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

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): February 15, 2005**

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**CIRCOR INTERNATIONAL, INC.**

(Exact name of registrant as specified in charter)

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**DELAWARE**  
(State or other jurisdiction  
of incorporation)

**001-14962**  
(Commission file number)

**04-3477276**  
(IRS employer  
identification no.)

**25 CORPORATE DRIVE, SUITE 130  
BURLINGTON, MASSACHUSETTS 01803-4238**  
(Address of principal executive offices) (Zip Code)

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

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement.****Equity Incentive Agreements**

On February 18, 2005, the Board of Directors, based on the recommendation of the Compensation Committee, approved a grant to certain officers, directors and other management employees of nonqualified stock options to purchase an aggregate of 175,600 shares of the Company's common stock, par value \$.01 per share (the "Company Common Stock"), at a price of \$24.90, representing the closing price of the Company Common Stock as reported on the New York Stock Exchange on February 17, 2005, which the Board determined to be the fair market value of the Company Common Stock for the grant. In addition, the Board of Directors, based on the recommendation of the Compensation Committee, approved a grant to certain officers, directors and management employees of an aggregate of 58,600 restricted stock units which, upon vesting, convert on a one-to-one basis into 58,600 shares of Common Stock. The stock options and restricted stock unit awards were granted for the purpose of more closely aligning the interests of the grantees with the interests of the Company's stockholders and providing an increased incentive for those individuals to work for the Company's long-term success. Each of the named executive officers and directors who received stock option and/or restricted stock unit awards are identified below.

The stock option awards were granted pursuant to the 1999 Stock Option and Incentive Plan. Those awards given to directors vest in three equal annual installments beginning on the first anniversary of the date of grant and expire ten years from the date of grant. Those awards given to officers and other management employees vest in five equal annual installments beginning on the first anniversary of the date of grant and expire ten years from the date of grant. The restricted stock unit awards were granted pursuant to the 1999 Stock Option and Incentive Plan and they will vest in three equal annual installments beginning on the first anniversary of the date of grant. The form of Nonqualified Stock Option Agreement for Independent Directors, the form of Nonqualified Stock Option Agreement for Employees and the form of Restricted Stock Unit Award Agreement for Directors and Employees are attached hereto as Exhibits 10.1, 10.2 and 10.3, respectively, and are incorporated into this Item 1.01 by reference.

The following named executive officers and directors are party to Nonqualified Stock Option Agreements and Restricted Stock Unit Award Agreements as grantees:

<u>NAME</u>	<u>POSITION</u>	<u># STOCK OPTIONS</u>	<u>#RESTRICTED STOCK UNITS</u>
Jerome D. Brady	Director	1,500	500
Thomas E. Callahan	Director	1,500	500
Dewain K. Cross	Director	1,500	500
David F. Dietz	Director	1,500	500
Douglas M. Hayes	Director	1,500	500
Thomas E. Naugle	Director	1,500	500
David A. Bloss, Sr.	Officer	40,000	13,300
A. William Higgins	Officer	27,800	9,300
Kenneth W. Smith	Officer	14,200	4,700
Stephen J. Carriere	Officer	2,800	900
Alan J. Glass	Officer	3,300	1,100
Carl J. Nasca	Officer	7,600	2,500
Barry L. Taylor, Sr.	Officer	7,600	2,500
Alan R. Carlsen	Officer	8,200	2,700
Paul M. Coppinger	Officer	6,300	2,100

We have previously, and may in the future, grant stock option awards and restricted stock unit awards under the 1999 Stock Option and Incentive Plan to our officers substantially in accordance with the terms of the form of Nonqualified Stock Option Agreement for Independent Directors, the form of Nonqualified Stock Option Agreement for Employees and the form of Restricted Stock Unit Award Agreement for Directors and Employees, which are attached hereto as Exhibits 10.1, 10.2 and 10.3, respectively, and incorporated herein by reference. A copy of the 1999 Stock Option and Incentive Plan was filed on form 10-12B/A, file # 000-26961, filed with the Securities and Exchange Commission on September 22, 1999 and is incorporated herein by reference as Exhibit 10.1.

#### **Executive Officer Agreements**

On February 15, 2005, the Company entered into an Indemnification Agreement and an Executive Change of Control Agreement with A. William Higgins in connection with Mr. Higgins' recent appointment as Executive Vice President and Chief Operating Officer of the Company. The Indemnification Agreement is identical to the form of Indemnification Agreement previously entered into between the Company and each of its directors and executive officers. Generally, under the Indemnification Agreement, the Company, subject to certain exceptions (principally relating to a final court adjudication that Mr. Higgins has failed to act in good faith and in a manner he reasonably believed to be in the best interest of the Company) agrees to indemnify Mr. Higgins against all expenses and liabilities he may incur in the event he is made a party or threatened to be made a party to any judicial or administrative proceeding by virtue of his position with the Company. A copy of this Indemnification Agreement is attached hereto as Exhibit 10.4. Under the Change of Control Agreement, if a "change in control" (as defined in the Agreement) occurs and Mr. Higgins' employment is terminated by the Company without cause or by Mr. Higgins with good reason within 12 months of such change in control, Mr. Higgins will receive a lump sum amount in cash equal to two times the sum of his then current base salary and highest bonus during the three preceding fiscal years, all of his stock options and stock-based awards will become immediately exercisable, he will be fully vested in any accrued benefit under the supplemental executive retirement plan and will be credited with an additional 24 months of benefit service under the supplemental plan. The Company will pay health insurance premiums for Mr. Higgins and his family for two years and the Company will continue to pay Mr. Higgins an automobile leasing allowance for two years. A copy of the Executive Change of Control Agreement is attached hereto as Exhibit 10.5.

## Item 2.02. Results of Operations and Financial Condition

On February 15, 2005, Circor International Inc. announced its financial results for the fiscal quarter and full year ended December 31, 2004. The full text of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by special reference in such filing.

In the press release and accompanying supplemental information, the Company uses the following non-GAAP financial measures: free cash flow, EBIT, EBITDA, and earnings per share excluding special charges. Management of the Company believes that free cash flow (defined as net cash flow from operating activities, less capital expenditures and dividends paid) is an important measure of its liquidity as well as its ability to service long-term debt, fund future growth and to provide a return to shareholders. EBIT (defined as net income plus interest expense, net plus provision for income taxes), EBITDA (defined as net income plus interest expense, net plus provision for income taxes, plus depreciation and amortization) and earnings per share excluding special charges (defined as earnings per common share, excluding the impact of special charges, net of tax) is provided because management believes these measurements are commonly used by investors and financial institutions to analyze and compare companies on the basis of operating performance. Free cash flow, EBIT, EBITDA, and earnings per share excluding special charges are not measurements for financial performance under GAAP and should not be construed as a substitute for cash flows, operating income, net income or earnings per share. Free cash flow, EBIT, EBITDA, and earnings per share excluding special charges, as we have calculated here, may not necessarily be comparable to similarly titled measures used by other companies. A reconciliation of free cash flow, EBIT, EBITDA, and earnings per share excluding special charges, to the most directly comparable GAAP financial measure is provided in the supplemental information table titled “Reconciliation of Key Performance Measures to Commonly Used Generally Accepted Accounting Principle Terms” which is included as an attachment to the press release.

### Item 9.01. Financial Statements and Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Nonqualified Stock Option Agreement for Independent Directors
10.2	Form of Nonqualified Stock Option Agreement for Employees
10.3	Form of Restricted Stock Unit Agreement for Employees and Directors
10.4	Indemnification Agreement with Andrew William Higgins
10.5	Executive Change of Control Agreement with Andrew William Higgins
99.1	Press Release Dated February 15, 2005

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**SIGNATURE**

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

Date: February 22, 2005

**CIRCOR INTERNATIONAL, INC.**

/S/ Kenneth W. Smith

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

**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:**

**Option Exercise Price per Share:**

**Grant Date:**

**Expiration Date:**

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
XXX	Grant date + 1 year
XXX	Grant date + 2 years
XXX	Grant date + 3 years

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 anyone 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 twelve months 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. Non-Compete Agreement. The Optionee is receiving the Stock Option provided for herein in part because the Company has determined that the Optionee is a key contributor to the continued success of the Company. As such, the Optionee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were the Optionee to leave the Company and perform services on behalf of a competitor. Accordingly, in consideration of the Optionee's receipt of the Stock Option, the Optionee covenants and agrees that, for a period of two (2) years following the termination of the Optionee's affiliation with the Company (whether as an employee or non-employee director), the Optionee shall not, anywhere in the world, own, manage, operate, join, control, promote, invest or participate in or be connected with in any capacity (either as an employee, employer, trustee, consultant, agent, principal, partner, corporate officer, director, creditor, owner or shareholder or in any other individual or representative capacity) with any business individual, partnership, firm, corporation or other entity which is engaged wholly or partly in the design, manufacture, development, distribution, marketing or sales of any products which compete with the Company's then current lines of business. The Optionee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent the Optionee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. Notwithstanding the provisions of this paragraph 6, if Optionee is an employee or resident of a state in which non-compete provisions of the type set forth in the paragraph 6 are not enforceable, then this paragraph 6 shall not apply, and instead, the Optionee shall be subject to the following non-solicitation obligation: Optionee, for a period of two years following the termination of Optionee's affiliation with the Company, shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Optionee has had any management responsibility during his affiliation with Company; or (2) entice, solicit, request or advise any employee of business of the Company for which Optionee has had management responsibility during his affiliation with Company to accept employment (or other affiliation) with any person, firm or business which competes with any such business of the Company. As used above, "Customers" means all customers of any business of the Company for which the Optionee had contact or management responsibility during the last two years of his affiliation with Company.



7. 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: \_\_\_\_\_

**David A. Bloss, Sr.**  
Chairman, President & CEO

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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**FORM OF  
NON-QUALIFIED STOCK OPTION AGREEMENT  
FOR EMPLOYEES 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:**

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)%	Grant date + 1 year
(20)%	Grant date + 2 years
(20)%	Grant date + 3 years
(20)%	Grant date + 4 years
(20)%	Grant date + 5 years

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 anyone 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 12 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) Termination Without Cause. If the Optionee's employment is terminated by the Company without 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) Termination of Employment by Optionee. If the Optionee terminates his or her employment, this Stock Option shall terminate immediately upon notice by the Optionee of such termination and be of no further force and effect.

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. Non-Compete Agreement.** The Optionee is receiving the Stock Option provided for herein in part because the Company has determined that the Optionee is a key contributor to the continued success of the Company. As such, the Optionee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were the Optionee to leave the Company and perform services on behalf of a competitor. Accordingly, in consideration of the Optionee's receipt of the Stock Option, the Optionee covenants and agrees that, for a period of two (2) years following the termination of the Optionee's affiliation with the Company (whether as an employee or non-employee director), the Optionee shall not, anywhere in the world, own, manage, operate, join, control, promote, invest or participate in or be connected with in any capacity (either as an employee, employer, trustee, consultant, agent, principal, partner, corporate officer, director, creditor, owner or shareholder or in any other individual or representative capacity) with any business individual, partnership, firm, corporation or other entity which is engaged wholly or partly in the design, manufacture, development, distribution, marketing or sales of any products which compete with the Company's then current lines of business. The Optionee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent the Optionee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. Notwithstanding the provisions of this paragraph 7, if Optionee is an employee or resident of a state in which non-compete provisions of the type set forth in the paragraph 7 are not enforceable, then this paragraph 7 shall not apply, and instead, the Optionee shall be subject to the following non-solicitation obligation: Optionee, for a period of two years following the termination of Optionee's affiliation with the Company, shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Optionee has had any management responsibility during his affiliation with Company; or

(2) entice, solicit, request or advise any employee of business of the Company for which Optionee has had management responsibility during his affiliation with Company to accept employment (or other affiliation) with any person, firm or business which competes with any such business of the Company. As used above, “Customers” means all customers of any business of the Company for which the Optionee had contact or management responsibility during the last two years of his affiliation with Company.

**8. 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.

**9. 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: Chairman, President & CEO

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Name  
Address  
City, State, Zip Code



**FORM OF  
RESTRICTED STOCK UNIT AGREEMENT  
FOR EMPLOYEES AND DIRECTORS UNDER THE  
CIRCOR INTERNATIONAL, INC.  
1999 STOCK OPTION AND INCENTIVE PLAN**

**Name of Awardee:**

**No. of Restricted Stock Units:**

**Award Date:**

Pursuant to the CIRCOR International, Inc. 1999 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to Awardee named above, who is an officer, director or employee of the Company or any of its Subsidiaries, an award (the "Award") of Restricted Stock Units ("RSUs") subject to the terms and conditions set forth herein and in the Plan.

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

<u>Number of Restricted Stock Units</u>	<u>Vesting Date</u>
(one-third)	Award date + 1 year
(one-third)	Award date + 2 years
(one-third)	Award date + 3 years

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

**2. Deferral of Award.**

(a) Each vested RSU entitles Awardee to receive one share of the Company's Common Stock (the "Stock") on the later of (i) the vesting date for such RSU or (ii) the end of the deferral period specified by Awardee. Any deferral period must be expressed as a number of whole years, not less than three (3), beginning on the Award Date. This deferral period will apply only to deferral elections made on the specific Deferral Election Form. In addition, any such deferral must apply to receipt of all shares of Stock underlying the entire Award; for example, a deferral period of five (5) years would result in Awardee receiving shares of Stock underlying the entire Award five (5) years from the Award Date regardless of the fact that the RSUs may have vested at differing times. (If no deferral period is specified on the Deferral Election Form, Stock will be issued as soon as practicable upon vesting of the RSUs).

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

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

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

**3. Termination of Employment or Other Business Relationship.** If Awardee's employment by or other business relationship with the Company or a Subsidiary (as defined in the Plan) is terminated for any reason (whether with or without cause or due to death or disability of Awardee), Awardee's right in any RSUs that are not vested shall automatically terminate upon the effective date of such termination of employment or other business relationship with the Company and its Subsidiaries and such RSUs shall be cancelled as provided within the terms of the Plan and shall be of no further force and effect. In the event of such termination, and except as otherwise set forth in Section 4 below regarding retirement, the Company, as soon as practicable following the effective date of termination shall issue shares of Stock to Awardee (or Awardee's designated beneficiary or estate executor in the event of Awardee's death) with respect to any RSUs which, as of the effective date of termination, have vested but for which shares of Stock had not yet been issued to Awardee (for example, due to a valid deferral election).

**4. Retirement.** In the event that Awardee's employment with the Company has terminated due to Awardee's early or normal retirement (as defined in the Company's Defined Benefit Pension Plan), the provisions of paragraph 3 above shall apply except that Stock shall not be issued with respect to any vested RSUs for which valid deferral elections have been made until the deferral dates set forth in such deferral elections.

**5. Incorporation of Plan.** Notwithstanding anything herein to the contrary, this Award 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.

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

**7. Tax Withholding.** Awardee shall, not later than the date as of which the Award 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. Awardee 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.

**8. Non-Compete Agreement.** Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company (whether as an employee or non-employee director), Awardee shall not, anywhere in the world, own, manage, operate, join, control, promote, invest or participate in or be connected with in any capacity (either as an employee, employer, trustee, consultant, agent, principal, partner, corporate officer, director, creditor, owner or shareholder or in any other individual or representative capacity) with any business individual, partnership, firm, corporation or other entity which is engaged wholly or partly in the design, manufacture, development, distribution, marketing or sales of any products which compete with the Company's then current lines of business. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of



such enterprise’s outstanding capital stock. Notwithstanding the provisions of this paragraph 8, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in the paragraph 8 are not enforceable, then this paragraph 8 shall not apply, and instead, the Awardee shall be subject to the following non-solicitation obligation: Awardee, for a period of two years following the termination of Awardee’s affiliation with the Company, shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee has had any management responsibility during his affiliation with Company; or (2) entice, solicit, request or advise any employee of business of the Company for which Awardee has had management responsibility during his affiliation with Company to accept employment (or other affiliation) with any person, firm or business which competes with any such business of the Company. As used above, “Customers” means all customers of any business of the Company for which the Awardee had contact or management responsibility during the last two years of his affiliation with Company.

**9. Effect of Employment Agreement.** If Awardee 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 Restricted Stock Unit Award Agreement, the provisions set forth in such employment agreement shall override such conflicting provisions set forth herein.

**10. Miscellaneous.**

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

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

(c) Pursuant to Section 14 of the Plan, the Committee may at any time amend or cancel any outstanding portion of this Award, but no such action may be taken which adversely affects Awardee’s rights under this Agreement without Awardee’s consent.

**CIRCOR INTERNATIONAL, INC.**

By: \_\_\_\_\_

David A. Bloss, Sr.

Title: Chairman, President & CEO

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

Date: \_\_\_\_\_

Name \_\_\_\_\_

**INDEMNIFICATION AGREEMENT**

This Agreement is made as of this 15<sup>th</sup> day of February 2005 ("Agreement"), by and between CIRCOR International, Inc., a Delaware corporation (the "Company," which term shall include, where appropriate, any Entity (as hereinafter defined) controlled directly or indirectly by the Company) and Andrew William Higgins ("Indemnatee").

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

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

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

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

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

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

1. Definitions.

(a) "Corporate Status" describes the status of a person who is serving or has served (i) as a director or officer of the Company, (ii) in any capacity with respect to any employee benefit plan of the Company, or (iii) as a director, partner, trustee, officer, employee or agent of any other Entity at the request of the Company. For purposes of subsection (iii) of this Section 1(a), an officer or director of the Company who is serving or has served as a director, partner, trustee, officer, employee or agent of a Subsidiary shall be deemed to be serving at the request of the Company.

(b) "Entity," shall mean any corporation, partnership, limited liability company, joint venture, trust, foundation, association, organization or other legal entity.

(c) "Expenses" shall mean all fees, costs and expenses incurred in connection with any Proceeding (as defined below), including, without limitation, attorneys' fees, disbursements and retainers (including, without limitation, any such fees,

disbursements and retainers incurred by Indemnatee pursuant to Sections 10 and 11(c) of this Agreement), fees and disbursements of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), court costs, transcript costs, fees of experts, travel expenses, duplicating, printing and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services, and other disbursements and expenses.

(d) “Indemnifiable Expenses,” “Indemnifiable Liabilities” and “Indemnifiable Amounts” shall have the meanings ascribed to those terms in Section 3(a) below.

(e) “Liabilities” shall mean judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement.

(f) “Proceeding” shall mean any threatened, pending or completed claim, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal, or any other proceeding, whether civil, criminal, administrative, arbitral or investigative, whether formal or informal, including a proceeding initiated by Indemnatee pursuant to Section 10 of this Agreement to enforce Indemnatee’s rights hereunder.

(g) “Subsidiary” shall mean any corporation, partnership, limited liability company, joint venture, trust or other Entity of which the Company owns (either directly or through or together with another Subsidiary of the Company) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other Entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity.

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

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

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

(b) Subject to the exceptions contained in Section 4(b) below, if Indemnatee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of Indemnatee’s Corporate Status, Indemnatee shall be indemnified by the Company against all Indemnifiable Expenses.

(c) If Indemnatee, in connection with Indemnatee's Corporate Status, is compelled or asked to be a witness in connection with any Proceeding but is not otherwise a Party or threatened to be made a party to such Proceeding, Indemnatee shall be indemnified by the Company against all Indemnifiable Expenses.

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

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

(b) If indemnification is requested under Section 3(b) and

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

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

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

6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnatee is, by reason of Indemnatee's Corporate Status, a

party to and is successful, on the merits or otherwise, in any Proceeding, Indemnatee shall be indemnified against all Expenses reasonably incurred by Indemnatee or on Indemnatee's behalf in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnatee against all Expenses reasonably incurred by Indemnatee or on Indemnatee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Agreement, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

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

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

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

10. Remedies of Indemnitee.

(a) Right to Petition Court. In the event that Indemnitee makes a request for payment of Indemnifiable Amounts under Sections 3 and 5 above or a request for an advancement of Indemnifiable Expenses under Sections 8 and 9 above and the Company fails to make such payment or advancement in a timely manner pursuant to the terms of this Agreement, Indemnitee may petition the Court of Chancery to enforce the Company's obligations under this Agreement.

(b) Burden of Proof. In any judicial proceeding brought under Section 10(a) above, the Company shall have the burden of proving by clear and convincing evidence that Indemnitee is not entitled to payment of Indemnifiable Amounts hereunder.

(c) Expenses. The Company agrees to reimburse Indemnitee in full for any Expenses incurred by Indemnitee in connection with investigating, preparing for, litigating, defending or settling any action brought by Indemnitee under Section 10(a) above, or in connection with any claim or counterclaim brought by the Company in connection therewith.

(d) Validity of Agreement. The Company shall be precluded from asserting in any Proceeding, including, without limitation, an action under Section 10(a) above, that the provisions of this Agreement are not valid, binding and enforceable or that there is insufficient consideration for this Agreement and shall stipulate in court that the Company is bound by all the provisions of this Agreement.

(e) Failure to Act Not a Defense. The failure of the Company (including its Board of Directors or any committee thereof, independent legal counsel or stockholders) to make a determination concerning the permissibility of the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses under this Agreement shall not be a defense in any action brought under Section 10(a) above, and shall not create a presumption that such payment or advancement is not permissible.

11. Defense of the Underlying Proceeding.

(a) Notice by Indemnitee. Indemnitee agrees to notify the Company promptly upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding which may result in the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses hereunder; provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right to receive payments of Indemnifiable Amounts or advancements of Indemnifiable Expenses unless the Company is materially and adversely prejudiced thereby.

(b) Indemnitee's Option to Control Defense. Subject to the provisions of Section 11(c) below, the Indemnitee shall have the right to control the defense of any Proceeding brought against the Indemnitee including, but not limited to, the selection of defense counsel and the determination of whether or not to consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise. Alternatively, Indemnitee may elect to tender defense of the Proceeding to the Company by providing the

Company with written notice as soon as practicable after Indemnatee has learned of the circumstances giving rise to Indemnatee's claim for indemnification in connection with such Proceeding. Upon receipt of Indemnatee's notice tendering defense of the Proceeding to the Company, the Company, at the Company's sole cost and expense, shall provide such defense with counsel reasonably acceptable to the Indemnatee. In no event, however, shall the Company consent to the entry of any judgment against Indemnatee or enter into any settlement or compromise without the prior written consent of the Indemnatee.

(c) Limitations of Defense by Indemnatee. Notwithstanding paragraph 11(b) above and except as otherwise provided by paragraph 11(d) below, the Company's obligation to indemnify Indemnatee with respect to legal fees shall be limited to the fees charged by counsel unanimously selected by Indemnatee and all other persons similarly entitled to indemnification by the Company in the same Proceeding on account of their Corporate Status to defend the interests of all such persons entitled to indemnification. .

(d) Indemnatee's Right to Individual Counsel. Notwithstanding the provisions of Section 11(c) above, if in a Proceeding to which Indemnatee is a party by reason of Indemnatee's Corporate Status, Indemnatee reasonably concludes that it may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with the position of other defendants in such Proceeding, , Indemnatee shall be entitled to be represented by separate legal counsel of Indemnatee's choice at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from Indemnatee the benefits intended to be provided to Indemnatee hereunder, Indemnatee shall have the right to retain counsel of Indemnatee's choice, at the expense of the Company, to represent Indemnatee in connection with any such matter.

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

(a) Authority. The Company has all necessary power and authority to enter into, and be bound by the terms of, this Agreement, and the execution, delivery and performance of the undertakings contemplated by this Agreement have been duly authorized by the Company.

(b) Enforceability. This Agreement, when executed and delivered by the Company in accordance with the provisions hereof, shall be a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally.

13. Insurance.

(a) Prior to any Change of Control. Prior to any Change in Control (as defined in paragraph 13(c) below), the Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain

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

(b) Upon a Change of Control. In the event of and immediately upon a Change of Control (as defined in paragraph 13(c) below), the Company (or any successor to the interests of the Company by way of merger, sale of assets or otherwise) shall be obligated to continue, procure and/or otherwise maintain in effect for a period of six (6) years from the date on which such Change of Control is effective a policy or policies of insurance (the "Change of Control Coverage") with an insurance company having a minimum rating by A.M. Best (or its successor) of "excellent" providing Indemnitee with coverage for losses from wrongful acts occurring on or before the effective date of the Change of Control, and to ensure the Company's performance of its indemnification obligations under this Agreement. If such insurance is in place immediately prior to the Change of Control, then the Change of Control Coverage shall contain limits, deductibles and exclusions substantially identical to those in place immediately prior to the Change in Control. In the event that the Company does not maintain such insurance immediately prior to the Change of Control, the Change of Control Coverage shall contain such limits, deductibles and exclusions as are customary for companies of similar size as determined by an insurance brokerage company of national reputation, provided, however, that in no event shall the Change of Control Coverage contain limits, deductibles and exclusions that are less favorable to Indemnitee than those set forth in the policy or policies most recently maintained by the Company. Each policy evidencing the Change of Control Coverage shall contain an endorsement or other provision requiring that Indemnitee be provided with at least sixty (60) days written notice prior to the termination or non-renewal (as applicable) of such policy or policies.

(c) Definition of "Change of Control". For purposes of this Section 13, the term "Change of Control" shall mean any of the following:

(i) 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") 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 fifty percent (50%) or more of either (A) the combined voting power of the Company’s then outstanding securities having the right to vote in an election of the Company’s Board (“Voting Securities”) or (B) the then outstanding shares of the Company’s common stock, par value \$0.01 per share (“Common Stock”) (other than as a result of an acquisition of securities directly from the Company); or

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

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

Notwithstanding the foregoing, a “Change of Control” shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Common Stock or other Voting Securities outstanding, increases the proportionate number of shares beneficially owned by any person to fifty percent (50%) or more of either (A) the combined voting power of all of the then outstanding Voting Securities or (B) Common Stock; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities or Common Stock (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns fifty percent (50%) 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 (i).

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

15. Successors. This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law) and (b) binding on and shall inure to the benefit of the heirs, personal representatives, executors and administrators of Indemnatee. This Agreement shall continue for the benefit of Indemnatee and such heirs, personal representatives, executors and administrators after Indemnatee has ceased to have Corporate Status.

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

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

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

19. Indemnatee as Plaintiff. Except as provided in Section 10(c) of this Agreement and in the next sentence, Indemnatee shall not be entitled to payment of Indemnifiable Amounts or advancement of Indemnifiable Expenses with respect to any Proceeding brought by Indemnatee against the Company, any Entity which it controls, any director or officer thereof, or any third party, unless such Company has consented to the initiation of such Proceeding. This Section shall not apply to counterclaims or affirmative defenses asserted by Indemnatee in an action brought against Indemnatee, nor shall this Section apply to any Proceeding brought by Indemnatee in order to enforce Indemnatee's rights under any policies of insurance that the Company has secured under Section 13 above.

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

21. General Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) when transmitted by facsimile and receipt is acknowledged, or (c) if mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(i) If to Indemnitee, to:

Andrew William Higgins  
c/o CIRCOR International, Inc.  
25 Corporate Drive  
Burlington, Massachusetts 01803

(ii) If to the Company, to:

CIRCOR International, Inc.  
25 Corporate Drive  
Burlington, Massachusetts 01803  
Attn: General Counsel

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

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

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

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

CIRCOR INTERNATIONAL, INC.

By: /S/ David A. Bloss Sr.

Name: David A. Bloss, Sr.

Title: Chairman, President & CEO

INDEMNITEE:

/S/ Andrew William Higgins

Name: Andrew William Higgins

## EXECUTIVE CHANGE OF CONTROL AGREEMENT

This EXECUTIVE CHANGE OF CONTROL AGREEMENT ("Agreement") is made as of the 15th day of February, 2005, between CIRCOR, Inc., a Massachusetts corporation (the "Company"), and Andrew William Higgins ("Executive").

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

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

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

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

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

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

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

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

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

(c) The stockholders of the Parent shall approve (A) any consolidation or merger of the Parent where the stockholders of the Parent, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d3 under the Act), directly or indirectly, shares representing in the aggregate fifty percent (50%) or more of the voting shares of the Parent or other party issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Parent or (C) any plan or proposal for the liquidation or dissolution of the Parent.

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

“Good Reason” shall mean that Executive has complied with the “Good Reason Process” (hereinafter defined) following the occurrence of any of the following events: (A) a substantial diminution or other substantive adverse change, not consented to by Executive, in the nature or scope of Executive’s responsibilities, authorities, powers, functions or duties; (B) any removal, during the term of this Agreement, from Executive of his titles as an officer of 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; (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; or (F) A reduction in Executive’s opportunity for annual incentive compensation below the annual incentive opportunity most recently in effect under the Company’s Executive Bonus Incentive Plan prior to the Change in Control.

“Incumbent Directors” shall mean persons who, as of the Commencement Date, constitute the Board; provided that any person becoming a director of the Parent subsequent to the

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

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

"Horne Family Group" shall mean Timothy P. Horne and the George B. Horne Voting Trust.

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

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

(a) Change in Control.

(i) If within twelve (12) months after the occurrence of the first event constituting a Change in Control, Executive's employment is terminated by the Company without Cause as defined in Section 1 or Executive terminates his employment for Good Reason as provided in Section 1, then the Company shall pay Executive a lump sum in cash in an amount equal to two (2) times the sum of (A) Executive's current Base Salary plus (B) Executive's highest annual incentive compensation under the Company's Executive Bonus Incentive Plan in the three (3) immediately preceding fiscal years, excluding any sign-on bonus, retention bonus or any other special bonus; and

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

(iii) If the Executive is otherwise eligible for participation in the Company's Supplemental Executive Retirement Plan ("SERP"), the Executive shall be fully vested in his accrued benefit under the SERP as of the Date of Termination and shall be credited with an additional twenty-four (24) months of Benefit Service under the SERP; and

(iv) The Company shall, for a period of two (2) years 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.

(v) In addition, the Company shall, for a period of two (2) years commencing on the Date of Termination, pay or promptly reimburse Executive for expenses incurred for leasing an automobile (the "Leasing Allowance") in an amount equal to the Leasing Allowance that Executive was entitled to receive from the Company in accordance with the Leasing Allowance policies and procedures then in effect prior to the Date of Termination.

(b) Additional Limitation.

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

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

(B) If the Threshold Amount is less than (x) the Severance Payments, but greater than (y) the Severance Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Severance Payments which are in excess of the Threshold Amount, then the benefits payable under this Agreement shall be reduced (but not below zero) to the extent necessary so that the maximum Severance Payments shall not exceed the Threshold Amount. To the extent that there is more than one method of reducing the payments to bring them within the Threshold Amount, Executive shall determine which method shall be followed; provided that if Executive fails to make such determination within 45 days after the Company has sent Executive written notice of the need for such reduction, the Company may determine the amount of such reduction in its sole discretion.

For the purposes of this Paragraph 3, "Threshold Amount" shall mean three times Executive's "base amount" within the meaning of Section 280G(b)(3) of the Code and the



regulations promulgated thereunder less one dollar (\$1.00); and “Excise Tax” shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by Executive with respect to such excise tax.

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

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

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

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

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

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

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

if to the Executive:

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

if to the Company:

CIRCOR, Inc.  
25 Corporate Drive  
Burlington, MA 01803  
Attention: Board of Directors of CIRCOR International, Inc.

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

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

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

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

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

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

12. Litigation and Regulatory Cooperation. During and after Executive's employment, Executive shall reasonably cooperate with the Company and the Parent in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company and/or the Parent which relate to events or occurrences that transpired while Executive was employed by the Company; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company and/or the Parent at mutually convenient times. During and

after Executive’s employment, Executive also shall cooperate fully with the Company and the Parent in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Company. The Company shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Compensation and Average Incentive Compensation) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Paragraph 12, including, but not limited to, reasonable attorneys’ fees and costs.

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

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

**CIRCOR, INC.**

By: /S/ David A. Bloss Sr.

David A. Bloss, Sr.  
President

**EXECUTIVE**

/S/ Andrew William Higgins

Andrew William Higgins

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**SUMMARY OF PROVISIONS OF  
EXECUTIVE CHANGE OF CONTROL AGREEMENT**

**PROVISION**

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Original Term of Agreement	One year
Renewal	Automatic extension of term for one additional year, unless either party gives at least 90 days notice.
Term of Agreement After Change in Control	At least 12 months beyond the month in which the Change in Control occurred.
Change in Control Triggering Event	<p>Within 12 months of a Change in Control, termination by Company without “Cause” or termination by Executive with “Good Reason”.</p> <p>“Cause” defined as: (A) willful misconduct (including lying, cheating or stealing); (B) criminal or civil conviction, a plea of nolo contendere, conduct injuring reputation of the Company, or conviction of a felony involving moral turpitude; (C) continued and deliberate non-performance by Executive after written notice; (D) breach of confidentiality or non-competition/non-solicitation provisions; or (E) violation of Company’s employment policies after written notice.</p> <p>“Good Reason” defined as (A) substantial diminution (without consent) in the nature or scope of Executive’s responsibilities, etc.; (B) removal of title; (C) involuntary reduction in Base Salary except for across-the-board salary reductions; (D) a breach by the Company of material obligations under this Agreement and failure to cure within 30 days; (E) the involuntary relocation of Executive’s principal work location or location of Executive’s primary workgroup to a location more than 30 miles away, or requiring Executive to be based anywhere other than such offices on an extended basis, except for required travel. Executive must comply with “Good Reason Process” for a valid termination for Good Reason; or (F) A reduction in Executive’s opportunity for annual incentive compensation below the annual incentive opportunity most recently in effect under the Company’s Executive Bonus Incentive Plan prior to the Change in Control</p> <p>“Good Reason Process” requires a 90-day period for the Company and Executive to attempt in good faith to modify their relationship in a mutually acceptable manner.</p>
Treatment of Equity Awards	All options and other stock-based awards vest upon Change in Control.

SERP	Executive, if a participant under the SERP, becomes fully vested in his accrued benefit under the SERP as of the Date of Termination and shall be credited with an additional 24 months of Benefit Service under the SERP.
Change in Control Payments	2 times the sum of current Base Salary and most recent bonus.  Company pays health premiums for Executive and family for a period of 2 years.
Gross-Up Payment	None, but modified cutback (i.e., cutback applies only if Executive is better off on an after-tax basis).
Confidentiality	Standard confidentiality provision with obligation to return all information when employment ceases. Provision survives the termination of the Agreement.
Non-Competition and Non-Solicitation	Applies during employment and for a period of 12 months thereafter.  Restricts Executive directly or indirectly (in any capacity) from becoming involved (in any manner) with any entity or business that competes with the Company's products as of the date of termination.  Executive will not solicit any present or future employee of the Company to accept employment with Executive or his .associated businesses.  Executive will not employ any Company employee without providing the Company with 10 days prior written notice.  Non-compete covenant does not prohibit Executive from owning up to 1% of the outstanding stock of a publicly-held company engaged in the Fluid Control Industry.
Disputes	Disputes will be settled by binding arbitration.
Litigation and Regulatory Cooperation	Required during and after employment. Executive compensated for time on an hourly basis with respect to cooperation provided after termination of employment. Executive reimbursed for costs and expenses (including attorney's fees) associated with cooperation.

## PRESS RELEASE

Contact: Kenneth Smith  
Chief Financial Officer  
CIRCOR International, Inc.  
781-270-1200

**CIRCOR Announces Fourth Quarter and Full Year 2004 Earnings**

- Net earnings of \$0.01 per share posted for quarter includes \$0.29 of charges
- Orders increased 19% and backlog rose 30%, reaching new records

**BURLINGTON, MA, February 15, 2005**

CIRCOR International, Inc. [NYSE:CIR] a leading provider of valves and other fluid control devices for the instrumentation, aerospace, thermal fluid and energy markets, today announced results for the fourth quarter ending December 31, 2004. In describing its results, the Company referred to the financial guidance it provided in a press release on October 21, 2004, and updated through a press release on January 21, 2005.

Revenues for the 2004 fourth quarter were \$106.8 million, an increase of 11% from \$96.4 million for the fourth quarter 2003. Net income for the fourth quarter of 2004 was \$0.1 million or \$0.01 per diluted share, compared to \$5.3 million, or \$0.33 per diluted share for the 2003 fourth quarter.

Fourth quarter 2004 earnings included unusual charges of \$0.29 per diluted share primarily related to the Company's previously announced plan to dispose of slow moving inventory and consolidate facilities. In the fourth quarter 2003, the Company had recorded a net benefit of \$0.03 per share primarily related to tax credits net of facility consolidation costs.

For the twelve months ended December 31, 2004, revenues were \$381.8 million an increase of 6% from \$359.5 million for 2003. Net income for 2004 was \$11.8 million or \$0.74 per diluted share and for 2003 was \$17.9 million or \$1.14 per diluted share.

During the fourth quarter 2004, the Company generated \$7.7 million of free cash flow (defined as net cash from operating activities, less capital expenditures and dividends paid) and, for the full year, the Company generated \$21.7 million of free cash flow. At December 31, 2004, the Company remained in a positive net cash position (defined as cash, plus cash equivalents and investments less total debt).

The Company received orders totaling \$122.4 million during the fourth quarter 2004, representing an increase of 19% over the \$103.2 million in orders recorded during the same

period of 2003. For the year, orders were \$408.6 million, an increase of 9% over 2003. Total order backlog at the end of 2004 was \$115.7 million, an increase of 30% over the backlog at the end of 2003. Both orders and backlog were at record highs at the end of the quarter.

CIRCOR's Chairman and Chief Executive Officer, David A. Bloss, Sr. commented on the Company's performance stating "Oil and gas project activity continues to be very healthy, particularly in areas where we have strong market positions such as the Middle and Far East regions. Our Pibiviesse business unit in Italy continues to build on its reputation for high-quality, severe-service valves for natural gas pipelines and offshore platforms as well as gathering and compression systems and applications. We also experienced solid growth within our Thermal Fluid Controls' European businesses which specializes in high temperature steam applications where activity has been particularly strong. The strength of these markets, together with the benefit from our recent acquisitions has resulted in our record backlog at year end."

Mr. Bloss further stated, "From an operations standpoint, we are taking action to further reduce our inventories and consolidate our facilities as demonstrated by the non-cash charge taken during the fourth quarter of 2004. Excluding unusual gains and charges, our earnings performance for the quarter was consistent with our guidance and equivalent to last year's fourth quarter on the same basis despite the impact of higher raw material costs and expenses related to the new Sarbanes-Oxley Section 404 requirements."

CIRCOR's Energy Products Segment (formerly the Petrochemical Products Segment) revenues increased 11% to \$47.6 million from \$42.8 million in the fourth quarter last year due to the timing of project shipments this quarter and the benefits from the acquisition of Mallard Control Company in April 2004. Incoming orders for the quarter were up 27% compared to the fourth quarter 2003 while backlog increased 46% compared to December 31, 2003. This segment's adjusted operating margin, excluding unusual charges primarily related to the planned disposal of slow-moving inventory and special charges, was 10.6% for the fourth quarter 2004, down slightly from the 12.1% achieved in the fourth quarter 2003 but an increase from 7.8% reported in the third quarter 2004.

CIRCOR's Instrumentation and Thermal Fluid Controls Products Segment revenues were up 11% to \$59.2 million for the fourth quarter compared to \$53.6 million for the same period last year and up 9% for the year. Incoming orders for this segment were up 11% compared to the fourth quarter last year and backlog at year end increased 8% versus last year. This segment's adjusted operating margin, excluding unusual charges primarily related to the planned disposal of slow moving inventory and special charges, was 12.0% during the fourth quarter of 2004, compared to its adjusted operating margin of 9.5% for the fourth quarter of 2003.

CIRCOR provided guidance for its first quarter 2005 results, indicating that it expects earnings to be in the range of \$0.27 to \$0.31 per diluted share excluding special charges.

CIRCOR International has scheduled a conference call to review its results for the fourth quarter 2004 on Wednesday, February 16, 2005 at 9:00 a.m. ET. Interested parties may access the call by dialing (800) 289-0496 or (913) 981-5519. A replay of the call will be available from noon ET on February 16, 2005 through midnight February 22, 2005. To access the replay, interested parties should dial (888) 203-1112 or (719) 457-0820 and enter confirmation code #4068064



when prompted. The presentation slides that will be discussed in the conference call are expected to be available on February 15, 2005, by 6:00pm ET. The presentation slides may be downloaded from the quarterly earnings page of the investor section on the CIRCOR website: <http://www.CIRCOR.com>. An audio recording of the conference call also is expected to be posted on the Company's website by February 18, 2005.

CIRCOR International, Inc. is a leading provider of valves and fluid control products that allow customers around the world to use fluids safely and efficiently in the instrumentation, aerospace, thermal fluid, and energy markets. CIRCOR's executive headquarters are located at 25 Corporate Drive, Burlington, MA 01803.

*This press release contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act") and releases issued by the Securities and Exchange Commission (SEC). The words "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control, and our actual results, performance or achievements may differ materially from the expectations we describe in our forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the cyclical nature and highly competitive nature of some of our end markets, changes in the price of and demand for oil and gas in both domestic and international markets, variability of raw material and component pricing, fluctuations in foreign currency exchange rates, and our ability to continue operating our manufacturing facilities at efficient levels and to successfully implement our acquisition strategy. We advise you to read further about these and other risk factors set forth under the caption "Certain Risk Factors That May Affect Future Results" in our SEC filings. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

**CIRCOR INTERNATIONAL, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
*(in thousands, except share data)*  
**UNAUDITED**

	December 31, 2004	December 31, 2003
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 58,653	\$ 58,202
Investments	4,155	7,840
Trade accounts receivable, less allowance for doubtful accounts of \$2,549 and \$2,119, respectively	64,521	64,830
Inventories	105,150	97,278
Prepaid expenses and other current assets	2,414	4,587
Deferred income taxes	6,953	6,303
Assets held for sale	—	3,884
	<hr/>	<hr/>
Total Current Assets	241,846	242,924
Property, Plant and Equipment, net	59,302	61,737
Other Assets:		
Goodwill	120,307	111,448
Intangibles, net	1,424	1,587
Other assets	5,539	6,167
	<hr/>	<hr/>
Total Assets	\$ 428,418	\$ 423,863
	<hr/>	<hr/>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 38,023	\$ 37,635
Accrued expenses and other current liabilities	30,490	27,742
Income taxes payable	1,362	1,491
Notes payable and current portion of long-term debt	15,051	17,268
	<hr/>	<hr/>
Total Current Liabilities	84,926	84,136
Long-term Debt, net of current portion	27,829	43,791
Deferred Income Taxes	6,932	6,303
Other Noncurrent Liabilities	10,646	9,820
Minority Interest	4,650	4,653
Shareholders' Equity:		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.01 par value; 29,000,000 shares authorized; and 15,430,305 and 15,302,127 issued and outstanding, respectively	154	153
Additional paid-in capital	208,392	206,160
Retained earnings	64,293	54,793
Accumulated other comprehensive income	20,596	14,054
	<hr/>	<hr/>
Total Shareholders' Equity	293,435	275,160
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$ 428,418	\$ 423,863
	<hr/>	<hr/>

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

	Three Months Ended		Year Ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Net revenues	\$ 106,825	\$ 96,405	\$ 381,834	\$ 359,453
Cost of revenues	81,892	67,496	274,265	253,941
<b>GROSS PROFIT</b>	<b>24,933</b>	<b>28,909</b>	<b>107,569</b>	<b>105,512</b>
Selling, general and administrative expenses	23,659	20,617	85,332	74,162
Special charges	—	1,092	303	1,363
<b>OPERATING INCOME</b>	<b>1,274</b>	<b>7,200</b>	<b>21,934</b>	<b>29,987</b>
Other (income) expense:				
Interest income	(220)	(280)	(756)	(775)
Interest expense	917	1,301	4,446	5,926
Other income, net	57	217	(234)	(837)
<b>Total other expense</b>	<b>754</b>	<b>1,238</b>	<b>3,456</b>	<b>4,314</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>520</b>	<b>5,962</b>	<b>18,478</b>	<b>25,673</b>
Provision for income taxes	390	704	6,675	7,800
<b>NET INCOME</b>	<b>\$ 130</b>	<b>\$ 5,258</b>	<b>\$ 11,803</b>	<b>\$ 17,873</b>
Earnings per common share:				
Basic	\$ 0.01	\$ 0.34	\$ 0.77	\$ 1.18
Diluted	\$ 0.01	\$ 0.33	\$ 0.74	\$ 1.14
Weighted average common shares outstanding:				
Basic	15,422	15,290	15,361	15,207
Diluted	15,932	15,919	15,877	15,675

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

	Year Ended	
	December 31, 2004	December 31, 2003
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 11,803	\$ 17,873
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	9,664	9,564
Amortization	192	298
Compensation expense of stock-based plans	650	229
Deferred income taxes	349	1,372
Loss on write-down of property, plant and equipment	—	381
Loss (gain) on sale of property, plant and equipment	704	(21)
Gain on sale of assets held for sale	(149)	—
Gain on sale of marketable securities	—	(64)
Inventory obsolescence provision	6,558	—
Equity in undistributed earnings of affiliates	(113)	—
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Trade accounts receivable	4,960	(2,586)
Inventories	(8,322)	19,754
Prepaid expenses and other assets	3,079	1,788
Accounts payable, accrued expenses and other liabilities	(126)	10,058
Net cash provided by operating activities	29,249	58,646
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(5,287)	(6,823)
Proceeds from sale of property, plant and equipment	1,009	192
Proceeds from sale of assets held for sale	4,038	—
Business acquisitions, net of cash acquired	(12,591)	(9,619)
Purchase price adjustment on previous acquisitions	(1,538)	(1,029)
Purchase of investments	(7,077)	(7,857)
Proceeds from sale of investments	11,339	4,155
Net cash used in investing activities	(10,107)	(20,981)
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	322	1,593
Payments of long-term debt	(18,787)	(20,097)
Dividends paid	(2,303)	(2,280)
Proceeds from the exercise of stock options	1,232	1,267
Net cash used in financing activities	(19,536)	(19,517)
Effect of exchange rate changes on cash and cash equivalents	845	1,672
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>451</b>	<b>19,820</b>
Cash and cash equivalents at beginning of year	58,202	38,382
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 58,653</b>	<b>\$ 58,202</b>

## ORDERS

## BACKLOG

Note: Backlog includes all unshipped customer orders.

**CIRCOR INTERNATIONAL, INC.**  
**SUMMARY REPORT BY SEGMENT**  
*(in thousands, except earnings per share)*  
**UNAUDITED**

	2003				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR
<b>NET REVENUES</b>					
Instrumentation & Thermal Fluid Controls (TFC)	\$49,119	\$50,963	\$47,132	\$53,561	\$200,775
Energy Products	38,044	38,261	39,529	42,844	158,678
Total	87,163	89,224	86,661	96,405	359,453
<b>OPERATING MARGIN</b>					
Instrumentation & TFC	12.2%	12.5%	11.9%	9.5%	11.5%
Energy Products	7.6%	8.6%	10.9%	12.1%	9.9%
Segment operating margin	10.2%	10.8%	11.5%	10.7%	10.8%
Corporate expenses	-1.9%	-2.1%	-2.1%	-2.1%	-2.1%
Special charges	0.0%	0.0%	-0.3%	-1.1%	-0.4%
Total operating margin	8.2%	8.7%	9.0%	7.5%	8.3%
<b>OPERATING INCOME</b>					
Instrumentation & TFC (excl. special charges)	5,982	6,359	5,622	5,110	23,073
Energy Products (excl. special charges)	2,876	3,303	4,309	5,171	15,659
Segment operating income (excl. special charges)	8,858	9,662	9,931	10,281	38,732
Corporate expenses	(1,674)	(1,860)	(1,859)	(1,989)	(7,382)
Special charges	—	—	(271)	(1,092)	(1,363)
Total operating income	7,184	7,802	7,801	7,200	29,987
INTEREST EXPENSE, NET	(1,461)	(1,349)	(1,320)	(1,021)	(5,151)
OTHER (EXPENSE) INCOME, NET	275	417	362	(217)	837
PRETAX INCOME	5,998	6,870	6,843	5,962	25,673
PROVISION FOR INCOME TAXES	(2,159)	(2,473)	(2,464)	(704)	(7,800)
EFFECTIVE TAX RATE	36.0%	36.0%	36.0%	11.8%	30.4%
NET INCOME	\$ 3,839	\$ 4,397	\$ 4,379	\$ 5,258	\$ 17,873
Weighted Average Common Shares Outstanding (Diluted)	15,533	15,634	15,812	15,919	15,675
EARNINGS PER COMMON SHARE (Diluted)	\$ 0.25	\$ 0.28	\$ 0.28	\$ 0.33	\$ 1.14
EARNINGS PER COMMON SHARE (Diluted) excluding special charges	\$ 0.25	\$ 0.28	\$ 0.29	\$ 0.37	\$ 1.20
EBIT	\$ 7,459	\$ 8,219	\$ 8,163	\$ 6,983	\$ 30,824
Depreciation	2,470	2,563	2,478	2,053	9,564
Amortization of intangibles	74	75	74	75	298
EBITDA	\$10,003	\$10,857	\$10,715	\$ 9,111	\$ 40,686
EBITDA AS A PERCENT OF SALES	11.5%	12.2%	12.4%	9.5%	11.3%
CAPITAL EXPENDITURES	\$ 795	\$ 1,058	\$ 3,940	\$ 1,030	\$ 6,823
	2004				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR
<b>NET REVENUES</b>					
Instrumentation & Thermal Fluid Controls (TFC)	\$51,639	\$54,864	\$52,966	\$ 59,187	\$218,656
Energy Products	39,058	39,688	36,794	47,638	163,178
Total	90,697	94,552	89,760	106,825	381,834
<b>OPERATING MARGIN</b>					
Instrumentation & TFC	11.2%	11.4%	10.9%	10.5%	11.0%
Energy Products	10.9%	7.7%	7.8%	-2.3%	5.6%
Segment operating margin	11.1%	9.8%	9.7%	4.7%	8.7%
Corporate expenses	-2.5%	-2.3%	-2.9%	-3.6%	-2.8%

Special charges	0.0%	0.0%	-0.3%	0.0%	-0.1%
Total operating margin	8.5%	7.5%	6.5%	1.2%	5.7%
<b>OPERATING INCOME</b>					
Instrumentation & TFC (excl. special charges)	5,776	6,239	5,786	6,188	23,989
Energy Products (excl. special charges)	4,251	3,066	2,877	(1,116)	9,078
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment operating income (excl. special charges)	10,027	9,305	8,663	5,072	33,067
Corporate expenses	(2,259)	(2,188)	(2,585)	(3,798)	(10,830)
Special charges	(38)	—	(265)	—	(303)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total operating income	7,730	7,117	5,813	1,274	21,934
INTEREST EXPENSE, NET	(1,020)	(972)	(1,001)	(697)	(3,690)
OTHER (EXPENSE) INCOME, NET	(143)	193	241	(57)	234
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
PRETAX INCOME	6,567	6,338	5,053	520	18,478
PROVISION FOR INCOME TAXES	(2,299)	(2,216)	(1,770)	(390)	(6,675)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>EFFECTIVE TAX RATE</i>	35.0%	35.0%	35.0%	75.0%	36.1%
NET INCOME	\$ 4,268	\$ 4,122	\$ 3,283	\$ 130	\$ 11,803
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Weighted Average Common Shares Outstanding (Diluted)	16,001	15,908	15,825	15,932	15,877
<b>EARNINGS PER COMMON SHARE (Diluted)</b>	\$ 0.27	\$ 0.26	\$ 0.21	\$ 0.01	\$ 0.74
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
EARNINGS PER COMMON SHARE (Diluted) excluding special charges	\$ 0.27	\$ 0.26	\$ 0.22	\$ 0.01	\$ 0.76
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
EBIT	\$ 7,587	\$ 7,310	\$ 6,054	\$ 1,217	\$ 22,168
Depreciation	2,680	2,353	2,528	2,103	9,664
Amortization of intangibles	77	38	38	39	192
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>EBITDA</b>	\$10,344	\$ 9,701	\$ 8,620	\$ 3,359	\$ 32,024
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>EBITDA AS A PERCENT OF SALES</b>	11.4%	10.3%	9.6%	3.1%	8.4%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>CAPITAL EXPENDITURES</b>	\$ 1,294	\$ 1,575	\$ 757	\$ 1,661	\$ 5,287
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**CIRCOR INTERNATIONAL, INC.**  
**RECONCILIATION OF KEY PERFORMANCE MEASURES TO COMMONLY USED**  
**GENERALLY ACCEPTED ACCOUNTING PRINCIPLE TERMS**  
*(in thousands)*  
**UNAUDITED**

	2003				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR
<b>FREE CASH FLOW [NET CASH FLOW FROM OPERATING ACTIVITIES LESS CAPITAL EXPENDITURES LESS DIVIDENDS PAID]</b>	<b>\$ 14,533</b>	<b>\$ 10,603</b>	<b>\$ 7,439</b>	<b>\$ 16,968</b>	<b>\$ 49,543</b>
ADD: Capital expenditures	795	1,058	3,940	1,030	6,823
Dividends paid	567	569	570	574	2,280
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 15,895</b>	<b>\$ 12,230</b>	<b>\$ 11,949</b>	<b>\$ 18,572</b>	<b>\$ 58,646</b>
<b>NET (CASH) DEBT [TOTAL DEBT LESS CASH AND CASH EQUIVALENTS LESS INVESTMENTS]</b>	<b>\$ 20,209</b>	<b>\$ 8,005</b>	<b>\$ 254</b>	<b>\$ (4,983)</b>	<b>\$ (4,983)</b>
ADD: Cash and cash equivalents	51,419	65,017	74,847	58,202	58,202
Investments	4,072	1,464	—	7,840	7,840
<b>TOTAL DEBT</b>	<b>\$ 75,700</b>	<b>\$ 74,486</b>	<b>\$ 75,101</b>	<b>\$ 61,059</b>	<b>\$ 61,059</b>
<b>NET DEBT AS % OF NET CAPITALIZATION</b>	<b>7.5%</b>	<b>3.0%</b>	<b>0.1%</b>	<b>-1.8%</b>	<b>-1.8%</b>
<b>NET CAPITALIZATION [TOTAL DEBT PLUS SHAREHOLDERS' EQUITY LESS CASH AND CASH EQUIVALENTS, LESS INVESTMENTS]</b>	<b>\$270,090</b>	<b>\$266,529</b>	<b>\$263,505</b>	<b>\$270,177</b>	<b>\$270,177</b>
LESS: Total debt	(75,700)	(74,486)	(75,101)	(61,059)	(61,059)
ADD: Cash and cash equivalents	51,419	65,017	74,847	58,202	58,202
Investments	4,072	1,464	—	7,840	7,840
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>249,881</b>	<b>258,524</b>	<b>263,251</b>	<b>275,160</b>	<b>275,160</b>
ADD: Total debt	75,700	74,486	75,101	61,059	61,059
<b>TOTAL CAPITAL</b>	<b>\$325,581</b>	<b>\$333,010</b>	<b>\$338,352</b>	<b>\$336,219</b>	<b>\$336,219</b>
<b>TOTAL DEBT / TOTAL CAPITAL</b>	<b>23.3%</b>	<b>22.4%</b>	<b>22.2%</b>	<b>18.2%</b>	<b>18.2%</b>
<b>EBIT [NET INCOME LESS INTEREST EXPENSE, NET]</b>	<b>\$ 7,459</b>	<b>\$ 8,219</b>	<b>\$ 8,163</b>	<b>\$ 6,983</b>	<b>\$ 30,824</b>
LESS: Interest expense, net	(1,461)	(1,349)	(1,320)	(1,021)	(5,151)
Provision for income taxes	(2,159)	(2,473)	(2,464)	(704)	(7,800)
<b>NET INCOME</b>	<b>\$ 3,839</b>	<b>\$ 4,397</b>	<b>\$ 4,379</b>	<b>\$ 5,258</b>	<b>17,873</b>
<b>EBITDA [NET INCOME LESS INTEREST EXPENSE, NET LESS DEPRECIATION LESS AMORTIZATION LESS TAXES]</b>	<b>\$ 10,003</b>	<b>\$ 10,857</b>	<b>\$ 10,715</b>	<b>\$ 9,111</b>	<b>\$ 40,686</b>
LESS:					
Interest expense, net	(1,461)	(1,349)	(1,320)	(1,021)	(5,151)
Depreciation	(2,470)	(2,563)	(2,478)	(2,053)	(9,564)
Amortization of intangibles	(74)	(75)	(74)	(75)	(298)
Provision for income taxes	(2,159)	(2,473)	(2,464)	(704)	(7,800)
<b>NET INCOME</b>	<b>\$ 3,839</b>	<b>\$ 4,397</b>	<b>\$ 4,379</b>	<b>\$ 5,258</b>	<b>\$ 17,873</b>
<b>INCOME EXCLUDING SPECIAL CHARGES [NET INCOME LESS SPECIAL CHARGES, NET OF TAX]</b>	<b>\$ 3,839</b>	<b>\$ 4,397</b>	<b>\$ 4,552</b>	<b>\$ 5,957</b>	<b>\$ 18,822</b>
LESS: Special charges, net of tax	—	—	(173)	(699)	(949)
<b>NET INCOME</b>	<b>\$ 3,839</b>	<b>\$ 4,397</b>	<b>\$ 4,379</b>	<b>\$ 5,258</b>	<b>\$ 17,873</b>
	2004				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YTD
<b>FREE CASH FLOW [NET CASH FLOW FROM OPERATING ACTIVITIES LESS CAPITAL EXPENDITURES LESS DIVIDENDS PAID]</b>	<b>\$ 2,254</b>	<b>\$ 7,275</b>	<b>\$ 4,438</b>	<b>\$ 7,692</b>	<b>\$ 21,659</b>
ADD: Capital expenditures	1,294	1,575	757	1,661	5,287
Dividends paid	573	576	576	578	2,303
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 4,121</b>	<b>\$ 9,426</b>	<b>\$ 5,771</b>	<b>\$ 9,931</b>	<b>\$ 29,249</b>



<b>NET (CASH) DEBT [TOTAL DEBT LESS CASH AND CASH EQUIVALENTS LESS INVESTMENTS]</b>	<b>\$ (8,706)</b>	<b>\$ (4,054)</b>	<b>\$ (9,918)</b>	<b>\$ (19,928)</b>	<b>\$ (19,928)</b>
ADD: Cash and cash equivalents	59,963	54,527	60,055	58,653	58,653
Investments	7,679	7,517	7,953	4,155	4,155
<b>TOTAL DEBT</b>	<b>\$ 58,936</b>	<b>\$ 57,990</b>	<b>\$ 58,090</b>	<b>\$ 42,880</b>	<b>\$ 42,880</b>
<b>NET DEBT AS % OF NET CAPITALIZATION</b>	<b>-3.3%</b>	<b>-1.5%</b>	<b>-3.6%</b>	<b>-7.3%</b>	<b>-7.3%</b>
<b>NET CAPITALIZATION [TOTAL DEBT PLUS SHAREHOLDERS' EQUITY LESS CASH AND CASH EQUIVALENTS, LESS INVESTMENTS]</b>	<b>\$267,728</b>	<b>\$276,260</b>	<b>\$275,870</b>	<b>\$273,507</b>	<b>\$273,507</b>
LESS: Total debt	(58,936)	(57,990)	(58,090)	(42,880)	(42,880)
ADD: Cash and cash equivalents	59,963	54,527	60,055	58,653	58,653
Investments	7,679	7,517	7,953	4,155	4,155
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>276,434</b>	<b>280,314</b>	<b>285,788</b>	<b>293,435</b>	<b>293,435</b>
ADD: Total debt	58,936	57,990	58,090	42,880	42,880
<b>TOTAL CAPITAL</b>	<b>\$335,370</b>	<b>\$338,304</b>	<b>\$343,878</b>	<b>\$336,315</b>	<b>\$336,315</b>
<b>TOTAL DEBT / TOTAL CAPITAL</b>	<b>17.6%</b>	<b>17.1%</b>	<b>16.9%</b>	<b>12.7%</b>	<b>12.7%</b>
<b>EBIT [NET INCOME LESS INTEREST EXPENSE, NET]</b>	<b>\$ 7,587</b>	<b>\$ 7,310</b>	<b>\$ 6,054</b>	<b>\$ 1,217</b>	<b>\$ 22,168</b>
LESS: Interest expense, net	(1,020)	(972)	(1,001)	(697)	(3,690)
Provision for income taxes	(2,299)	(2,216)	(1,770)	(390)	(6,675)
<b>NET INCOME</b>	<b>\$ 4,268</b>	<b>\$ 4,122</b>	<b>\$ 3,283</b>	<b>\$ 130</b>	<b>\$ 11,803</b>
<b>EBITDA [NET INCOME LESS INTEREST EXPENSE, NET LESS DEPRECIATION LESS AMORTIZATION LESS TAXES]</b>	<b>\$ 10,344</b>	<b>\$ 9,701</b>	<b>\$ 8,620</b>	<b>\$ 3,359</b>	<b>\$ 32,024</b>
LESS:					
Interest expense, net	(1,020)	(972)	(1,001)	(697)	(3,690)
Depreciation	(2,680)	(2,353)	(2,528)	(2,103)	(9,664)
Amortization of intangibles	(77)	(38)	(38)	(39)	(192)
Provision for income taxes	(2,299)	(2,216)	(1,770)	(390)	(6,675)
<b>NET INCOME</b>	<b>\$ 4,268</b>	<b>\$ 4,122</b>	<b>\$ 3,283</b>	<b>\$ 130</b>	<b>\$ 11,803</b>
<b>INCOME EXCLUDING SPECIAL CHARGES [NET INCOME LESS SPECIAL CHARGES, NET OF TAX]</b>	<b>\$ 4,293</b>	<b>\$ 4,122</b>	<b>\$ 3,455</b>	<b>\$ 130</b>	<b>\$ 11,997</b>
LESS: Special charges, net of tax	(25)	—	(172)	—	(194)
<b>NET INCOME</b>	<b>\$ 4,268</b>	<b>\$ 4,122</b>	<b>\$ 3,283</b>	<b>\$ 130</b>	<b>\$ 11,803</b>