in respect of capital stock or other equity interest of the Company or any Additional Issuer, as the case may be, as to which the matter relates; provided, however, that no such amendment shall modify or amend the provisions of the following two paragraphs without the written consent of each individual Depositor or the Trustee of each Trust Depositor who is living at the time of such proposed amendment. For all purposes of this Agreement, references to percentages of voting trust certificates outstanding shall refer to, (x) in the case of a matter relating to the Company, the number of votes represented by the shares of stock of the Company represented by voting trust certificates issued in respect of shares of stock of the Company and, (y) in the case of a matter relating to an Additional Issuer, the number of votes represented by the shares of stock of the applicable Additional Issuer represented by voting trust certificates issued in respect of the capital stock or other equity interest of such Additional Issuer.

This Agreement may be terminated only by a written instrument signed by the number of Trustees authorized to take action at the relevant time under Section 1 or, if the Trustees (if more than one) do not concur with respect to any proposed termination at any time when any Trustee holds the Determination Power, then by the Trustee having the Determination Power, which approval shall constitute approval of all of the Trustees, the registered holders of a majority of the voting trust certificates issued in respect of the capital stock of the Company then outstanding and each individual Depositor or the Trustee of each Trust Depositor who is living at the time of the proposed termination.

If not previously terminated in accordance with the terms hereof (including under the circumstances contemplated by the provisions of Section 9) this Agreement shall terminate on August 26, 2021; provided, however, that at any time within two (2) years prior to such date (or prior to any subsequent date of termination fixed in accordance with the provisions hereof and of applicable law), one or more of the persons designated in the following provisions of this Section 13 may, by written agreement, extend the duration of this Agreement for an additional term not exceeding twenty-four (24) years from the expiration date as originally fixed or as last extended. The foregoing right of extension shall be exercisable in respect of particular shares subject hereto by (i) the individual Depositor who originally deposited the relevant shares, if the Depositor is then living and is not subject to any incapacity at the time of the proposed extension, and if so exercised such extension shall be binding upon any and all holders of voting trust certificates in respect of the shares deposited hereunder by such

individual Depositor, (ii) the trustee of any trust Depositor which deposited the relevant shares, including without limitation any trust Depositor which is a revocable trust, which trustee is then living and not subject to any incapacity at the time of the proposed extension, and regardless of whether such trust is then still in existence, and if so exercised shall be binding upon any and all holders of voting trust certificates in respect of shares deposited hereunder by such trust Depositor and any and all beneficiaries thereof or successors in interest thereto, and (iii) the holder of any voting trust certificate representing shares not covered by either of the preceding clauses (i) or (ii), and if so exercised shall be effective with respect to all shares represented by such voting trust certificate, it being understood that the provisions only of clauses (i) or (ii) of this paragraph and not of clause (iii) shall govern any extension with respect to shares referred to therein if and to the extent a Depositor referred to therein is available to consent to such extension. Any such action to extend this Agreement shall be binding upon the Trustees and Depositor and upon all holders of the related voting trust certificates (including without limitation trustees, officers, beneficiaries and owners of any trust or other entity which is such a holder thereof) and any and all successors in interest of any of the foregoing (including without limitation any holder of voting trust certificates representing shares deposited by any Depositor consenting or on whose behalf consent is given by the relevant trustee to such extension in the manner provided above, and any Beneficiary or successor of a Beneficiary of any trust Depositor. Extensions in accordance with this Section 13 (i) shall not be deemed to constitute the commencement of a new voting trust for purposes of the DGCL or the law governing the incorporation or organization of any Additional Issuer, (ii) shall be filed with the registered offices of the Company in Delaware and with the registered offices of each Additional Issuer in its state of incorporation or organization, as provided by law, and (iii) shall not involve or require any transfer of shares as contemplated by the last provisions of Section 5.

14. Notices, Distributions. Unless otherwise specifically provided in this Agreement, any notice to or communication with any holder of any voting trust certificate or other party hereunder shall be deemed to be sufficiently given or made if mailed, postage prepaid, to such holder at his or her address appearing on the books of the trust, which shall in all cases be deemed to be the address of such holder for all purposes under this Agreement, without regard to what other or different addresses of which the Trustees may have notice. Every notice so given shall be effective, whether or not received, and the date of mailing shall be the date such notice is deemed given for all purposes.

Any notice to any Trustee hereunder shall be sufficient if mailed, postage prepaid, by certified or registered mail to him, with a copy sent to the Company at Watts Industries, Inc., Route 114 and Chestnut Street, North Andover, Massachusetts 01845.

Subject to Section 6 hereof, all distributions of cash, securities, or other property hereunder by the Trustees to the holders of voting trust certificates may be made, in the discretion of the Trustees, by mail (regular, registered or certified mail, as the Trustees may deem advisable), in the same manner as hereinabove provided for the giving of notices to the holders of voting trust certificates.

15. Construction. This Agreement is to be construed as a Delaware contract, is to take effect as a sealed instrument, and is binding upon and inures to the benefit of the parties hereto and their heirs, executors, administrators, representatives, successors and permitted assigns. In case any one or more of the provisions or parts of a provisions contained in this Agreement or in any voting trust certificate hereunder shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceablitity shall not affect any other provision or part of a provision hereof or thereof, but this Agreement and such voting trust certificates shall be construed as if such invalid or illegal or unenforceable provision or part of a provision had never been contained herein, and the parties will use their best efforts to substitute a valid, legal and enforceable provision which, insofar as practicable, implements the purposes and intents thereof.

16. Gender. Words used in this Agreement, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural (and all references to the 'Trustees' shall refer to the Trustee then serving if only one Trustee is then serving), and any other gender, masculine, feminine, or neuter, as the context requires.

17. Execution. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute but one and the same instrument. Any Additional Issuer shall become a party to this Agreement by executing a counterpart signature page hereto and shall file a copy of this Agreement with the Secretary of State or other appropriate office of its state of incorporation or organization.

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

/s/ Timothy P. Horne

Timothy P. Horne, as Trustee

/s/ Timothy P. Horne

Timothy P. Horne, individually

/s/ Timothy P. Horne

Timothy P. Horne, as Trustee of the George B. Horne Trust--1982

/s/ Timothy P. Horne

Timothy P. Horne, as Trustee of the Deborah Horne Trust--1976

/s/ Timothy P. Horne

Timothy P. Horne, as Trustee of the Daniel W. Horne Trust--1980

/s/ Timothy P. Horne

Timothy P. Horne, as Trustee of the Grandchildren's Trust f/b/o Tara V. Horne

/s/ Timothy P. Horne

Timothy P. Horne, as Trustee of the Grandchildren's Trust f/b/o Tiffany R. Horne

SCHEDULE A

Depositor (if any)	No. of Shares Subject to Trust	No. of Shares Not Subject to Trust
Timothy P. Horne as Trustee of The George B. Horne Trust - 1982 as Currently Published	2,124,600	
Timothy P. Horne	2,751,220	
Timothy P. Horne as Trustee of the Daniel W. Horne Trust - 1980	1,335,840	
Timothy P. Horne as Trustee of the Deborah Horne Trust - 1980	1,335,840	
Tara V. Horne	40,000	
Timothy P. Horne as Trustee of The George B. Horne Grandchildren's Trust - 1995 f/b/o Tara V. Horne	30,200	
Timothy P. Horne as Trustee of The George B. Horne Grandchildren's Trust - 1995 f/b/o Tiffany Horne	22,600	
Judith Rae Horne as Trustee of The Tiffany Horne Trust - 1984	163,520	
Judith Rae Horne as Custodian for Tiffany Horne	44,220	

SCHEDULE B

AMENDMENT TO VOTING TRUST AGREEMENT

WHEREAS, [_____] and [_____]] are Trustees under a Voting Trust Agreement dated as of August 1997, such Voting Trust Agreement, being referred to herein as the "Agreement"); and

WHEREAS, [_____] desires to withdraw [_____ (_____)] [shares of Class B Common Stock of Watts Industries, Inc., a Delaware corporation/shares of common stock of [Additional Issuer] (the "Company")]

WHEREAS, the Trustees and the holders of not less than a majority in interest of the voting trust certificates issued in respect of the capital stock or other equity interest of the Company outstanding hereunder desire to consent and agree to the above-described transactions.

NOW, THEREFORE, the parties hereto do hereby agree as follows: The parties hereto do hereby consent to the withdrawal of such shares and to amend Schedule A to the Agreement by amending and restating Schedule A in its entirety to read as follows:

SCHEDULE A

Name	Number of Shares	Class B Stock Certificate No.
Name of Registered Holder		
Name of Registered Holder		

2. Except as hereinabove provided, the parties ratify and confirm the Agreement in all respects.

The parties hereto have executed this Amendment to the Agreement in one or more counterparts under seal as of the ____ day of _____, 19__.

[Signatures to be added per the terms of the Agreement]

SCHEDULE C

FORM OF VOTING TRUST CERTIFICATE

This Voting Trust Certificate has not been registered under the Securities Act of 1933, as amended, and may not be sold or otherwise transferred unless (a) covered by an effective registration statement under the Securities Act of 1933, as amended, or (b) the trustees and the Company have been furnished with an opinion of counsel satisfactory to them to the effect that no registration is legally required for such transfer.

This Voting Trust Certificate has been issued under, and is subject to, a certain Voting Trust Agreement, dated as of August 26, 1997, by and among the Company and Timothy P. Horne as Trustee, and certain other persons, (as identified on Schedule A of said Agreement as amended), a copy of which will be furnished by the Company to the holder of this Voting Trust Certificate upon written request and without charge, and this Voting Trust Certificate can only be transferred subject to, and in accordance with, such Agreement.

This Voting Trust Certificate is subject to restrictions on transfer contained in the Company's Restated Certificate of Incorporation, as amended, a copy of which restrictions will be provided to the holder of this Voting Trust Certificate upon request and without charge.

The shares represented by this Voting Trust Certificate are subject to restrictions on transfer pursuant to a Stock Restriction Agreement, a copy of which will be furnished by the Company to the holder of this Voting Trust Certificate upon written request and without charge.

No. Shares:

This certificate that the undersigned trustee has received a certificate or certificates in the name of evidencing ownership of shares of the [Class B Common Stock of Watts Industries, Inc., a Delaware corporation (the "Company"),/Additional Issuer] and that said shares are held subject to all of the terms and conditions of a certain Voting Trust Agreement dated as of the day of August, 1997 (the "Agreement"), and are entitled to all of the benefits set forth in the Agreement. Copies of the Agreement and of every amendment and supplement thereto are on file at the office of the Company and shall be available for the inspection of every Beneficiary thereof or party thereto during normal business hours. The holder of this Certificate, which is issued, received and held under the Agreement, by acceptance hereof, assents to and is bound by the Agreement with the same effect as if the Agreement has been signed by him in person.

The shares of stock represented by this Certificate bear the legend:

"These shares are subject to a certain Voting Trust Agreement, dated as of August 26, 1997, by and among the Company and Timothy P. Horne as trustee, and certain other persons, [as amended] a copy of which will be furnished by the Company to the holder of this Certificate upon written request and without charge, and these shares can only be transferred subject to, and in accordance with, such Agreement."

Subject to the provisions of the foregoing and the Agreement, this Certificate is transferable only on the books of the Trustees by the registered holder in person or his duly authorized attorney, and the holder hereof, by accepting this certificate, manifests his consent that the trustees may treat the registered holder hereof as the true owner for all purposes, except the delivery of stock certificates, which delivery shall not be made without the surrender of this certificate or otherwise pursuant to the Agreement.

IN WITNESS WHEREOF, _____ [and _____], trustee, [have] [has] executed this certificate as of this ____ day of _____, 19__.

_____, as Trustee

EXHIBIT 10.1

CIRCOR INTERNATIONAL, INC.

1999 STOCK OPTION AND INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees and Independent Directors of CIRCOR International, Inc. (the "Company") and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

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

"Administrator" is defined in Section 2(a).

"Award" or "Awards," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Deferred Stock Awards, Restricted Stock Awards, Unrestricted Stock Awards, Performance Share Awards and Dividend Equivalent Rights.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"Committee" means the Committee of the Board referred to in Section 2.

"Covered Employee" means an employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

"Deferred Stock Award" means Awards granted pursuant to Section 7.

"Dividend Equivalent Right" means Awards granted pursuant to Section 11.

"Effective Date" means the date on which the Plan is approved by stockholders as set forth in Section 17.

"Fair Market Value" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that (i) if the Stock is admitted to quotation on the New York Stock Exchange or other national securities exchange, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations.

"Incentive Stock Option" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

"Independent Director" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

"Option" or "Stock Option" means any option to purchase shares of Stock granted pursuant to Section 5.

"Performance Share Award" means Awards granted pursuant to Section 9.

"Performance Cycle" means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more performance criteria will be measured for the purpose of determining a participant's right to and the payment of a Performance Share Award, Restricted Stock Award or Deferred Stock Award.

"Restricted Stock Award" means Awards granted pursuant to Section 6.

"Stock" means the Common Stock, par value $.01 per share, of the Company, subject to adjustments pursuant to Section 3.

"Subsidiary" means any corporation or other entity (other than the Company) in any unbroken chain of corporations or other entities beginning with the Company if each of the corporations or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50 percent or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations or entities in the chain.

"Unrestricted Stock Award" means any Award granted pursuant to Section 8.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT PARTICIPANTS AND DETERMINE AWARDS

(a) Committee. The Plan shall be administered by either the Board or a committee of not less than two Independent Directors (in either case, the "Administrator").

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Deferred Stock Awards, Unrestricted Stock Awards, Performance Share Awards and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more participants;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;

(vi) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;

(vii) to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the participant and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and

(viii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan participants.

(c) Delegation of Authority to Grant Awards. The Administrator, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards at Fair Market Value, to individuals who are not subject to the reporting and other provisions of Section 16 of the Act or "covered employees" within the meaning of Section 162(m) of the Code. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Stock Option or Stock Appreciation Right, the conversion ratio or price of other Awards and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 2,000,000 shares; provided that not more than 200,000 shares shall be issued in the form of Unrestricted Stock Awards, Restricted Stock Awards, or Performance Share Awards except to the extent such Awards are granted in lieu of cash compensation or fees. For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options with respect to no more than 500,000 shares of Stock may be granted to any one individual participant during any one calendar year period. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.

(b) Changes in Stock. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options that can be granted to any one individual participant, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (iv) the price for each share subject to any then outstanding Stock Options under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options) as

to which such Stock Options remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if it is determined by the Administrator that such adjustment is appropriate to avoid distortion in the operation of the Plan, provided that no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the participant, if it would constitute a modification, extension or renewal of the Option within the meaning of Section 424(h) of the Code.

(c) Mergers and Other Transactions. In the case of and subject to the consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the surviving or resulting entity immediately upon completion of such transaction, (iv) the sale of all of the Stock of the Company to an unrelated person or entity or (v) any other transaction in which the owners of the Company's outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the relevant entity after the transaction (in each case, a "Covered Transaction"), all Options that are not exercisable shall become fully exercisable and all other Awards with conditions and restrictions relating solely to the passage of time and continued employment shall become fully vested, except as the Administrator may otherwise specify with respect to particular Awards. Upon the consummation of the Covered Transaction, the Plan and all outstanding Awards granted hereunder shall terminate, unless provision is made in connection with the Covered Transaction for the assumption of Awards heretofore granted, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as provided in Section 3(b) above. In the event of such termination, each optionee shall be permitted, within a specified period of time determined by the Administrator prior to consummation of the Covered Transaction, to exercise all outstanding Options held by such optionee, including those that are not then exercisable, subject to the consummation of the Covered Transaction.

(d) Substitute Awards. The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as

the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation set forth in Section 3(a).

SECTION 4. ELIGIBILITY

Participants in the Plan will be such full or part-time officers, other employees and Independent Directors of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. STOCK OPTIONS

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after August 10, 2009.

(a) Stock Options. The Administrator in its discretion may grant Stock Options to eligible employees and Independent Directors of the Company or any Subsidiary. Stock Options granted pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the participant's election, subject to such terms and conditions as the Administrator may establish.

(i) Exercise Price. Except in the case of Stock Options granted in replacement of the options previously granted by Watts Industries, Inc., the exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant in the case of Incentive Stock Options, or 80 percent of the Fair Market Value on the date of grant, in the case of Non-Qualified Stock Options (other than options granted in lieu of cash compensation). If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

(ii) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five years from the date of grant.

(iii) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date; provided, however, that Stock Options granted in lieu of compensation shall be exercisable in full as of the grant date. The exercisability of Stock Options may be based on, without limitation, achievement of specified performance targets and/or the completion of a specified period of service. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(iv) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award agreement:

(A) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(B) Through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the optionee on the open market or that have been beneficially owned by the optionee for at least six months and are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or

(D) By the optionee delivering to the Company a promissory note if the Board has expressly authorized the loan of funds to the optionee for the purpose of enabling or assisting the optionee to effect the exercise of his Stock

Option; provided that at least so much of the exercise price as represents the par value of the Stock shall be paid other than with a promissory note.

Payment instruments will be received subject to collection. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws. In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

(v) Annual Limit on Incentive Stock Options. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed $100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

(b) Reload Options. At the discretion of the Administrator, Options granted under the Plan may include a "reload" feature pursuant to which an optionee exercising an option by the delivery of a number of shares of Stock in accordance with Section 5(a)(iv)(B) hereof would automatically be granted an additional Option (with an exercise price equal to the Fair Market Value of the Stock on the date the additional Option is granted and with such other terms as the Administrator may provide) to purchase that number of shares of Stock equal to the sum of (i) the number delivered to exercise the original Option and (ii) the number withheld to satisfy tax liabilities, with an Option term equal to the remainder of the original Option term unless the Administrator otherwise determines in the Award agreement for the original Option grant.

(c) Non-transferability of Options. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee, or by the optionee's legal representative or guardian in the event of the optionee's incapacity. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Option that the optionee may transfer his Non-Qualified Stock Options to members of his immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Option.

SECTION 6. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. A Restricted Stock Award is an Award entitling the recipient to acquire, at par value or such other higher purchase price determined by the Administrator, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Conditions may be based on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Restricted Stock Award is contingent on the participant executing the Restricted Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and participants.

(b) Rights as a Stockholder. Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a participant shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 6(d) below, and the participant shall be required, as a condition of the grant, to deliver to the Company a stock power endorsed in blank.

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. If a participant's employment (or other business relationship) with the Company and its Subsidiaries terminates for any reason, the Company shall have the right to repurchase Restricted Stock that has not vested at the time of termination at its original purchase price, from the participant or the participant's legal representative.

(d) Vesting of Restricted Stock. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 14 below, in writing after the Award agreement is issued, a participant's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the participant's termination of employment (or other business relationship) with the Company and its Subsidiaries and such shares shall be subject to the Company's right of repurchase as provided in Section 6(c) above.

(e) Waiver, Deferral and Reinvestment of Dividends. The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7. DEFERRED STOCK AWARDS

(a) Nature of Deferred Stock Awards. A Deferred Stock Award is an Award of phantom stock units to a participant, subject to restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment or other business relationship and/or achievement of pre-established performance goals and objectives. The grant of a Deferred Stock Award is contingent on the participant executing the Deferred Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and participants. At the end of the deferral period, the Deferred Stock Award, to the extent vested, shall be paid to the participant in the form of shares of Stock.

(b) Election to Receive Deferred Stock Awards in Lieu of Compensation. The Administrator may, in its sole discretion, permit a participant to elect to receive a portion of the cash compensation, Restricted Stock Award or directors' fees otherwise due to such participant in the form of a Deferred Stock Award. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with rules and procedures established by the Administrator. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate.

(c) Rights as a Stockholder. During the deferral period, a participant shall have no rights as a stockholder; provided, however, that the participant may be credited with Dividend Equivalent Rights with respect to the phantom stock units underlying his Deferred Stock Award, subject to such terms and conditions as the Administrator may determine.

(d) Restrictions. A Deferred Stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of during the deferral period.

(e) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 14 below, in writing after the Award agreement is issued, a participant's right in all Deferred Stock Awards that have not vested shall automatically terminate upon the participant's termination of employment or cessation of business relationship with the Company and its Subsidiaries for any reason.

SECTION 8. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Administrator may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award to any participant pursuant to which such participant may receive shares of Stock free of any restrictions ("Unrestricted Stock") under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of cash compensation due to such participant.

SECTION 9. PERFORMANCE SHARE AWARDS

(a) Nature of Performance Share Awards. A Performance Share Award is an Award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals. The Administrator may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. The Administrator in its sole discretion shall determine whether and to whom Performance Share Awards shall be made, the performance goals, the periods during which performance is to be measured, and all other limitations and conditions.

(b) Rights as a Stockholder. A participant receiving a Performance Share Award shall have the rights of a stockholder only as to shares actually received by the participant under the Plan and not with respect to shares subject to the Award but not actually received by the participant. A participant shall be entitled to receive a stock certificate evidencing the acquisition of shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award agreement (or in a performance plan adopted by the Administrator).

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 14 below, in writing after the Award agreement is issued, a participant's rights in all Performance Share Awards shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

(d) Acceleration, Waiver, Etc. At any time prior to the participant's termination of employment (or other business relationship) by the Company and its Subsidiaries, the Administrator may in its sole discretion accelerate, waive or, subject to Section 14, amend any or all of the goals, restrictions or conditions applicable to a Performance Share Award.

SECTION 10. PERFORMANCE-BASED AWARDS TO COVERED EMPLOYEES

Notwithstanding anything to the contrary contained herein, if any Restricted Stock Award, Deferred Stock Award or Performance Share Award granted to a Covered Employee is intended to qualify as "Performance-based Compensation" under Section 162(m) of the Code and the regulations promulgated thereunder (a "Performance-based Award"), such Award shall comply with the provisions set forth below:

(a) Performance Criteria. The performance criteria used in performance goals governing Performance-based Awards granted to Covered Employees may include any or all of the following: (i) the Company's return on equity, assets, capital or investment, (ii) pre-tax or after-tax profit levels of the Company or any Subsidiary, a division, an operating unit or a business segment of the Company, or any combination of the foregoing; (iii) cash flow or similar measure; (iv) total shareholder return; (v) changes in the market price of the Stock; (vi) sales or market share; or (vii) earnings per share.

(b) Grant of Performance-based Awards. With respect to each Performance-based Award granted to a Covered Employee, the Committee shall select, within the first 90 days of a Performance Cycle (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) the performance criteria for such grant, and the achievement targets with respect to each performance criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The performance criteria established by the Committee may be (but need not be) different for each Performance Cycle and different goals may be applicable to Performance-based Awards to different Covered Employees.

(c) Payment of Performance-based Awards. Following the completion of a Performance Cycle, the Committee shall meet to review and certify in writing whether, and to what extent, the performance criteria for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-based Awards earned for the Performance Cycle. The Committee shall then determine the actual size of each Covered Employee's Performance-based Award, and, in doing so, may reduce or eliminate the amount of the Performance-based Award for a Covered Employee if, in its sole judgment, such reduction or elimination is appropriate.

(d) Maximum Award Payable. The maximum Performance-based Award payable to any one Covered Employee under the Plan for a Performance Cycle is 200,000 Shares (subject to adjustment as provided in Section 3(b) hereof).

SECTION 11. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any participant as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other award.

A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award.

(b) Interest Equivalents. Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the grant for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 14 below, in writing after the Award agreement is issued, a participant's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. TAX WITHHOLDING

(a) Payment by Participant. Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant. The Company's obligation to deliver stock certificates to any participant is subject to and conditioned on tax obligations being satisfied by the participant.

(b) Payment in Stock. Subject to approval by the Administrator, a participant may elect to have the minimum required tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

SECTION 13. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed

either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 14. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. If and to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, if and to the extent intended to so qualify, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 14 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(c).

SECTION 15. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 16. GENERAL PROVISIONS

(a) No Distribution; Compliance with Legal Requirements. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) Delivery of Stock Certificates. Stock certificates to participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the participant, at the participant's last known address on file with the Company.

(c) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(d) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to such Company's insider trading policy, as in effect from time to time.

SECTION 17. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon approval by the holders of a majority of the votes cast at a meeting of stockholders at which a quorum is present or by written consent of stockholders. Subject to such approval by the stockholders and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board.

SECTION 18. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS: August 10, 1999

DATE APPROVED BY STOCKHOLDER:

EXHIBIT 10.2

FORM OF
INCENTIVE STOCK OPTION AGREEMENT
UNDER THE
CIRCOR INTERNATIONAL, INC.
1999 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:_____
No. of Option Shares:_____
Option Exercise Price per Share:_____
Grant Date:_____
Expiration Date:_____
up to 10 years

Pursuant to the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Optionee named above, who is an officer or employee of the Company or any of its Subsidiaries, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares (the "Option Shares") of Common Stock, par value $.01 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above, subject to the terms and conditions set forth herein and in the Plan.

1. Vesting Schedule. No portion of this Stock Option may be exercised until such portion shall have vested. Except as set forth below, and subject to the discretion of the Committee (as defined in Section 2 of the Plan) to accelerate the vesting schedule hereunder, this Stock Option shall be vested and exercisable with respect to the following number of Option Shares on the dates indicated:

Number of Option Shares Exercisable*		Vesting Date
_____	(20%)	_____
_____	(20%)	_____
_____	(20%)	_____
_____	(20%)	_____
_____	(20%)	_____

- ------------------

*Maximum of $100,000 per year.

In the event of a Covered Transaction as defined in Section 3(c) of the Plan, this Stock Option shall become immediately vested and exercisable in full, whether or not this Stock Option or any portion thereof is vested and exercisable at such time. Once vested, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

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

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

The delivery of certificates representing the Option Shares will be contingent upon the Company's receipt from the Optionee of full payment for the Option Shares, as set forth above and any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations.

(b) Certificates for the shares of Stock purchased upon exercise of this Stock Option shall be issued and delivered to the Optionee upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Committee as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company shall have issued and delivered the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of

record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

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

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise this Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of three months from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's Disability (within the meaning of Section 22(e)(3) of the Code), this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier. The death of the Optionee during the 12-month period provided in this Section 3(b) shall extend such period for another 12 months from the date of death or until the Expiration Date, if earlier.

(c) Termination for Cause. If the Optionee's employment terminates for Cause (as defined below), this Stock Option shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's employment terminates for any reason other than death, Disability, or Cause, and unless otherwise determined by the Committee, any portion of this Stock Option may be exercised by the Optionee, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable at such time shall terminate immediately and be of no further force or effect.

(e) Definition. For purposes hereof, a termination of employment for "Cause" shall mean the occurrence of one or more of the following: (i) the Optionee is convicted of, pleads guilty to, or confesses to any felony or any act of fraud, misappropriation or embezzlement which has an immediate and materially adverse effect on the Company or any Subsidiary, as determined by the Administrator in good faith in its sole discretion; (ii) the

Optionee engages in a fraudulent act to the material damage or prejudice of the Company or any Subsidiary or in conduct or activities materially damaging to the property, business or reputation of the Company or any Subsidiary, all as determined by the Administrator in good faith in its sole discretion; (iii) any material act or omission by the Optionee involving malfeasance or negligence in the performance of the Optionee's duties to the Company or any Subsidiary to the material detriment of the Company or any Subsidiary, as determined by the Administrator in good faith in its sole discretion, which has not been corrected by the Optionee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Optionee to comply in any material respect with any written policies or directives of the Company as determined by the Administrator in good faith in its sole discretion, which has not been corrected by the Optionee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Optionee of any non-competition, confidentiality or similar agreement between the Optionee and the Company as determined by the Administrator in good faith in its sole discretion.

(f) Miscellaneous. The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees. Any portion of this Stock Option that is unvested after the application of this Section 3 shall be canceled immediately upon any termination of employment and shall not be exercisable by the Optionee.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

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

6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she agrees to notify the Company within 30 days after such disposition.

7. Effect of Employment Agreement. If the Optionee is a party to an employment agreement with the Company and any provisions set forth in such employment agreement conflict with the provisions set forth in this Stock Option Agreement, the provisions set forth in such employment agreement shall override such conflicting provisions set forth herein.

8. Miscellaneous.

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

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

(c) Pursuant to Section 14 of the Plan, the Committee may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken which adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

CIRCOR INTERNATIONAL, INC.

By:_____
Title:

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

Date:_____ _____
Optionee's Signature

Optionee's name and address:

_____

_____

_____

EXHIBIT 10.3

FORM OF
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR EMPLOYEES UNDER THE
CIRCOR INTERNATIONAL, INC.
1999 STOCK OPTION AND INCENTIVE PLAN
(Five Year Graduated Vesting Schedule)

Name of Optionee:_____
No. of Option Shares:_____
Option Exercise Price per Share:_____
[minimum 80% of FMV, unless a replacement grant]
Grant Date:_____
Expiration Date:_____
[up to 10 years and 1 day]

Pursuant to the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Optionee named above, who is an officer or employee of the Company or any of its Subsidiaries, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares (the "Option Shares") of Common Stock, par value $.01 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above, subject to the terms and conditions set forth herein and in the Plan.

1. Vesting Schedule. No portion of this Stock Option may be exercised until such portion shall have vested. Except as set forth below, and subject to the discretion of the Committee (as defined in Section 2 of the Plan) to accelerate the vesting schedule hereunder, this Stock Option shall be vested and exercisable with respect to the following number of Option Shares on the dates indicated:

Number of Option Shares Exercisable		Vesting Date
_____	(20%)	_____
_____	(20%)	_____
_____	(20%)	_____
_____	(20%)	_____
_____	(20%)	_____

In the event of a Covered Transaction as defined in Section 3(c) of the Plan, this Stock Option shall become immediately vested and exercisable in full, whether or not this Stock Option or any portion thereof is vested and exercisable at such time. Once vested, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

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

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

The delivery of certificates representing the Option Shares will be contingent upon the Company's receipt from the Optionee of full payment for the Option Shares, as set forth above and any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations.

(b) Certificates for the shares of Stock purchased upon exercise of this Stock Option shall be issued and delivered to the Optionee upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Committee as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company shall have issued and delivered the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of

record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

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

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise this Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of 1 year from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's Disability (within the meaning of Section 22(e)(3) of the Code), this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier. The death of the Optionee during the 12-month period provided in this Section 3(b) shall extend such period for another 12 months from the date of death or until the Expiration Date, if earlier.

(c) Termination for Cause. If the Optionee's employment terminates for Cause (as defined below), this Stock Option shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's employment terminates for any reason other than death, Disability, or Cause, and unless otherwise determined by the Committee, any portion of this Stock Option may be exercised by the Optionee, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable at such time shall terminate immediately and be of no further force or effect.

(e) Definition. For purposes hereof, a termination of employment for "Cause" shall mean the occurrence of one or more of the following: (i) the Optionee is convicted of, pleads guilty to, or confesses to any felony or any act of fraud, misappropriation or embezzlement which has an immediate and materially adverse effect on the Company or any Subsidiary, as determined by the Administrator in good faith in its sole discretion; (ii) the

Optionee engages in a fraudulent act to the material damage or prejudice of the Company or any Subsidiary or in conduct or activities materially damaging to the property, business or reputation of the Company or any Subsidiary, all as determined by the Administrator in good faith in its sole discretion; (iii) any material act or omission by the Optionee involving malfeasance or negligence in the performance of the Optionee's duties to the Company or any Subsidiary to the material detriment of the Company or any Subsidiary, as determined by the Administrator in good faith in its sole discretion, which has not been corrected by the Optionee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Optionee to comply in any material respect with any written policies or directives of the Company as determined by the Administrator in good faith in its sole discretion, which has not been corrected by the Optionee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Optionee of any non-competition, confidentiality or similar agreements between the Optionee and the Company as determined by the Administrator in good faith in its sole discretion.

(f) Miscellaneous. The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees. Any portion of this Stock Option that is unvested after the application of this Section 3 shall be canceled immediately upon any termination of employment and shall not be exercisable by the Optionee.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

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

6. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Optionee may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued, or (ii) transferring to the Company, a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due.

7. Effect of Employment Agreement. If the Optionee is a party to an employment agreement with the Company and any provisions set forth in such employment agreement

conflict with the provisions set forth in this Stock Option Agreement, the provisions set forth in such employment agreement shall override such conflicting provisions set forth herein.

8. Miscellaneous.

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

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

(c) Pursuant to Section 14 of the Plan, the Committee may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken which adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

CIRCOR INTERNATIONAL, INC.

By: _____
Title:

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

Date: _____ _____
Optionee's Signature

Optionee's name and address:

_____

_____

_____

EXHIBIT 10.4

FORM OF
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR EMPLOYEES UNDER THE
CIRCOR INTERNATIONAL, INC.
1999 STOCK OPTION AND INCENTIVE PLAN
(Performance Accelerated Vesting Schedule)

Name of Optionee:_____
No. of Option Shares:_____
Option Exercise Price per Share:_____
[FMV on Grant Date]
Grant Date: October 18, 1999
Expiration Date: October 18, 2009

Pursuant to the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Optionee named above, who is an officer or employee of the Company or any of its Subsidiaries, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares (the "Option Shares") of Common Stock, par value $.01 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above, subject to the terms and conditions set forth herein and in the Plan.

1. Vesting Schedule. No portion of this Stock Option may be exercised until such portion shall have vested. Except as set forth below, and subject to the discretion of the Committee (as defined in Section 2 of the Plan) to accelerate the vesting schedule hereunder, this Stock Option shall be vested and exercisable with respect to 100% of the Option Shares covered hereby on the date which is seven years from the Grant Date, provided the Optionee remains an employee of the Company or any of its Subsidiaries on such date. Notwithstanding the foregoing, upon the later of (i) the last day of the period which consists of ten consecutive trading days on the New York Stock Exchange during which the closing price of the Stock is at least $_____ (insert figure which is 130% of the Option Exercise Price), or (ii) October 18, 2000 (the "Trigger Date"), 20% of the Option Shares covered hereby shall be vested and exercisable as of the Trigger Date provided the Optionee remains an employee of the Company or any of its Subsidiaries on such date, and an additional 20% of the Option Shares covered hereby shall be vested and exercisable on each of the four immediately following anniversaries of the Trigger Date provided the Optionee remains an employee of the Company or any of its Subsidiaries on each such date, subject to the full vesting of 100% of the Option Shares covered hereby on the date which is seven years from the Grant Date as provided in the preceding sentence.

In the event of a Covered Transaction as defined in Section 3(c) of the Plan, this Stock Option shall become immediately vested and exercisable in full, whether or not this Stock Option or any portion thereof is vested and exercisable at such time. Once vested, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

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

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

The delivery of certificates representing the Option Shares will be contingent upon the Company's receipt from the Optionee of full payment for the Option Shares, as set forth above and any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations.

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

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect

to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise this Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of 1 year from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's Disability (within the meaning of Section 22(e)(3) of the Code), this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier. The death of the Optionee during the 12-month period provided in this Section 3(b) shall extend such period for another 12 months from the date of death or until the Expiration Date, if earlier.

(c) Termination for Cause. If the Optionee's employment terminates for Cause (as defined below), this Stock Option shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's employment terminates for any reason other than death, Disability, or Cause, and unless otherwise determined by the Committee, any portion of this Stock Option may be exercised by the Optionee, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable at such time shall terminate immediately and be of no further force or effect.

(e) Definition. For purposes hereof, a termination of employment for "Cause" shall mean the occurrence of one or more of the following: (i) the Optionee is convicted of, pleads guilty to, or confesses to any felony or any act of fraud, misappropriation or embezzlement which has an immediate and materially adverse effect on the Company or any Subsidiary, as determined by the Administrator in good faith in its sole discretion; (ii) the Optionee engages in a fraudulent act to the material damage or prejudice of the Company or any Subsidiary or in conduct or activities materially damaging to the property, business or reputation of the Company or any Subsidiary, all as determined by the Administrator in good faith in its sole discretion; (iii) any material act or omission by the Optionee involving malfeasance or negligence in the performance of the Optionee's duties to the Company or any

Subsidiary to the material detriment of the Company or any Subsidiary, as determined by the Administrator in good faith in its sole discretion, which has not been corrected by the Optionee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Optionee to comply in any material respect with any written policies or directives of the Company as determined by the Administrator in good faith in its sole discretion, which has not been corrected by the Optionee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Optionee of any non-competition, confidentiality or similar agreements between the Optionee and the Company as determined by the Administrator in good faith in its sole discretion.

(f) Miscellaneous. The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees. Any portion of this Stock Option that is unvested after the application of this Section 3 shall be canceled immediately upon any termination of employment and shall not be exercisable by the Optionee.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

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

6. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Optionee may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued, or (ii) transferring to the Company, a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due.

7. Effect of Employment Agreement. If the Optionee is a party to an employment agreement with the Company and any provisions set forth in such employment agreement conflict with the provisions set forth in this Stock Option Agreement, the provisions set forth in such employment agreement shall override such conflicting provisions set forth herein.

8. Miscellaneous.

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

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

(c) Pursuant to Section 14 of the Plan, the Committee may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken which adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

CIRCOR INTERNATIONAL, INC.

By:_____
Title:

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

Date:_____ _____
Optionee's Signature

Optionee's name and address:

_____

_____

_____

EXHIBIT 10.5

FORM OF
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR INDEPENDENT DIRECTORS UNDER THE
CIRCOR INTERNATIONAL, INC.
1999 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:_____
Number of Option Shares: 2,000
Option Exercise Price per Share:_____
[FMV]
Grant Date:_____
Expiration Date:_____
[up to 10 years]

Pursuant to the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Optionee named above, who is an Independent Director of the Company, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares (the "Option Shares") of Common Stock, par value $.01 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above, subject to the terms and conditions set forth herein and in the Plan.

1. Vesting Schedule. No portion of this Stock Option may be exercised until such portion shall have vested. Except as set forth below, and subject to the discretion of the Committee (as defined in Section 2 of the Plan) to accelerate the vesting schedule hereunder, this Stock Option shall be vested and exercisable with respect to the following number of Option Shares on the dates indicated:

Number of Option Shares Exercisable		Vesting Date
667	(33 1/3%)	----------
667	(33 1/3%)	----------
666	(33 1/3%)	----------

In the event of a Covered Transaction as defined in Section 3(c) of the Plan, this Stock Option shall become immediately vested and exercisable in full, whether or not this Stock Option or any portion thereof is vested and exercisable at such time. Once vested, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

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

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

The delivery of certificates representing the Option Shares will be contingent upon the Company's receipt from the Optionee of full payment for the Option Shares, as set forth above and any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations.

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

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect

to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination as Director. If the Optionee ceases to be a Director of the Company, the period within which to exercise this Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee ceases to be a Director by reason of the Optionee's death, this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of one year from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee ceases to be a director by reason of the Optionee's Disability (within the meaning of Section 22(e)(3) of the Code), this Stock Option shall become fully exercisable and may thereafter be exercised by the Optionee for a period of one year from the date of termination or until the Expiration Date, if earlier.

(c) Other Termination. If the Optionee ceases to be a director for any reason other than death or Disability, and unless otherwise determined by the Committee, any portion of this Stock Option may be exercised by the Optionee, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable at such time shall terminate immediately and be of no further force or effect.

(d) Miscellaneous. The Administrator's determination of the reason for termination of the Optionee's directorship shall be conclusive and binding on the Optionee and his or her representatives or legatees. Any portion of this Stock Option that is unvested after the application of this Section 3 shall be canceled immediately upon any termination of directorship and shall not be exercisable by the Optionee.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee. Notwithstanding the foregoing, the Optionee may transfer this Stock Option to members of his immediate family, to trusts for the benefit of such family members, or to

partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of the Plan and this Stock Option.

6. Miscellaneous.

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

(b) This Stock Option does not confer upon the Optionee any rights with respect to continuance as a Director of the Company.

(c) Pursuant to Section 14 of the Plan, the Committee may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken which adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

CIRCOR INTERNATIONAL, INC.

By: _____
Title:

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

Date: _____

_____
Optionee's Signature

Optionee's name and address:

_____

_____

_____

EXHIBIT 10.6

CIRCOR INTERNATIONAL, INC.
MANAGEMENT STOCK PURCHASE PLAN

I. INTRODUCTION

The purpose of the CIRCOR International, Inc. Management Stock Purchase Plan (the "Plan") is to provide equity incentive compensation to selected management employees and Independent Directors of CIRCOR International, Inc. (the "Company") and its subsidiaries. Participants in the Plan who are employees of the Company or any of its subsidiaries may elect to receive restricted stock units ("RSUs") in lieu of all or a portion of their annual incentive bonus and, in some circumstances, make after-tax contributions in exchange for RSUs. Participants in the Plan who are Independent Directors of the Company may elect to receive RSUs in lieu of all or a portion of their directors' fees. Each RSU represents the right to receive one share of the Company's Common Stock (the "Stock") upon the terms and conditions stated herein. RSUs are granted at a discount of 33% from the fair market value of the Stock on the date of grant. So long as the participant remains employed by the Company or any of its subsidiaries, or remains a director of the Company, as appropriate, for at least three years after the date of grant, his or her RSUs will be settled in shares of Stock after a period of deferral selected by the participant, or upon termination of employment or directorship, if earlier. This Plan is a component plan of the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "1999 Incentive Plan") and is established pursuant to Section 7 of the 1999 Incentive Plan. All defined terms used herein shall have the same meaning as set forth in the 1999 Incentive Plan.

II. ADMINISTRATION

The Plan shall be administered by the Administrator. The Administrator shall have complete discretion and authority with respect to the Plan and its application, except as expressly limited herein. Determinations by the Administrator shall be final and binding on all parties with respect to all matters relating to the Plan.

III. ELIGIBILITY

Management employees of the Company and its subsidiaries as designated by the Administrator shall be eligible to participate in the Plan. All Independent Directors of the Company shall be eligible to participate in the Plan.

IV. PARTICIPATION

A. Restricted Stock Units. Participation in the Plan shall be based on the award of RSUs. Each RSU awarded to a participant shall be credited to a bookkeeping account established and maintained for that participant.

B. Valuation of RSUs; Fair Market Value of Stock. The value of each RSU, for purposes of the Plan, shall be determined as follows: The "Cost" of each RSU shall be equal to 67% of the fair market value of the Stock on the date the RSU is awarded. The "Value" of each RSU shall be equal to its Cost plus simple interest per annum on such amount at the one-year U.S. Treasury Bill rate (as published in The Wall Street Journal) in effect on the award date and each anniversary thereof. For all purposes of the Plan, the "fair market value of the Stock" on any given date shall mean the last reported sale price at which Stock is traded on such date or, if no Stock is traded on such date, the most recent date on which Stock was traded, as reflected on the New York Stock Exchange.

C. Election to Participate. (i) Employees. Each year, each participant who is an employee of the Company or any of its subsidiaries may elect to receive an award of RSUs under the Plan in lieu of all or part of his or her annual incentive bonus which is based upon services to be performed during the subsequent calendar year by completing a Bonus Deferral and RSU Subscription Agreement ("Bonus Subscription Agreement"). The Bonus Subscription Agreement shall provide that the participant elects to receive RSUs in lieu of a specified portion of any annual incentive bonus. Such portion may be expressed as either (1) a specified percentage of the participant's actual bonus amount; (2) the lesser of a specified percentage or a specified dollar amount of the participant's actual bonus amount; or (3) a specified dollar amount, up to 100% of the participant's targeted maximum bonus. Any dollar amount specified must be at least $1,000; and any percentage specified must be at least 10% and not more than 100%. Amounts specified pursuant to methods (1) and (2) are entirely contingent on the amount of bonus actually awarded. Where the participant specifies a fixed dollar amount pursuant to method (3), however, the Bonus Subscription Agreement shall provide that, if the specified dollar amount exceeds the actual bonus amount awarded, the participant undertakes to pay the excess, in cash or by check, to the Company within five days after the date the participant receives notice of the bonus amount. Each Bonus Subscription Agreement, in addition, shall specify a deferral period for the RSUs to which it pertains. The deferral period shall be expressed as a number of whole years, not less than three, beginning on the award date. Bonus Subscription Agreements must be received by the Company no later than December 31 of the calendar year prior to the calendar year for which such bonus amount will be determined, except that in the year in which the Plan is first implemented, each participant may

submit his or her Bonus Subscription Agreement to the Company within 30 days after the date the Plan is effective, and in the first year in which an employee becomes eligible to participate in the Plan, such individual may submit his or her Bonus Subscription Agreement to the Company within 30 days after the date he or she first becomes eligible. Notwithstanding the foregoing, the Administrator may require certain participants to defer a certain percentage of his or her bonus amount under this Plan.

(ii) Independent Directors. Each year, each participant who is an
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Independent Director of the Company may elect to receive an award of RSUs under the Plan in lieu of all or a portion of his or her directors' fees to be paid for services to be performed during the subsequent calendar year by completing a Directors' Fee Deferral and RSU Subscription Agreement ("Fee Subscription Agreement"). The Fee Subscription Agreement shall provide that the participant elects to receive RSUs in lieu of a specified dollar amount or percentage of the directors' fees otherwise payable to such participant by the Company in the following calendar year. Any dollar amount specified must be at least $1,000; and any percentage specified must be at least 10% and not more than 100%. Each Fee Subscription Agreement, in addition, shall specify a deferral period for the RSUs to which it pertains. The deferral period shall be expressed as a number of whole years, not less than three, beginning on the award date. Fee Subscription Agreements must be received by the Company no later than December 31 of the calendar year prior to the calendar year for which such directors' fees are to be paid, except that in the year in which the Plan is first implemented, each Independent Director may submit his or her Fee Subscription Agreement to the Company within 30 days after the date the Plan is effective, and in the first year in which an individual becomes an

Independent Director, such individual may submit his or her Fee Subscription Agreement to the Company within 30 days after the date he or she first becomes an Independent Director.

D. Award of RSUs. (i) Employees. Once each year, on the date that annual incentive bonuses are paid or would otherwise be paid, the Company shall award RSUs to each participant who is an employee of the Company as follows: Each such participant's account shall be credited with a whole number of RSUs determined by dividing the amount (expressed in dollars) that is determined under his or her Bonus Subscription Agreement by the Cost of each RSU awarded on such date. No fractional RSU will be credited and the amount equivalent in value to the fractional RSU will be paid out to the participant currently in cash.

(ii) Independent Directors. Once each year, on the date that directors' fees are paid or would otherwise be paid, the Company shall award RSUs to each participant who is an Independent Director of the Company as follows: Each such participant's account shall be credited with a whole number of RSUs determined by dividing the amount (expressed in dollars) that is determined under his or her Fee Subscription Agreement by the Cost of each RSU awarded on such date. No fractional RSU will be credited and the amount equivalent in value to the fractional RSU will be paid out to the participant currently in cash.

(iii) Replacement RSUs. The Company shall award replacement RSUs to participants who were formerly participants in the Watts Industries, Inc. ("Watts") Management Stock Purchase Plan (the "Watts MSPP") and whose restricted stock units granted under the Watts MSPP (the "Watts RSUs") were canceled as a result of their termination of employment with Watts due to the distribution of the Stock of the Company to the shareholders of Watts. Such replacement RSUs shall be awarded as of the date of such distribution. Notwithstanding anything to the contrary herein, the number of such replacement RSUs granted to each such participant shall be equitably adjusted by the Committee to reflect the distribution, and the vesting status, vesting schedule and deferral period of each such replacement RSU shall be the same as the corresponding canceled Watts RSU.

V. VESTING AND SETTLEMENT OF RSUS

A. Vesting. A participant shall be fully vested in each RSU three years after the date such RSU was awarded.

B. Settlement After Vesting. With respect to each vested RSU, the Company shall issue to the participant one share of Stock at the end of the deferral period specified in the participant's Bonus Subscription Agreement or Fee Subscription Agreement pertaining to such

RSU, or upon the participant's termination of employment or directorship, as appropriate, or the termination of the Plan, if sooner.

C. Settlement Prior to Vesting.

1. Voluntary Termination. If a participant voluntarily terminates his or her employment with the Company for reasons other than death, permanent disability or retirement (as described in Section V.C.2.), except as otherwise provided in the participant's employment agreement, the participant's nonvested RSUs shall be canceled and he or she shall receive a cash payment equal to the lesser of (a) the Value of such RSUs or (b) an amount equal to the number of such RSUs multiplied by the fair market value of the Stock on the date of the participant's termination of employment.

2. Involuntary Termination, Death, Disability or Retirement. If a participant's employment with the Company (a) is terminated by the Company for any reason or no reason, (b) terminates as a result of the participant's death or permanent disability, or (c) is voluntarily terminated by the participant and such termination qualifies as early, normal or late retirement under the terms of the Company's then effective qualified pension plan, except as otherwise provided in the participant's employment agreement, the participant's nonvested RSUs shall be canceled and he or she shall receive payment as follows: The number of nonvested RSUs awarded on each award date shall be multiplied by a fraction that is equal to the number of full years that the participant was employed by the Company after each such award date divided by three and the participant shall receive the resulting number of such RSUs in shares of Stock. With respect to the participant's remaining nonvested RSUs, except as otherwise provided in the participant's employment agreement, the participant shall receive cash in an amount equal to the lesser of (a) the Value of such

RSUs or (b) an amount equal to the number of such RSUs multiplied by the fair market value of the Stock on the date of the participant's termination of employment.

3. Termination of Directorship. Notwithstanding anything herein to the contrary, if a participant who is an Independent Director of the Company ceases to be a director for any reason, the participant's nonvested RSUs shall be canceled and he or she shall receive payment as follows: The number of nonvested RSUs awarded on each award date shall be multiplied by a fraction that is equal to the number of full years that the participant was a director of the Company after each such award date divided by three and the participant shall receive the resulting number of such RSUs in shares of Stock. With respect to the participant's remaining nonvested RSUs, the participant shall receive cash in an amount equal to the lesser of (a) the Value of such RSUs or (b) an amount equal to the number of such RSUs multiplied by the fair market value of the Stock on the date that the participant ceases to be a director.

4. Administrator's Discretion. The Administrator shall have complete discretion to determine the circumstances of a participant's termination of employment or directorship, including whether the same results from voluntary termination, permanent disability, termination by the Company or retirement, and the Administrator's determination shall be final and binding on all parties and not subject to review or challenge by any participant or other person.

VI. DIVIDEND EQUIVALENT AMOUNTS

Whenever dividends (other than dividends payable only in shares of Stock) are paid with respect to Stock, each participant shall be paid an amount in cash equal to the number of

his or her vested RSUs multiplied by the dividend value per share. In addition, each participant's account shall be credited with an amount equal to the number of such participant's nonvested RSUs multiplied by the dividend value per share. Amounts credited with respect to each nonvested RSU shall be paid, without interest, on the date the participant becomes vested in such RSU, or when the participant receives payment of his or her nonvested RSUs pursuant to Subsection V(C).

VII. DESIGNATION OF BENEFICIARY

A participant may designate one or more beneficiaries to receive payments or shares of Stock in the event of his or her death. A designation of beneficiary shall apply to a specified percentage of a participant's entire interest in the Plan. Such designation, or any change therein, must be in writing and shall be effective upon receipt by the Company. If there is no effective designation of beneficiary, or if no beneficiary survives the participant, the participant's estate shall be deemed to be the beneficiary.

VIII. ADJUSTMENTS

In the event of a stock dividend, stock split or similar change in capitalization affecting the Stock, the Administrator shall make appropriate adjustments in (i) the number and kind of shares of Stock or securities with respect to which RSUs shall thereafter be granted; (ii) the number and kind of shares remaining subject to outstanding RSUs; (iii) the number of RSUs credited to each participant's account; and (iv) the method of determining the value of RSUs.

IX. AMENDMENT OR TERMINATION OF PLAN

The Company reserves the right to amend or terminate the Plan at any time, by action of its Board of Directors, provided that no such action shall adversely affect a participant's rights under the Plan with respect to RSUs awarded and vested before the date of such action.

X. MISCELLANEOUS PROVISIONS

A. No Distribution; Compliance with Legal Requirements. The Administrator may require each person acquiring shares of Stock under the Plan to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Stock shall be issued until all applicable securities law and other legal and stock exchange requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock as it deems appropriate.

B. Withholding. Participation in the Plan is subject to any required tax withholding on wages or other income of the participant in connection with the Plan. Each participant agrees, by entering the Plan, that the Company shall have the right to deduct any such required minimum withholding taxes, in its sole discretion, from any amount payable to the participant under the Plan or from any payment of any kind otherwise due to the participant. Participants who wish to avoid the withholding of shares of Stock otherwise issuable to them under the Plan should arrange with the Company to pay the amount of taxes required to be withheld in advance of the settlement date.

C. Notices; Delivery of Stock Certificates. Any notice required or permitted to be given by the Company or the Administrator pursuant to the Plan shall be deemed given when

personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the participant at the last address shown for the participant on the records of the Company. Delivery of stock certificates to persons entitled to receive them under the Plan shall be deemed effected for all purposes when the Company or a share transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to such person at his or her last known address on file with the Company.

D. Nontransferability of Rights. During a participant's lifetime, any payment or issuance of shares under the Plan shall be made only to him or her. No RSU or other interest under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt by a participant or any beneficiary under the Plan to do so shall be void. No interest under the Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a participant or beneficiary entitled thereto.

E. Company's Obligations To Be Unfunded and Unsecured. The Plan shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Stock) for payment of any amounts or issuance of any shares of Stock hereunder. No participant or other person shall have any interest in any particular assets of the Company (including Stock) by reason of the right to receive payment under the Plan, and any participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan.

EXHIBIT 10.7

CIRCOR INTERNATIONAL, INC.

SUPPLEMENTAL EMPLOYEES RETIREMENT PLAN

Effective October __, 1999

TABLE OF CONTENTS

ARTICLE I

NAME, PURPOSE AND EFFECTIVE DATE

1.01 NAME AND PURPOSE

The supplemental retirement plan set forth herein shall be known as the "CIRCOR International, Inc. Supplemental Employees Retirement Plan" (the "Plan"). The Plan is established as a continuation of the Watts Industries, Inc. Supplemental Employees Retirement Plan ("Watts SERP") for certain participants in the Watts SERP that became employees of CIRCOR International, Inc. (the "Employer") as a result of the corporate spin-off from Watts Industries, Inc. The Plan is maintained solely for the purpose of providing supplemental retirement benefits for certain Participants. The Plan is unfunded and maintained primarily for the purpose of providing deferred compensation for Participants who are part of a select group of management or highly compensated employees.

1.02 EFFECTIVE DATE

This Plan shall be effective October 4, 1999 (the "Effective Date"). This Plan shall apply to Participants who retire or terminate their employment with the Employer after the Effective Date.

ARTICLE II

DEFINITIONS

Whenever used in this Plan, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

2.01 "Compensation" means the total compensation payable to an eligible Employee by the Employer and reportable to the Federal Government for income tax purposes on Form W-2, or any form prescribed by the Internal Revenue Service to take its place.

Compensation also includes contributions made on behalf of an Employee by the Employer pursuant to a salary deferral agreement under Section 401(k) of the Code and/or a salary reduction agreement pursuant to a cafeteria plan established under Section 125 of the Code and/or a salary deferral agreement established in conjunction with the Watts Industries, Inc. Management Stock Purchase Plan.

In no event shall Compensation exceed $250,000 for the Plan Year beginning January 1, 1989 for any Employee listed in Appendix A, or $200,000 for the Plan Year beginning January 1, 1989 for any eligible Employee not listed in Appendix A. For each subsequent Plan Year, the $250,000 and $200,000 limitations shall be adjusted at the same time and in the same proportion as the adjustment to the maximum benefit limitation under Internal Revenue Code Section 415(d) which is applicable to the Qualified Plan. In all other respects, the limitations on annual Compensation under this Section shall be applied in the same manner in determining Final Average Compensation as the limitation under Internal Revenue Code Section 401(a)(17) is to be applied under the Qualified Plan.

2.02 "Employer" means CIRCOR International, Inc., or any successor thereto and any other entity now or hereafter affiliated with CIRCOR International, Inc. which participates in the Qualified Plan.

2.03 "Final Average Compensation" means the average of the Participant's Compensation for the sixty (60) consecutive months during the last one hundred and twenty (120) months of his Service prior to his termination of employment for which he received the highest total Compensation. If a Participant has not completed at least sixty (60) months of Service with the Employer, his Final Average Compensation shall be the average of his Compensation during his period of Service.

Notwithstanding the above, compensation paid by Watts Industries, Inc. to Participants who became employees of the Employer on October 4, 1999 as a result of the spin-off, shall be taken into account in determining Final Average Compensation.

2.04 "Participant" means an employee of the Employer who meets the eligibility requirements for this Plan in the manner set forth in Article 3.

2.05 "Plan Administrator" means CIRCOR International, Inc, or its duly authorized representative.

2.06 "Qualified Plan" means the CIRCOR International, Inc. Retirement Plan for Salaried Employees.

2.07 "Social Security Benefit" means the primary insurance benefit payable annually to an Employee at Normal Retirement Age under Title II of the Social Security Act as in effect on the date he terminates his employment or on his Normal Retirement Age, if earlier, computed without regard to any reduction or loss of benefits which may result due to other income, delay in making application or any other reason; provided, however, that in the case of a Participant who terminates his employment prior to his attainment of Normal Retirement Age, his Social Security benefit shall be computed in accordance with the following provisions:

(a) If the Participant has satisfied the eligibility requirements for an Early Retirement Benefit under Section 4.02 prior to his termination, his Social Security Benefit will be based on the assumption that he received no further Compensation from his termination date until he attained his Normal Retirement Age.

(b) If the Participant has not satisfied the requirements for an Early Retirement Benefit prior to his termination, his Social Security Benefit will be based on the assumption that he remained in the service of the Employer until he reached his Normal Retirement

Age and that he continued to receive the same rate of Compensation from the Employer as in effect on his termination date until his Normal Retirement Age.

The income used for purposes of computing a Participant's Social Security Benefit will be the portion of his Compensation which is treated as wages for the purposes of the Social Security Act. The Participant's income earned prior to his first full year of employment as a Participant will be estimated by applying a 6% salary scale projected backwards from his first full year of employment with the Employer.

2.08 "Sponsoring Employer" means CIRCOR International, Inc.

2.09 CERTAIN DEFINITIONS UNDER QUALIFIED PLAN APPLY

The following terms shall have the same meaning at any relevant time as that contained in the Qualified Plan. Any amendment under the Qualified Plan to the meaning of a term listed hereunder shall also apply under this Plan to the same extent and in the same manner as under the Qualified Plan.

Actuarial Equivalent	Early Retirement Date
Actuary	Employee
Beneficiary	Hour of Service
Benefit Service	Normal Retirement Age
Board of Directors	Normal Retirement Date
Contingent Annuitant	Service
Controlled Group Company	Spouse Joint and Survivor Annuity
Deferred Retirement Date	Year of Service

Notwithstanding any other provision to the contrary, Benefit Service, Service, and Years of Service with Watts Industries, Inc. prior to October 4, 1999 shall be taken into account for all purposes under this Plan with respect to a Participant who became an employee of the Employer as a result of the corporate spin-off of the Employer from Watts Industries, Inc. on October 4, 1999.

ARTICLE III

ELIGIBILITY

3.01 PARTICIPATION

As of the Effective Date, employees who participated in the Watts SERP are eligible to participate in the Plan. These Employees are listed in Appendix A.

On and after the Effective Date of this Plan, any Employee not designated in Appendix A whose Compensation under the Qualified Plan is limited under Internal Revenue Code Section 401(a)(17), or who is otherwise designated as eligible to participate by the Employer's board of directors, shall participate in the Plan.

ARTICLE IV

RETIREMENT BENEFITS

4.01 AMOUNT OF NORMAL OR DEFERRED RETIREMENT BENEFIT

Subject to the provisions of Section 4.04, the amount of the annual Normal Retirement Benefit or Deferred Retirement Benefit (as defined in this Section 4.01) payable in the Normal Form of Payment to a Participant who retires under this Plan on or after his Normal Retirement Date shall be the excess, if any, of (a) or (b), whichever is applicable, over (c):

(a) For eligible Participants listed in Appendix A, forty-five percent (45%) of his Final Average Compensation less fifty percent (50%) of his Social Security Benefit, multiplied by a fraction (not to exceed one), the numerator of which is his years (and fractions thereof) of Benefit Service and the denominator of which is twenty-five (25).

(b) For eligible Participants not listed in Appendix A, the annual benefit payable in the form of a straight life annuity determined under the relevant normal or deferred retirement benefit provisions of the Qualified Plan, but based on Final Average Compensation as defined in this Plan and ignoring any limitations under Internal Revenue Code Section 415.

(c) The greater of (i) or (ii) as follows:

(i) the annual benefit payable in the form of a straight life annuity determined under the relevant normal or deferred retirement benefit provisions of the Qualified Plan, except that a pay limit of $175,000 shall be used in all instances where a pay limit of $150,000 applies. The $175,000 limit shall be increased each year in the same proportion as the annual adjustment to the compensation limitation under Internal Revenue Code Section 401(a)(17) applicable to the Qualified Plan.

(ii) the annual benefit payable in the form of a straight life annuity under the Qualified Plan.

4.02 AMOUNT OF EARLY RETIREMENT BENEFIT

Subject to the provisions of Section 4.04, the amount of the annual Early Retirement Benefit (as defined in this Section 4.02) of a Participant who elects to retire on or after his Early Retirement Date shall be a benefit computed in accordance with (a) or (b) below, as elected by the Participant in accordance with the requirements of Section 6.03:

(a) A benefit commencing on his Normal Retirement Date in an amount equal to his Accrued Normal Retirement Benefit as defined and determined in accordance with Section 4.03.

(b) A reduced benefit commencing on his Early Retirement Date or the first day of any month thereafter but prior to his Normal Retirement Date, as elected by the Participant, which benefit shall be computed as the excess of (i) over (ii) where:

(i) is equal to the benefit determined in Section 4.01(a) or 4.01(b) above, as applicable, reduced in amount in the same manner as the reduction made to the amount of benefit payable under the Qualified Plan prior to his Normal Retirement Date, and

(ii) is equal to the benefit determined under Section 4.01(c) reduced in the same manner as the reduction made to the amount of benefit payable under the Qualified Plan prior to his Normal Retirement Date.

4.03 ACCRUED NORMAL RETIREMENT BENEFIT

For an eligible Participant whose benefit is determined in accordance with Sections 4.01(a) and (c), such Participant's Accrued Normal Retirement Benefit at any time prior to his Normal Retirement Date, shall be determined as the amount of Normal Retirement Benefit that the Participant would have received under subsection (a) of Section 4.01 if he had remained in the employ of the Employer to his Normal Retirement Date, but based on his Final Average Compensation and Social Security Benefit as of the date such Accrued Normal Retirement Benefit is being determined. Such amount shall then be multiplied by a fraction in which the numerator is the number of years (and fractions thereof) of Benefit Service that the Participant has completed, and the denominator is the number of years (and fractions thereof) of Benefit Service that the Participant would have completed if he had remained in the employ of the Employer to his Normal Retirement Date, and such amount

shall then be reduced by the amount determined under subsection (c) of Section 4.01; provided, however, that in the case of a Participant who has completed twenty-five (25) years of Benefit Service and has satisfied the conditions for an Early Retirement Benefit, the fractional reduction of this Section 4.03 shall not apply in determining his Accrued Normal Retirement Benefit.

For an eligible Participant whose benefit is determined in accordance with Sections 4.01(b) and (c), such Participant's Accrued Normal Retirement Benefit at any time prior to his Normal Retirement Date shall be determined as the excess of the benefit determined in accordance with Section 4.01(b) over the benefit determined in accordance with Section 4.01(c).

4.04 SPECIAL RETIREMENT BENEFIT

Notwithstanding any other provision to the contrary, the Participants listed in Part B of Appendix A shall be entitle to receive the Special Retirement Benefit as set forth in Appendix B, which is hereby incorporated and made a part of this Plan, in lieu of the benefit otherwise provided under this Article IV.

4.05 ADJUSTMENT OF THE QUALIFIED PLAN OFFSET FOR CERTAIN PARTICIPANTS

Notwithstanding the foregoing provisions of this Article IV, in the event the annual benefit payable under the Qualified Plan in the form of a straight life annuity exceeds the maximum benefit limitation of Internal Revenue Code Section 415 and the Participant elects to receive a Spouse Joint and Survivor Annuity form of payment under the Qualified Plan, the Qualified Plan offset described in Section 4.01(c)(ii) shall be equal to the straight life annuity actuarial equivalent of the benefit actually elected by the Participant under the Qualified Plan.

ARTICLE V

VESTING

5.01 VESTING

Subject to Section 5.03, a Participant's Accrued Normal Retirement Benefit shall be fully vested upon the date which is the earlier of (i) his completion of six (6) years of Service, (ii) his Early Retirement Date, or (iii) his attainment of Normal Retirement Age, provided he is actively employed by the Employer on such date. A Participant whose employment with the Employer ceases prior to his satisfaction of one of the full vesting conditions of this Section 5.01 shall not be entitled to any benefit under this Plan.

5.02 AMOUNT OF VESTED ACCRUED BENEFIT

The amount of the Accrued Normal Retirement Benefit of a Participant shall be determined under Section 4.03. In the event that the payment of a Participant's vested Accrued Normal Retirement Benefit commences prior to his Normal Retirement Date in accordance with Section 6.03, the amount of benefit payable on such prior date shall be reduced in the same manner as the reduction described in Section 4.02(b).

5.03 FORFEITURE FOR CAUSE

Any Participant who (i) because of admitted or judicially proven fraud or dishonesty causes substantial harm to the Employer (or a Controlled Group Company), or (ii) knowingly and materially violates any non-interference or non-competition provision contained in any employment agreement with the Employer (or a Controlled Group Company), shall forfeit all retirement benefits otherwise payable to him, and death benefits payable to his spouse, Beneficiary, or Contingent Annuitant under this Plan.

ARTICLE VI

NORMAL FORM, FORM PAYABLE, AND COMMENCEMENT OF RETIREMENT BENEFITS

6.01 NORMAL FORM OF PAYMENT

The Normal Form of Payment (as defined in this Section 6.01) of a Participant's benefits under this Plan shall be an annuity for life, payable monthly, commencing on the first day of the month coinciding with or next following the date his benefit commences under Section 6.03 and terminating with the payment preceding his death.

6.02 FORM TO BE PAID

The Participant's benefit under this Plan shall be paid in the same form as that applicable under the Qualified Plan, including the Participant's designation of Beneficiary or Contingent Annuitant thereunder. In the event that the form paid under the Qualified Plan is other than the Normal Form of Payment under Section 6.01, the amount of benefit being paid under this Plan shall be the Actuarial Equivalent of the Normal Form of Payment.

6.03 COMMENCEMENT OF PAYMENT

Benefits shall commence under this Plan to a Participant as of the same date that benefits commence to the Participant under the Qualified Plan; provided, however, that, in the case of a Participant required to commence benefit payments under the Qualified Plan solely on account of the Participant's attainment of age seventy and one-half (70-1/2), benefits shall not commence under this Plan until the Participant actually retires.

6.04 SUSPENSION OF BENEFITS

Payment of benefits under this Plan to a retired Participant who is re-employed by the Employer shall be suspended if the payment of such Participant's benefit under the Qualified Plan is (i) suspended on account of reemployment, or (ii) would have been suspended but for the Participant's having attained age 70-1/2. Upon such Participant's subsequent retirement or termination of employment, his benefits shall recommence and the benefit payable under this Plan may be recomputed by accumulating both periods of employment and may be actuarially adjusted to reflect any benefit payments previously made to the Participant in order to avoid any duplication of benefits.

ARTICLE VII

DEATH BENEFITS

7.01 DEATH BENEFIT PRIOR TO BENEFIT COMMENCEMENT

The surviving spouse of a Participant who dies prior to the date as of which benefits are to commence under this Plan shall be entitled to a death benefit under this Plan in the event that the Participant was legally married to the surviving spouse for the one year period ending on the date of the Participant's death and the Participant's Accrued Normal Retirement Benefit was vested under Section 5.01 at the time of his death. The preceding sentence shall not apply, and the death benefit provisions of Section 7.03 shall apply, in the case of a Participant who dies prior to the date as of which benefits are to commence under this Plan but after benefits commence to the Participant under the Qualified Plan on account of the Participant's attainment of age 70-1/2.

No death benefit shall be payable under this Plan with respect to a Participant who dies before benefit commencement without a surviving spouse eligible to receive a death benefit.

7.02 AMOUNT AND COMMENCEMENT OF DEATH BENEFIT PAYABLE TO SURVIVING SPOUSE

The annual amount of the surviving spouse's death benefit payable under this Plan shall be calculated in the same manner that the surviving spouse's death benefit is calculated under the Qualified Plan and shall be equal to the survivor annuity payable with respect to the Participant's benefit under Article IV or Article V, as appropriate, if the Participant's benefit were paid in the form of a Spouse Joint and Survivor Annuity. The surviving spouse's benefit under this Plan shall commence at the same time that such benefit commences under the Qualified Plan.

7.03 DEATH BENEFIT AFTER BENEFIT COMMENCEMENT

The death benefit payable, if any, to the Participant's surviving spouse, Beneficiary, or Contingent Annuitant in the event of the Participant's death after benefits commence under this Plan shall be pursuant to the form of retirement benefit applicable under Section 6.02. No other death benefit shall be payable under this Plan.

ARTICLE VIII

FUNDING

8.01 FUNDING

There is no fund associated with this Plan. The Sponsoring Employer shall be required to make payments only as benefits become due and payable. No person shall have any right, other than the right of an unsecured general creditor, against the Sponsoring Employer with respect to the benefits payable hereunder, or which may be payable hereunder, to any Participant, surviving spouse or Beneficiary or Contingent Annuitant hereunder. If the Sponsoring Employer, acting in its sole discretion, establishes a reserve or other fund associated with this Plan, no person shall have any right to or interest in any specific amount or asset of such reserve or fund by reason of amounts which may be payable to such person under this Plan, nor shall such person have any right to receive any payment under this Plan except as and to the extent expressly provided in this Plan. The assets in any such reserve or fund shall be subject to the control of the Sponsoring Employer, and need not be used to pay benefits hereunder.

ARTICLE IX

MISCELLANEOUS

9.01 NON-GUARANTEE OF EMPLOYMENT

Nothing contained in this Plan shall be construed as a contract of employment between the Employer and any Employee, or as a right of any such Employee to be continued in the employment of the Employer, or as a limitation on the right of the Employer to deal with any Employee, as to their hiring, discharge, layoff, compensation, and all other conditions of employment in all respects as though this Plan did not exist.

9.02 RIGHTS UNDER RETIREMENT PLAN

Nothing in this Plan shall be construed to limit, broaden, restrict, or grant any right to an Employee, surviving spouse or any Beneficiary or Contingent Annuitant thereof under the Qualified Plan, nor to grant any additional rights to any such person under the Qualified Plan, nor in any way to limit, modify, repeal or otherwise affect the Employer's right to amend or modify the Qualified Plan.

9.03 AMENDMENTS/TERMINATION

The Sponsoring Employer reserves the right to make from time to time amendments to or terminate this Plan by vote duly adopted by the Board of Directors. In the event the Sponsoring Employer exercises his right to amend or terminate this Plan, a Participant shall receive the lesser of: (a) the benefit he would have received had he terminated employment on the day the amendment or termination becomes effective, or (b) the benefit he would have received had the Plan continued, in effect, without amendment, until the date of his actual termination of employment.

9.04 NONASSIGNABILITY

The benefits payable under this Plan shall not be subject to alienation, assignment, garnishment, execution or levy of any kind and any attempt to cause any benefits to be so subjected shall not be recognized, except to the extent required by applicable law.

9.05 PLAN ADMINISTRATION

This Plan shall be operated and administered by the Board of Directors or its duly authorized representative whose decision on all matters involving the interpretation and administration of this Plan shall be final and binding.

9.06 SUCCESSOR COMPANY

In the event of the dissolution, merger, consolidation or reorganization of the Sponsoring Employer, provision may be made by which a successor to all or a major portion of the Sponsoring Employer's property or business shall continue this Plan, and the successor shall have all of the powers, duties and responsibilities of the Sponsoring Employer under this Plan.

9.07 GOVERNING LAW

This Plan shall be construed and enforced in accordance with, and governed by, the laws of the Commonwealth of Massachusetts.

9.08 CLAIMS PROCEDURES

The Claims Procedure currently detailed, and as may later be amended, under the Qualified Plan is hereby incorporated by reference as the Claims Procedure for this Plan; provided, however that the "Board of Directors, or its duly authorized representative", shall be substituted for the "Committee" in the Claims Procedures detailed in such Qualified Plan.

IN WITNESS WHEREOF, Watts Industries, Inc. has caused this instrument to be executed in its name and on its behalf this _____ day of _____, 1999.

CIRCOR INTERNATIONAL, INC.

By:_____

APPENDIX A

LIST OF PARTICIPANTS

Part A - The following is a list of Participants eligible for benefits described in Section 4.01 of the Plan:

Leon Boelte
James Fromfield
Maury Mills

Part B - The following is a list of Participants eligible for benefits described in Section 4.04 of the Plan:

David Bloss
Alan Carlsen
George Orza

APPENDIX B

SPECIAL RETIREMENT BENEFIT

The following provisions shall apply to the Participants listed in Part B of Appendix A:

A. SPECIAL NORMAL AND EARLY RETIREMENT DATE

For purposes of this Appendix B, a Participant's Special Normal Retirement Date is the first day of the month coincident with or next following the later of the attainment of age sixty-two (62) or the completion of five (5) Years of Service.

For purposes of this Appendix B, a Participant's Special Early Retirement Date is the first day of the month of any month following the Participant's attainment of age fifty-five (55) with 5 Years of Service and prior to the Participant's attainment of his Special Normal Retirement Date that he elects to retire.

B. AMOUNT OF NORMAL OR DEFERRED RETIREMENT BENEFIT

Subject to the provisions of Section 4.05, the amount of the annual Normal Retirement Benefit or Deferred Retirement Benefit payable as a straight life annuity to a Participant who retires under this Plan on or after his Special Normal Retirement Date shall be the sum of (a) plus (b) offset by the amount described in (c).

(a) 2% of Final Average Compensation times years of Benefit Service not to exceed ten (10).

(b) 3% of Final Average Compensation times years of Benefit Service in excess of ten (10) but not to exceed twenty (20).

(c) The annual benefit payable in the form of a straight life annuity under the Qualified Plan.

In the event a Participant is not eligible to commence receiving payments under the Qualified Plan as of his Special Normal Retirement Date, the offset described above shall not be made until the earliest date the Participant could elect to commence his benefit under the Qualified Plan.

For purposes of this Section B of Appendix B, "Final Average Compensation" is the same definition as set forth in Section 2.03 except that the Participant's Compensation is averaged over thirty six (36) consecutive months instead of sixty (60) consecutive months. The Participant's Compensation used in determining his Final Average Compensation is as defined in Section 2.01 without regard to the last paragraph of such Section.

C. AMOUNT OF EARLY RETIREMENT BENEFIT

Subject to the provisions of Section 4.05 the amount of the annual Early Retirement Benefit of a Participant who elects to retire before his Special Normal Retirement Date shall be a benefit calculated in accordance with (a) or (b) below, as elected by the Participant in accordance with the requirements of Section 6.03.

(a) A benefit commencing on his Special Normal Retirement Date in an amount equal to his Normal Retirement Benefit described in Section B above.

(b) A reduced benefit commencing on his Special Early Retirement Date as elected by the Participant. Such reduced benefit shall be the sum of the amounts determined under subsections (a) and (b) of Section B reduced five ninths of one percent (5/9%) for each full month that benefits commence prior to the Participant's Special Normal Retirement Date until age sixty (60) and five eighteenths of one percent (5/18%) for each full month that benefits commence prior to age sixty (60), offset by the amount described in subsection (c) of Section B. In the event a Participant is not eligible to commence receiving payments under his Qualified Plan as of his Special Early Retirement Date, the offset described in the preceding sentence shall not be made until the earliest date the Participant could commence benefits under the Qualified Plan.

D. VESTING

A Participant shall be fully vested upon the completion of five (5) years of Service.

E. PLAN PROVISIONS STILL APPLY

Except as may be modified in this Appendix B, the regular provisions of the Plan shall continue to apply to the extent they are not in conflict with the provisions as set forth in this Appendix B.

EXHIBIT 10.8

SUPPLY AGREEMENT

This SUPPLY AGREEMENT is made and entered into as of September __, 1999 by and between Watts Industries, Inc., a Delaware corporation ("Watts") and CIRCOR International, Inc., a Delaware corporation ("Circor").

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, pursuant to a Distribution Agreement dated as of September 16, 1999, by and between Circor and Watts (the "Distribution Agreement"), Watts will spin off to its stockholders all of the Common Stock of Circor (the "Distribution"); and

WHEREAS, following the Distribution, Circor will operate all of the industrial, oil and gas product lines previously operated by Watts (the "Business"); and

WHEREAS, in connection with the Distribution, Watts has agreed to supply certain of its products to Circor for a limited period of time;

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

1. TERM

The term of this Agreement shall commence on the date hereof and shall end on the earlier of (i) the written consent of the parties or (ii) April 4, 2001.

2. SUPPLY; PRICING; PAYMENT TERMS

(a) Subject to the terms and conditions provided below, Watts shall manufacture, supply and sell to Circor, and Circor shall purchase from Watts, the products specified on Exhibit A attached hereto at the prices specified therein, in such quantities as Circor may from time to time request. Delivery of and payment for all products hereunder shall be made in accordance with Watts' standard practice as in effect from time to time.

(b) Subject to the terms and conditions provided below, Circor shall manufacture, supply and sell to Watts, and Watts shall purchase from Circor, the products specified on Exhibit B attached hereto at the prices specified therein, in such quantities as Watts may from time to time request. Delivery of and payment for all products hereunder shall be made in accordance with Circor's standard practice as in effect from time to time.

3. MISCELLANEOUS

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties. Waivers and consents with respect to this Agreement shall be in writing and each shall be effective only in the specific instance and for the specific purpose for which it is given.

(b) This Agreement shall bind and inure to the benefit of the parties and their respective successors and permitted assigns. Rights and obligations arising from this Agreement shall not be assignable by either party without the prior written consent of the other party; provided, however, that either party may, without the consent of the other, assign its rights and obligations hereunder to any direct or indirect wholly-owned subsidiary of such party.

(c) This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

(d) This Agreement shall be governed by the laws of the Commonwealth of Massachusetts (with the exception of the provisions relating to conflict of laws).

[END OF TEXT]

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

WATTS INDUSTRIES, INC.	CIRCOR INTERNATIONAL, INC.
By:_____	By:_____
Name:	Name:
Title:	Title:

EXHIBIT A

Watts Supplied Products

EXHIBIT B

Circor Supplied Products

EXHIBIT 10.9

TRADEMARK LICENSE AGREEMENT

AGREEMENT, dated as of September __, 1999, between Watts Industries, Inc., a Delaware corporation ("Watts"), and CIRCOR International, Inc., a Delaware corporation ("Circor").

WHEREAS, pursuant to a Distribution Agreement dated as of September 16, 1999, by and between Circor and Watts (the "Distribution Agreement"), Watts will distribute to its shareholders all of the Common Stock of Circor (the "Distribution"); and

WHEREAS, following the Distribution, Circor will operate all of the industrial, oil and gas product lines previously operated by Watts (the "Business"); and

WHEREAS, following the Distribution, Circor will own, directly or indirectly, all of the outstanding capital stock of KF Industries, Inc.; and

WHEREAS, in connection with the Distribution, Watts has agreed to license use of its trademark and trade name "Watts" to Circor for a limited period of time;

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

1. Grant of License. Watts hereby grants to Circor a non-exclusive, worldwide right and license (the "License") to use the trademark and trade name "Watts" (the "Trademark") in the Business, and to sublicense the Trademark to its wholly-owned subsidiaries, all on the terms and conditions set forth herein. Nothing in this Agreement is intended to permit Circor to use the Trademark for any other purpose.

2. Term; Effects of Termination.

2.1 Term. The term of this Agreement (the "Term") shall commence on the date hereof and shall terminate upon the earlier of (i) the mutual agreement of Watts and Circor, or (ii) eighteen (18) months after the date of the Distribution.

2.2 Right to Terminate. Watts may terminate this Agreement, on prior written notice to Circor, in the event that: (i) Circor is in default of the terms of this Agreement and such default continues for more than thirty (30) days after written notice thereof to Circor; or (ii) Circor files a petition in bankruptcy or is adjudicated a bankrupt or insolvent, or makes an assignment for the benefit of creditors, or an arrangement pursuant to any bankruptcy law, or if Circor discontinues or dissolves its business or if a receiver is appointed for Circor or for Circor's business and such receiver is not discharged within 30 days.

2.3 Effect of Termination. Upon termination or expiration of this Agreement: (i) Circor shall cease and desist from use in any manner of the Trademark; and (ii) Circor shall execute and deliver to Watts any documents reasonably requested by Watts to confirm Watts' ownership of the Trademark and the termination of this Agreement.

3. Restrictions on Use.

3.1 Quality, Use, Compliance with Laws. Circor shall use the Trademark only in a manner and form: (i) designed to maintain the high quality of the Trademark; (ii) consistent with the use of the Trademark by Watts; (iii) that protects Watts' ownership interest therein; and (iv) that complies will all applicable federal, state, local and foreign laws, rules and regulations, including, without limitation, all applicable trademark laws, rules and regulations.

3.2 Quality Control. Watts shall have the right to monitor and inspect the facilities and goods on which the Trademark is applied for the purpose of protecting and maintaining the standards of quality established by Watts. If Watts at any time finds that Circor's use of the Trademark is not consistent with standards of quality acceptable to Watts, Watts may notify Circor in writing of such deficiencies, and if Circor fails to correct such deficiencies within thirty (30) days after receipt of such notice, Watts may, at its election, terminate this Agreement effective immediately. Circor shall cause to appear on all materials on or in connection with which the Trademark is used such reasonable legends, markings and notices as Watts may reasonably request.

3.3 Use In Conjunction with KF. Circor shall use the Trademark only in conjunction with the "KF" and "Contromatics" trademarks and trade names and only in such a manner that "KF" or "Contromatics," as applicable, immediately precedes the Trademark.

3.4 Benefit. Circor expressly acknowledges that its use of the Trademark hereunder inures to the benefit of Watts and shall not confer on Circor any proprietary rights to the Trademark, which shall at all times remain with Watts and its assignees.

3.5 Ownership of Trademark. Watts expressly reserves the sole and exclusive ownership of the Trademark and all rights relating thereto. Circor hereby acknowledges that Watts is the sole and exclusive owner of the Trademark and agrees not to challenge at any time, directly or indirectly, the rights of Watts thereto or the validity or distinctiveness thereof. Use of the Trademark by Circor under this Agreement shall inure to the benefit of Licensor.

3.6 Protection of Trademark. Nothing in this Agreement is intended to nor shall it limit or impair Watts' rights, during or after the Term, to protect the Trademark from infringement by any person or party, including without limitation, Circor. During and after the Term Watts may, but shall not be obligated to, take such action as it deems necessary or appropriate to prevent or stop such infringement. Circor shall promptly notify Watts in writing of any infringement or suspected infringement involving the Trademark.

3.7 No Impairment. Nothing in this Agreement is intended to nor shall it limit or impair Watts' rights, during or after the Term, to use or otherwise license the Trademark in any manner whatsoever.

4. Infringement; Limitation of Liability.

4.1 Maintenance of Trademark. Circor shall use its best efforts not to do or permit to be done any act calculated or likely to prejudice, affect, impair or destroy the title and interest of Watts in and to the Trademark. If Circor knows that any person, firm or corporation is infringing the Trademark, Circor will promptly notify Watts and cooperate fully with Watts in the defense and protection of the Trademark, provided that Circor will not be required to make any payments to Watts for costs incurred by Watts in the defense and protection of the Trademark. Watts reserves the right to prosecute or defend, at its own expense, all suits involving the Trademark and the protection thereof.

4.2 Limitation of Liability. WATTS MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO THE TRADEMARK. WATTS HEREBY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL WATTS BE LIABLE TO Circor HEREUNDER FOR ANY DIRECT OR INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES.

5. Injunctive Relief. Circor acknowledges that money damages would not adequately compensate Watts in the event of a breach by Circor of its obligations hereunder, and that injunctive relief would be essential for Watts to adequately protect itself hereunder. Accordingly, Circor agrees that, in addition to any other remedies available to Watts at law or in equity, Watts shall be entitled to injunctive relief in the event Circor is in breach of any covenant or agreement contained herein.

6. Miscellaneous.

6.1 Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the Commonwealth of Massachusetts, without regard to the conflicts of law rules of such Commonwealth.

6.2 Entire Agreement. This Agreement sets forth the entire agreement between the parties hereto with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements. No provision of this Agreement may be waived or amended, except by a writing signed by Watts and Circor.

6.3 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together which shall constitute one and the same instrument.

6.4 Waiver. The failure of any party to exercise any right or remedy provided for herein shall not be deemed a waiver of any right or remedy hereunder.

6.5 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or otherwise unenforceable, such determination shall not affect the validity or enforceability of any remaining provisions of this Agreement. If any provision of this Agreement is invalid under any applicable statute or rule of law, it shall be enforced to the maximum extent possible so as to effect the intent of the parties, and the remainder of this Agreement shall continue in full force and effect.

6.6 Notices. All notices or other communications required or permitted to be given by either party to the other party hereunder shall be given in the manner and to the addresses specified in the Distribution Agreement.

6.7 Assignment. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns, provided that Circor may not assign any of its rights hereunder without the prior written consent of Watts.

6.8 Section Headings. The section headings used herein are for the convenience of the parties only, are not substantive and shall not be used to interpret or construe any of the provisions contained herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

WATTS INDUSTRIES, INC.	CIRCOR INTERNATIONAL, INC.
By _____	By _____
Title:	Title:

EXHIBIT 10.10

STATE OF SOUTH CAROLINA)
)
COUNTY OF SPARTANBURG)

LEASE AGREEMENT

THIS LEASE AGREEMENT made on the 14th day of February, 1999 by and between BY-PASS 85 Associates, LLC, a South Carolina Limited Liability Company, hereinafter called ("Lessor"), c/o Johnson Development Associates, P. O. Box 3524, Spartanburg, South Carolina 29304, and HOKE, INC., One Tenakill Park, Cresskill, NJ 07626 hereinafter called ("Lessee").

W I T N E S S E T H:

ARTICLE I

DESCRIPTION OF PREMISES

Lessor hereby leases to Lessee, and Lessee hires from Lessor, on the terms and conditions hereinafter set forth, all that certain land, together with the Improvements constructed thereon, known as 5.84 acres (the "Premises"), in Spartanburg County, South Carolina, shown on the plat of survey captioned Fairforest Business Center, Building B, attached hereto as Exhibit "A" (the "Land") and Exhibits "B" and "C" (the "Improvements"). The building included in the Improvements (the "Building") consists of 104,160 square feet of usable space, more or less. Premises includes the Land, Improvements and Building.

ARTICLE II

INITIAL TERM

The initial term of this Lease shall commence on April 10, 1999, in conjunction with the completion of those improvements outlined in Exhibits "B" and "C", as mutually agreed upon by Lessor and Lessee on Schedule B attached hereto and issuance of Certificate of Occupancy (the "Commencement Date") and shall run ten (10) years plus two (2) months. Lessee may extend the term of this Lease Agreement for one consecutive 10 year term beginning on the first day of the 122nd month following the Commencement Date. Lessee must notify Lessor in writing of its election to extend at least 360 days prior to the expiration of the initial lease term then in effect.

ARTICLE III

RENT

Lessee shall pay to Lessor, on or before the first day of each and every month in advance, commencing on June 1, 1999 as set forth in Article II, above, at Lessor's office

or at such other place as Lessor may from time to time designate in writing, the rent amounts stated in attached Schedule "A".

ARTICLE IV

BUILDING IMPROVEMENTS AND ALTERATIONS

As of the date of execution, Lessor represents and warrants that the Land and Building comply with all laws and that there are no defects in the quality or condition of the Land and Building that have not been disclosed to Lessee in writing. Except as set forth herein, Lessor makes no warranties as to use, habitability or suitability, with regard to the Premises and Improvements. Lessee acknowledges and agrees that it has been given the opportunity to inspect the Premises and is relying on its investigation of the property not upon representation of the Lessor. Lessee shall have the right, during the term of this Lease, and any extensions hereof, to make any non-structural alterations, repairs, improvements, and installations of fixtures, but the same shall be made at Lessee's own cost and expense and provided that Lessee shall comply with all laws with respect to the same and such improvements are first approved by Lessor, which approval shall not be unreasonably withheld or denied.

ARTICLE V

USE OF PREMISES

The Premises shall be used for office, warehouse, and manufacturing. Lessee at all times shall fully and promptly comply with all laws, ordinances, and regulations of every lawful authority having jurisdiction of said Premises, as such shall relate to the cleanliness of said Premises and the character and manner of operation of the business conducted in or at said Premises. Lessor warrants that the Premises may lawfully be used for the purposes described in this Article V.

ARTICLE VI

TAXES, ASSESSMENTS, UTILITIES AND MAINTENANCE

a) Lessee shall pay real estate property taxes which may be levied or assessed by any lawful authority against the Land and Improvements directly to the levying authority. Lessee shall have the right in its own name or the name of the Lessor to contest or review by legal proceedings or otherwise any such taxes levied and Lessee shall be entitled to any refund.

b) Lessee shall pay all operating license fees for the conduct of its business, and ad valorem taxes levied upon its trade fixtures, inventory and stock of merchandise.

c) Lessee covenants and agrees to pay for all water, gas, power, electric current, garbage collection and removal, and sewer charges, and all other utilities and utility charges served to the Building during the term of this Lease and all extensions hereof. Lessor at its expense has installed all water, gas, electric current and other meters needed to measure such utility usage at the Building. During the term of this Lease or any extension thereof, Lessor and Lessee shall, at each other's request, grant to any utility company so requiring it such easements and rights-of-way as may be so required across the Land for the benefit of the Premises, so long as no such easement or right-of-way will interfere with Lessee's use of the Premises.

d) Lessee at its expense shall maintain site landscaping in a neat, orderly condition similar to buildings and sites in its immediate vicinity lying within Fairforest Business Park. Should Lessee not maintain in such condition, Lessor may re-enter Premises and enter into such landscape maintenance contracts as it deems appropriate, the cost of which maintenance contracts shall be borne by Lessee as additional rent.

ARTICLE VII

MAINTENANCE AND REPAIR

a) The Lessor agrees to maintain at its expense the structural components of the Building to include the roof, floor, exterior walls (exclusive of glass, plate glass doors and door mountings) and foundations, and all plumbing collection lines (but not plumbing fixtures), driveways, parking areas, ramps, fences, and other improvements to the Premises located outside the Building, unless such maintenance is the result of abuse, neglect or damage caused by Lessee, or its agents. Lessor may enter the Premises at reasonable business hours of Lessee to inspect the Premises, make repairs required of Lessor under the terms of this Lease or to make repairs to Lessor's adjoining property, if any, but the same shall be made in such a manner as to not disturb Lessee in operation of its business.

Lessee will use its best efforts to at once report to Lessor any defective condition known to Lessee which the Lessor is required to repair. Lessor agrees to repair any defects diligently and promptly, and, if Lessor shall fail to do so, even after notice by Lessee and a reasonable time to perform, Lessee may make such repair and deduct the cost thereof from the next installment of rent payable hereunder.

b) Lessee agrees to keep and maintain the Building and the grounds on the Premises at its expense in a good state of condition and repair except for those items referred to in subparagraph (a) above. Lessee also agrees to keep all building fixtures pertaining to the heating, air conditioning, ventilating, electrical and plumbing systems in good order and repair at its expense. Lessor will insure that all systems are in good working order at the commencement of Lessee's occupancy. Lessor, upon completion of improvements, will assign all warranties on the Building and its components to Lessee. Where warranties are not assignable, Lessee shall assist Lessor in their enforcement

should a warranty not be complied with or is violated by the warrantor. Lessor, at its expense, will promptly repair any system or component of the Building not covered by any other warranty that fails or proves itself to be defective and such failure or defect is not the fault of the Lessee within one year after the Commencement Date.

Except as provided in Article VII (a) above, Lessee also agrees to keep the Building interior in proper condition and good appearance normal wear and tear excepted.

Lessee agrees to return the Premises at the end of the Lease term and all extensions in at least as good condition as Premises were when first leased, normal wear and tear, damage by fire or other unavoidable casualty, taking by eminent domain, damage caused by the acts of omissions of the Lessor excepted.

ARTICLE VIII

LESSEE'S OBLIGATION TO INSURE

Lessee, at its sole cost and expense, and for the mutual benefit of Lessor (and any loss payee with a valid legal or equitable interest in the Premises designated by Lessor) and Lessee, shall carry and maintain the following types of insurance in the amounts specified; a copy of the policies or certificates evidencing such coverage shall be provided to the Lessor prior to occupancy by Lessee:

a) Fire and extended coverage insurance covering the leased Premises against loss or damage by fire and against loss or damage by other risks now or hereafter embraced by "extended coverage," so called, for the full insurable value of the leased Premises and Improvements.

b) Comprehensive public liability insurance, including property damage, insuring Lessor and Lessee against liability for injury to persons or property occurring in or about the leased Premises or arising out of the ownership, maintenance, use or occupancy thereof. Such coverage shall be for any amount of not less than $1,000,000 for each occurrence.

c) All policies of insurance (except liability insurance) shall provide by endorsement that any loss shall be payable to Lessor or Lessee as its respective interest may appear and at Lessor's request list other additional insured as may be required. Lessee shall have the privilege of procuring and obtaining all of such insurance through its own sources; however, the insurer shall be reasonably acceptable to Lessor and shall be rated "A" by Best.

d) The Lessor and the Lessee and all parties claiming under them, by way of subrogation or otherwise, hereby mutually release and discharge each other from all claims and liabilities arising from or caused by any hazard covered by insurance on the Premises or covered by insurance in connection with property on or activities conducted on the

Premises, regardless of the cause or the damage or loss, provided, however, that the releases contained herein shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the releasor's insurance policy shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policy or prejudice the right of the releasor to recover thereunder.

e) Except as otherwise provided within this Lease, Lessor shall not be liable for any loss or damage occasioned by failure to keep said Premises free from refuse, obnoxious odors,, vermin, or other foreign matter; defective wiring, plumbing, gas, steam, sewer, water or other pipes or fixtures; any defect or malfunction, bursting leaking, running, or clogging of any heating or air conditioning equipment, cistern, tank, boiler, washstand, closet or waste pipe; water, snow, ice or other foreign matter being upon or coming through the roof, skylights, trap doors, windows, or otherwise; failure to comply with Lease covenants by other tenants of Lessor; acts or negligence of guests, invitees and employees of Lessee or other occupants of said Premises; acts of negligence of any owners or occupants of adjacent or contiguous property or their employees; theft, acts of God, acts of negligence of any persons not in the employ of or acting for Lessor.

f) Lessee shall save and keep Lessor harmless and indemnified from all loss and damage to any person or property while on the Premises except as to negligent acts or omissions by Lessor, its agents and/or employees or otherwise provided for within this Lease.

ARTICLE IX

DESTRUCTION OF BUILDING

a) In the event of any damage to the Building or any part thereof, which damage does not render the Building, in Lessee's reasonable judgment wholly unfit for its intended use or occupancy by Lessee, and which damage is covered and insured against by the extended coverage fire insurance agreed to be maintained by Lessee during the term or until the sooner termination hereof, this Lease shall remain in full force and effect, and Lessee shall be entitled to abatement of a fair and just portion of the rent and taxes according to the usable space from the time of such damage until said Premises are completely reinstated or restored. If in Lessee's reasonable judgement the Building is rendered wholly unfit for its intended use or occupancy by Lessee and a contractor mutually acceptable to both Lessor and Lessee determines that the Building cannot be completely restored within 180 days of the fire or casualty, then either party hereto may terminate this Lease effective as of the date of fire or casualty. It is understood, however, between parties that, at Lessee's option, the term of this Lease shall be extended for a period of time equal to the amount of time, if any, Lessee is required to close its business at the Premises as the result of the casualty or casualties provided for under the terms of this Article and the rent and taxes for such period of time shall abate. If the fire and extended coverage proceeds are inadequate to finance completely the restoration of the Premises, or the damage is not covered by fair and extended coverage insurance, Lessor may elect to pay

the difference in the cost of restoring the Premises above the insurance proceeds. Should Lessor fail to exercise this election, and the fire and extended coverage proceeds remain inadequate to finance completely the restoration of the Premises or the damage is not covered by the fire and extended coverage, Lessee may, at its option, terminate the Lease or Lessee may pay for the difference in the cost of restoring the Premises above the insurance proceeds. If Lessee elects to pay such difference, the rent and taxes shall abate until restoration is completed. Lessor is obligated to restore the Premises if Lessee elects to pay said difference above the insurance proceeds.

b) If Lessee does not terminate the Lease, then Lessor shall, with reasonable diligence after the occurrence of the event causing damage, cause said Building to be repaired and restored in the same general condition to which it existed at the time of the occurrence of said event, but in any event, Lessor shall have the period of not more than 180 days in which to complete said restoration from the date of the fire or other casualty. Lessor will within 15 days give written notice to Lessee that Lessor intends to complete within 180 days of the occurrence. Lessor shall receive all of the proceeds from the insurance award paid on said damage upon completion of the restoration, but the excess over the cost to restore the Premises shall be paid to Lessee.

ARTICLE X

CONDEMNATION

If the whole of the Premises, or such portion thereof as will make the Premises unusable, in Lessee's reasonable judgment, for the purpose herein leased, be condemned by any legally constituted authority for any public use or purpose, then in either of said events, the Lease shall expire and the term hereby granted shall cease from the time when possession thereof is taken by public authorities, and rent shall cease and rent shall be accounted for as between Lessor and Lessee as of that date. Such termination, however shall be without prejudice to the rights of either Lessor or Lessee to recover compensation and damage caused by condemnation from the condemnor. It is further understood and agreed that neither Lessee nor Lessor shall have any rights in any award made to the other by any condemnation authority.

ARTICLE XI

MORTGAGE FINANCING AND SUBORDINATION

a) This Lease and all of Lessee's rights hereunder are and shall be subordinate to any mortgages which Lessor may place upon the Premises, provided mortgagee(s) and Lessee shall enter into a Nondisturbance and Attornment Agreement. Lessee shall execute and deliver upon demand, any further instruments subordinating this Lease to the lien of any such mortgage or mortgages. All subordinations provided for herein shall be upon the express condition that this Lease shall be recognized by the mortgagees and that the rights of Lessee shall remain in full force and effect during the term of this Lease and

any extensions thereof, notwithstanding any default by the mortgagors with respect to the mortgages or any foreclosure thereof, so long as Lessee shall perform all of the covenants and conditions of the Lease, and all subsequent subordination instruments shall contain express provisions to this effect. Lessee agrees to execute all agreements reasonably required by Lessor's mortgagee or any purchasers at a foreclosure sale or deed in lieu of foreclosure, for purpose of subordination provided such mortgagee or purchaser executes a Nondisturbance Agreement with Lessee and the rights of Lessee shall remain in full force and effect during this Lease and any extension thereof. Under no circumstances will Lessee be held liable for the mortgage debt.

b) Lessee shall use its best efforts to give prompt written notice to each mortgagee of record of any default of Lessor hereunder, and Lessee shall allow such mortgagee a reasonable length of time (in any event, not more than 60 days from the date of such notice) in which to cure any such default. Any such notice shall be sent to the Mortgage Loan Department of any such mortgagee at its home office address. Lessee shall not be required to give notice under this paragraph unless the mortgagee requests in writing from Lessee that such notice is required. Responsibility for furnishing the address of the mortgage holder shall rest upon such mortgage holder.

ARTICLE XII

COVENANTS AGAINST LIENS

Lessee expressly covenants and agrees that it will, during the term hereof, promptly remove or release, by the posting of a bond or otherwise, as required or permitted by law, any lien attached to or upon said Premises or any portion thereof by reason of any act or omission on the part of Lessee, and hereby expressly agrees to save and hold harmless Lessor from or against any such lien or claim of lien. In the event any such lien does attach, or any claim of lien is made against said Premises, which may be occasioned by any act or omission upon the part of Lessee, and shall not be thus released within 30 days after notice thereof, Lessor, in its sole discretion (but nothing herein contained shall be construed as requiring it so to do), may pay and discharge the said lien and relieve the said Premises from any such lien, and Lessee agrees to pay and reimburse Lessor upon demand for or on account of any expense which may be incurred by Lessor in discharging such lien or claim, which sum shall include interest five (5) percentage points over the NationsBank Prime Interest Rate, not to exceed the maximum interest rate then in effect in the state being the situs of the Premises, from the date such lien is paid by Lessor until the date Lessor is reimbursed by Lessee; provided, however, that if Lessee has reasonable cause to contest the validity or correctness of any such lien, it may do so and in such event no breach of this Lease shall result.

ARTICLE XIII

REMEDIES ON DEFAULT

a) It is mutually agreed that if any payment of any rent agreed upon hereunder is not paid by Lessee when due and remains unpaid for more than 15 days past the due date, then Lessee shall have the right to cure the default in payment within 7 days after notice from Lessor to Lessee of the occurrence of the default, provided, that if such default is cured within the 7 days after notice, Lessee shall pay to Lessor as additional rent a late charge of five (5%) percent of the rent then owing; or if Lessee shall be in default in performing any of the terms or provisions of this Lease other than the provision requiring the payment of rent and such default is not cured (or if Lessee has not commenced action to cure where a cure cannot practicably be completed in a timely manner) within thirty (30) days after notice by Lessor; or if Lessee is adjudicated bankrupt; or if a permanent receiver is appointed for Lessee's property and such receiver is not removed within 45 days after written notice from Lessor to Lessee to obtain such removal; or if, whether voluntarily or involuntarily, Lessee takes advantage of any debtor relief proceedings under any present or future law, whereby the rent or any part thereof is, or is proposed to be, reduced or payment thereof deferred; or if Lessee makes an assignment for benefit of creditors, or if Lessee's effects should be levied upon or attached under process against Lessee, not satisfied or dissolved within 45 days after written notice from Lessor or Lessee to obtain satisfaction thereof, then and in any of said events, if such condition is not corrected or eliminated within seven (7) days after notice from Lessor to Lessee of the existence of the condition, Lessee shall be in default hereunder.

b) In the event of any breach of this Lease by Lessee which is not properly cured, Lessor shall be immediately entitled to collect the sum of all rent reserved in this Lease Agreement for the balance of the Lease Term but only if the alleged breach is not disputed in good faith by Lessee, less the reasonable rentable value of the Premises for the remainder of the Term, such sum to be discounted to present value using the NationsBank Prime Interest Rate, and Lessor may, at its option, cancel and terminate this Lease or take such other legal action for the enforcement of the terms hereof as it may be advised; and it shall be lawful for Lessor or its agents to reenter and forthwith repossess all and singular the Premises without hindrance or prejudice to its right to distrain for all rent due or to become due under this Lease. The election of Lessor to lease or sublease the Premises to another Lessee shall not affect Lessor's right to charge Lessee with all rent due to become due hereunder; provided, however, that any rental received from such other tenants shall be credited upon the entire amount of rental due, plus costs and expenses, from Lessee under the terms of this Lease, but in no event shall any amount of rent received in excess of the amount due be credited to Lessee. Lessor shall not be required to exercise any other right granted to Lessor hereunder. Lessor shall have, in addition to any other remedies which it may have, the right to invoke any remedy allowed by law or in equity to enforce Lessor's rights as if reentry and other remedies were not herein provided for. In any event, Lessor shall be entitled to recover from Lessee, in addition to any rent provided for herein, any other amount necessary to compensate Lessor for all the detriment

proximately caused by Lessee's failure to perform its obligations under this Lease, including but not limited to reasonable leasing fees and upfit charges.

c) If Landlord shall be in default in the performance of any of its obligations hereunder, Tenant, without any obligation to do so, in addition to any other rights it may have in law or equity, may elect (but shall not be obligated) to cure such default on behalf of Landlord after written notice (except in the case of emergency) to Landlord. Landlord shall reimburse Tenant upon demand for any sums paid or costs incurred by Tenant in curing such default, including interest thereon from the respective dates of Tenant's making the payments and incurring such costs, at NationsBank's then published prime interest rate. Landlord shall in no event be in default in the performance of any of Landlord's obligations hereunder unless and until Landlord shall have failed to perform such obligations within ten (10) days or such additional time as is reasonably required to correct any such default after written notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation.

ARTICLE XIV

ENTRY FOR CARDING, ETC.

Lessor may card Premises "For Sale" and "For Rent" One Hundred Twenty (120) days before the expiration of this Lease or any extension hereof, unless Lessee has already notified Lessor of its intention to extend this Lease. Lessor may enter the Premises at reasonable business hours of Lessee to exhibit same to prospective purchasers or tenants.

ARTICLE XV

PERSONAL PROPERTY

It is contemplated that Lessee shall make certain leasehold improvements to the Premises as well as install certain trade fixtures and other personal property. Lessor and Lessee agree that all such leasehold improvements installed by Lessee shall, upon the termination of the Lease, remain on the Premises and become the property of Lessor unless Lessee removes at its own expense and repairs any damage to the Premises caused by such removal. Personal property and trade fixtures shall remain the property of Lessee. Lessee shall repair and clean up any damage to the Premises caused by the removal of such personal property and trade fixtures at any time. Lessor and its mortgagee and/or mortgagees shall execute and deliver to Lessee upon request documents which waive any lien of Lessor and Mortgagee, if any, as to furniture, fixtures, trade fixtures, equipment and inventory leased or financed by Lessee which waiver shall be effective only during the term of such encumbrance by Lessee.

ARTICLE XVI

ASSIGNMENT AND SUBLETTING

Lessee shall not, without the prior written consent of Lessor endorsed hereon, which will not be unreasonably withheld, assign or sublet this Lease or any interest hereunder. Consent to any assignment shall not destroy this provision, and all later assignments shall be made likewise only on the prior written consent of Lessor. Assignee of Lessee at option of Lessor shall become directly liable to Lessor for all obligations of Lessee hereunder. Any assignment by Lessee shall not relieve Lessee of any liability hereunder.

ARTICLE XVII

NOTICE OF DEMANDS

a) Any notices or demands required or permitted by law, or any provision of this Lease, shall be in writing, and if the same is to be served upon Lessor, may be personally delivered to Lessor, or may be deposited in the United States mail, registered or certified, with return receipt requested, postage prepaid, and addressed to Lessor c/o Johnson Development Associates, P. O. Box 3524, Spartanburg, SC 29304, or at such other address as Lessor may designate in writing. If at any time, or from time to time, there shall be more than one Lessor, one shall be designated in writing to receive all notices and rent payments and service upon or payment to that one shall constitute service upon or payment to all.

b) Any such notice or demand to be served upon Lessee shall be in writing and shall be served either personally or be deposited in the United States mail, registered or certified, with return receipt requested, postage prepaid, and addressed to Lessee:

Hoke, Inc.
P. O. Box 4886
Spartanburg, SC 29303

ARTICLE XVIII

QUIET ENJOYMENT

Lessor covenants, warrants and represents that upon commencement of lease term, the Premises will be free and clear of all liens and encumbrances superior to the leasehold hereby created, except any bona fide mortgage or deed of trust given to secure a loan as provided for in Article XI above; that Lessor has full right and power to execute and perform this Lease and to grant the estate herein; and that Lessee on payment of the rent herein reserved and performance of the covenants and agreements hereof shall peaceably and quietly have, hold and enjoy the Premises and all rights, easements, appurtenances, and

privileges belonging or in any wise appertaining thereto, during the initial term of this Lease and any extensions thereof.

ARTICLE XIX

HOLDING OVER

If Lessee shall remain in possession of the Premises or any part thereof after the expiration of the term of this Lease or any extension hereof with Lessor's acquiescence and without any agreement of the parties, then Lessee shall be only a tenant at will, and there shall be no renewal of this Lease or exercise of any option by operation of law. Such tenancy shall be at a rate of 50% higher than the lease rate in effect at the time of the expiration of the Lease Term.

ARTICLE XX

REMEDIES CUMULATIVE NONWAIVER

No remedy herein or otherwise conferred upon or reserved to Lessor or Lessee shall be considered exclusive of any other remedy, but the same shall be distinct, separate and cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute; and every power and remedy given by this Lease to Lessor or Lessee may be exercised from time to time as often as occasion may arise, or as may be deemed expedient. No delay or omission of Lessor or Lessee to exercise any right or power arising from any default on the part of the other shall impair any such right or power, or shall be construed to be a waiver of any such default, or an acquiescence therein.

ARTICLE XXI

FORCE MAJEURE

In the event either Lessor or Lessee shall be delayed, hindered, or prevented from the performance of any act required hereunder, by reason of governmental restrictions, scarcity of labor or materials, strikes, or any other reasons beyond its control, the performance of such act shall be excused for the period of delay and the period for the performance of such act shall be extended for the period necessary to complete performance after the end of the period of such delay.

ARTICLE XXII

PARTIAL INVALIDITY

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this

Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE XXIII

NATURE AND EXTENT OF AGREEMENT

This Lease creates only the relationship of Lessor and Lessee between the parties hereto as to the Premises alone; and nothing herein shall in any way be construed to impose on either party hereto any obligations or restrictions not herein expressly set forth. For example, nothing herein shall in any way restrict or obligate business on the Premises; and nothing herein shall in any way restrict Lessee in the operation of its business in locations other than the Premises.

ARTICLE XXIV

RUBBISH REMOVAL

Lessee shall keep the Premises clean, both inside and outside, at its own expense, and will remove the ashes, garbage, excelsior, straw and other refuse from said Premises. Lessee shall not burn any materials unless part of Lessee's permitted manufacturing process or rubbish of any description upon said Premises. Lessee also agrees to keep the parking area on the Premises free from rubbish, dirt, ashes, garbage, excelsior, straw and other refuse. Lessee agrees to keep all accumulated rubbish in covered containers in sites approved by Lessor and to have same removed regularly. In the event Lessee fails to keep the Premises and other portions heretofore described in the property condition, Lessor may cause the same to be done for Lessee, and Lessee hereby agrees to pay the expense thereof on demand, as additional rent.

ARTICLE XXV

GOVERNMENTAL ORDERS

Lessee agrees, at its own expense, to promptly comply with all requirements of any legally constituted public authority made necessary by reason of Lessee's occupancy of said Premises. Lessor agrees to comply promptly with any such requirements if not made necessary by reason of Lessee's occupancy.

ARTICLE XXVI

ATTORNEY'S FEES

If Lessor shall be made a party to any litigation commenced by a third party for which Lessee has agreed to indemnify Lessor for herein, Lessee shall pay all costs, expenses and attorney's fees incurred by Lessor in connection with such litigation, except in the event that such litigation shall determine that Lessor has been negligent or committed a breach of this Lease and shall adjudicate that Lessor is liable therefore.

ARTICLE XXVII

SALE BY LESSOR

In the event of a sale or conveyance by Lessor of the Premises, and upon the receipt by Lessee of a copy of a written agreement providing that the Purchaser has assumed all of Lessor's obligations hereunder, the same shall operate to release Lessor from any future liability upon any of the covenants or conditions, expressed or implied, herein contained in favor of Lessee, except for Lessor's obligations in Article XXIX and in such event Lessee agrees to look solely to the responsibility of the successor in interest of Lessor in and to this Lease. This Lease shall not be affected by any such sale, and Lessee agrees to attorn to the purchaser or assignee.

ARTICLE XXVIII

ESTOPPEL CERTIFICATES

Lessee shall at any time and from time to time, upon not less than 30 days prior request by Lessor, execute, acknowledge, and deliver to Lessor a statement in writing, and in recordable form, certifying the date of commencement of this Lease, that this Lease is unmodified and in full force and effect (or if there has been modification, that same is in full force and effect as modified and stating the date of the modification) and further stating the dates to which the rent and other charges have been paid and setting forth such other matters as may reasonably be requested by Lessor.

ARTICLE XXIX

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

a) Lessee shall not cause or permit any hazardous wastes, hazardous substances, toxic substances, or related materials (collective "Hazardous Materials") to be used, generated, stored or disposed of on, under or about, or transported to or from the Premises (collectively "Hazardous Materials Activities") except in compliance with all applicable federal, state and local laws, regulations and orders governing such Hazardous Materials or Hazardous Materials Activities, which compliance shall be at Lessee's sole

expense. Additionally, Lessee shall not cause or permit any Hazardous Materials to be disposed of on, under or about the Premises without the express prior written consent of Lessor, which may be withheld for any reason and may be revoked at any time.

b) At the expiration of the lease, including any extensions, Lessee shall remove from the Premises, at Lessee's sole expense, all Hazardous Materials located, stored or disposed of on, under or about the Premises which were first brought to or used, stored or disposed of on the Premises by Lessee or by Lessee's employees, agents, contractors, licenses or invitees. Lessee shall close, remove or otherwise render safe any Buildings, tanks, containers, or other facilities related to the Hazardous Materials Activities conducted or permitted on the Premises in the manner required by all applicable laws, regulations, ordinances or orders. Lessee shall be solely responsible for the transportation, handling, use or reuse and disposal of such Hazardous Materials after their removal from the Premises.

c) Lessor shall not be liable to Lessee or to any other party for any Hazardous Materials Activities conducted or permitted on, under or about the Premises by Lessee or by Lessee's employees, agents, contractors, licenses or invitees. Lessee shall indemnify, defend and hold Lessor harmless from any claims, damages, fines, penalties, losses, judgment costs and liabilities arising out of or related to any Hazardous Materials Activities conducted or permitted on, under or about the Premises by Lessee or by Lessee's employees, agents, contractors, licensees or invitees, regardless of whether Lessor shall have consented to, approved of, participated in or had notice. This paragraph shall survive the expiration or termination of this Lease.

d) Lessee shall be responsible for all reporting or notification obligations of an owner, operator or person in control of petroleum products or Hazardous Materials located on, under or about the Premises during the term of this Lease or any extension hereof, under any applicable federal, state or local law, regulation, ordinance or order.

e) Lessor represents and warrants to Lessee that to the best of its knowledge after reasonable inquiry (i) prior to the date of this Lease no Release of any Hazardous Substance or petroleum (including crude oil or any fraction thereof) into, on or from the Premises has occurred nor does there exist on, under or about the Premises any Hazardous Materials; (ii) there are no underground storage tanks on the Premises; (iii) no asbestos containing materials are installed in, used on or incorporated into the Premises; (iv) no PCB's or PCB-containing materials are contained in any equipment, transformers or other items at the Premises; and (v) Lessor and the Premises are in compliance with all applicable Environmental Laws. As used in this Section, "Release" and "Hazardous Substance" shall have the meanings given them in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. (S)9601 et seq. "Environmental Laws" means any local, state or federal
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law, rule, regulation or ordinance pertaining to environmental regulation, contamination or clean-up.

f) Lessor shall fully and promptly pay, perform, discharge, defend, indemnify and hold harmless Lessee from and against any and all claims, orders, demands, causes of action, proceedings, judgements, or suits and all liabilities, losses, reasonable costs or expenses (including, without limitation, technical consultant fees, court costs, fines expenses paid to third parties and legal fees) and damages arising out of or as a result of (i) the existence of any Hazardous Materials, Hazardous Substance or petroleum (including crude oil or any fraction thereof, "Petroleum") at, on or in the Premises at the date of execution of this Lease Agreement or released by the Lessor or anyone acting under Lessor's authority after execution of this Lease not caused by Lessee or any officer, employee, invitee, agent or contractor of Lessee or any other party who used, occupied or entered the Premises with Lessee's consent, express or implied, or (ii) the migration to or from neighboring properties of any Hazardous Substance or Petroleum not caused by Lessee or any officer, employee, invitee, agent or contractor of Lessee or any other party who used, occupied or entered the Premises with Lessee's consent, express or implied, or (iii) any inaccuracy or breach of Lessor's representations and warranties in subsection e) of Article XXIX. This paragraph shall survive the expiration or termination of this Lease.

ARTICLE XXX

CAPTIONS

The captions or headings of paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any questions of intent should arise.

ARTICLE XXXI

MISCELLANEOUS

a) Compliance with Restrictive Covenants. Lessee acknowledges that Restrictive Covenants encumber or will encumber the property. Lessee in its occupancy of the Premises agrees to comply with the same. A copy of the Restrictive Covenants is attached hereto as Exhibit "D".

b) Prior Agreements. This Agreement contains the entire agreement of the parties with respect to the matters set forth herein. All prior Purchase Contracts between the parties hereto (either with respect to the Premises or any other property) are hereby deemed void and of no further force or effect.

c) Right to Sublet. Lessee shall have the right to sublet a portion of the space to related entities. Such subletting will subject the sublessee to all the rights, duties and obligations under this Lease Agreement but shall in no way reduce, alter or amend any liability imposed against the Lessee under this Lease Agreement.

THE ENCLOSED LEASE AND THE VARIOUS EXHIBITS AND SCHEDULES ATTACHED TO IT SHOULD NOT BE CONSTRUED AS AN OFFER TO LEASE THE PREMISES REFERRED TO IN THE DOCUMENT OR ON THE SITE PLAN. WE ARE SENDING THE DOCUMENT TO YOU AT THIS TIME FOR NEGOTIATION PURPOSES. NO DOCUMENT, EXHIBIT, OR PLAN ARE BINDING UNTIL DATED, SIGNED BY BOTH YOU AND US AND THE APPROPRIATE WITNESSES, IF ANY. ALL CHANGES MUST ALSO BE INITIALED BY BOTH YOU AND US, AND EACH PAGE AND ALL EXHIBITS MUST BE INITIALED.

IN WITNESS WHEREOF, the parties herein have hereunto set their hands and seals the day and year first above written.

WITNESSES:

LESSOR: BY-PASS 85 Associates, LLC, a South Carolina, Limited Liability Company

_____ By:_____(SEAL)

_____ Its: _____

LESSEE: HOKE, INC.

_____ By:_____(SEAL)

_____ Its: _____

STATE OF SOUTH CAROLINA)
COUNTY OF SPARTANBURG)

PROBATE

PERSONALLY appeared before me the first witness, whose name is subscribed above, who on oath states that (s)he saw the within named BY-PASS 85 Associates, LLC, a South Carolina Limited Liability Company, by A. Foster Chapman, its President sign, seal and deliver the within Lease Agreement, and that (s)he with the second witness, whose name is subscribed above, witnessed the execution thereof.

_____

SWORN to before me this ____
day of _____, 1999.
Notary Public for South Carolina
My Commission Expires:_____

STATE OF SOUTH CAROLINA)
COUNTY OF SPARTANBURG)

PROBATE

PERSONALLY appeared before me the first witness, whose name is subscribed above, who on oath states that (s)he saw the within named HOKE, INC., by _____, its _____ sign, seal and deliver the within Lease Agreement, and that (s)he with the second witness, whose name is subscribed above, witnessed the execution thereof.

_____

SWORN to before me this ____
day of _____, 1999.

_____(SEAL)
Notary Public for _____
My Commission Expires: _____

GUARANTY OF LEASE

In consideration of the execution of the foregoing Lease between BY-PASS 85 Associates, LLC, a South Carolina Limited Liability Company, as Landlord, and WATTS INDUSTRIES D/B/A HOKE, INC., as Tenant, the undersigned, their heirs/successors and assigns, hereby covenant and agree to and with the Landlord, and the said Landlord's legal representatives, successors and assigns, that if default at any time be made by the said Tenant in the payment of the rent or the performance of the covenants contained in the within lease on the Tenant's part to be paid or performed, the undersigned will well and truly pay the said rent or any arrears thereof that may remain due unto the said Landlord, and also all damages that may arise in consequence of the non-performance of said covenants, or any of them without requiring notice of any such default from the Landlord.

The duties of the undersigned under this Guaranty Agreement arise irrespective of and without regard to lessee's solvency or ability to perform and both the undersigned and the Tenant may be sued severally or jointly for any default or failure by Tenant, its successor or assigns, in the performance of any and all terms and obligations of said Lease. The undersigned represents that Tenant is its wholly owned subsidiary and that the undersigned will receive or have received a direct or indirect material benefit from the Lease transaction arising out of Tenant's rights and obligations thereunder. The undersigned further represents that execution and delivery of this Guaranty of Lease has been duly considered and approved by the appropriate corporate governing group as required by its Articles and By-Laws, and the officer(s) who execute and deliver the same have been duly authorized and empowered to do so to bind the undersigned.

This Guaranty Agreement does not limit the freedom of the Landlord and Tenant, their respective heirs, successors and assigns, to amend or modify the said Lease, and the validity of any such amendment or modification of the said lease is in no way dependent on approval or concurrence by the undersigned, its heirs or assigns. Neither the consent nor approval of the undersigned shall be required in respect to any such amendment or modification, and the under signed shall be bound hereunder as to the obligations and undertakings of the Tenant under said lease as thus amended or modified.

With respect to any assignment of the foregoing lease to which the Landlord gives consent, Landlord agrees to release the undersigned from their obligations under this Guaranty; provided the Landlord is provided with substitute
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individual personal guarantors or corporate guarantors satisfactory to Landlord who provide to Landlord then current audited financial statements showing an aggregate net worth equal to or greater than the net worth of the undersigned either according to the financial statements provided Landlord herewith, or as of the time of the proposed assignment and consent to release from guaranty, whichever is greater. The minimum net worth required in this subparagraph will not be considered achieved if provided by more than two parties who are offering their guarantees under such an assignment in order to meet the conditions hereof. This in no way shall limit the total number of guarantors which may be proposed upon any such

assignment. Such proposed new guarantors shall execute all documents deemed necessary by Landlord so as to assure that in the event of default, Landlord shall have personal jurisdiction over said guarantors and venue in the state courts of general jurisdiction in the County of Spartanburg, State of South Carolina.

Notices. All notices and other communications hereunder may be in writing
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and shall be delivered personally or may be sent by registered mail, certified mail, or express mail service, postage prepaid and return receipt requested, or by nationally utilized overnight delivery service, addressed to the undersigned at the address stated below its signature or such address as the undersigned may provide to the Landlord in writing from time to time.

This Guaranty shall be construed in accordance with the laws of the State of South Carolina. In the event legal proceedings should hereafter be instituted by one of the parties hereto against the other pertaining to this Guaranty or the rights and obligations of the parties hereunder, it is agreed and stipulated that the jurisdiction and venue for any and all such lawsuits lie exclusively in the County of Spartanburg in the State of South Carolina.

DATED this _____ day of _____, 19___.

WITNESSES:

_____ By: _____
Its: _____

_____

Attest: _____
Its: _____

ADDRESS:

SCHEDULE "A"

YEARS	RATE/SF	ANNUAL RENT
1-3	$5.12	$533,299.00
4-7	$5.44	$566,630.00
8-10	$5.78	$602,044.00

OPTION TO RENEW:

Lessee shall have the right to extend its lease commitment for an additional ten-year term at the following rates, all other lease terms and conditions will remain constant.

11-13	$6.14	$639,542.00
14-17	$6.54	$681,206.00
18-20	$6.95	$723,912.00

SCHEDULE B

Beyond those improvements outlined in Exhibit "B", the following will also be provided by and paid for by Lessor for the benefit of Lessee:

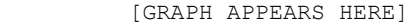
(1) 10,000 square feet of finished office area including an employee canteen/break area
(2) 4000 amp electrical service and switchgear
(3) 250 tons of plant air conditioning
(4) Painted and sealed plant floor utilizing epoxy paint
(5) Parking for 300 employees
(6) 4 plant restrooms
(7) $35,000 allowance for plant task lighting.

EXHIBIT "A"

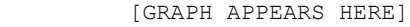
[GRAPH APPEARS HERE]

[GRAPH APPEARS HERE]

EXHIBIT "B"



SPARTANBURG INDUSTRIAL PARK



SPARTANBURG INDUSTRIAL PARK

EXHIBIT "C"

HOKE MANUFACTURING UPFIT

GENERAL

This upfit is a design build, whereas all mention of Architect and Consultants associated with design of this upfit are contracted to the General Contractor. The specifications below are based on the conceptual outline drawing issued by Mackie Johnson undated (reviewed at 12/7/98 meeting with Johnson Development).

1. 5,000 SF First Floor; 5,000 SF Second Floor.

2. Second floor to be + 14'0" A.F.F. constructed with structural steel and a poured concrete slab.

3. Metal stud and drywall partitions to above finished ceiling - extend to structure above at perimeter as needed (all walls to have sound batts), (i.e. 2nd floor perimeter wall to above finished ceiling only).

4. 2 x 4 lay-in ceilings throughout with 2 x 2 in conference room.

5. Carpet with rubber base for all areas. Carpet base in conference room.

6. Ceramic tile with base in restrooms.

7. All walls to receive paint. Conference room has 1.00/SF wall cover allowance.

8. All doors and frames to be painted.

9. Fire protection to code.

10. Plumbing fixtures to code (50 employees). Including (7) water closets, (2) urinals, (5) lavatories, (5) floor drains, (1) 20 gallon hot water heater, (2) drinking fountains, (2) break room sinks, and (1) service sink.

11. Typical office HVAC, multi-zone, standard controls. Includes approximately 40 tons of roof top unit air conditioning.

12. Standard office lighting and receptacles.

MANUFACTURING

1. Plant restrooms for 200 employees. Including (6) water closets, (2) urinals, (4) lavatories, (4) floor drains, (2) 6 gallon water heaters, (2) service sinks, (2) drinking fountains, and combination eye wash/shower stations.

2. 250 tons of roof top unit air conditioning with gas heat.

3. 4,000 amp electrical service and panel.

CLARIFICATIONS TO SPECIFICATIONS

1. Contract does not include:

   a. Any warehouse painting, (i.e. overhead roof structure, walls or floor, perimeter wall of office area.

   b. Caulking of floor joints.

   c. Floor sealer.

   d. Material testing.

   e. Cafeteria and meeting room.

2. Hardware allowance reduced to $150/door.

3. Utilize base building heat system as primary heat for proposed tenant warehouse/ manufacturing area.

4. One set of stairs for office area, egress stairs to be by tenant with

tenant mezzanine.

5. Bradley wash sinks not included, lavatories can be reduced to one each and credited

against two Bradley's.

EXHIBIT "D"

STATE OF SOUTH CAROLINA)
)
COUNTY OF SPARTANBURG)

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND EASEMENTS FOR FAIRFOREST BUSINESS PARK,
A BUSINESS AND INDUSTRIAL PARK

THIS DECLARATION is made as of October 3, 1998 by By-Pass 85 Associates, LLC, herein referred to as "Declarant".

The Declarant is the owner of a parcel of land, improved and unimproved, ("the Property"; also sometimes referred to herein as "the Park") being approximately 104.92 acres, more or less, lying along Interstate 85 in Spartanburg County, east of Blackstock Road, described in attached Exhibit "A".

The Declarant now desires to establish for the Property a Declaration establishing restrictions for the planned development of the Property as more particularly stated herein.

ARTICLE I

GENERAL PROVISIONS

1. Establishment of Restrictions. Declarant does hereby subject the Property to certain conditions, covenants and restrictions ("Restrictions"), upon and subject to which all of the Property shall be held, improved and conveyed in order to establish a general plan for the improvement, development and maintenance of the Property for use as an office, warehouse/distribution/manufacturing center park to be known and do business as "Fairforest Business Park".

2. Binding Covenants. The conditions, covenants and restrictions run with the land and shall inure to the benefit of and be binding upon and enforceable by Declarant, its heirs, personal representatives, delegatees, successors or assigns and all persons deriving title through Declarant.

3. Purpose of Restrictions. The purpose of these Restrictions is to insure proper development and use of the Property as an office/warehouse/distribution/manufacturing park, to protect the Owner of each parcel against any improper development and use of surrounding parcels as will depreciate the value of any parcel, to prevent the erection on the Property of structures built of improper design or materials, to encourage the erection of appropriate improvements at appropriate locations, to prevent haphazard and inharmonious improvements, to secure and maintain proper setbacks from streets and adequate free spaces between structures, to enhance and protect the value, desirability and attractiveness of all the Property, and in general to provide adequately for a high type and quality of improvement of the Property in accordance with a uniform plan of development.

4. Definitions.

(a) "Declarant" shall mean the aforementioned and undersigned Declarant and all successors, assigns or delegatees who shall assume the obligations, and to whom Declarant, or its delegatee herein, shall specifically assign in writing the right to enforce these Restrictions.

(b) "Signs" shall mean all names, insignia, trademarks and descriptive words or material of any kind affixed, inscribed, erected or maintained on the Property or on any improvement thereon.

(c) "Regulations" shall mean (i) all present or future applicable laws, statutes, codes,

ordinances, rules, regulations, limitations, orders, judgments or other requirements and subsequent amendments of any governmental authority having jurisdiction and (ii) these Restrictions and subsequent amendments of these Restrictions that may be enacted pursuant to Article I, paragraph 5 below.

(d) "Submittals" shall include all documents required to be submitted to Declarants for approval pursuant to Article X, paragraph 1 below.

(e) "Owner" shall include the record owner (including Declarant) of a lot or Parcel (as defined herein), lessees, tenants, licensees, occupants, or any other person or business entitled to or in physical possession of the Property or any portion thereof. Any duty or responsibility of the "Owner" set forth herein shall apply jointly and severally to the record owner regardless of the occupancy of the lot and Owner shall remain liable to perform all such duties and responsibilities.

(f) "Parcel" shall designate a subdivided portion of the Property, as may be permitted herein, and shall be deemed a Parcel for purposes herein upon the recordation of a plat on the subdivided portion or Parcel and with the present intent by its Owner to develop a building improvement on that portion or Parcel.

5. Declarant has delegated to Johnson Development Associates, Inc. ("JDA"), the sole and exclusive authority to act for Declarant in respect to the Restrictions or any provisions herein. JDA on behalf of Declarant may, for the best interest of the Owners, transfer its authority to the Owners as an Owners Association at any time if JDA on behalf of Declarant deems this to be in the best interest of the Property. At such time as Declarant and/or JDA on behalf of Declarant no longer have an interest in any Property contained within the Park, JDA on behalf of Declarant shall upon its own initiative or upon request of the owners of a majority of the Property in the park (a majority of the Property being determined on a square footage land basis) make such a transfer. Any such transfer shall be in writing and recorded in the public records of Spartanburg County.

ARTICLE II

USE AND OPERATIONS

1. Use. The Property shall be used for industrial, manufacturing, warehousing, distribution, commercial or office purposes, as limited herein.

2. Permitted Operations and Uses. The admission of any operation to Fairforest Business Park, hereinafter referred to as "Park", shall be in compliance with zoning and environmental regulations as set forth by local, state and federal regulatory agencies. Any operation and use will be permitted if it is performed or carried out entirely within a building that is so designed and constructed that the enclosed operations and uses do not cause or produce any of the following effects, discernable at any other Parcel of the Property or affecting any adjacent Parcel of the Property (except during periods when breakdown of equipment occurs in such a manner as to make it evident that the effect was not reasonably preventable), unless otherwise specifically prohibited herein and as follows, (collectively the "Prohibited Effects"):

(a) Vibration, noise, sound or disturbance which is reasonably objectionable due to shrillness or loudness.

(b) Smoke of a shade as dark or darker than that designated as No. 2 on the Ringelwann Chart, as published by the United States Bureau of Mines, for a period

of three (3) minutes in any one (1) hour.

(c) Obnoxious odors.

(d) Dust, dirt or fly ash.

(e) Any emission of odorous, noxious, caustic, or corrosive matter, whether toxic or non-toxic.

(f) Unusual fire or explosion hazard.

(g) Any public or private nuisance.

(h) Any lighting, light source, brightness or glare which is not shielded and substantially confined within site or boundaries.

(i) Any electro-mechanical or electro-magnetic disturbance or radiation.

(j) Any air or water pollution.

JDA on behalf of Declarant reserves the right to permit operation and use in other than enclosed spaces provided (a) JDA on behalf of Declarant deems such use or operation not to be feasible within enclosed areas and (b) provided further that such unenclosed use or operation shall nevertheless comply with all requirements of Article II and shall not produce any of the Prohibited Effects, and (c) provided further that such unenclosed operation or use shall be adequately and properly screened from view from roadways in or around the Park and from other Parcels. Before any such unenclosed use or operation shall be permitted, formal action by JDA on behalf of Declarant shall be effected in accordance with Article XI of this instrument.

3. Prohibited Operations and Uses. The following operations and uses shall not be permitted on any of the Property subject to these Restrictions:

(a) Hazardous waste disposal or permanent storage;

(b) Labor camps;

(c) Trailer courts, mobile home courts, camping or recreations vehicles;

(d) Drilling for and/or removal of oil, gas or other hydrocarbon substances;

(e) Junk yards or landfills.

(f) Mining or commercial excavation of building or construction materials unless utilized in on-site construction;

(g) Distillation of bones;

(h) Dumping, disposal, incineration or reduction of garbage, sewage, offal, dead animals or refuse;

(i) Fat rendering;

(j) Stockyard, raising, or slaughter of animals;

(k) Tanning or curing of leather goods;

(l) Freight terminals or truck terminals;

(m) The manufacture, sale, rental, repair or storage of heavy equipment, buses, trucks, trailers, automobiles, recreational vehicles and mobile or trailer homes outside of any building;

(n) Unscreened outdoor storage or outdoor fabrication of any machinery, parts, material, supplies or products;

(o) Junkyards, scrap metal yards and any use involving the storage or processing or wrecked or junked motor vehicles or materials;

(p) Overnight parking of campers, mobile homes, boats, trailers or motor homes, except those of an Owner's contractors and subcontractors during the period of construction improvements;

(q) Erection and maintenance of structures of a temporary nature, except those of an Owner's contractors and subcontractors during the period of construction of improvements;

(r) Jails, prisons, labor camps, penal, detention or correction facilities or farms;

(s) Cemetery or mausoleum;

(t) Racetracks, raceways and drag strips;

(u) Massage parlors, topless night clubs or similar business operations;

(v) Refining of petroleum or its products;

(w) Smelting of iron, tin, zinc or other ores;

(x) Petroleum storage, other than as may be reasonably necessary for the occupants' normal business operations, but the occupants may not engage in petroleum storage as a primary purpose of its business;

(y) Fertilizer manufacture;

(z) Coal or wood yard;

(aa) Manufacture or storage of explosives or fireworks;

(bb) Auction, public sale, flea market, yard sale or other similar operations or other auction house operation;

(cc) Bingo or other gambling or game of chance operations;

(dd) Commercial or non-commercial recreational, athletic, sporting or racing activities;

(ee) Entertainment, theatrical presentations or performance, and

(ff) Permanent residential uses such as houses, apartments and condominiums.

ARTICLE III

SET BACK AND SIDE YARD

The front orientation of all buildings shall be stated on the construction and site plans submitted to JDA on behalf of Declarant for approval. Any reasonable questions of orientation shall be resolved by JDA on behalf of Declarant. Front orientation of all buildings shall be a minimum of 110 feet from the road right of way of John Martin Road. In instances where a building is constructed on a corner lot, the side orientation of the building shall be a minimum of 50 feet from the road right of way. No building or structure shall be located closer than fifty (50) feet to any side property line to ensure that an open area of at least fifty (50) feet shall exist between all adjacent but separately owned improvements, both side and rear. Access drives shall be no greater than twenty-four (24) feet wide, unless approved in writing by JDA on behalf of Declarant. Turn-in- radii at intersection with road will not be less than forty-five (45) feet without prior written approval by JDA on behalf of Declarant. These set back and side yard requirements may be waived by JDA in specific instances where it feels that conditions exist as would warrant such deviation.

ARTICLE IV

BUILDING

1. All building improvements shall be constructed of masonry, precast concrete panels, tilt-up concrete panels, stucco, its equivalent or better.

2. Accessory buildings shall not be located nearer the street than the rear of the main buildings and shall be constructed consistent with the construction and color of the main buildings.

3. Loading docks shall not be on the front of the main building. Provided, however, that JDA on behalf of Declarant may in its discretion grant a variance to this provision in special instances (i.e., topography); however, in such instances special screening must be provided.

ARTICLE V

SITE LANDSCAPING AND MAINTENANCE

1. All building sites shall have a landscape plan approved in writing by JDA on behalf of Declarant. Such approval shall not be unreasonably withheld. The landscape plan shall develop the site attractively with lawn, trees, shrubs and other plantings. Plantings, consistent with the plans shall be made within three (3) months of building completion, or at the first date of recommended planting for the particular species. Further, each owner shall take all reasonable steps to insure the survivability of its landscaping, including fertilizing and watering when and where necessary.

2. The upkeep and maintenance of all buildings and other improvements on each Parcel shall be kept in a safe, clean, healthful and presentable condition at all times. Should Owner fail to maintain its Parcel and improvements at a minimum standard as reasonably determined by JDA on behalf of Declarant, JDA on behalf of Declarant shall have the right to undertake such maintenance on behalf of Owner and charge and collect all such expenses from Owner under the provisions of Article XIII.

3. The removal of debris, rubbish, trash, excess dirt, industrial wastes, garbage and any other unsightly material from a Parcel shall be done by the Owner and may be enforced under Article XIII.

4. JDA, on behalf of the Declarant and each parcel Owner and Tenant, shall contract for the

provision of lawn, grounds and planting care for each Parcel in the Park and for the Common Facilities. The contracts shall insure that the Park and the improved Parcels are maintained uniformly in a neat, orderly, and attractive manner and shall at a minimum include regular grass cutting, edge trimming (weekly during the growing season); regular fertilizing of grassed areas, trees and shrubs; aeration and overseeding of grassed areas; sprinkler system maintenance; pre and post emergent herbicide applications; mulching; shrub and tree trimming as required; leaf collection; pavement sweeping; insect and disease control and such other essential services. JDA shall select the contractor or contractors which it feels can best maintain the grounds to the appropriate standard. The Owner or Tenant of a Parcel shall not be entitled to contract with another Contractor for the provisions of the same services without the expressed written permission of JDA, which permission JDA can deny, in its discretion. JDA shall provide a copy of the maintenance contract(s) to the Owner or Tenant and it shall be the responsibility of the Owner or Tenant, as the case may be, to promptly comply with the contract as to its Parcel and make prompt payment to the Contractor. In the event the Owner fails within five (5) days of written notice by JDA on behalf of Declarant or another Owner to comply with its landscape maintenance contract, then JDA, on behalf of Declarant or such other Owner(s), shall have the right, privilege and license to enter upon the premises and make any and all corrections or improvements that may be necessary, and, shall assess the total expense upon the Owner and/or Tenant to meet such standards plus an administrative fee of ten percent (10%) payable to JDA. If the Owner fails within thirty (30) days to reimburse such total expense to JDA on behalf of Declarant or such other Owner, then the Owner shall be responsible for all additional costs, expense, and administrative fees and reasonable attorney's fees incurred in an effort to enforce collection, whether by legal action or negotiation.

ARTICLE VI

PARKING AND MANEUVERING

1. Parking spaces and driveways shall be paved with concrete, asphalt, their equivalent or better and be properly maintained without potholes, broken pavement or mud areas.

2. No parking will be permitted on streets or highways and all parking shall be more than ten (10) feet back of the curb line of John Martin Road.

3. Parking spaces and driveways will be subject to landscaping requirements of Article V. All parking areas shall conform to any applicable zoning or other requirements of any governmental agency having jurisdiction of the same.

4. Parking spaces and truck docks shall be so located that maneuvering in streets or highways will not be necessary.

5. Curb and gutter sections at entrances and exits to building sites are to match in size, quality and material on existing curb and gutters.

ARTICLE VII

OUTSIDE STORAGE

1. No outside storage will be permitted on the front of any parcel nor within thirty (30) feet of any property line.

2. Outside non-vehicular or machinery storage areas shall be screened as provided in number 3 below.

3. Any outside storage or parking of vehicles (other than employees or automobiles), machinery or heavy equipment, or other unsightly devices or apparatus will be permitted only if screened by earth berms or plants or fencing which is in compliance with Article XI(1) so as to substantially isolate such storage from view from roadways in or around the Park and from other Parcels.

ARTICLE VIII

NUISANCE ABATEMENT

1. Accepted smoke, emission, and odor abatement practice shall be followed to eliminate all smoke and objectionable odors as required by Article II, Section 2(b).

2. Noise suppression devices shall be used where unusual operating noise can be heard as specified herein more than 150 feet beyond the property line of any parcel as required by Article II, Section 2(a).

ARTICLE IX

SIGNS

1. Neon-flashing signs, animated signs, billboards and all objects of an unsightly nature are hereby prohibited. Signs which properly identify the business or product of the industrial occupant are permitted but must meet the approval of JDA on behalf of Declarant not to be unreasonably withheld.

2. Signs erected between the main building and the street shall not exceed the following dimensions:

   (a) Identifying signs: ___ square feet
   (b) Directional signs: ___ square feet

3. All signs must be in keeping with the general character of the Park.

4. Final size, design and lighting of all signs or any requested variance thereto shall be the subject to approval by JDA on behalf of Declarant, the criteria being the relationship between the size of sign to the size of the building, visibility and the quality of the sign.

5. Nothing herein shall prevent the erection of appropriate nonconforming signs by JDA on behalf of Declarant to identify and/or advertise the Property.

ARTICLE X

FILLED LOTS

No representation is made by either JDA on behalf of Declarant or Declarant as to the condition and quality of the soil on any lot or Parcel of the Property. All prospective purchasers of lots or Parcels shall be presumed to have examined and inspected a lot in detail prior to closing and to have determined the location and extent of any fill upon said lot or Parcel. Subsurface exploration of site in regard to fill, suitability of soils, ground water and other site investigation shall be the responsibility of Owner. No building shall be erected on any lot or Parcel until the Owner or the Owner's contractor shall have definitely determined firm footings.

The building line upon the plat is not a representation that any determination has been made as to the suitability of building. All grantees shall be presumed to have read these restrictive covenants.

ARTICLE XI

APPROVAL OF PLANS

1. Approval of Plants and Specifications. Before commencing the construction or alteration of any building, enclosure, fences (vinyl coated chain-length fencing may be permissible if approved), but only in rear portions of any parcel, loading docks, parking facilities, storage yards or any other structures and signage on or to any Parcel, the Owner of such Parcel shall first submit site plans, including storm water and erosion control plans, building plans and specifications and landscape plans to JDA on behalf of Declarant for its written approval, which approval shall not be unreasonably withheld. In the event that JDA on behalf of Declarant shall fail to approve or disapprove such building plans, specifications or site plans within thirty (30) days after they have been submitted to JDA on behalf of Declarant, such approval will not be required and this covenant will be deemed to have been complied with.

2. Basis of Approval. Without limiting the generality of the foregoing, JDA on behalf of Declarant may disapprove any Submittals which are not in harmony or conformity with other existing or proposed improvements on or in the vicinity of the Parcel, or with Declarant's master utility, circulation or general aesthetic or architectural plans and criteria for the Parcel, the Property and general areas in which the Parcel is located, including, but not limited to, such matters as adequacy of Parcel and improvement dimensions or external structural appearance, relation of topography, grade and elevation of the Parcel being improved with neighboring sites and nearby streets, and the effect of location and use of improvements in neighboring sites, improvements or operations.

3. Exculpation. Neither JDA on behalf of Declarant nor Declarant shall be liable in damages to anyone making Submittals as provided herein, or to any Owner, licensee or other person subject to or affected by these Restrictions, on account of (i) JDA on behalf of Declarant giving approval or disapproval of any Submittal, whether or not defective; (ii) any construction, performance or nonperformance by an Owner of any work on the site of improvements, whether or not defective; (iii) any construction, performances or nonperformance by an Owner of any work on the site of improvements, whether or not pursuant to the approved Submittals; (iv) any mistake in judgment, negligence, action or omission relative to the exercise by JDA on behalf of Declarant of Declarant's rights, powers and responsibilities hereunder; and (v) the enforcement or failure to enforce any of these Restrictions. Every person who makes Submittals to JDA on behalf of Declarant for approval agrees by reason of such Submittal, and every Owner of a Parcel, improvements or any portion thereof agrees by acquiring title or an interest therein, not to bring any suit or action against JDA on behalf of Declarant or Declarant seeking to recover any such damages. The approval of any Submittal shall not constitute the assumption of any responsibility by, or impose any liability upon, JDA on behalf of Declarant or Declarant or their representative as to the accuracy, efficacy or sufficiency thereof.

ARTICLE XII

COMPLIANCE WITH RULES AND REGULATIONS

The Owner, whether the occupant or not, of any site, lot or Parcel shall at all times keep the premises, buildings, improvements and appurtenances in a safe, clean, wholesome condition and comply in all respects with all government, health, fire and police requirements and regulations, and any Owner will

remove, at his or its own expense, any rubbish, trash or debris of any character whatsoever which may accumulate on said Parcel, site or lot. In the event the Owner fails within five (5) days of written notice by JDA on behalf of Declarant or another Owner to comply with any or all of the aforesaid Restrictions, specifications and/or requirements, then JDA, on behalf of Declarant or such other Owner, shall have the right, privilege and license to enter upon the Parcel and make any and all corrections or improvements that may be necessary, and, shall assess the total expense upon the Owner to meet such standards plus an administrative fee of twenty percent (20%) payable to JDA. If the Owner fails within thirty (30) days to reimburse such total expense to JDA on behalf of Declarant or such other Owner, then the Owner shall be responsible for all additional costs, expenses and administrative fees, and reasonable attorney's fees incurred in an effort to enforce collection, whether by legal action or negotiation.

ARTICLE XIII

ENFORCEMENT

1. Waiver of Unintentional Violation. JDA, on behalf of Declarant, may waive any unintentional and minor violation of these restrictive covenants by appropriate instrument in writing; provided, however, that such violation shall not permanently and adversely alter the overall character and scheme of development in the Park.

2. Waiver. No waiver by JDA on behalf of Declarant of a breach of any of these Restrictions and no delay or failure to enforce any of these Restrictions shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other of these Restrictions. No waiver by JDA on behalf of Declarant of any breach or default hereunder shall be implied from any omission by JDA on behalf of Declarant to take any action on account of such breach or default if such breach or default persists or is repeated, and no express waiver shall affect a breach or default other than as specified in said waiver. The consent or approval by JDA on behalf of Declarant to or of any act by an Owner requiring JDA on behalf of Declarant's consent or approval shall not be deemed to waive or render unnecessary JDA on behalf of Declarant's consent or approval to or of any subsequent similar acts by Owner.

3. Who May Enforce. If any Owner, as defined herein, shall violate or attempt to violate any of the covenants, Restrictions and conditions set forth herein, it shall be lawful for JDA, on behalf of Declarant, or other record Owner, to prosecute any proceedings at law or equity against the person or persons violating or attempting to violate any such covenant, restriction or condition and either prevent him/it from so doing or to recover damages or other costs, expenses and attorney's fees for such violation. Any person or persons acquiring, whether by purchase, gift or otherwise, any Parcel to which these covenants, Restrictions and conditions apply, shall be deemed to have consented to the terms hereof, including the payment of reasonable attorney's fees incurred by any proper person in any proceeding to enforce compliance with these said conditions, covenants or Restrictions.

ARTICLE XIV

EASEMENTS

1. General Power to Grant Easements. JDA, on behalf of Declarant, shall have the right, in their reasonable discretion, to grant easements over, through, across and under any of the Property for the purposes of all electric, water, sewer, storm water, gas, telephone, cable television, security systems and all other utilities necessary or desirable, whether for the benefit of any building site or for the Property used in common; provided such easements do not interfere with existing improvements constructed, or in the process of being

constructed, or on the business then being conducted on such Property, on the building sites or materially interfere with the future construction of improvements on the building sites. Once established, no structure, planting or other construction shall be placed within such easements or permitted to remain within such easement which may interfere with the installation and maintenance of utilities or which may change the direction or flow of drainage channels in the easements or which may obstruct or retard the flow of water through the drainage channels in the easements. The easement area of each lot and all improvements in it shall be maintained by the then Owner of the lot, except for those improvements for which a public authority or utility company is responsible.

ARTICLE XV

PERIOD OF EFFECTIVENESS

The above covenants shall be in effect for a period of twenty (20) years from date of execution hereof and shall automatically renew for successive periods of ten (10) years each, twenty (20) years from this date; unless, however, that at any time within two (2) years before the expiration of said period, the then Owners of two-thirds (2/3) of land area in the Park exclusive of Common Areas may, by written declaration, signed and acknowledged by them and recorded in the deed records in the RMC Office for Spartanburg County, terminate such Restrictions, conditions and covenants.

ARTICLE XVI

ALTERATION AND CHANGES

This Declaration may be amended, modified or terminated only by an instrument duly recorded in the Register of Deeds Office for Spartanburg County signed by (i) the affirmative vote of record Owners representing seventy-five percent (75%) of the square footage in the buildings in the Park as then existing (ii) the Declarant, so long as Declarant owns any portion of the subject Property and (iii) any first priority mortgage holder in the Property and (iii) any first priority mortgage holder in the Property or any portion of the Property which said Property or portion is further restricted by the amendment, modification or termination, and said first priority mortgage holder requires such first priority mortgage instrument of public record granting the first priority security interest.

The Restrictions of this Declaration are intended to be superior to the lien, security interest or charge of any mortgage made in good faith and for value affecting or any portion thereof, or any improvement now or hereafter placed thereon. However, a breach or violation of any of the Restrictions or easements hereof shall not defeat or render invalid the lien or charge of any such mortgage. The superiority of this Declaration shall be limited to the extent that the title to any Property or portion thereof acquired through sale under foreclosure shall be subject to the Restrictions and this Declaration affecting the Property by virtue of the recordation of this Declaration.

ARTICLE XVII

CHANGE OF MASTER PLAN

JDA, on behalf of Declarant, intends to develop the Property in accordance with a Master Plan. JDA, on behalf of Declarant, reserves the right periodically to review and modify the Master Plan at its sole option. The Master Plan shall not bind JDA on behalf of Declarant, their successors and assigns, to adhere to said plan, nor shall JDA, on behalf of Declarant, be required to follow any predetermined sequence or order of development.

ARTICLE XIII

ADDITIONAL LANDS

JDA, on behalf of Declarant, may bring within these Covenants, Restrictions and Conditions additional lands and develop same before completing the development of the Property. JDA, on behalf of Declarant, shall have the full power to add to, subtract from and make changes in the Master Plan. Additional lands, including property not owned by JDA on behalf of Declarant or Declarant at the time of recording of this Declaration, may be made subject to, but not limited to, this Declaration by filing a Supplemental Declaration with respect to the additional property which shall extend the operation and effect of the covenants and Restrictions of the Declaration to such additional property. A Supplemental Declaration may contain additions and modifications of the covenants and Restrictions contained in this Declaration as may be necessary or convenient in the judgment of JDA on behalf of the Declarant to reflect the different character, if any, of the added properties.

ARTICLE XIX

CONNECTION OF ROADS AND UTILITIES

JDA, on behalf of Declarant, its successors and assigns, shall have the right, without the consent of the Owners, to connect and extend roads and any and all services and utilities from any part of the Property to adjacent or nearby property of third parties and to allow owners of property in such adjacent or nearby property to use such roads for ingress and egress to a public road and to connect to such utilities and services.

ARTICLE XX

RESUBDIVISION

1. No Parcel shall be subdivided or its boundary line changed without the consent of JDA on behalf of Declarant; provided any two or more Parcels may be combined (and later subdivided back into the original Parcels so long as Article III is not violated).

2. Declarant, through JDA on behalf of Declarant, hereby expressly reserves to themselves, their successors and assigns, the right to subdivide, resubdivide or replat any part of the Property or Parcel it owns shown on any plat in order to create a modified building lot or lots, and to take such other steps as are reasonably necessary to make such replatted lot suitable and fit as a building site to include, but not be limited to the relocation of easements, walkways, rights of way, roads and other amenities to conform to the new boundaries of said replatted lots, provided that no lot originally shown on the recorded plat is reduced under this Article XXI to a size more than twenty percent (20%) smaller than the smallest shown on the first plat of the subdivision section recorded in the public records.

ARTICLE XXI

COMMON AREA ASSESSMENT

There shall be imposed against each Parcel and its Owner the obligation to pay quarterly assessments for the maintenance and upkeep of the "Common Facilities" as defined below. The quarterly assessment, together with interest and collection fees, if any, shall be a charge on each lot and each Owner thereof and shall only be subordinate to ad valorem tax liens and valid mortgages. Each assessment, together with interest, costs and reasonable attorneys fees shall also be the personal obligation of the person or entity that owned any such lot at the time the assessment fell due. The assessments levied shall be used exclusively to promote the health, safety and welfare of the Owners and shall include all costs and expenditures incurred by Declarant in maintaining and operating the common areas of Fairforest Business Park, including, but not limited to: road sweeping and patrol, snow removal, road repairs and maintenance, including patching, resurfacing and repainting, common area lighting (following initial installation by Declarant

at Declarant's cost), entrance sign lighting (following initial installation by Declarant at Declarant's cost) and maintenance, security, landscape maintenance and repair, including replacing and renovation of plant material, irrigation expenses (following initial installation by Declarant at Declarant's cost), maintenance of the storm water drainage and retention system, and other such similar expenses that serve to enhance the beauty and ability of the Park. Declarant may enter into reasonable contracts for the provision of said services. An Owner's share of the common area expenditures shall be based on the respective Owner's prorata share of the same, to be calculated by multiplying the total expenditures by a fraction, having as its denominator all the acreage in the Park (excluding acreage in the Common Facilities) and having as its numerator the total acreage contained in the Property owned lease or otherwise controlled by the respective Owner. Total expenditures and Owner's share shall be calculated by JDA on behalf of Declarant and submitted with a statement of account (quarterly or annually at JDA's election, on behalf of Declarant) to Owner. Owner shall make payment within ten (10) days of submittal. JDA on behalf of Declarant may elect to have Owner pay its estimated share of such expenses on a monthly or quarterly basis based on anticipated expenses. Adjustment to the estimated share of such expenses shall be made in February of each year. "Common Facilities" are defined as the entrance and secondary roads including shoulders and adjacent landscaped and/or grassy banks, the drainage ways and retention area, the woodlands, the entrance areas including all landscaping and signage area, the signage of the Park as more clearly shown on attached Exhibit "B". Each Owner shall have the right to examine, audit and copy the books and records regarding the assessments and its estimated share of such assessments. JDA shall be permitted to change and receive an administrative fee of five percent (5%) of the face amount of such contracts as it administers for the provision of services to Owners or Tenants of the Property or individual parcels within the Park.

ARTICLE XXII

SEVERABILITY

If any one or more of these covenants, Restrictions or conditions shall be held void or unenforceable by judgment or court order, such judgment or court order shall in no way affect any of the other remaining provisions which shall remain in full force and of effect, they being expressly acknowledged and agreed to be obligations severable and independent in nature.

ARTICLE XXIII

SCOPE OF RESTRICTIONS

These conditions, covenants and Restrictions apply only to the lots designated upon the above referred to plat and specifically do not apply to any other properties of Declarant adjoining said lots. Declarant specifically reserves the right to hereinafter determine the status of said unsubdivided properties.

ARTICLE XXIV

MISCELLANEOUS PROVISIONS

1. Constructive Notice and Acceptance. Every Owner who now or hereafter owns or acquires any right, title or interest in or to any portion of said Property is and shall be conclusively deemed to have consented and agreed to every covenant, condition and restriction contained herein, whether or not any reference to this Declaration is contained in the instrument by which such person acquired an interest in said Property.

2. Mutually, Reciprocity, Runs with Land. All Restrictions, conditions, covenants and agreements contained herein are made for the direct, mutual and reciprocal benefit of each and every part and parcel of the Property; shall create reciprocal rights and obligations between the respective Owners of all parcels and privity of contract and estate between all Owners of said parcels, their heirs, successors and assigns, operate as covenants running

with the land for the benefit of all other parcels; provided, however, that the provisions of this Declaration shall only be enforced by JDA on behalf of Declarant or its assigns.

3. Captions. The paragraph headings or captions used herein are for convenience only and are not a part of this instrument and do not in any way limit, define or amplify the scope or intent of the terms and provisions hereof.

4. Notices. All notices, consents, requests, demands and other communications provided for herein shall be in writing and shall be deemed to have been duly given if and when personally served or twenty-four (24) hours after being sent by United States registered mail, return receipt requested, postage prepaid, to the intended party or its last known address.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed this ___ day of _____, 1998.

OWNER AND DECLARANT:

BY-PASS 85 ASSOCIATES, LLC

_____ By: _____(SEAL)
Name: _____
_____ Its: _____

DELEGATEE:

JOHNSON DEVELOPMENT ASSOCIATES, INC.

_____ By: _____(SEAL)
Name: _____
_____ Title: _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF SPARTANBURG)

PROBATE

Personally appeared before me the undersigned witness, who on oath states that (s)he saw the within named BY-PASS 85 ASSOCIATES, LLC, a South Carolina Limited Liability Company, sign, seal and deliver the within DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR FAIRFOREST BUSINESS PARK, A BUSINESS AND INDUSTRIAL PARK, and that (s)he with the second witness, witnessed the execution thereof.

_____

Sworn to before me this ____
day of _____, 1998.

_____(SEAL)
Notary Public for South Carolina
My commission expires: ___/___/___

STATE OF SOUTH CAROLINA)
)
COUNTY OF SPARTANBURG)

PROBATE

Personally appeared before me the undersigned witness, who on oath states that (s)he saw the within named JOHNSON DEVELOPMENT ASSOCIATES, INC., sign, seal and deliver the within DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR FAIRFOREST BUSINESS PARK, A BUSINESS AND INDUSTRIAL PARK, and that (s)he with the second witness, witnessed the execution thereof.

_____

Sworn to before me this ____
day of _____, 1998.

_____(SEAL)
Notary Public for South Carolina
My commission expires: ___/___/___

EXHIBIT "A"

LEGAL DESCRIPTION

FAIRFOREST BUSINESS PARK

All that tract or parcel of land, located in the County and State aforesaid on the north side of Interstate 85 By-Pass, containing 104.92 cres, more or less, and being more particularly shown on plat of survey entitled "Johnson Development (Martin Property)" made by Freeland-Clinkscales-Cannon and Associates, Inc. dated May 24, 1996 and recorded on June 10, 1996 in Plat Book 134 page 103 in the Register of Deeds Office for Spartanburg County, to which plat reference is hereby made for a more complete and perfect description.

This being the same property conveyed to By-Pass 85 Associates, LLC by deeds of John L. Martin, Jr. co-trustee in Deed Book 64H page 868, Abner B. Martin as Trustee in Deed Book 64H page 870; Ethel Dobson Martin as Trustee in Deed Book 64H page 872 and Ethel Dobson Martin as Trustee in Deed Book 64H page 874, which deeds were recorded on June 7, 1996.

CONSENT AND SUBORDINATION

The undersigned (i) is the holder of a first priority security interest by virtue of a mortgage recorded in REM Book 1962, page 670 in the Spartanburg County Register of Deeds Office, in certain property burdened by that certain Declaration of Covenants, Conditions, Restrictions and Easements For Fairforest Business Park (collectively the "Declaration"); and (ii) hereby subordinates the lien of said Mortgage in and to the Declaration, so that the Declaration shall be paramount and superior to the security interest of the undersigned; Except as subordinated hereby, the aforedescribed mortgage recorded in REM Book 1962, Page 670 shall remain in full force and effect.

IN WITNESS WHEREOF, this ____ day of _____, 1998.

NATIONSBANK OF SOUTH CAROLINA, N.A.

_____ By: _____(SEAL)

_____ Its: _____

STATE OF SOUTH CAROLINA)
) PROBATE
COUNTY OF SPARTANBURG)

PERSONALLY appeared before me the undersigned witness who on oath states that (s)he saw the within named NATIONSBANK OF SOUTH CAROLINA, N.A., by _____, its _____, sign, seal and deliver the within Declaration, and that (s)he with the other witness, witnessed the execution thereof.

_____

SWORN to before me this _____
day of _____, 1998.

GUARANTY OF RENT

In consideration of the execution of the foregoing Lease between BY-PASS 85, a South Carolina Limited Liability Company, as Landlord, and HOKE, INC., as Tenant, the undersigned, their heirs/successors and assigns, hereby covenant and agree to and with the Landlord, and the said Landlord's legal representatives, successors and assigns, that if default at any time be made by the said Tenant in the payment of the rent on the Tenant's part to be paid, the undersigned will well and truly paid the said rent or any arrears thereof that may remain due unto the said Landlord.

With respect to any assignment of the foregoing lease to which the Landlord gives consent, which shall not be unreasonably withheld, Landlord agrees to release the undersigned from their obligations under this Guaranty; provided the Landlord is provided with substitute individual personal guarantors or corporate guarantors satisfactory to Landlord. Such proposed new guarantors shall execute all documents deemed necessary by Landlord so as to assure that in the event of default, Landlord shall have personal jurisdiction over said guarantors and venue in the state courts of general jurisdiction in the County of Spartanburg, State of South Carolina.

Notices. All notices and other communications hereunder may be in writing and shall be delivered personally or may be sent by registered mail, certified mail, or express mail service, postage prepaid and return receipt requested, or by nationally utilized overnight delivery service, addressed to the undersigned at the address stated below its signature or such address as the undersigned may provide to the Landlord in writing from time to time.

This Guaranty shall be construed in accordance with the laws of the State of South Carolina. In the event legal proceedings should hereafter be instituted by one of the parties hereto against the other pertaining to this Guaranty or the rights and obligations of the parties hereunder, it is agreed and stipulated that the jurisdiction and venue for any and all such lawsuits lie exclusively in the County of Spartanburg in the State of South Carolina.

DATED this 10th day of November, 1998.

WITNESSES:

/s/ [SIGNATURE ILLEGIBLE]^^
- ------------------------

/s/ [SIGNATURE ILLEGIBLE]^^
- ------------------------

WATTS INDUSTRIES, INC.

By: /s/ [SIGNATURE ILLEGIBLE]^^

Its: Chief Financial Officer

Attest: /s/ [SIGNATURE ILLEGIBLE]^^

Its: Asst. Secretary

ADDRESS: 815 Chestnut Street
North Andover, MA 01845

[LETTERHEAD OF JOHNSON DEVELOPMENT ASSOCIATES, INC. APPEARS HERE]

November 10, 1998

Mr. Barry Taylor
Hoke
899 Simuel Road
Spartanburg, SC 29305

RE: Right of Refusal on Adjacent Expansion Area

Dear Barry:

Please allow this letter to serve as confirmation of Hoke's right of first refusal on the adjacent land to the Premises ("Adjacent Land") necessary to accommodate an expansion of up to 200,000SF and additional employee parking areas necessary as a result of the expansion. The Adjacent Land will be combined with Hoke's existing land and replatted to form one lot or parcel in order that the expansion may be directly connected to Hoke's existing leased building. By-Pass 85, LLC confirms that the Lease Agreement and applicable Declaration of Covenants either permit such expansion and replatting or will be amended by By-Pass 85, LLC at such time so as to permit it.

As an additional inducement for Hoke to enter into the Lease Agreement with By-Pass 85, LLC, Hoke shall have the following Rights of First Refusal:

1. Hoke shall have the right to match any bonafide offer to purchase, lease or otherwise develop the Adjacent Land that is made by a third party, at arm's length and which offer is acceptable by By-Pass. In the event of such acceptable bonafide third party offer, By-Pass will give written notice to Hoke of such offer, which notice shall include the details of the bonafide offer including price, lease rates, lease term and conditions. Hoke shall have thirty (30) days within which to notify By-Pass of its intent to match the bonafide offer to purchase, lease or otherwise develop the land. Closing shall occur within forty-five (45) days of the date on which Hoke notifies By-Pass of its exercise of the Right of Refusal. Should Hoke fail to provide such notice or notifies By-Pass of its intent not to exercise its Right of Refusal within the thirty (30) day period, then By-Pass may proceed to sell, lease or permit the third party to develop the Adjacent Land in compliance with the terms and conditions of the bonafide third party offer without any obligation to Hoke. Should the bonafide offer from the third party not be consummated within 120 days from the date of notice from By-Pass, then Hoke's Right of First Refusal shall be renewed and the above procedures shall be followed.

2. Should By-Pass elect to develop the Adjacent Land for speculative purposes for its own or a related parties' account, then Hoke shall have the right to lease the Adjacent Land and the improvements planned by By-Pass at a rental rate per square foot of building space that is no greater than the prevailing fair market rental rates for new building space with similar uses and quality in the Greater Spartanburg area as may be verified at either party's discretion by an MAI appraiser. The length of the lease shall be negotiated in good faith between the

parties. The other terms and conditions shall be as stated in the Lease Agreement. Upon By-Pass' decision to develop the property, By-Pass will give written notice to Hoke which notice shall include the details of the development of the Adjacent Land including building size and configuration. Hoke shall have thirty (30) days from receipt of By-Pass' notice within which to notify By-Pass of its intention to negotiate its expansion. The parties shall then have forty-five (45) days within which each shall negotiate in good faith for the Hoke expansion on the Adjacent Land. If the terms of such lease cannot be agreed upon within the forty-five (45) day period, then By-Pass shall have no obligation to Hoke to lease the Adjacent Land unless Hoke's Right of First Refusal is renewed as provided below. Should Hoke fail to provide notice to negotiate within the thirty (30) day period, then By-Pass shall have no obligation to Hoke to lease the Adjacent Land. Should By-Pass not contract for construction of improvements on speculation within one hundred fifty (150) days after By-Pass' notice to develop, then Hoke's Right of First Refusal shall be renewed and the above procedures shall be followed.

3. Should By-Pass 85, LLC elect to sell the Premises, Hoke shall have the right to match any bonafide offer that is made by a third party at arm's length and that is acceptable to By-Pass 85. By-Pass shall give Hoke written notice of the acceptable third party arm's length offer which notice shall include all of the terms of the offer and Hoke shall have 7 business days to match all of the terms and conditions of the offer. Any proposed transfer: 1) between any of the members of By-Pass 85 amongst themselves; 2) to any other Johnson Development umbrella entity; 3) that is part of a larger transfer of multiple properties to an unrelated third party in an arm's length transaction; 4) that is the result of a court mandated sale; 5) that is made for estate planning purposes shall be exempt from this Right of First Refusal. A transfer under items 1, 2 or 5 of this paragraph 3 shall not extinguish Hoke's Right of First Refusal and shall be binding on the transferee under items 1, 2 and 5.

The Rights of First Refusal stated in paragraphs 1, 2 and 3 are exclusive as to Hoke and its related companies and may not be assigned to any third party. Hoke may only exercise its right if it is in possession and occupancy of the Premises and is actively operating in the Premises and not in default under the Lease Agreement. These rights shall expire upon termination or expiration of the Lease Agreement.

Sincerely yours,

/s/ G. Garret Scott
G. Garrett Scott

GGS/hn

Acknowledged for Hoke:

By /s/ [SIGNATURE ILLEGIBLE]^^

Its: President

Date: 11/10/98

EXHIBIT 10.15

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of the 16th day of September, 1999, between CIRCOR, Inc., a Massachusetts corporation (the "Company"), and David A. Bloss, Sr. ("Executive").

WHEREAS, Executive has previously had a valued association with Watts Industries, Inc., a Delaware corporation ("Previous Employer");

WHEREAS, on and after the date on which Watts Industries, Inc. completes the distribution of common stock of CIRCOR International, Inc. to shareholders of Watts Industries, Inc., Executive will be employed by the Company in a senior executive capacity; and

WHEREAS, the Company desires to employ Executive and Executive desires to be employed by the Company on the terms contained herein.

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. EMPLOYMENT. The term of this Agreement shall extend from the date on which Watts Industries, Inc. completes the distribution of common stock of CIRCOR International, Inc. to shareholders of Watts Industries, Inc. (the "Commencement Date") until the third anniversary of the Commencement Date; provided, however, that the term of this Agreement shall automatically be extended for one additional year on the third 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 eighteen (18) months beyond the month in which the Change in Control occurred. The term of this Agreement shall be subject to termination as provided in Paragraph 6 and may be referred to herein as the "Period of Employment."

2. POSITION AND DUTIES. During the Period of Employment, Executive shall serve as the President and member of the Board of Directors of the Company and the Chairman of the Board, Chief Executive Officer and President of CIRCOR International, Inc., a Delaware corporation of which the company is a wholly-owned subsidiary (the "Parent"), and shall have supervision and control over and responsibility for the day-to-day business and affairs of those functions and operations of the Company and the Parent and shall have such other powers and duties as may from time to time be prescribed by the Board of Directors of the Parent (the "Board"), provided that such duties are consistent with Executive's position or other positions that he may hold from time to time. Executive shall devote his full working time and efforts to the business and affairs of the Company and the Parent. Notwithstanding the foregoing, Executive may serve on other boards of directors, with the approval of the Board, or engage in religious, charitable or other community activities as long as such services and activities are disclosed to the Board and do not materially interfere with Executive's performance of his duties to the Company as provided in this Agreement.

3. COMPENSATION AND RELATED MATTERS.

(A) BASE SALARY AND INCENTIVE COMPENSATION. Executive's initial annual base salary shall be $400,000. Executive's base salary shall be redetermined from time to time by the Board or a Committee thereof. The base salary in effect at any given time is referred to herein as "Base Salary." The Base Salary shall be payable in substantially equal bi-weekly installments. In addition to Base Salary, Executive shall be eligible to receive cash incentive compensation as determined by the Board or a Committee thereof from time to time, and shall also be eligible to participate in such incentive compensation plans as the Board or a Committee thereof shall determine from time to time for employees of the same status within the hierarchy of the Company.

(B) EXPENSES. Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him in performing services hereunder during the Period of Employment, in accordance with the policies and procedures then in effect and established by the Company for its senior executive officers.

(C) OTHER BENEFITS. During the Period of Employment, Executive shall be entitled to continue to participate in or receive benefits under all of the Company's Employee Benefit Plans in effect on the date hereof, or under plans or arrangements that provide Executive with benefits at least substantially equivalent to those provided under such Employee Benefit Plans. As used herein, the term "Employee Benefit Plans" includes, without limitation, each pension and retirement plan; supplemental pension, retirement and deferred compensation plan; savings and profit-sharing plan; stock ownership plan; stock purchase plan; stock option plan; life insurance plan; medical insurance plan; disability plan; and health and accident plan or arrangement established and maintained by the Company on the date hereof for employees of the same status within the hierarchy of the Company. To the extent that the scope or nature of benefits described in this section is determined under the policies of the Company based in whole or in part on the seniority or tenure of an employee's service, Executive shall be deemed to have a tenure with the Company equal to the actual time of Executive's service with the Company plus the actual service by Executive to the Previous Employer. During the Period of Employment, Executive shall be entitled to participate in or receive benefits under any employee benefit plan or arrangement which may, in the future, be made available by the Company to its executives and key management employees, subject to and on a basis consistent with the terms, conditions and overall administration of such plan or arrangement. Any payments or benefits payable to Executive under a plan or arrangement referred to in this Subparagraph 3(c) in respect of any calendar year during which Executive is employed by the Company for less than the whole of such year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such calendar year during which he is so employed. Should any such payments or benefits accrue on a fiscal (rather than calendar) year, then the proration in the preceding sentence shall be on the basis of a fiscal year rather than calendar year.

(D) VACATIONS. Executive shall be entitled to twenty (20) paid vacation days in each calendar year, which shall be accrued ratably during the calendar year. Executive shall also be entitled to all paid holidays given by the Company to its executives. To the extent that the scope or nature of benefits described in this section are determined under the policies of the Company based in whole or in part on the seniority or tenure of an employee's service, Executive shall be

deemed to have a tenure with the Company equal to the actual time of Executive's service with Company plus the actual service by Executive to the Previous Employer.

4. UNAUTHORIZED DISCLOSURE.

(A) CONFIDENTIAL INFORMATION. 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, as appropriate, 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.

(B) HEIRS, SUCCESSORS, AND LEGAL REPRESENTATIVES. The foregoing provisions of this Paragraph 4 shall be binding upon Executive's heirs, successors, and legal representatives. The provisions of this Paragraph 4 shall survive the termination of this Agreement for any reason.

5. COVENANT NOT TO COMPETE. In consideration for Executive's employment by the Company 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 twenty-four (24) 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 twenty-four (24) 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. TERMINATION. Executive's employment hereunder may be terminated without any breach of this Agreement under the following circumstances:

(A) DEATH. Executive's employment hereunder shall terminate upon his death.

(B) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from his duties hereunder on a full-time basis for one hundred eighty (180) calendar days in the aggregate in any twelve (12) month period, the Company may terminate Executive's employment hereunder.

(C) TERMINATION BY COMPANY FOR CAUSE. At any time during the Period of Employment, the Company may terminate Executive's employment hereunder for Cause if such termination is approved by not less than a majority of the Board at a meeting of the Board called and held for such purpose. For purposes of this Agreement, "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 Board; (D) a breach by Executive of any of the provisions contained in Paragraphs 4 and 5 of this Agreement; or (E) a violation by Executive of the Company's employment policies which has continued following written notice of such violation from the Board.

(D) TERMINATION WITHOUT CAUSE. At any time during the Period of Employment, the Company may terminate Executive's employment hereunder without Cause if such termination is approved by a majority of the Board at a meeting of the Board called and held for such purpose. Any termination by the Company of Executive's employment under this Agreement which does not constitute a termination for Cause under Subparagraph 6(c) or result from the death or disability of the Executive under Subparagraph 6(a) or (b) shall be deemed a termination without Cause. If the Company provides notice to Executive under Paragraph 1 that it does not wish to extend the Period of Employment, such action shall be deemed a termination without Cause.

(E) TERMINATION BY EXECUTIVE. At any time during the Period of Employment, Executive may terminate his employment hereunder for any reason, including but not limited to Good Reason. If Executive provides notice to the Company under Paragraph 1 that he does not wish to extend the Period of Employment, such action shall be deemed a voluntary termination by Executive and one without Good Reason. For purposes of this Agreement, "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 Period of Employment, from Executive of his titles of Chief Executive Officer and President 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.

(F) NOTICE OF TERMINATION. Except for termination as specified in Subparagraph 6(a), any termination of Executive's employment by the Company or any such termination by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(G) DATE OF TERMINATION. "Date of Termination" shall mean: (A) if Executive's employment is terminated by his death, the date of his death; (B) if Executive's employment is terminated on account of disability under Subparagraph 6(b) or by the Company for Cause under Subparagraph 6(c), the date on which Notice of Termination is given; (C) if Executive's employment is terminated by the Company under Subparagraph 6(d), sixty (60) days after the date on which a Notice of Termination is given; and (D) if Executive's employment is terminated by Executive under Subparagraph 6(e), thirty (30) days after the date on which a Notice of Termination is given.

7. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(A) If Executive's employment terminates by reason of his death, the Company shall, within ninety (90) days of death, pay in a lump sum amount to such person as Executive shall designate in a notice filed with the Company or, if no such person is designated, to Executive's estate, Executive's accrued and unpaid Base Salary to the date of his death, plus his accrued and unpaid incentive compensation, if any, under Subparagraph 3(a). Upon the death of Executive, all unvested stock options shall immediately vest in Executive's estate or other legal representatives and become exercisable, and Executive's estate or other legal representatives shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to Executive. All other stock-based grants and awards held by Executive shall vest or be canceled upon the death of Executive in accordance with their terms. For a period of one (1) year following the Date of Termination, the Company shall pay such health insurance premiums as may be necessary to allow Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the Company's obligations hereunder.

(B) During any period that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, Executive shall continue to receive his accrued and unpaid Base Salary and accrued and unpaid incentive compensation, if any, under Subparagraph 3(a), until Executive's employment is terminated due to disability in accordance with Subparagraph 6(b) or until Executive terminates his employment in accordance with Subparagraph 6(e), whichever first occurs. Upon the Date of Termination, all unvested stock options shall immediately vest and become exercisable and Executive shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to Executive. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms. For a period of one (1) year following the Date of Termination, the Company shall pay such health insurance premiums as may be necessary to allow Executive and Executive's spouse and dependents to receive health

insurance coverage substantially similar to coverage they received prior to the Date of Termination. Upon termination due to death prior to the termination first to occur as specified in the preceding sentence, Subparagraph 7(a) shall apply.

(C) If Executive's employment is terminated by Executive other than for Good Reason as provided in Subparagraph 6(e), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary at the rate in effect at the time Notice of Termination is given. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all vested but unexercised stock options held by Executive as of the Date of Termination must be exercised by Executive within three (3) months following the Date of Termination or by the end of the option term, if earlier. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms.

(D) If Executive terminates his employment for Good Reason as provided in Subparagraph 6(e) or if Executive's employment is terminated by the Company without Cause as provided in Subparagraph 6(d), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary at the rate in effect at the time Notice of Termination is given and his accrued and unpaid incentive compensation, if any, under Subparagraph 3(a). In addition, subject to signing by Executive of a general release of claims in a form and manner satisfactory to the Company,

(i) the Company shall pay Executive an amount equal to two (2) times the sum of Executive's Average Base Salary and his Average Incentive Compensation (the "Severance Amount"). The Severance Amount shall be paid out in substantially equal bi-weekly installments over twenty-four (24) months, in arrears. For purposes of this Agreement, "Average Base Salary" shall mean the average of the annual Base Salary received by Executive for each of the three (3) immediately preceding fiscal years or such fewer number of complete fiscal years as Executive may have been employed by the Company or the Previous Employer. For purposes of this Agreement, "Average Incentive Compensation" shall mean the average of the annual incentive compensation under Subparagraph 3(a) received by Executive for the three (3) immediately preceding fiscal years or such fewer number of complete fiscal years as Executive may have been employed by the Company or the Previous Employer. In no event shall "Average Incentive Compensation" include any sign-on bonus, retention bonus or any other special bonus. Notwithstanding the foregoing, if the Executive breaches any of the provisions contained in Paragraphs 4 and 5 of this Agreement, all payments of the Severance Amount shall immediately cease. Furthermore, in the event Executive terminates his employment for Good Reason as provided in Subparagraph 6(e), he shall be entitled to the Severance Amount only if he provides the Notice of Termination provided for in Subparagraph 6(f) within thirty (30) days after the occurrence of the event or events which constitute such Good Reason as specified in clauses (A), (B), (C), (D) and (E) of Subparagraph 6(e); and

(ii) upon the Date of Termination, each unvested stock option shall continue to vest in accordance with the vesting schedule set forth in such stock option for an additional twenty-four (24) months following the Date of Termination as if Executive's employment had not ceased. Each such stock option, to the extent exercisable, must be exercised by Executive within 180 days after the last installment of such stock option first becomes exercisable as described herein. In addition, each restricted stock unit held by Executive under the CIRCOR International, Inc. Management Stock Purchase Plan shall continue to vest for an additional twenty-four (24) months following the Date of Termination as if Executive's employment had not ceased, and Executive shall be credited with an additional twenty-four (24) months of Benefit Service solely for purposes of determining vesting status under the CIRCOR International, Inc. Supplemental Executive Retirement Plan (the "SERP") as of the Date of Termination; and

(iii) in addition to any other benefits to which Executive may be entitled in accordance with the Company's then existing severance policies, 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 and 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.

(E) If Executive's employment is terminated by the Company for Cause as provided in Subparagraph 6(c), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary at the rate in effect at the time Notice of Termination is given. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all stock options held by Executive as of the Date of Termination shall immediately terminate and be of no further force and effect, and all other stock-based grants and awards shall be canceled or terminated in accordance with their terms.

(F) Nothing contained in the foregoing Subparagraphs 7(a) through 7(e) shall be construed so as to affect Executive's rights or the Company's obligations relating to agreements or benefits which are unrelated to termination of employment.

8. CHANGE IN CONTROL PAYMENT. The provisions of this Paragraph 8 set forth certain terms of an agreement reached between Executive and the Company regarding Executive's rights and obligations upon the occurrence of a Change in Control of the Company. These provisions are intended to assure and encourage in advance Executive's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such event. These provisions shall apply in lieu of, and expressly supersede, the provisions of Subparagraph 7(d)(i) regarding severance pay upon a termination of employment, if such termination of employment occurs within eighteen (18) months after the occurrence of the first event constituting a Change of Control, provided that such first event occurs during the Period of Employment. These provisions shall terminate and be of no further force or effect beginning eighteen (18) months after the occurrence of a Change of Control.

(A) CHANGE IN CONTROL.

(i) If within eighteen (18) months after the occurrence of the first event constituting a Change in Control, Executive's employment is terminated by the Company without Cause as provided in Subparagraph 6(d) or Executive terminates his employment for Good Reason as provided in Subparagraph 6(e), then the Company shall pay Executive a lump sum in cash in an amount equal to three (3) times the sum of (A) Executive's current Base Salary plus (B) Executive's most recent annual incentive compensation under Subparagraph 3(a) 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. 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) 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) GROSS UP PAYMENT.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined 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"), or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") such that the net amount retained by Executive, after deduction of any Excise Tax on the Severance Payments, any Federal, state, and local income tax, employment tax and Excise Tax upon the payment provided by this subsection, and any interest and/or penalties assessed with respect to such Excise Tax, shall be equal to the Severance Payments.

(ii) Subject to the provisions of Subparagraph 8(b)(iii), all determinations required to be made under this Subparagraph 8(b)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by KPMG Peat Marwick 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 fifteen (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 the amount of the Gross-Up Payment, 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 Gross-Up Payment 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. The initial Gross-Up Payment, if any, as determined pursuant to this Subparagraph 8(b)(iii), shall be paid to Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by Executive, the Company shall furnish Executive with an opinion of counsel that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"). In the event

that the Company exhausts its remedies pursuant to Subparagraph 8(b)(iii) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, consistent with the calculations required to be made hereunder, and any such Underpayment, and any interest and penalties imposed on the Underpayment and required to be paid by Executive in connection with the proceedings described in Subparagraph 8(b)(iii), shall be promptly paid by the Company to or for the benefit of Executive.

(iii) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after Executive knows of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, provided that the Company has set aside adequate reserves to cover the Underpayment and any interest and penalties thereon that may accrue, Executive shall:

(A) give the Company any information reasonably requested by the Company relating to such claim,

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company,

(C) cooperate with the Company in good faith in order to effectively contest such claim, and

(D) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Subparagraph 8(b)(iii), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided,

however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive on an interest- free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issues raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by Executive of an amount advanced by the Company pursuant to Subparagraph 8(b)(iii), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Subparagraph 8(b)(iii)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Subparagraph 8(b)(iii), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(C) DEFINITIONS. For purposes of this Paragraph 8, the following terms shall have the following meanings:

"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) persons who, as of the Commencement Date, constitute the Parent's Board (the "Incumbent Directors") 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, 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; 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 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).

"PARENT" shall mean not only CIRCOR International, Inc., but also its successors by merger or otherwise.

"HORNE FAMILY GROUP" shall mean Timothy P. Horne, the George B. Horne Voting Trust, and any other person who or which, together with its affiliates and associates, beneficially owns 15% or more of the outstanding shares of common stock of the Parent on the Commencement Date.

9. 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.

10. 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).

11. 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.

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

13. ARBITRATION; OTHER DISPUTES. In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such dispute or controversy by mediation under the applicable rules of the American Arbitration Association before resorting to arbitration. In the event such dispute or controversy remains unresolved in whole or in part for a period of 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. Furthermore, should a dispute occur concerning Executive's mental or physical capacity as described in Subparagraph 6(b), 6(c) or 7(b), a doctor selected by Executive and a doctor selected by the Company shall be entitled to examine Executive. If the opinion of the Company's doctor and Executive's doctor conflict, the Company's doctor and Executive's doctor shall together agree upon a third doctor, whose opinion shall be binding.

14. THIRD-PARTY AGREEMENTS AND RIGHTS. Executive represents to the Company that Executive's execution of this Agreement, Executive's employment with the Company and the performance of Executive's proposed duties for the Company and the Parent will not violate any obligations Executive may have to any employer or other party, and Executive will not bring to the premises of the Company any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

15. 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 15, including, but not limited to, reasonable attorneys' fees and costs.

16. 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/ Cosmo S. Trapani

Its: Chief Financial Officer

/s/ David A. Bloss, Sr.

David A. Bloss, Sr.

EXHIBIT 10.16

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of the 16th day of September, 1999, between CIRCOR, Inc., a Massachusetts corporation (the "Company"), and Cosmo S. Trapani ("Executive").

WHEREAS, on and after the date on which Watts Industries, Inc. completes the distribution of common stock of CIRCOR International, Inc. to shareholders of Watts Industries, Inc., Executive will be employed by the Company in a senior executive capacity; and

WHEREAS, the Company desires to employ Executive and Executive desires to be employed by the Company on the terms contained herein.

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. EMPLOYMENT. The term of this Agreement shall extend from the date on which Watts Industries, Inc. completes the distribution of common stock of CIRCOR International, Inc. to shareholders of Watts Industries, Inc. (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. The term of this Agreement shall be subject to termination as provided in Paragraph 6 and may be referred to herein as the "Period of Employment."

2. POSITION AND DUTIES. During the Period of Employment, Executive shall serve as the Treasurer and Secretary of the Company and the Treasurer, Secretary and the Chief Financial Officer of CIRCOR International, Inc., a Delaware corporation of which the Company is a wholly-owned subsidiary (the "Parent"), and shall have supervision and control over and responsibility for the day-to-day business and affairs of those functions and operations of the Parent and shall have such other powers and duties as may from time to time be prescribed by the Chairman ("Chairman") of the Board of Directors of the Parent (the "Board"), the Chief Executive Officer of the Parent (the "CEO") or such other executive authorized by the Chairman or the CEO, provided that such duties are consistent with Executive's position or other positions that he may hold from time to time. Executive shall devote his full working time and efforts to the business and affairs of the Company and the Parent. Notwithstanding the foregoing, Executive may serve on other boards of directors, with the approval of the Chairman or CEO, or engage in religious, charitable or other community activities as long as such services and activities are disclosed to the Chairman or CEO and do not materially interfere with Executive's performance of his duties to the Company and the Parent as provided in this Agreement.

3. COMPENSATION AND RELATED MATTERS.

(A) BASE SALARY AND INCENTIVE COMPENSATION. Executive's initial annual base salary shall be $225,000. Executive's base salary shall be redetermined from time to time by the CEO. The base salary in effect at any given time is referred to herein as "Base Salary." The Base Salary shall be payable in substantially equal bi-weekly installments. In addition to Base Salary, Executive shall be eligible to receive cash incentive compensation as determined by the CEO or a Committee of the Board from time to time, and shall also be eligible to participate in such incentive compensation plans as the CEO or a Committee of the Board shall determine from time to time for employees of the same status within the hierarchy of the Company.

(B) EXPENSES. Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him in performing services hereunder during the Period of Employment, in accordance with the policies and procedures then in effect and established by the Company for its senior executive officers.

(C) OTHER BENEFITS. During the Period of Employment, Executive shall be entitled to continue to participate in or receive benefits under all of the Company's Employee Benefit Plans in effect on the date hereof, or under plans or arrangements that provide Executive with benefits at least substantially equivalent to those provided under such Employee Benefit Plans. As used herein, the term "Employee Benefit Plans" includes, without limitation, each pension and retirement plan; supplemental pension, retirement and deferred compensation plan; savings and profit-sharing plan; stock ownership plan; stock purchase plan; stock option plan; life insurance plan; medical insurance plan; disability plan; and health and accident plan or arrangement established and maintained by the Company on the date hereof for employees of the same status within the hierarchy of the Company. To the extent that the scope or nature of benefits described in this section is determined under the policies of the Company based in whole or in part on the seniority or tenure of an employee's service, Executive shall be deemed to have a tenure with the Company equal to the actual time of Executive's service with the Company. During the Period of Employment, Executive shall be entitled to participate in or receive benefits under any employee benefit plan or arrangement which may, in the future, be made available by the Company to its executives and key management employees, subject to and on a basis consistent with the terms, conditions and overall administration of such plan or arrangement. Any payments or benefits payable to Executive under a plan or arrangement referred to in this Subparagraph 3(c) in respect of any calendar year during which Executive is employed by the Company for less than the whole of such year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such calendar year during which he is so employed. Should any such payments or benefits accrue on a fiscal (rather than calendar) year, then the proration in the preceding sentence shall be on the basis of a fiscal year rather than calendar year.

(D) VACATIONS. Executive shall be entitled to twenty (20) paid vacation days in each calendar year, which shall be accrued ratably during the calendar year. Executive shall also be entitled to all paid holidays given by the Company to its executives. To the extent that the scope or nature of benefits described in this section are determined under the policies of the Company based in whole or in part on the seniority or tenure of an employee's service, Executive shall be

deemed to have a tenure with the Company equal to the actual time of Executive's service with Company.

4. UNAUTHORIZED DISCLOSURE.

(A) CONFIDENTIAL INFORMATION. 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, 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, 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 or 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.

(B) HEIRS, SUCCESSORS, AND LEGAL REPRESENTATIVES. The foregoing provisions of this Paragraph 4 shall be binding upon Executive's heirs, successors, and legal representatives. The provisions of this Paragraph 4 shall survive the termination of this Agreement for any reason.

5. COVENANT NOT TO COMPETE. In consideration for Executive's employment by the Company 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 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 or any affiliate of either entity 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. TERMINATION. Executive's employment hereunder may be terminated without any breach of this Agreement under the following circumstances:

(A) DEATH. Executive's employment hereunder shall terminate upon his death.

(B) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from his duties hereunder on a full-time basis for one hundred eighty (180) calendar days in the aggregate in any twelve (12) month period, the Company may terminate Executive's employment hereunder.

(C) TERMINATION BY COMPANY FOR CAUSE. At any time during the Period of Employment, the Company may terminate Executive's employment hereunder for Cause if such termination is approved by the CEO. For purposes of this Agreement, "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 Board; (D) a breach by Executive of any of the provisions contained in Paragraphs 4 and 5 of this Agreement; or (E) a violation by Executive of the Company's employment policies which has continued following written notice of such violation from the Board.

(D) TERMINATION WITHOUT CAUSE. At any time during the Period of Employment, the Company may terminate Executive's employment hereunder without Cause if such termination is approved by the CEO. Any termination by the Company of Executive's employment under this Agreement which does not constitute a termination for Cause under Subparagraph 6(c) or result from the death or disability of the Executive under Subparagraph 6(a) or (b) shall be deemed a termination without Cause. If the Company provides notice to Executive under Paragraph 1 that it does not wish to extend the Period of Employment, such action shall be deemed a termination without Cause.

(E) TERMINATION BY EXECUTIVE. At any time during the Period of Employment, Executive may terminate his employment hereunder for any reason, including but not limited to Good Reason. If Executive provides notice to the Company under Paragraph 1 that he does not wish to extend the Period of Employment, such action shall be deemed a voluntary termination by Executive and one without Good Reason. For purposes of this Agreement, "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 Period of Employment, from Executive of his title of Chief Financial 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.

(F) NOTICE OF TERMINATION. Except for termination as specified in Subparagraph 6(a), any termination of Executive's employment by the Company or any such termination by

Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(G) DATE OF TERMINATION. "Date of Termination" shall mean: (A) if Executive's employment is terminated by his death, the date of his death; (B) if Executive's employment is terminated on account of disability under Subparagraph 6(b) or by the Company for Cause under Subparagraph 6(c), the date on which Notice of Termination is given; (C) if Executive's employment is terminated by the Company under Subparagraph 6(d), sixty (60) days after the date on which a Notice of Termination is given; and (D) if Executive's employment is terminated by Executive under Subparagraph 6(e), thirty (30) days after the date on which a Notice of Termination is given.

7. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(A) If Executive's employment terminates by reason of his death, the Company shall, within ninety (90) days of death, pay in a lump sum amount to such person as Executive shall designate in a notice filed with the Company or, if no such person is designated, to Executive's estate, Executive's accrued and unpaid Base Salary to the date of his death, plus his accrued and unpaid incentive compensation, if any, under Subparagraph 3(a). Upon the death of Executive, all unvested stock options shall immediately vest in Executive's estate or other legal representatives and become exercisable, and Executive's estate or other legal representatives shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to Executive. All other stock-based grants and awards held by Executive shall vest or be canceled upon the death of Executive in accordance with their terms. For a period of one (1) year following the Date of Termination, the Company shall pay such health insurance premiums as may be necessary to allow Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the Company's obligations hereunder.

(B) During any period that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, Executive shall continue to receive his accrued and unpaid Base Salary and accrued and unpaid incentive compensation, if any, under Subparagraph 3(a), until Executive's employment is terminated due to disability in accordance with Subparagraph 6(b) or until Executive terminates his employment in accordance with Subparagraph 6(e), whichever first occurs. Upon the Date of Termination, all unvested stock options shall immediately vest and become exercisable and Executive shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to Executive. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms. For a period of one (1) year following the Date of Termination, the Company shall pay such health insurance premiums as may be necessary to allow Executive and Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of

Termination. Upon termination due to death prior to the termination first to occur as specified in the preceding sentence, Subparagraph 7(a) shall apply.

(C) If Executive's employment is terminated by Executive other than for Good Reason as provided in Subparagraph 6(e), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary at the rate in effect at the time Notice of Termination is given. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all vested but unexercised stock options held by Executive as of the Date of Termination must be exercised by Executive within three (3) months following the Date of Termination or by the end of the option term, if earlier. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms.

(D) If Executive terminates his employment for Good Reason as provided in Subparagraph 6(e) or if Executive's employment is terminated by the Company without Cause as provided in Subparagraph 6(d), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary at the rate in effect at the time Notice of Termination is given and his accrued and unpaid incentive compensation, if any, under Subparagraph 3(a). In addition, subject to signing by Executive of a general release of claims in a form and manner satisfactory to the Company,

(i) the Company shall pay Executive an amount equal to the sum of Executive's Average Base Salary and his Average Incentive Compensation (the "Severance Amount"). The Severance Amount shall be paid out in substantially equal bi-weekly installments over twelve (12) months, in arrears. For purposes of this Agreement, "Average Base Salary" shall mean the average of the annual Base Salary received by Executive for each of the three (3) immediately preceding fiscal years or such fewer number of complete fiscal years as Executive may have been employed by the Company. For purposes of this Agreement, "Average Incentive Compensation" shall mean the average of the annual incentive compensation under Subparagraph 3(a) received by Executive for the three (3) immediately preceding fiscal years or such fewer number of complete fiscal years as Executive may have been employed by the Company. In no event shall "Average Incentive Compensation" include any sign-on bonus, retention bonus or any other special bonus. Notwithstanding the foregoing, if the Executive breaches any of the provisions contained in Paragraphs 4 and 5 of this Agreement, all payments of the Severance Amount shall immediately cease. Furthermore, in the event Executive terminates his employment for Good Reason as provided in Subparagraph 6(e), he shall be entitled to the Severance Amount only if he provides the Notice of Termination provided for in Subparagraph 6(f) within thirty (30) days after the occurrence of the event or events which constitute such Good Reason as specified in clauses (A), (B), (C), (D) and (E) of Subparagraph 6(e); and

(ii) upon the Date of Termination, each unvested stock option shall continue to vest in accordance with the vesting schedule set forth in such stock option for an additional eighteen (18) months following the Date of Termination as if Executive's employment had not ceased. Each such stock option, to the extent exercisable, must be exercised by Executive within 180 days after the last installment of such stock option first becomes exercisable as described herein. In addition, each restricted stock unit held by Executive under the CIRCOR International, Inc. Management Stock Purchase Plan shall continue to vest for an additional eighteen (18) months following the Date of Termination as if Executive's employment had not ceased, and Executive shall be credited with an additional eighteen (18) months of Benefit Service solely for purposes of determining vesting status under the CIRCOR International, Inc. Supplemental Executive Retirement Plan (the "SERP") as of the Date of Termination; and

(iii) in addition to any other benefits to which Executive may be entitled in accordance with the Company's then existing severance policies, 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 and 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.

(E) If Executive's employment is terminated by the Company for Cause as provided in Subparagraph 6(c), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary at the rate in effect at the time Notice of Termination is given. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all stock options held by Executive as of the Date of Termination shall immediately terminate and be of no further force and effect, and all other stock-based grants and awards shall be canceled or terminated in accordance with their terms.

(F) Nothing contained in the foregoing Subparagraphs 7(a) through 7(e) shall be construed so as to affect Executive's rights or the Company's obligations relating to agreements or benefits which are unrelated to termination of employment.

8. CHANGE IN CONTROL PAYMENT. The provisions of this Paragraph 8 set forth certain terms of an agreement reached between Executive and the Company regarding Executive's rights and obligations upon the occurrence of a Change in Control of the Company. These provisions are intended to assure and encourage in advance Executive's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such event. These provisions shall apply in lieu of, and expressly supersede, the provisions of Subparagraph 7(d)(i) regarding severance pay upon a termination of employment, if such termination of employment occurs within twelve (12) months after the occurrence of the first event constituting a Change of Control, provided that such first event occurs during the Period of Employment. 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 provided in Subparagraph 6(d) or Executive terminates his employment for Good Reason as provided in Subparagraph 6(e), then the Company shall pay Executive a lump sum in cash in an amount equal to two (2) times the sum of (A) Executive's current Base Salary plus (B) Executive's most recent annual incentive compensation under Subparagraph 3(a) 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. 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) 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 8, "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 8(b)(i) shall apply to Executive shall be made by KPMG Peat Marwick 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 8(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.

(C) DEFINITIONS. For purposes of this Paragraph 8, the following terms shall have the following meanings:

"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) persons who, as of the Commencement Date, constitute the Parent's Board (the "Incumbent Directors") 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, 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; 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 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).

"PARENT" shall mean not only CIRCOR International, Inc., but also its successors by merger or otherwise.

"HORNE FAMILY GROUP" shall mean Timothy P. Horne, the George B. Horne Voting Trust, and any other person who or which, together with its affiliates and

associates, beneficially owns 15% or more of the outstanding shares of common stock of the Parent on the Commencement Date.

9. 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: Chief Executive Officer 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.

10. 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).

11. 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.

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

13. ARBITRATION; OTHER DISPUTES. In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such

dispute or controversy by mediation under the applicable rules of the American Arbitration Association before resorting to arbitration. In the event such dispute or controversy remains unresolved in whole or in part for a period of 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. Furthermore, should a dispute occur concerning Executive's mental or physical capacity as described in Subparagraph 6(b), 6(c) or 7(b), a doctor selected by Executive and a doctor selected by the Company shall be entitled to examine Executive. If the opinion of the Company's doctor and Executive's doctor conflict, the Company's doctor and Executive's doctor shall together agree upon a third doctor, whose opinion shall be binding.

14. THIRD-PARTY AGREEMENTS AND RIGHTS. Executive represents to the Company that Executive's execution of this Agreement, Executive's employment with the Company and the performance of Executive's proposed duties for the Company and the Parent will not violate any obligations Executive may have to any employer or other party, and Executive will not bring to the premises of the Company any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

15. 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 15, including, but not limited to, reasonable attorneys' fees and costs.

16. 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, Sr.

Its: President

/s/ Cosmo S. Trapani

Cosmo S. Trapani

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT AS OF THE DISTRIBUTION DATE

I. Subsidiaries of CIRCOR International, Inc:

1. Spence Engineering Co., Inc., a Delaware Corporation

2. KF Sales Corp., a Delaware Corporation

3. Leslie Controls, Inc., a New Jersey Corporation

4. Circle Seal Controls, Inc., a Delaware Corporation

5. KF Industries, Inc., an Oklahoma Corporation

6. CIRCOR, Inc., a Massachusetts Corporation

II. Subsidiaries of Circle Seal Controls, Inc.:

1. CIRCOR IP Holding Co., a Delaware Corporation

2. Circle Seal Corporation, a Delaware Corporation

3. Suzhou Watts Valve Co., Ltd. (JV), a Chinese Joint Venture

4. Hoke, Inc., a New Jersey Corporation

III. Subsidiaries of KF Industries, Inc.:

1. Pibiviesse SpA, an Italian Company

2. IOG Canada Inc., a Canadian Corporation

IV. Subsidiaries of Pibiviesse SpA:

1. De Martin Srl, an Italian Company

V. Subsidiaries of IOG Canada, Inc.:

1. SSI Equipment Inc., a Canadian Corporation