

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

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**FORM 10-K**

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

For the fiscal year ended December 31, 2016  
OR

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

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

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**CIRCOR INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)  
c/o CIRCOR, Inc.  
  
30 Corporate Drive, Suite 200, Burlington, MA  
(Address of principal executive offices)

04-3477276  
(I.R.S. Employer  
Identification No.)

01803-4238  
(Zip Code)

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

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2016 was \$915,061,573. The registrant does not have any non-voting common equity.

As of February 10, 2017, there were 16,371,775 shares of the registrant's Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates by reference certain portions of the information from the registrant's definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be held on May 10, 2017. The definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's year ended December 31, 2016.

## Table of Contents

		<div style="border-bottom: 1px solid black; display: inline-block;">Page Number</div>
	<b>Part I</b>	
Item 1	<a href="#"><u>Business</u></a>	<a href="#"><u>1</u></a>
Item 1A	<a href="#"><u>Risk Factors</u></a>	<a href="#"><u>7</u></a>
Item 1B	<a href="#"><u>Unresolved Staff Comments</u></a>	<a href="#"><u>13</u></a>
Item 2	<a href="#"><u>Properties</u></a>	<a href="#"><u>13</u></a>
Item 3	<a href="#"><u>Legal Proceedings</u></a>	<a href="#"><u>15</u></a>
Item 4	<a href="#"><u>Mine Safety Disclosures</u></a>	<a href="#"><u>15</u></a>
	<b>Part II</b>	
Item 5	<a href="#"><u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	<a href="#"><u>15</u></a>
Item 6	<a href="#"><u>Selected Financial Data</u></a>	<a href="#"><u>16</u></a>
Item 7	<a href="#"><u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>18</u></a>
Item 7A	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>30</u></a>
Item 8	<a href="#"><u>Financial Statements and Supplementary Data</u></a>	<a href="#"><u>30</u></a>
Item 9	<a href="#"><u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u></a>	<a href="#"><u>30</u></a>
Item 9A	<a href="#"><u>Controls and Procedures</u></a>	<a href="#"><u>31</u></a>
Item 9B	<a href="#"><u>Other Information</u></a>	<a href="#"><u>31</u></a>
	<b>Part III</b>	
Item 10	<a href="#"><u>Directors, Executive Officers and Corporate Governance</u></a>	<a href="#"><u>31</u></a>
Item 11	<a href="#"><u>Executive Compensation</u></a>	<a href="#"><u>32</u></a>
Item 12	<a href="#"><u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	<a href="#"><u>32</u></a>
Item 13	<a href="#"><u>Certain Relationships and Related Transactions, and Director Independence</u></a>	<a href="#"><u>33</u></a>
Item 14	<a href="#"><u>Principal Accounting Fees and Services</u></a>	<a href="#"><u>33</u></a>
	<b>Part IV</b>	
Item 15	<a href="#"><u>Exhibits, Financial Statement Schedules</u></a>	<a href="#"><u>33</u></a>
	<a href="#"><u>Signatures</u></a>	<a href="#"><u>37</u></a>
	<a href="#"><u>Report of Independent Registered Public Accounting Firms</u></a>	<a href="#"><u>38</u></a>
	<a href="#"><u>Consolidated Balance Sheets</u></a>	<a href="#"><u>40</u></a>
	<a href="#"><u>Consolidated Statements of Income</u></a>	<a href="#"><u>41</u></a>
	<a href="#"><u>Consolidated Statements of Comprehensive (Loss) Income</u></a>	<a href="#"><u>42</u></a>
	<a href="#"><u>Consolidated Statements of Cash Flows</u></a>	<a href="#"><u>43</u></a>
	<a href="#"><u>Consolidated Statements of Shareholders’ Equity</u></a>	<a href="#"><u>44</u></a>
	<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	<a href="#"><u>45</u></a>
	<a href="#"><u>Schedule II—Valuation and Qualifying Accounts</u></a>	<a href="#"><u>82</u></a>
	<a href="#"><u>Exhibit Index</u></a>	
Item 16	<a href="#"><u>Form 10-K Summary</u></a>	<a href="#"><u>36</u></a>

## Part I

### Item 1. Business

*This Annual Report on Form 10-K contains certain statements that are “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995 (the “Act”). The words “may,” “hope,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, changes in the price of and demand for Oil & Gas in both domestic and international markets, our ability to successfully integrate the businesses of Critical Flow Solutions (“CFS”), as contemplated, any adverse changes in governmental policies, variability of raw material and component pricing, changes in our suppliers’ performance, fluctuations in foreign currency exchange rates, our ability to hire and maintain key personnel, our ability to continue operating our manufacturing facilities at efficient levels including our ability to prevent cost overruns and continue to reduce costs, our ability to generate increased cash by reducing our working capital, our prevention of the accumulation of excess inventory, our ability to successfully implement our restructuring or simplification strategies, fluctuations in interest rates, our ability to continue to successfully defend product liability actions, as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern conflicts and related matters. For a discussion of these risks, uncertainties and other factors, see Item 1A “Risk Factors”. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

### Overview

CIRCOR International, Inc. was incorporated under the laws of Delaware on July 1, 1999. As used in this report, the terms “we,” “us,” “our,” the “Company” and “CIRCOR” mean CIRCOR International, Inc. and its subsidiaries (unless the context indicates another meaning). The term “common stock” means our common stock, par value \$0.01 per share.

We design, manufacture and market flow control solutions and other highly engineered products and sub-systems for markets including Oil & Gas, Aerospace, power and process, and industrial solutions. CIRCOR has a diversified product portfolio with recognized, market-leading brands that fulfill its customers’ unique application needs. The Company’s strategy is to grow organically and through complementary acquisitions; simplify CIRCOR’s operations; achieve world class operational excellence; and attract and retain top industry talent. We have a global presence and operate 19 major manufacturing facilities that are located in North America, Western Europe, Morocco, and India. During the fourth quarter of 2016, the Company realigned its organizational structure from Energy and Aerospace & Defense to the following reportable business segments: CIRCOR Energy (“Energy segment” or “Energy”) and CIRCOR Advanced Flow Solutions (“Advanced Flow Solutions segment” or “AFS”). We sell our products through approximately 800 distributors or representatives as well as directly to end-user customers.

### Strategies

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

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

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

2) *Simplify CIRCOR*. In 2013 we embarked on a long-term journey to simplify CIRCOR. We have a large number of facilities relative to our size and believe that simplifying this structure will not only expand our margins by reducing cost, but will help us improve our customer service, operations, and controls. We continue to drive product management by obtaining in depth understanding of our customer needs and competitor capabilities in our end markets. Based on that understanding, we executed an innovative product, price and channel strategy that will allow us to drive above market growth.

3) *Achieve World Class Operational Excellence*. Our Global Operations and Supply Chain organization is fully committed to achieving operational excellence in support of our customers' expectations of perfect quality, on-time delivery and market competitiveness. We follow the CIRCOR Operating System ("COS") which creates a disciplined culture of continuous improvement for driving operational excellence in the quality and delivery of our products and services. COS is comprised of ten business process attributes designed to engage and empower our employees to recognize and eliminate waste, work real-time problem solving as part of their everyday job experience, and enhance our performance both in operations and business office processes. Under COS our employees participate in a regimented training program and receive regular prescriptive assessments / action plans to drive process maturity. Quantitative performance metrics will define site certification levels to attain and sustain a level of quality, productivity and market competitiveness that delights our customers, shareholders, and employees.

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

## **Acquisitions**

On October 12, 2016, the Company acquired all of the outstanding units of Critical Flow Solutions ("CFS"). On April 15, 2015, we acquired all of the outstanding equity interest of Germany-based Schroedahl GmbH ("Schroedahl"). See Note 3, "Business Acquisitions", of the consolidated financial statements for additional information.

## **Business Segments**

During the fourth quarter of 2016, the Company realigned its Energy and Aerospace & Defense segments into Energy and Advanced Flow Solutions segments. Prior periods presented have been recasted to reflect the new realigned segment structure.

### **Energy**

Energy is a global provider of highly engineered integrated flow control solutions, valves and services primarily in the Oil & Gas end market.

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

We plan to grow Energy by expanding our capabilities in Oil & Gas - upstream, mid-stream and downstream, including through acquisitions.

Energy is headquartered in Houston, Texas and has manufacturing facilities in the North America, United Kingdom, Italy, and the Netherlands.

### **Markets and Applications**

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



- Upstream Oil & Gas: These markets commonly include all the equipment between the outlet on the wellhead to the mainline transmission pipeline and it also incorporates all the activities associated with the installation of this equipment.
- Mid-stream Oil & Gas: This market begins at the mainline transmission pipeline and extends to the fence around the refinery or petrochemical plant. It includes certain ancillary equipment - as well as the gas processing plants that prepare and purify raw natural gas for entry into the major pipeline systems and Liquid Natural Gas (LNG) processes. This also includes value added engineering and pipeline services to the pipeline integrity market.
- Downstream Oil & Gas: The downstream market includes the refining, distillation, stripping, degassing, dehydrating, desulpherizing, and purifying of the crude oil to its constituent components as well as the conversion of natural gas to methane.
- Non-Oil & Gas Market: This market includes highly engineered, innovative, and value-added solutions in analytical and low-flow fluid control applications in a safety conscious, timely, and environmentally friendly manner.

## *Brands*

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

Circle Seal Controls, CIRCOR Tech, Contromatics, DeltaValve, Dopak Sampling, GO Regulators, Hoke-Gyrolok, Hydroseal, KF Valves, Mallard Control, Pibiviesse, Pipeline Engineering, TapcoEnpro, and Texas Sampling.

## *Products*

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

- Valves (from 1/8 inch to 64 inches in diameter)
  - Engineered Trunion and Floating Ball Valves
  - Gate, Globe and Check Valves
  - Butterfly Valves
- Instrumentation Fittings and Sampling Systems, including Sight Glasses & Gauge Valves;
- Liquid Level Controllers, Liquid Level Switches, Plugs & Probes Pressure Controllers, Pressure Regulators;
- Pipeline pigs, quick opening closure, pig signalers; and
- Delayed coking unheading devices and fluid catalytic converter valves.

For our manufactured valve products, we are subject to applicable federal, state and local regulations. In addition, many of our customers require us to comply with certain industrial standards, including those issued by the American Petroleum Institute, International Organization for Standardization, Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers, and the European Pressure Equipment Directive. We also need to meet standards that qualify us to be on authorized supplier lists with various global end users. In February 2017, our manufacturing facility in Milan, Italy received a notice from the American Petroleum Institute (API) that the facility no longer met its certification standards. We are evaluating the most expeditious process for recertification of our Milan facility. This notice does not impact any of our other facilities that hold the API certification. We do not currently expect this matter to have a material impact on our financial position or results of operations.

## *Customers*

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

## *Revenue and Backlog*

Energy accounted for \$322.0 million, \$383.7 million and \$553.0 million, or 55%, 58% and 66%, of our net revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Energy's backlog as of January 31, 2017 was \$140.0 million compared with \$134.7 million as of January 31, 2016. We expect to ship all but \$3.3 million of the January 31, 2017 backlog by December 31, 2017. Energy backlog represents backlog orders we believe to be firm.

## **Advanced Flow Solutions**

Advanced Flow Solutions ("AFS") is a diversified flow control technology platform. Our primary product focus areas are valves, actuation, motors, switches, high pressure pneumatic systems, steam and process loop flow management solutions.

AFS products are used in aerospace, defense, power and process, and general industrial markets. These products are primarily focused on the following end markets: Aerospace and Defense, Power and Process, HVAC, Maritime and Industrial Gas.

We plan to grow Advanced Flow Solutions by increasing market share in existing and new markets through exceptional sales and customer service enabled by innovative, reliable and high quality solutions. Product portfolio expansion through acquisitions of differentiated technologies in current and adjacent applications is also a key part of our growth strategy

We have Advanced Flow Solutions facilities in North America, United Kingdom, France, Germany, Morocco, and India. Our Advanced Flow Solutions headquarters is in Corona, California.

### ***Markets and Applications***

Advanced Flow Solutions serves the aerospace, power and process, and general industrial markets.

- The commercial aerospace market we serve includes systems and components on airliners and business jets, such as hydraulic, pneumatic, fuel and ground support equipment including maintenance, repair and overhaul (MRO). In addition, we serve the defense market including military and naval applications where controls or motion switches are needed. We support fixed wing aircraft, rotorcraft, missile systems, ground vehicles, submarines, weapon systems and weapon launch systems, ordinance, fire control, fuel systems, pneumatic controls, and hydraulic and dockside support equipment including MRO.
- The power and process market is comprised of electric utilities and industrial power producers. Utilities generate, transmit, and distribute electricity for sale in a local market, while industrial power plants generate electrical power for use within the industrial facility, such as a power plant within a steel mill or within a desalination plant. Utilities and industrial power plants can be categorized by fuel or by design such as Cogeneration, Combined Cycle, Coal Gasification, Super-Critical, Ultra-Critical, Nuclear, and Hydro-electric. Our products are predominantly deployed around the boiler, turbine and generator of a power plant.
- The general industrial market includes a broad range of manufacturing operations with a need to control power and processes in their facilities.

### ***Brands***

AFS manufactures and markets control valves, automatic recirculation valves, regulators, fluid controls, actuation systems, landing gear components, pneumatic controls, electro-mechanical controls, and other flow control products and systems. Advanced Flow Solutions provides actuation and fluid control systems and services through the following brands: CIRCOR Aerospace, CPC Cryolab, Aerodyne Controls, CIRCOR Bodet, CIRCOR Industria, CIRCOR Motors, Hale Hamilton, Laurence, Leslie Controls, Nicholson Steam Trap, Rockwood Swendeman, RTK, Schroedahl, and Spence Engineering.

### ***Products***

Advanced Flow Solutions offers a range of solutions, including:

- Automatic Re-circulation Valves for pump protection
- Severe Service and General Service Control Valves
- Electromechanical, pneumatic and hydraulic, fluid control systems
- Actuation components and sub-systems.

In the manufacture of our products, we must comply with certain certification standards, such as AS9100C, ISO 9001:2008, National Aerospace & Defense Contractors Accreditation Program, Federal Aviation Administration Certification and European Aviation Safety Agency as well as other customer qualification standards.

## *Customers*

Advanced Flow Solutions products and services are used by a range of customers, including those in the military and defense, commercial aerospace, business and general aviation, process industries, and power generation markets. Our customers include aircraft manufacturers (OEM's) and Tier 1 suppliers to these manufacturers, power companies and their contractors and other industrial customers.

## *Revenue and Backlog*

Advanced Flow Solutions accounted for \$268.2 million, \$272.6 million and \$288.5 million, or 45%, 42% and 34%, of our net revenues for the years ended December 31, 2016, 2015 and 2014, respectively. AFS backlog as of January 31, 2017 was \$122.9 million compared with \$134.2 million as of January 31, 2016. We expect to ship all but \$13 million of the January 31, 2017 backlog by December 31, 2017.

AFS backlog represents orders we believe to be firm including future customer demand requirements on long-term aerospace product platforms where we are the sole source provider. We determine the amount of orders to include in our backlog for such aircraft platforms based on 12 months demand published by our customers.

## **CIRCOR Consolidated**

### **Competition**

The domestic and international markets for our products are highly competitive. Some of our competitors have substantially greater financial, marketing, personnel and other resources than us. We consider product brand, quality, performance, on-time delivery, customer service, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in these markets. We believe that new product development and product engineering also are important to our success and that our position in the industry is attributable, in significant part, to our ability to develop innovative products and to adapt existing products to specific customer applications.

The primary competitors of our Energy segment include: Balon Corporation, Crane Co., Flowserve Corporation, SPX Flow, Inc., IMI plc, Valvitalia S.p.A., and Pentair Ltd.

The primary competitors of our AFS segment include: Crane Co., Curtiss-Wright Corporation, Moog, Inc., Parker Hannifin Corp., and Woodward Inc.

### **New Product Development**

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

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

Our India organization is a global engineering and technology center with a capable global engineering team which is well supported by an Engineering Center of Excellence in India. Our research, development and engineering expenditures for the years ended December 31, 2016, 2015 and 2014, were \$5.9 million, \$5.9 million and \$7.8 million, respectively.

## **Customers**

For the years ended December 31, 2016, 2015, and 2014, we had no customers from which we derive revenues that exceed 10% of the Company's consolidated revenues. Our businesses sell into both long-term capital projects as well as short cycle rapid turn operations. As a result, we tend to experience fluctuations in revenues and operating results at various points across economic and business cycles. Our businesses, particularly those in the Energy segment, are cyclical in nature due to the fluctuation of the worldwide price, supply and demand for oil and gas. When the worldwide demand for oil and gas is depressed, the demand for our products used in those markets decreases as our customers with higher production costs will cut back investment and reduce purchases from us. The number of active rigs in North American short-cycle Oil & Gas market is a strong indicator of demand and, therefore, our distributed valves products. In addition, the level of capital expenditures by national oil companies or the oil majors in exploration and production activities drive demand for our long cycle, engineered valves products. Similarly, although not to the same extent as the Oil & Gas markets, the aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand.

## **Selling and Distribution**

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

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

## **Intellectual Property**

We own patents that are scheduled to expire between 2017 and 2030 and trademarks that can be renewed as long as we continue to use them. We do not believe the vitality and competitiveness of any of our business segments as a whole depends on any one or more patents or trademarks. We own certain licenses such as software licenses, but we do not believe that our business as a whole depends on any one or more licenses.

## **Raw Materials**

The raw materials used most often in our production processes are castings, forgings and bar stock of various materials, including stainless steel, carbon steel, bronze, copper, brass, titanium and aluminum. These materials are subject to price fluctuations that may adversely affect our results of operations. We purchase these materials from numerous suppliers and at times experience constraints on the supply of certain raw material as well as the inability of certain suppliers to respond to our needs. Historically, increases in the prices of raw materials have been partially offset by higher sales prices, active materials management, project engineering programs and the diversity of materials used in our production processes.

## **Employees and Labor Relations**

As of January 31, 2017, our worldwide operations directly employed approximately 2,400 people. We have 22 employees in North America who are covered by a single collective bargaining agreement. We also have approximately 211 employees in France, 189 in Italy, 125 in Germany, 32 in the United Kingdom, 41 in the Netherlands, and 80 in Morocco covered by governmental regulations or workers' councils. We believe that our employee relations are good at this time.

## **Available Information**

We file reports on Form 10-Q with the Securities and Exchange Commission on a quarterly basis, additional reports on Form 8-K from time to time, and a Definitive Proxy Statement and an annual report on Form 10-K on an annual basis. These and other reports filed by us, or furnished by us, to the SEC in accordance with section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge from the SEC on its website at <http://www.sec.gov>. Additionally, our Form 10-Q, Form 8-K, Definitive Proxy Statement and Form 10-K reports are available without charge, as soon as reasonably practicable after they have been filed with the SEC, from our Investor Relations website at <http://investors.CIRCOR.com>. The information on our website is not part of, or incorporated by reference in, this Annual Report.

## Item 1A. Risk Factors

### Certain Risk Factors That May Affect Future Results

*Set forth below are certain risk factors that we believe are material to our stockholders. If any of the following risks occur, our business, financial condition, results of operations and reputation could be harmed. You should also consider these risk factors when you read “forward-looking statements” elsewhere in this report. You can identify forward-looking statements by terms such as “may,” “hope,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of those terms or other comparable terminology. Forward-looking statements are only predictions and can be adversely affected if any of the following risks occur:*

### **Some of our end-markets are cyclical, which may cause us to experience fluctuations in revenues or operating results.**

We have experienced, and expect to continue to experience, fluctuations in revenues and operating results due to economic and business cycles. We sell our products principally to aerospace, military, commercial aircraft, Oil & Gas exploration, transmission and refining, power generation, chemical processing and maritime markets. Although we serve a variety of markets to avoid a dependency on any one, a significant downturn in any one of these markets could cause a material reduction in our revenues that could be difficult to offset. In addition, decreased market demand typically results in excess manufacturing capacity among our competitors which, in turn, results in pricing pressure. As a consequence, a significant downturn in our markets can result in lower revenues and profit margins.

In particular, our Energy businesses are cyclical in nature as the worldwide demand for oil and gas fluctuates. Energy sector activity can fluctuate significantly in a short period of time, particularly in the United States, North Sea, the Middle East, Brazil and Australia, amongst other regions. When worldwide demand for oil and gas is depressed, the demand for our products used in maintenance and repair of existing oil and gas applications, as well as exploration or new oil and gas project applications, is reduced. A decline in oil price will have a similar impact on the demand for our products, particularly in markets, such as North America, where the cost of oil production is relatively higher. Demand for our products and services depends on a number of factors, including the number of oil & gas wells being drilled, the maintenance and condition of industry assets, the volume of exploration and production activities and the capital expenditures of asset owners and maintenance companies. The willingness of asset owners and operators to make capital expenditures to produce and explore for sources of energy will continue to be influenced by numerous factors over which we have no control, including:

- the current and anticipated future prices for energy sources, including oil and natural gas, solar, wind and nuclear;
- level of excess production capacity;
- cost of exploring for and producing energy sources;
- worldwide economic activity and associated demand for energy sources;
- availability and access to potential hydrocarbon resources;
- national government political priorities;
- development of alternate energy sources; and
- environmental regulations.

As a result, we historically have generated lower revenues and profits in periods of declining demand or prices for crude oil and natural gas. In the latter half of fiscal year 2014 continuing into 2016, our operating results were adversely affected due to dramatic decreases in the price of oil and our customers reduced their spending on our products as level of activity fell. Therefore, results of operations for any particular period are not necessarily indicative of the results of operations for any future period. Any future downward pricing pressure on crude oil could have a material adverse effect on our business, financial condition or results of operations.

### **We face significant competition and, if we are not able to respond, our revenues may decrease.**

We face significant competition from a variety of competitors in each of our markets. Some of our competitors have substantially greater financial, marketing, personnel and other resources than we do. New competitors also could enter our markets. We consider product quality, performance, customer service, on-time delivery, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in our markets. Our competitors may be able to offer more attractive pricing, duplicate our strategies, or develop enhancements to products that could offer performance features that are superior to our products. Competitive pressures, including those described above, and other factors could adversely affect our competitive position, resulting in a loss of market share or decreases in prices, either of which could have a material adverse effect on our business, financial condition or results of operations. In addition, some of our competitors are based in foreign countries and have cost structures and prices based on foreign currencies.

The majority of our transactions are denominated in either U.S. dollar or Euro currency. Accordingly, currency fluctuations could cause our U.S. dollar and/or Euro priced products to be less competitive than our competitors' products that are priced in other currencies.

**If we cannot continue operating our manufacturing facilities at current or higher levels, our results of operations could be adversely affected.**

We operate a number of manufacturing facilities for the production of our products. The equipment and management systems necessary for such operations may break down, perform poorly or fail, resulting in fluctuations in manufacturing efficiencies. Such fluctuations may affect our ability to deliver products to our customers on a timely basis, which could have a material adverse effect on our business, financial condition or results of operations. We have continuously enhanced and improved Lean manufacturing techniques as part of the CIRCOR Operating System. We believe that this process produces meaningful reductions in manufacturing costs. However, continuous improvement of these techniques may cause short-term inefficiencies in production. If we ultimately are unable to continuously improve our processes, our results of operations may suffer.

**Implementation of our acquisition, divestiture, restructuring, or simplification strategies may not be successful, which could affect our ability to increase our revenues or could reduce our profitability.**

One of our strategies is to increase our revenues and expand our markets through acquisitions that will provide us with complementary Energy and Advanced Flow Solutions products and access to additional geographic markets. We expect to spend significant time and effort expanding our existing businesses and identifying, completing and integrating acquisitions. We expect to face competition for acquisition candidates that may limit the number of acquisition opportunities available to us and may result in higher acquisition prices. We cannot be certain that we will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies without substantial costs, delays or other problems. Also, there can be no assurance that companies we acquire ultimately will achieve the revenues, profitability or cash flows, or generate the synergies upon which we justify our investment in them; as a result, any such under-performing acquisitions could result in impairment charges which would adversely affect our results of operations. In addition, acquisitions may involve a number of special risks, including: adverse effects on our reported operating results; use of cash; diversion of management's attention; loss of key personnel at acquired companies; or unanticipated management or operational problems or legal liabilities.

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

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

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

**If we are unable to continue operating successfully overseas or to successfully expand into new international markets, our revenues may decrease.**

We derive a significant portion of our revenue from sales outside the United States. In addition, one of our key growth strategies is to sell our products in international markets not significantly served by us in portions of Europe, Latin America and Asia. We market our products and services through direct sales, distributors, and technically trained commissioned representatives. We may not succeed in our efforts to further penetrate these markets. Moreover, conducting business outside the United States is subject to additional risks, including currency exchange rate fluctuations, changes in regional, political or economic conditions, trade protection measures such as tariffs or import or export restrictions, and unexpected changes in regulatory requirements and the occurrence of any of these factors could materially and adversely affect our operations.

**If we cannot pass on higher raw material or manufacturing costs to our customers, we may become less profitable.**

One of the ways we attempt to manage the risk of higher raw material and manufacturing costs is to increase selling prices to our customers. The markets we serve are extremely competitive and customers may not accept price increases or may look to alternative suppliers, which may negatively impact our profitability and revenues.

**If our suppliers cannot provide us with adequate quantities of materials to meet our customers' demands on a timely basis or if the quality of the materials provided does not meet our standards, we may lose customers or experience lower profitability.**

Some of our customer contracts require us to compensate those customers if we do not meet specified delivery obligations. We rely on numerous suppliers to provide us with our required materials and in many instances these materials must meet certain specifications. In addition, we continue to increase our dependence on lower cost foreign sources of raw materials, components, and, in some cases, completed products. Managing a geographically diverse supply base inherently poses significant logistical challenges. While we believe that we also have improved our ability to effectively manage a global supply base, a risk nevertheless exists that we could experience diminished supplier performance resulting in longer than expected lead times and/or product quality issues. The occurrence of such factors could have a negative impact on our ability to deliver products to customers within our committed time frames and could adversely impact our results of operations, financial conditions and cash flow.

**Our international activities expose us to fluctuations in currency exchange rates that could adversely affect our results of operations and cash flows.**

Our international manufacturing and sales activities expose us to changes in foreign currency exchange rates. Such fluctuations could result in our (i) paying higher prices for certain imported goods and services, (ii) realizing lower prices for any sales denominated in currencies other than U.S. dollars, (iii) realizing lower net income, on a U.S. dollar basis, from our international operations due to the effects of translation from weakened functional currencies, and (iv) realizing higher costs to settle transactions denominated in other currencies. Any of these risks could adversely affect our results of operations and cash flows. Our major foreign currency exposures involve the markets in Western Europe and Canada.

We may use forward contracts to help manage the currency risk related to certain business transactions denominated in foreign currencies. We primarily utilize forward exchange contracts with maturities of less than eighteen months. To the extent these transactions are completed, the contracts minimize our risk from exchange rate fluctuations because they offset gains and losses on the related foreign currency denominated transactions. However, there can be no assurances that we will be able to effectively utilize these forward exchange contracts in the future to offset significant risk related to fluctuations in currency exchange rates. In addition, there can be no assurances that the counter party to the contract will perform their contractual obligations to us to realize the anticipated benefits of the contracts.

**If we experience delays in introducing new products or if our existing or new products do not achieve or maintain market acceptance, our revenues may decrease.**

Our industries are characterized by: intense competition; changes in end-user requirements; technically complex products; and evolving product offerings and introductions.

We believe our future success depends, in part, on our ability to anticipate or adapt to these factors and to offer, on a timely basis, products that meet customer demands. Failure to develop new and innovative products or to custom design existing products could result in the loss of existing customers to competitors or the inability to attract new business, either of which may adversely affect our revenues. The development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. We may experience design, manufacturing, marketing or other difficulties, such as an inability to attract a sufficient number of qualified engineers, which could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses.

**If we fail to manufacture and deliver high quality products in accordance with industry standards, we may lose customers.**

Product quality and performance are a priority for our customers since many of our product applications involve caustic or volatile chemicals and, in many cases, involve processes that require precise control of fluids. Our products are used in the aerospace, military, commercial aircraft, analytical equipment, Oil & Gas exploration, transmission and refining, power generation, chemical processing and maritime industries. These industries require products that meet stringent performance and safety standards, such as the standards of the American Petroleum Institute, International Organization for Standardization, Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers and the European Pressure Equipment Directive. If we fail to maintain and enforce quality control and testing procedures, our products will not meet these stringent performance and safety standards which are required by many of our customers. Non-compliance with the standards could result in a loss of current customers and damage our ability to attract new customers, which could have a material adverse effect on our business, financial condition or results of operations.

**We depend on our key personnel and the loss of their services may adversely affect our business.**

We believe that our success depends on our ability to hire new talent and the continued employment of our senior management team and other key personnel. If one or more members of our senior management team or other key personnel were unable or unwilling to continue in their present positions, our business could be seriously harmed. In addition, if any of our key personnel joins a competitor or forms a competing company, some of our customers might choose to use the services of that competitor or those of a new company instead of our own. Other companies seeking to develop capabilities and products similar to ours may hire away some of our key personnel. If we are unable to maintain our key personnel and attract new employees, the execution of our business strategy may be hindered and our growth limited.

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

We, like other manufacturers, face an inherent risk of exposure to product liability claims in the event that the use of our products results in personal injury, property damage or business interruption to our customers. We may be subjected to various product liability claims, including, among others, that our products include inadequate or improper instructions for use or installation, or inadequate warnings concerning the effects of the failure of our products. Although we maintain strict quality controls and procedures, including the testing of raw materials and safety testing of selected finished products, we cannot be certain that our products will be completely free from defect. In addition, in certain cases, we rely on third-party manufacturers for our products or components of our products. Although we have liability insurance coverage, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or, if available, will be adequate to cover any such liabilities. For example, liability insurance typically does not afford coverage for a design or manufacturing defect unless such defect results in injury to person or property. We generally attempt to contractually limit liability to our customers to risks that are insurable but are not always successful in doing so. Similarly, we generally seek to obtain contractual indemnification from our third-party suppliers, and for us to be added as an additional insured party under such parties' insurance policies. Any such indemnification or insurance is limited by its terms and, as a practical matter, is limited to the credit worthiness of the indemnifying or insuring party. In the event that we do not have adequate insurance or contractual indemnification, product liabilities could have a material adverse effect on our business, financial condition or results of operations.



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

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

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

The trading price of our common stock may be, and, in the past, has been volatile. Our common stock could decline or fluctuate in response to a variety of factors, including, but not limited to: our failure to meet our performance estimates or performance estimates of securities analysts; changes in financial estimates of our revenues and operating results or buy/sell recommendations by securities analysts; the timing of announcements by us or our competitors concerning significant product line developments, contracts or acquisitions or publicity regarding actual or potential results or performance; fluctuation in our quarterly operating results caused by fluctuations in revenue and expenses; substantial sales of our common stock by our existing shareholders; general stock market conditions; and fluctuations in oil and gas prices or other economic or external factors. While we attempt in our public disclosures to provide forward-looking information in order to enable investors to anticipate our future performance, such information by its nature represents our good-faith forecasting efforts. In recent years, the unprecedented nature of oil prices, credit and financial crises and economic recessions, together with the uncertain depth and duration of these crises, has rendered such forecasting more difficult. As a result, our actual results have differed materially, and going forward could differ materially, from our forecasts, which could cause further volatility in the value of our common stock.

In recent years the stock market as a whole experienced dramatic price and volume fluctuations. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management attention and resources.

**The costs of complying with existing or future governmental regulations on importing and exporting practices and of curing any violations of these regulations, could increase our expenses, reduce our revenues or reduce our profitability.**

We are subject to a variety of laws and international trade practices including regulations issued by the United States Bureau of Industry and Security, the Department of Homeland Security, the Department of State and the Department of Treasury. We cannot predict the nature, scope or effect of future regulatory requirements to which our international trading practices might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries into which certain of our products may be sold or could restrict our access to, and increase the cost of obtaining products from, foreign sources. In addition, actual or alleged violations of such regulations could result in enforcement actions and/or financial penalties that could result in substantial costs.

**Our debt agreement requires that we maintain certain ratios and limits our ability to issue equity, make acquisitions, incur debt, pay dividends, make investments, sell assets, merge or raise capital.**

Our revolving credit facility agreement, dated July 31, 2014, governs our indebtedness. This agreement includes provisions which place limitations on certain activities including our ability to: issue shares of our common stock; incur additional indebtedness; create any liens or encumbrances on our assets or make any guarantees; make certain investments; pay cash dividends above certain limits; or dispose of or sell assets or enter into a merger or a similar transaction. These restrictions may limit our ability to operate our business and may prohibit or limit our ability to execute our business strategy, compete, enhance our operations, take advantage of potential business opportunities as they arise or meet our capital needs. Furthermore, future debt instruments or other contracts could contain more restrictive financial or other covenants. The breach of any of these covenants by us or the failure by us to meet any of these conditions or requirements could result in a default under any or all of our indebtedness. If we are unable to service our indebtedness, our business, financial condition and results of operations would be materially adversely affected.

**Various restrictions and agreements could hinder a takeover of us which is not supported by our board of directors or which is leveraged.**

Our amended and restated certificate of incorporation and amended and restated by-laws, as well as the Delaware General Corporation Law, contain provisions that could delay or prevent a change in control in a transaction that is not approved by our board of directors or that is on a leveraged basis or otherwise. These include provisions creating a staggered board, limiting the shareholders' powers to remove directors, and prohibiting shareholders from calling a special meeting or taking action by written consent in lieu of a shareholders' meeting. In addition, our board of directors has the authority, without further action by the shareholders, to set the terms of and to issue preferred stock. Issuing preferred stock could adversely affect the voting power of the owners of our common stock, including the loss of voting control to others. Delaying or preventing a takeover could result in our shareholders ultimately receiving less for their shares by deterring potential bidders for our stock or assets.

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

Like most manufacturers of flow control products, we attempt, where appropriate, to reduce costs by seeking lower cost sources of certain components and finished products. Many such sources are located in developing countries such as India and China, where a change in governmental approach toward U.S. trade could restrict the availability to us of such sources. In addition, periods of war or other international tension could interfere with international freight operations and hinder our ability to purchase such components and products. A decrease in the availability of these items could hinder our ability to timely meet our customers' orders. We attempt, when possible, to mitigate this risk by maintaining alternate sources for these components and products and by maintaining the capability to produce such items in our own manufacturing facilities. However, even when we are able to mitigate this risk, the cost of obtaining such items from alternate sources or producing them ourselves is often considerably greater, and a shift toward such higher cost production could therefore adversely affect our profitability.

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

In recent years there has been at times disruption and general slowdown of the public and private capital and credit markets in the United States and around the world. Such conditions can adversely affect our revenue, results of operations and overall financial growth. Our business can be affected by a number of factors that are beyond our control such as general geopolitical, economic and business conditions and conditions in the financial services market, which each could materially impact our business, financial condition, results of operations and cash flow. Additionally, many lenders and institutional investors, at times, have reduced funding to borrowers, including other financial institutions. A constriction on future lending by banks or investors could result in higher interest rates on future debt obligations or could restrict our ability to obtain sufficient financing to meet our long-term operational and capital needs or could limit our ability in the future to consummate strategic acquisitions. Any uncertainty in the credit markets could also negatively impact the ability of our customers and vendors to finance their operations which, in turn, could result in a decline in our sales and in our ability to obtain necessary raw materials and components, thus potentially having an adverse effect on our business, financial condition or results of operations.

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

In the past, terrorist attacks have negatively impacted general economic, market and political conditions. In particular, the 2001 terrorist attacks, compounded with changes in the national economy, resulted in reduced revenues in the aerospace and general industrial markets in 2002 and 2003. Although economic conditions have improved considerably, additional terrorist acts, acts of war or political instability (wherever located around the world) could cause damage or disruption to our business, our facilities or our employees which could significantly impact our business, financial condition or results of operations. The potential for future terrorist attacks, the national and international responses to terrorist attacks, political instability, and other acts of war or hostility, including the recent and current conflicts in Iraq, Afghanistan and the Middle East, have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. In addition, with manufacturing facilities located worldwide, including facilities located in North America, Western Europe, Morocco, and India, we may be impacted by terrorist actions not only against the United States but in other parts of the world as well. In some cases, we are not insured for losses and interruptions caused by terrorist acts and acts of war.

**The costs of complying with existing or future environmental regulations and curing any violations of these regulations could increase our expenses or reduce our profitability.**

We are subject to a variety of environmental laws relating to the storage, discharge, handling, emission, generation, use and disposal of chemicals, solid and hazardous waste and other toxic and hazardous materials used to manufacture, or resulting from the process of manufacturing, our products. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. Future regulations could be applied to materials, products or activities that have not been subject to regulation previously. The costs of complying with new or more stringent regulations, or with more vigorous enforcement of these or existing regulations could be significant.

Environmental laws require us to maintain and comply with a number of permits, authorizations and approvals and to maintain and update training programs and safety data regarding materials used in our processes. Violations of these requirements could result in financial penalties and other enforcement actions. We also could be required to halt one or more portions of our operations until a violation is cured. Although we attempt to operate in compliance with these environmental laws, we may not succeed in this effort at all times. The costs of curing violations or resolving enforcement actions that might be initiated by government authorities could be substantial.

**Regulations related to “conflict minerals” may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.**

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

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We maintain 19 major manufacturing facilities worldwide, including operations located in North America, Western Europe, Morocco and India. We also maintain sales offices or warehouses from which we ship finished goods to customers, distributors and commissioned representative organizations. Our executive office is located in Burlington, Massachusetts and is leased.

Our Energy segment has major manufacturing facilities located in North America, Italy, United Kingdom, and the Netherlands. Properties in Nerviano, Italy and Spartanburg, South Carolina are leased. Our Advanced Flow Solutions segment has major manufacturing facilities located in North America, United Kingdom, Germany, France, India and Morocco. Properties in Hauppauge, New York and Corona, California are leased.

Segment	Leased	Owned	Total
Energy	5	4	9
Advanced Flow Solutions	2	8	10
Total	7	12	19

In general, we believe that our properties, including machinery, tools and equipment, are in good condition, are well maintained, and are adequate and suitable for their intended uses. Our manufacturing facilities generally operate five days per week on one or two shifts. We believe our manufacturing capacity could be increased by working additional shifts and weekends and by successful implementation of our CIRCOR Operating System. We believe that our current facilities will meet our near-term production requirements without the need for additional facilities.

### Item 3. Legal Proceedings

For information regarding our legal proceedings refer to the first two paragraphs of Note 14 to the consolidated financial statements included in this Annual Report, for which disclosure is referenced herein.

### Item 4. Mine Safety Disclosures

Not applicable.

## Part II

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

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "CIR." Quarterly share prices and dividends declared and paid are incorporated herein by reference to Note 18 to the consolidated financial statements included in this Annual Report.

Our Board of Directors is responsible for determining our dividend policy. Although we currently intend to continue paying quarterly cash dividends, the timing and level of such dividends will necessarily depend on our Board of Directors' assessments of earnings, financial condition, capital requirements and other factors, including restrictions, if any, imposed by our lenders. In the fourth quarter of 2015 we completed our share repurchase program in which we purchased \$75 million of the Company's outstanding common stock during the year. See "Liquidity and Capital Resources" under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

As of February 10, 2017, there were 16,371,775 shares of our common stock outstanding and we had 60 holders of record of our common stock. We believe the number of beneficial owners of our common stock was substantially greater on that date.

Set forth below is a table and line graph comparing the percentage change in the cumulative total stockholder return on the Company's common stock, based on the market price of the Company's common stock with the total return of companies included within the Standard & Poor's 500 Composite Index, S&P 500 index, the Russell 2000 index and the peer group of companies engaged in the valve, pump, fluid control and related industries for the five-year period commencing December 31, 2011 and ending December 31, 2016. For comparison purposes, we have included the Russell 2000 Index for purposes of presenting a broad market index in the stock performance graph. The Company believes that the Russell 2000 Index, an index in which the Company is included, provides a better comparison for stock performance.

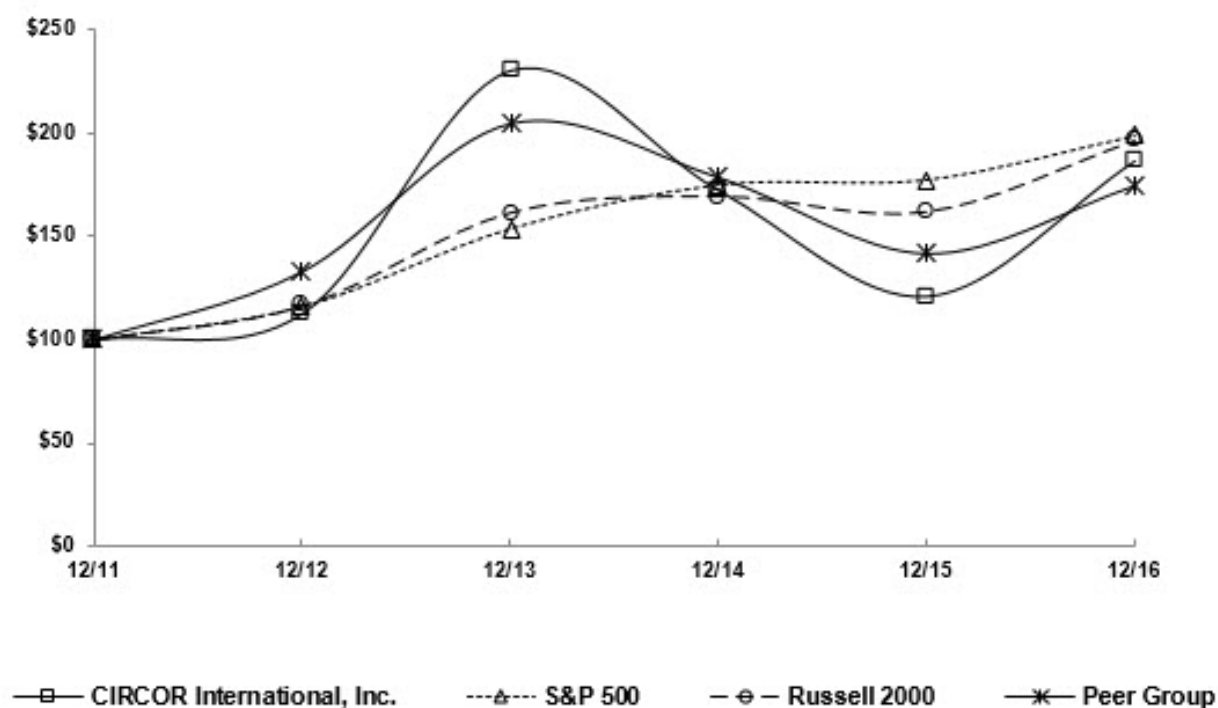
The calculation of total cumulative return assumes a \$100 investment in our common stock and in each of the three indexes and the reinvestment of all dividends. The historical information set forth below is not necessarily indicative of future performance.

	12/11	12/12	12/13	12/14	12/15	12/16
<b>CIRCOR International, Inc.</b>	<b>100.00%</b>	<b>112.62%</b>	<b>230.43%</b>	<b>172.29%</b>	<b>120.85%</b>	<b>186.55%</b>
<b>S&amp;P 500</b>	<b>100.00%</b>	<b>116.00%</b>	<b>153.58%</b>	<b>174.60%</b>	<b>177.01%</b>	<b>198.18%</b>
<b>Russell 2000</b>	<b>100.00%</b>	<b>116.35%</b>	<b>161.52%</b>	<b>169.43%</b>	<b>161.95%</b>	<b>196.45%</b>
<b>Peer Group (1)</b>	<b>100.00%</b>	<b>133.03%</b>	<b>204.45%</b>	<b>178.37%</b>	<b>141.64%</b>	<b>174.40%</b>

(1) Peer Group companies include: Crane Co, Curtiss-Wright Corp, Flowserve Corp, IMI Plc, Pentair Plc, SPX Flow Inc. and Woodward Inc.

## COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among CIRCOR International, Inc., the S&P 500 Index, the Russell 2000 Index, and a Peer Group



\*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

### Item 6. Selected Financial Data

The following table presents certain selected financial data that has been derived from our audited consolidated financial statements and related notes and should be read along with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and notes included in this Annual Report.

The consolidated statements of income and consolidated statements of cash flows data for the years ended December 31, 2016, 2015 and 2014, and the consolidated balance sheet data as of December 31, 2016 and 2015 are derived from, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this Annual Report. The consolidated statements of income and consolidated statements of cash flows data for the years ended December 31, 2013 and 2012, and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012, are derived from our audited consolidated financial statements not included in this Annual Report.

**Selected Financial Data**  
(in thousands, except per share data)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
<b>Statement of Income Data (1):</b>					
Net revenues	\$ 590,259	\$ 656,267	\$ 841,446	\$ 857,808	\$ 845,552
Gross profit	183,115	199,332	257,020	267,601	241,543
Operating income	10,918	26,174	64,757	69,173	46,531
Income before income taxes	9,680	22,428	63,261	64,037	41,759
Net income	\$ 10,101	\$ 9,863	\$ 50,386	\$ 47,121	\$ 30,799
<b>Balance Sheet Data:</b>					
Total assets	\$ 820,756	\$ 669,915	\$ 724,722	\$ 726,650	\$ 709,981
Total debt	251,200	90,500	13,684	49,638	70,484
Shareholders' equity	404,410	400,777	494,093	476,887	418,247
Total capitalization	\$ 655,610	\$ 491,277	\$ 507,777	\$ 526,525	\$ 488,731
<b>Other Financial Data:</b>					
Cash flow provided by (used in):					
Operating activities	\$ 59,399	\$ 27,142	\$ 70,826	\$ 72,206	\$ 60,523
Investing activities	(210,481)	(87,726)	(1,842)	(13,264)	(17,629)
Financing activities	158,764	2,251	(37,724)	(19,235)	(37,408)
Interest expense, net	3,310	2,844	2,652	3,161	4,259
Capital expenditures	14,692	12,711	12,810	17,328	18,170
Diluted earnings per common share	\$ 0.61	\$ 0.58	\$ 2.84	\$ 2.67	\$ 1.76
Diluted weighted average common shares outstanding	16,536	16,913	17,768	17,629	17,452
Cash dividends declared per common share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15

- (1) See Special and Restructuring charges, net in Note 4 to the consolidated financial statements, for additional details on charges included in the twelve months ended December 31, 2016, December 31, 2015, and December 31, 2014 operating income above. The statement of income data for the year ended December 31, 2013 includes special and restructuring charges, net of \$8.6 million and intangible impairment charges of \$6.9 million. The statement of income data for the year ended December 31, 2012 includes special and restructuring charges, net of \$5.3 million and intangible impairment charges of \$10.3 million.

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

See Item 1, Business, for additional detail on forward looking statements.

### **Company Overview**

CIRCOR International, Inc. designs, manufactures and markets flow control solutions and other highly engineered products and sub-systems for markets including Oil & Gas, aerospace, power and process, and industrial solutions. CIRCOR has a diversified product portfolio with recognized, market-leading brands that fulfill its customers' unique application needs. See Part 1, Item 1, Business, for additional information regarding the description of our Business.

We expect continued project delays and capital expenditure reductions by many national oil companies and oil majors resulting in much lower demand for our large engineered valves business. However, we expect to see modest growth in other markets we serve: certain power generation markets, the global liquefied natural gas market, North American upstream and certain mid and down-stream energy markets. The growth in the power market is driven by the U.S. and a number of large projects in Southeast Asia and Europe.

We continue to implement actions to mitigate the impact on our earnings with the lower demand and increasingly competitive environment. In addition, we will continue to focus on acquisition growth opportunities and we are investing in products and technologies that help solve our customers' most difficult problems. We expect to further simplify CIRCOR by standardizing technology, reducing facilities, consolidating suppliers and achieving world class operational excellence, including product management. We believe our cash flow from operations and financing capacity is adequate to support these activities. Finally, continuing to attract and retain talented personnel, including the enhancement of our global sales, operations, and engineering organization, remains an important part of our strategy during 2017.

### **Basis of Presentation**

All significant intercompany balances and transactions have been eliminated in consolidation. We manage our businesses in two segments: Energy and Advanced Flow Solutions.

We operate and report financial information using a 52-week fiscal year ending December 31. The data periods contained within our Quarterly Reports on Form 10-Q reflect the results of operations for the 13-week, 26-week and 39-week periods which generally end on the Sunday nearest the calendar quarter-end date.

### **Critical Accounting Policies**

The Company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On an on-going basis, management evaluates its significant estimates, including those related to contracts accounted for under the percentage of completion method, bad debts, inventories, business combinations, intangible assets and goodwill, delivery penalties, income taxes, and contingencies and litigation. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management bases its estimates on historical experience, current market and economic conditions and other assumptions that management believes are reasonable. The results of these estimates form the basis for judgments about the carrying value of assets and liabilities where the values are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes from the methodology applied by management for critical accounting estimates previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The Company acquired Critical Flow Solutions ("CFS") in October 2016 and as a result adopted the percentage of completion accounting for certain long-term capital contracts.

For goodwill, we perform an impairment assessment at the reporting unit level on an annual basis as of the end of our October month end or more frequently if circumstances warrant. Our annual impairment assessment is a two-step process. In fiscal year 2016 when we performed our analysis, the fair value of each of our reporting units exceeded the respective carrying amount, and no goodwill impairments were recorded. The fair values utilized for our 2016 goodwill assessment exceeded the carrying amounts by approximately 465%, 188%, and 224% for our Energy, Aerospace, and Power, Process, & Industrial reporting units, respectively. The growth rate assumptions utilized were consistent with growth rates within the markets that we serve.



If our results significantly vary from our estimates, related projections, or business assumptions in the future due to change in industry or market conditions, we may be required to record impairment charges. By way of example, a 55% reduction in our Aerospace reporting unit projected and terminal cash flows would not result in the fair value being lower than the carrying value.

## Results of Operations

### 2016 Compared With 2015

#### Consolidated Operations

(in thousands)	2016	2015	Total Change	Acquisitions	Operations	Foreign Exchange
<b>Net Revenues</b>						
Energy	\$ 322,046	\$ 383,655	\$ (61,609)	\$ 18,974	\$ (79,467)	\$ (1,116)
Advanced Flow Solutions	268,213	272,612	(4,399)	6,106	(8,010)	(2,495)
Consolidated Net Revenues	<u>\$ 590,259</u>	<u>\$ 656,267</u>	<u>\$ (66,008)</u>	<u>\$ 25,080</u>	<u>\$ (87,477)</u>	<u>\$ (3,611)</u>

Net revenues in 2016 were \$590.3 million, a decrease of \$66.0 million from 2015. The unfavorable effects of currency translation resulted in a decrease in revenues of \$3.6 million in 2016. Sales increased \$25.1 million due to 2015 acquisition of Schroedahl and 2016 acquisition of CFS. Aside from the effects of currency translation and acquisitions, revenues decreased \$87.5 million (-13%) primarily due to decreased demand in our North American short-cycle Energy business.

#### Segment Results

The Company's management evaluates segment operating performance using "segment operating income" which we define as operating income before restructuring charges (including inventory-related restructuring), special charges, impairment charges, amortization from acquisitions subsequent to 2011, amortization expense related to the step-up in fair value of the inventory acquired through business acquisitions, and 2015 Brazil restatement impact. The Company uses this measure because it helps management understand and evaluate the segments' operating results and facilitate a comparison of performance for determining compensation. Accordingly, the following segment data is reported on this basis.

(in thousands)	2016	2015	Change
<b>Net Revenues</b>			
Energy	\$ 322,046	\$ 383,655	\$ (61,609)
Advanced Flow Solutions	268,213	272,612	(4,399)
Consolidated Net Revenues	<u>\$ 590,259</u>	<u>\$ 656,267</u>	<u>\$ (66,008)</u>
<b>Operating Income</b>			
Energy - Segment Operating Income	\$ 34,619	\$ 50,386	\$ (15,767)
AFS - Segment Operating Income	33,463	33,811	(348)
Corporate expenses	(25,672)	(21,710)	(3,962)
Subtotal	42,410	62,487	(20,077)
Restructuring charges, net	8,975	4,634	4,341
Special charges, net	8,196	9,720	(1,524)
Special and restructuring charges, net (1)	17,171	14,354	2,817
Restructuring related inventory charges (1)	2,846	9,391	(6,545)
Amortization of inventory step-up	1,366	—	—
Impairment charges	208	2,502	(2,294)
Acquisition amortization	9,901	6,838	3,063
Brazil restatement impact	—	3,228	(3,228)
Restructuring and other cost, net	14,321	21,959	(9,004)
Consolidated Operating Income	<u>\$ 10,918</u>	<u>\$ 26,174</u>	<u>\$ (15,256)</u>
Consolidated Operating Margin	1.8%	4.0%	

(1) See Special and Restructuring charges, net in Note 4 to the consolidated financial statements, for additional details.

#### Energy Segment

(in thousands)	2016	2015	Change
Net Revenues	\$ 322,046	\$ 383,655	\$ (61,609)
Segment Operating Income	34,619	50,386	(15,767)
Segment Operating Margin	10.7%	13.1%	

Energy segment net revenues decreased \$61.6 million, or 16%, in 2016 compared to 2015. The decrease was primarily driven by lower shipment volumes in our North American short-cycle business (-15%). Net revenues in other oil and gas businesses declined (-5%), offset by the acquisition of CFS (+5%). Energy segment orders decreased \$68.9 million, or 20%, to \$270.5 million for 2016 compared to \$339.4 million in 2015, primarily due to lower bookings in the large international projects business (-15%) and in our North American short-cycle business (-5%). Lower orders in our long-cycle, large international projects business was impacted by reduced capital expenditures for exploration and production of oil and gas as well as project deferrals. Lower orders in our North American short-cycle business were impacted by the destocking of our distributors as well as lower production activity overall.

Segment operating income decreased \$15.8 million, or 31%, to \$34.6 million for 2016 compared to \$50.4 million in 2015. The decrease in segment operating income was primarily due to lower shipment volumes from our North American short-cycle business (-37%). In addition, we recorded \$3.2 million (-6%) of bad debt and inventory write-down charges during the fourth quarter related to past-due amounts and inventories associated with Petróleos de Venezuela ("PDVSA"). These declines were partially offset by segment operating income from CFS (+8%) and savings from our sourcing, restructuring and productivity initiatives (+4%).

### QUARTERLY ENERGY SEGMENT INFORMATION

(in thousands, except percentages)

(unaudited)

	2015					2016				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
Orders	120,344	83,710	64,877	70,480	339,411	71,425	58,853	55,056	85,183	270,517
Net Revenues	105,619	97,753	88,679	91,604	383,655	83,409	80,736	68,901	89,000	322,046
Operating Income	15,011	12,926	12,153	10,296	50,386	9,296	9,293	6,755	9,276	34,619
Operating Margin	14.2%	13.2%	13.7%	11.2%	13.1%	11.1%	11.5%	9.8%	10.4%	10.7%
Backlog (1)	204,231	192,760	159,727	131,554	131,554	122,730	98,119	84,535	123,063	123,063

(1) at end of period.

#### Advanced Flow Solutions Segment

(in thousands)	2016	2015	Change
Net Revenues	\$ 268,213	\$ 272,612	\$ (4,399)
Segment Operating Income	33,463	33,811	(348)
Segment Operating Margin	12.5%	12.4%	

Advanced Flow Solutions segment net revenues decreased by \$4.4 million, or 2%, in 2016 compared to 2015. The decrease was primarily driven by declines in our aerospace business (-2%) and our industrial solutions business (-1%). These declines were offset by the April 2015 acquisition of Schroedahl (+2%). Advanced Flow Solutions segment orders increased \$4.2 million, or 2%, to \$255.2 million for 2016 compared to \$251.0 million in 2015, primarily due to our aerospace business (+2%).

Segment operating income decreased \$0.3 million, or 1%, to \$33.5 million for 2016 compared to \$33.8 million for 2015. The decrease in operating income was primarily as a result of the revenue declines (-2%) described above. These declines were offset by the Schroedahl acquisition (+7%) and restructuring savings and operational efficiencies in our California (+18%) and French (+5%) businesses.

### QUARTERLY AFS SEGMENT INFORMATION

(in thousands, except percentages)

(unaudited)

	2015					2016				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
Orders	61,968	57,998	63,638	67,375	250,979	65,357	76,464	56,262	57,134	255,217
Net Revenues	60,241	69,153	70,579	72,639	272,612	67,389	65,656	65,932	69,236	268,213
Operating Income	5,584	7,576	10,077	10,574	33,811	8,452	8,064	8,008	8,939	33,463
Operating Margin	9.3%	11.0%	14.3%	14.6%	12.4%	12.5%	12.3%	12.1%	12.9%	12.5%
Backlog (1)	147,587	151,474	144,926	137,494	137,494	137,332	145,930	135,721	119,332	119,332

(1) At end of period.

#### Corporate Expenses

Corporate expenses increased \$4.0 million to \$25.7 million for 2016. This increase was primarily driven by compensation costs (\$1.5 million) associated with filling open positions and higher performance on incentive plans, corporate development expenses (relating to potential mergers and acquisitions due diligence) of \$1.2 million, and professional fees (\$1.1 million).

### *Special and Restructuring charges, net and other charges*

During 2016, the Company recorded a total of \$20.0 million of Special and restructuring charges. In our statement of operations, these charges are recorded in costs of revenue (\$2.8 million) and Special and restructuring charges, net (\$17.2 million). These costs are primarily related to our simplification and restructuring efforts and also include a \$4.5 million non-cash charge related to a pension settlement. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net

In relation to our 2016 and 2015 acquisitions of CFS and Schroedahl, we incurred \$9.9 million of intangible asset amortization related to these acquisitions. This amortization is recorded within selling, general, and administrative expenses (\$9.3 million) or cost of revenues (\$0.6 million) depending upon the nature of the underlying intangible asset. In addition, we recorded \$1.4 million of amortization expense related to the step-up in fair value of the inventory acquired as part of our CFS acquisition. This expense is included in cost of revenues.

Also during 2016, we also recorded a \$0.2 million impairment charge for a China patent deemed to no longer have economic value. The impairment charge is included in the impairment charge line on our consolidated statement of income (loss).

In 2015, the Company recorded \$23.7 million of Special and restructuring charges, net. In our statement of operations, these charges are recorded in costs of revenue (\$9.4 million) and Special and restructuring charges, net (\$14.4 million). These costs are primarily related to our simplification and restructuring efforts. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. In addition, we incurred \$3.2 million of Brazil restatement charges. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net.

In relation to our Schroedahl acquisition we recorded \$6.8 million of intangible asset amortization during 2015. This amortization is recorded within selling, general, and administrative expenses. Also during 2015, we recorded \$2.5 million of plant, property, and equipment and intangible impairments related to our Brazil business. These impairment charges are included in the impairment charge line on our consolidated statement of operations.

### *Interest Expense, Net*

Interest expense increased \$0.5 million to \$3.3 million for 2016. This change in interest expense was primarily due to higher outstanding debt balances during the period as a result of the CFS acquisition.

### *Other (Income) Expense, Net*

Other income, net, was \$2.1 million for 2016 compared to other expense, net of (\$0.9 million) in 2015. The difference of \$3.0 million was primarily due to the impact of foreign currency fluctuations.

### *Comprehensive (Loss) Income*

Comprehensive loss was reduced from a comprehensive loss of \$22.2 million as of December 31, 2015 to a comprehensive loss of \$0.2 million as of December 31, 2016, primarily driven by an increase of \$16.9 million in favorable foreign currency balance sheet remeasurements. These favorable foreign currency balance sheet remeasurements were driven by the Brazilian Real (\$9.9 million) and Euro (\$6.3 million).

As of December 31, 2016, we have a cumulative currency translation adjustment of \$17.3 million regarding our Brazil entity. If we were to cease to have a controlling financial interest in the Brazil entity, we would incur a non-cash charge of \$17.3 million, which would be included as a special charge within the results of operations.

### *(Benefit from) Provision for Income Taxes*

The effective tax rate was (-4%) for 2016 compared to 56% for 2015. The primary drivers for the lower tax rate in 2016 include the tax benefit associated with the repatriation of foreign earnings which we completed in 2016 (-27%), reduced foreign losses in 2016 with no tax benefit (-27%), mix of lower taxed foreign earnings to US earnings (-18%), and other items in 2016 including the prior year impact of a foreign audit settlement (-14%). This was partially offset by the establishment of a valuation allowance for certain state net operating loss carryforwards (+26%).

## Restructuring Actions

Our announced restructuring actions which result in savings are summarized as follows:

- During 2016, we initiated certain restructuring activities, under which we continue to simplify our business ("2016 Actions"). Under these restructurings, we reduced expenses, primarily through reductions in force and closing a number of smaller facilities.
- In July 2015, we announced the closure of one of the two Corona, California manufacturing facilities ("California Restructuring"). Under this restructuring, we are reducing certain general, manufacturing and facility related expenses.
- On February 18, 2015, we announced a restructuring action ("2015 Announced Restructuring"), under which we continued to simplify our businesses. Under this action, we reduced certain general, administrative and manufacturing related expenses, primarily personnel related.

The table below (in millions) outlines the cumulative effects on past and future earnings resulting from our announced restructuring plans.

	Cumulative Planned Savings	Cumulative Projected Savings	Expected Periods of Savings Realization
2016 Actions	\$ 14.1	\$ 14.1	Q2 2016 - Q4 2017
California Restructuring	3.0	3.0	Q3 2016 - Q4 2017
2015 Announced Restructuring	18.0	20.8	Q1 2015 - Q4 2016
Total Savings	<u>\$ 35.1</u>	<u>\$ 37.9</u>	

As shown in the table above our projected cumulative restructuring savings have exceeded our original planned savings amounts. This is primarily attributed to reducing additional general, administrative and manufacturing related expenses. The expected periods of realization of the restructuring savings are consistent with our original plans. Our restructuring actions are funded by cash generated by operations.

We expect to incur restructuring related special charges between \$0.7 million and \$0.9 million to complete our 2016 Announced Restructuring. These restructuring actions are expected to be funded with cash generated from operations. Our 2015 Announced Restructuring and California Restructuring have been completed and, as such, no additional restructuring charges are expected to be incurred in connection with these actions.

## 2015 Compared With 2014

### Consolidated Operations

(in thousands)	2015	2014	Total Change	Divestitures	Acquisitions	Operations	Foreign Exchange
<b>Net Revenues</b>							
Energy	\$ 383,655	\$ 552,973	\$ (169,318)	\$ (39,719)	\$ —	\$ (97,595)	\$ (32,004)
Advanced Flow Solutions	272,612	288,473	(15,861)	(11,500)	21,002	(11,051)	(14,312)
Consolidated Net Revenues	<u>\$ 656,267</u>	<u>\$ 841,446</u>	<u>\$ (185,179)</u>	<u>\$ (51,219)</u>	<u>\$ 21,002</u>	<u>\$ (108,646)</u>	<u>\$ (46,316)</u>

Net revenues in 2015 were \$656.3 million, a decrease of \$185.2 million from 2014. The business divestitures resulted in a decrease in revenues of \$51.2 million and unfavorable effects of currency translation resulted in a decrease in revenues of \$46.3 million in 2015. Sales increased \$21.0 million due to our April 2015 acquisition of Schroedahl. Aside from the effects of currency translation, divestitures and acquisitions, revenues decreased \$108.6 million (-13%) primarily due to decreased demand in our North American short-cycle Energy business.

### Segment Results

(in thousands)	2015	2014	Change
<b>Net Revenues</b>			
Energy	\$ 383,655	\$ 552,973	\$ (169,318)
Advanced Flow Solutions	272,612	288,473	(15,861)
Consolidated Net Revenues	<u>\$ 656,267</u>	<u>\$ 841,446</u>	<u>\$ (185,179)</u>

### Operating Income

Energy - Segment Operating Income	\$ 50,386	\$ 79,742	\$ (29,356)
AFS - Segment Operating Income	33,811	29,883	3,928
Corporate expenses	(21,710)	(23,415)	1,705
Subtotal	62,487	86,210	(23,723)
Special restructuring charges, net	4,634	5,246	(612)
Special other charges, net	9,720	7,491	2,229
Special and restructuring charges, net (1)	14,354	12,737	1,617
Restructuring related inventory charges	9,391	7,989	1,402
Impairment charges	2,502	726	1,776
Acquisition amortization	6,838	—	6,838
Brazil restatement impact	3,228	—	3,228
Restructuring and other cost, net	21,959	8,715	13,244
Consolidated Operating Income	<u>\$ 26,174</u>	<u>\$ 64,757</u>	<u>\$ (38,583)</u>

Consolidated Operating Margin	4.0%	7.7%
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(1) See Special and Restructuring charges, net in Note 4 to the consolidated financial statements, for additional details.

## Energy Segment

(in thousands)	2015	2014	Change
Net Revenues	\$ 383,655	\$ 552,973	\$ (169,318)
Segment Operating Income	50,386	79,742	(29,356)
Segment Operating Margin	13.1%	14.4%	

Energy segment net revenues decreased \$169.3 million, or 31%, in 2015 compared to 2014. The decrease was primarily driven by lower shipment volumes in our North American short-cycle business (-15%), a business divestiture (-7%), the downstream instrumentation business (-4%) and unfavorable foreign currency (-6%). The unfavorable foreign currency is primarily due to the weakening of the Euro against the U.S. dollar. Energy segment orders decreased \$220.1 million, or 39%, to \$339.4 million for 2015 compared to \$559.5 million for 2014, primarily due to lower bookings in our North American short-cycle business (-25%), a business divestiture (-8%) and downstream instrumentation business (-5%). Lower orders in our North American short-cycle business were impacted by the destocking of our distributors as well as lower production activity overall.

Segment operating income for our Energy segment decreased \$29.4 million, or 37%, to \$50.4 million for 2015 compared to \$79.7 million for 2014. The decrease in segment operating income was primarily due to lower shipment volumes from our North American short-cycle business (-34%). Our other oil and gas businesses also contributed to the segment operating income decline (-6%) in the period. These declines were partially offset by segment operating income from savings from our sourcing, restructuring and productivity initiatives.

## Advanced Flow Solutions Segment

(in thousands)	2015	2014	Change
Net Revenues	\$ 272,612	\$ 288,473	\$ (15,861)
Segment Operating Income	33,811	29,883	3,928
Segment Operating Margin	12.4%	10.4%	

Advanced Flow Solutions segment net revenues decreased by \$15.9 million, or 5%, for 2015 compared to 2014. The decrease was primarily driven by declines in our actuation business related to structural landing gear product lines exit (-3%) and fluid control business in France (-2%). Advanced Flow Solutions segment orders decreased \$38.8 million, or 13%, to \$251.0 million for 2015 compared to \$289.8 million for 2014, primarily due to our industrial solutions business (-8%) and a business divestiture (-5%).

Segment operating income increased \$3.9 million, or 13%, to \$33.8 million for 2015 compared to \$29.9 million for 2014. The increase in operating income was primarily as a result of the Schroedahl acquisition (+27%) offset by our industrial solutions business (-12%) and aerospace business (-1%).

## Corporate Expenses

Corporate expenses decreased \$1.7 million, or 7%, to \$21.7 million for 2015 compared to 2014, primarily due to lower compensation costs and cost control.

## Special and Restructuring charges, net

In 2015, the Company recorded \$23.7 million of Special and restructuring charges, net. In our statement of operations, these charges are recorded in costs of revenue (\$9.4 million) and Special and restructuring charges, net (\$14.4 million). These costs are primarily related to our simplification and restructuring efforts. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. In addition, we incurred \$3.2 million of Brazil restatement charges. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net.

In relation to our Schroedahl acquisition we recorded \$6.8 million of intangible asset amortization during 2015. This amortization is recorded within selling, general, and administrative expenses. Also during 2015, we also recorded \$2.5 million of plant, property, and equipment and intangible impairments related to our Brazil business. These impairment charges are included in the impairment charge line on our consolidated statement of operations.

In 2014, the Company recorded \$20.7 million of Special and restructuring charges, net. In our statement of operations, these charges are recorded in costs of revenue (\$8.0 million) and Special and restructuring costs, net (\$12.7 million). These costs, primarily related to our simplification efforts and acquisitions. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net.

In 2014, we also recorded \$0.7 million impairment charges for certain Aerospace & Defense trade name intangible assets that had no future usage. These impairment charges are included in the impairment charge line on our consolidated statement of income (loss).

#### *Interest Expense, Net*

Interest expense increased \$0.2 million to \$2.8 million for 2015. This change in interest expense was primarily due to higher outstanding debt balances during the period related to our 2015 Schroedahl acquisition.

#### *Other Expense (Income), Net*

Other expense was \$0.9 million for 2015 compared to other income of \$1.2 million in 2014. The difference of \$2.1 million was primarily due to foreign currency fluctuations.

#### *Comprehensive (Loss) Income*

Comprehensive (loss) income changed by \$34.7 million from comprehensive income of \$12.5 million as of December 31, 2014 to comprehensive loss of \$22.2 million as of December 31, 2015, primarily driven by \$40.5 million decrease in net income and an increase of \$1.1 million in unfavorable foreign currency balance sheet remeasurements. These unfavorable foreign currency balance sheet remeasurements were driven by the weakening of the Brazilian Real (\$5.4 million), Canadian Dollar (\$1.4 million) and UK Pound (\$0.4 million) offset by strengthening of the Euro (\$6.2 million) against the U.S. Dollar.

#### *Provision for Income Taxes*

The effective tax rate was 56% for the year ended December 31, 2015 compared to 20% for the same period of 2014. The primary drivers of the higher 2015 tax rate was an increase in foreign losses from Brazil with no tax benefit (+38%), a 2014 valuation allowance benefit related to US foreign tax credits (+9%), and charges for a foreign tax audit that was settled in 2015 (+5%). This was partially offset by lower taxed foreign earnings in 2015 (-9%), as well as a 2015 valuation allowance benefit for certain state net operating losses (-7%).

### **Liquidity and Capital Resources**

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

The following table summarizes our cash flow activities for the year-ended indicated (in thousands):

	2016	2015	2014
Cash flow provided by (used in):			
Operating activities	\$ 59,399	\$ 27,142	\$ 70,826
Investing activities	(210,481)	(87,726)	(1,842)
Financing activities	158,764	2,251	(37,724)
Effect of exchange rate changes on cash and cash equivalents	(3,944)	(8,498)	(12,163)
Increase (decrease) in cash and cash equivalents	\$ 3,738	\$ (66,831)	\$ 19,097



## Cash Flow Activities for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

During the year ended December 31, 2016, we generated \$59.4 million in cash flow from operating activities compared to \$27.1 million during the year ended December 31, 2015. The \$32.3 million increase in operating cash was primarily driven by higher cash provided by working capital. Within working capital in 2016, approximately \$1.9 million of cash came from increased collections and \$50.5 million from improved inventory positions offset in part by a decrease in accounts payable of \$13.6 million. The decrease in accounts payable was due to the timing of payments to our vendors for products and services and decrease in business volume, primarily in our large international projects business (\$12.8 million).

During the year ended December 31, 2016, we used \$210.5 million for investing activities as compared to \$87.7 million during the year ended December 31, 2015. The \$122.8 million year over year increase in cash used was primarily driven by \$197.5 million used for the CFS acquisition in 2016 compared to \$79.7 million used for the Schroedahl acquisition in 2015, as described in Note 3, Business Acquisitions.

During the year ended December 31, 2016, we generated \$158.8 million for financing activities as compared to cash generated of \$2.3 million during the year ended December 31, 2015. The \$156.5 million year over year increase in cash generated from financing activities was primarily related to our net borrowing activity as we increased debt by \$323.2 million, and made debt payments of \$162.5 million. On October 13, 2016, to fund the acquisition of CFS, we borrowed \$205.0 million under our existing credit facility. During the fourth quarter of 2016, we repatriated \$32.0 million of foreign earnings and utilized the cash to repay borrowings under our credit agreement.

As of December 31, 2016, total debt was \$251.2 million compared to \$90.5 million at December 31, 2015 due to the draw down on our credit facility. Total debt as a percentage of total shareholders' equity was 62% as of December 31, 2016 compared to 23% as of December 31, 2015.

As a result of a significant portion of our cash balances being denominated in Euros and Canadian Dollars, the strengthening of the U.S. Dollar resulted in a \$3.9 million decrease in reported cash balances.

We have a five year unsecured credit agreement ("2014 Credit Agreement"), under which we may borrow funds up to \$400 million (with an accordion feature that allows us to borrow up to an additional \$200 million if the existing or additional lenders agree).

We entered into the 2014 Credit Agreement to fund potential acquisitions, such as our Schroedahl and CFS acquisitions, to support our operational growth initiatives and working capital needs, and for general corporate purposes. As of December 31, 2016, we had borrowings of \$251.2 million outstanding under our credit facility and \$53.6 million outstanding under letters of credit.

The 2014 Credit Agreement contains covenants that require, among other items, maintenance of certain financial ratios and also limits our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock which limits our ability to borrow under the credit facility. The two primary financial covenants are leverage ratio and interest coverage ratio. We were in compliance with all financial covenants related to our existing debt obligations at December 31, 2016 and we believe it is likely that we will continue to meet such covenants in the next twelve months from date of financial statements.

The ratio of current assets to current liabilities was 3.1:1 at December 31, 2016 compared to 2.6:1 at December 31, 2015. As of December 31, 2016, cash and cash equivalents totaled \$58.3 million, substantially all of which was held in foreign bank accounts. This compares to \$54.5 million of cash and cash equivalents as of December 31, 2015 substantially all of which was also held in foreign bank accounts. The cash and cash equivalents located at our foreign subsidiaries may not be repatriated to the United States or other jurisdictions without significant tax implications. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and in addition we may utilize our 2014 Credit Agreement for U.S. based cash needs.

In 2017, we expect to generate positive cash flow from operating activities sufficient to support our capital expenditures and pay dividends of approximately \$2.5 million based on our current dividend practice of paying \$0.15 per share annually. Based on our expected cash flows from operations and contractually available borrowings under our credit facility, we expect to have sufficient liquidity to fund working capital needs and future growth over at least the next twelve months from date of filing the 2016 financial statements. We continue to search for strategic acquisitions. A larger acquisition may require additional borrowings and/or the issuance of our common stock.

### Cash Flow Activities for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

During the year ended December 31, 2015, we generated \$27.1 million in cash flow from operating activities compared to \$70.8 million during the year ended December 31, 2014. The \$43.7 million increase in cash usage was primarily driven by a \$40.5 million decrease in net income, higher cash usage for working capital (\$6.0 million), partially offset by an increase in non-cash charges, particularly amortization. Within working capital in 2015 we were provided \$20.4 million of cash for increased collections but this was offset by increased inventory purchases and a decrease in accounts payable. This was due to the Company's timing of payments to our vendors for products and services and a customer dispute resolution payment (\$5.5 million) as well as an Italian tax settlement (\$2.2 million).

During the year ended December 31, 2015, we used \$87.7 million for investing activities as compared to \$1.8 million during the year ended December 31, 2014. The \$85.9 million year over year increase in cash used was primarily driven by \$79.9 million used for the Schroedahl acquisition.

During the year ended December 31, 2015, we generated \$2.3 million for financing activities as compared to cash used of \$37.7 million during the year ended December 31, 2014. The \$40.0 million year over year increase in cash generated from financing activities was primarily related to our net borrowing activity as we increased debt by \$261.4 million, and made debt payments of \$182.0 million. The cash inflow from additional net borrowings was used to purchase \$75.0 million of our common stock.

As a result of a significant portion of our cash balances being denominated in Euros and Canadian Dollars, the strengthening of the U.S. Dollar resulted in an \$8.5 million decrease in reported cash balances.

The ratio of current assets to current liabilities was 2.6:1 at December 31, 2015 compared to 2.7:1 at December 31, 2014. As of December 31, 2015, cash and cash equivalents totaled \$54.5 million, substantially all of which was held in foreign bank accounts. This compares to \$121.4 million of cash and cash equivalents as of December 31, 2014 substantially all of which was held in foreign bank accounts. The cash and cash equivalents located at our foreign subsidiaries may not be repatriated to the United States or other jurisdictions without significant tax implications. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and in addition we may utilize our 2014 Credit Agreement for U.S. based cash needs.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2016 that affect our liquidity:

	Payments due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 years
<u>Contractual Cash Obligations:</u>					
	(in thousands)				
Long-term debt, less current portion	\$ 251,200	\$ —	\$ 251,200	\$ —	\$ —
Interest payments on debt	15,658	6,061	9,597	—	—
Operating leases	31,894	7,453	10,704	5,405	8,332
Total contractual cash obligations	<u>\$ 298,752</u>	<u>\$ 13,514</u>	<u>\$ 271,501</u>	<u>\$ 5,405</u>	<u>\$ 8,332</u>
<u>Commercial Commitments:</u>					
U.S. standby letters of credit	\$ 22,502	\$ 2,946	\$ 19,556	\$ —	\$ —
International standby letters of credit	31,109	9,073	19,841	2,133	62
Commercial contract commitments	66,758	63,287	3,389	60	22
Total commercial commitments	<u>\$ 120,369</u>	<u>\$ 75,306</u>	<u>\$ 42,786</u>	<u>\$ 2,193</u>	<u>\$ 84</u>

In accordance with the authoritative guidance for accounting for uncertainty in income taxes, as of December 31, 2016, we had unrecognized tax benefits of \$3.0 million, including \$0.2 million of accrued interest. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe, or if the applicable statute of limitations lapses. The impact of the amount of such changes to previously recorded uncertain tax positions could range from zero to \$1.0 million.

The interest on certain of our other debt balances, with scheduled repayment dates between 2017 and 2019 and interest rates ranging between 1.59% and 4%, have been included in the "Interest payments on debt" line within the Contractual Cash Obligations schedule.

Our commercial contract commitments primarily relate to open purchase orders of \$66.8 million, \$3.2 million of which extend to 2018 and beyond.

In fiscal years 2016 and 2015, we contributed \$1.0 million and \$1.6 million to our qualified defined benefit pension plan, respectively. In addition, we made \$0.4 million in payments to our nonqualified supplemental plan for both 2016 and 2015. In connection with a lump sum cash payout option to terminated and vested pension plan participants, during Q4 2016 we incurred a \$4.5 million non-cash settlement charge which has been recorded within the Special and restructuring charges, net line item. In addition, we made \$1.5 million and \$2.9 million in payments to our 401(k) savings plan for 2016 and 2015, respectively.

In 2017, we expect to make plan contributions totaling \$2.0 million, consisting of \$1.6 million in contributions to our qualified plan and payments of \$0.4 million for our nonqualified plan. The estimates for plan funding for future periods may change as a result of the uncertainties concerning the return on plan assets, the number of plan participants, and other changes in actuarial assumptions. We anticipate fulfilling these commitments through our generation of cash flow from operations.

### Share Repurchase Plan

During 2015, we completed a stock repurchase program announced on December 18, 2014, which authorized the Company to repurchase up to \$75.0 million of the Company's outstanding common stock. Under the program, shares were purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended. All shares of our common stock repurchased were automatically restored to the status of authorized and unissued. We initiated our repurchase program on March 16, 2015 and completed the program as of December 31, 2015.

The following table provides information about our repurchase of our common stock during the year ended December 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Value of Shares Purchased as Part of a Publicly Announced Program
January 1st - December 31st	1,381,784	\$54.26	\$74,972,000

### Off-Balance Sheet Arrangements

Through December 31, 2016, we have not entered into any off-balance sheet arrangements or material transactions with unconsolidated entities or other persons that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

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

### **Market Risk**

The Oil & Gas markets historically have been subject to cyclicalities depending upon supply and demand for crude oil, its derivatives and natural gas. When oil or gas prices decrease, expenditures on maintenance and repair decline rapidly and outlays for exploration and in-field drilling projects decrease and, accordingly, demand for valve products is reduced. However, when oil and gas prices rise, maintenance and repair activity and spending for projects normally increase and we benefit from increased demand for valve products. However, oil or gas price increases may be considered temporary in nature or not driven by customer demand and, therefore, may result in longer lead times for increases in sales orders. As a result, the timing and magnitude of changes in market demand for oil and gas valve products are difficult to predict. A decline in oil price will have a similar impact on the demand for our products, particularly in markets, such as North America, where the cost of oil production is relatively higher. Similarly, although not to the same extent as the Oil & Gas markets, the general industrial, chemical processing, aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand. Lower oil prices results in reduced spending on our products as production or prices are cut. As a result, we historically have generated lower revenues and profits in periods of declining demand or prices for crude oil and natural gas. In the latter half of fiscal year 2014 continuing into 2016, our operating results were adversely affected due to dramatic decreases in the price of oil and our customers reduced their spending on our products as level of activity fell. Therefore, results of operations for any particular period are not necessarily indicative of the results of operations for any future period. Any future downward pricing pressure on crude oil could have a material adverse effect on our business, financial condition or results of operations. These fluctuations have had a material adverse effect on our business, financial condition and results of operations and may continue going forward.

### **Foreign Currency Exchange Risk**

The Company is exposed to certain risks relating to its ongoing business operations including foreign currency exchange rate risk and interest rate risk. For additional information regarding our foreign currency exchange risk refer to Note 16 to the consolidated financial statements included in this Annual Report.

We performed a sensitivity analysis as of December 31, 2016 based on scenarios in which market spot rates are hypothetically changed in order to produce a potential net exposure loss. The hypothetical change was based on a 10 percent strengthening or weakening in the U.S. dollar, whereby all other variables are held constant. The analysis include all of our foreign currency contracts outstanding as of December 31 for each year, as well as the offsetting underlying exposures. The sensitivity analysis indicates that a hypothetical 10 percent adverse movement in foreign currency exchange rates would result in a foreign exchange gain of \$2.7 million at December 31, 2016.

### **Interest Rate Risk**

Loans under our credit facility bear interest at variable rates which reset every 30 to 180 days depending on the rate and period selected by the Company. These loans are subject to interest rate risk as interest rates will be adjusted at each rollover date to the extent such amounts are not repaid. As of December 31, 2016, the annual rates on the revolving loans were 2.0%. If there was a hypothetical 100 basis point change in interest rates, the annual net impact to earnings and cash flows would be \$2.5 million. This hypothetical change in cash flows and earnings has been calculated based on the borrowings outstanding at December 31, 2016 and a 100 basis point per annum change in interest rate applied over a one-year period.

## **Item 8. Financial Statements and Supplementary Data**

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

## **Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (our principal executive officer and principal financial officer, respectively), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our CEO and CFO concluded that, as of December 31, 2016, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information we disclose in reports that we file or submit under the Securities and Exchange Act of 1934 is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework titled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

Management excluded CFS from our assessment of internal control over financial reporting as of December 31, 2016 because it was acquired by the Company in a purchase business combination in October 2016. The total assets and total revenues of CFS, a wholly-owned subsidiary, represent approximately \$77 million and \$19 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

Our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2016 that could materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information**

None.

## **Part III**

## **Item 10. Directors, Executive Officers and Corporate Governance**

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

### **Code of Ethics**

The Company has implemented and regularly monitors compliance with a comprehensive Code of Conduct & Business Ethics (the "Code of Conduct"), which applies uniformly to all directors, executive officers, and employees. Among other things, the Code of Conduct addresses conflicts of interest, confidentially, fair dealing, protection and proper use of Company assets, compliance with applicable law (including insider trading and anti-bribery laws), and reporting of illegal or unethical behavior. The Code of Conduct is available on the Company's website at [www.CIRCOR.com](http://www.CIRCOR.com) under the "Investors" sub link and hardcopy will be provided by the Company to any stockholder who requests it by writing to the Company's Secretary at the Company's headquarters.

## Item 11. Executive Compensation

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

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

Except for the information required by Section 201(d) of Regulation S-K which is set forth below, the information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

### EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		(b)		(c)
Equity Compensation plans approved by security holders	643,004	(1)	\$ 30.34	(4)	1,039,568
Inducement Awards for President and CEO	200,000	(2)	8.18	(4)	—
Inducement Award for Executive VP and CFO	100,000	(3)	10.77	(4)	—
Total	943,004		\$ 21.66		1,039,568

(1) Reflects 436,319 stock options and 30,615 restricted stock units granted under the Company's Amended and Restated 1999 Stock Option and Incentive Plan and 176,070 restricted stock units granted under the Company's 2014 Stock Option and Incentive Plan.

(2) Reflects stock options issued as inducement equity awards to our President and CEO on April 9, 2013 and December 2, 2013. These awards were granted pursuant to the inducement award exemption under Section 303A.08 of the NYSE Listed Company Manual. Details of these grants, including vesting terms, are set forth in Note 11, "Share-Based Compensation", to the consolidated financial statements.

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

(4) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock units, which have no exercise price.

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

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

**Item 14. Principal Accounting Fees and Services**

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

**Part IV****Item 15. Exhibits, Financial Statement Schedules****(a)(1) Financial Statements**

The financial statements filed as part of the report are listed in Part II, Item 8 of this report on the Index to Consolidated Financial Statements.

**(a)(2) Financial Statement Schedules**[Schedule II Valuation and Qualifying Accounts](#)

**Page**  
**82**

Other than our Allowance for Doubtful Accounts Rollforward included in Schedule II Valuation and Qualifying Accounts, all other schedules are omitted because they are not applicable or not required, or because the required information is included either in the consolidated financial statements or in the notes thereto.

**(a)(3) Exhibits**

References to exhibits in the table below being incorporated by reference are made in each case with respect to filings of the Company, SEC File No. 001-14962.

<b>Exhibit No.</b>	<b>Description and Location</b>
2.1*	Share Purchase Agreement, dated April 15, 2015, between CIRCOR International, Inc. and affiliates and Schroedahl-ARAPP Spezialarmaturen GmbH & Co. KG and affiliates, incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed with the SEC on April 15, 2015
2.2*	Agreement and Plan of Merger dated October 12, 2016 by and among the Company, Downstream Holding, LLC, Downstream Acquisition LLC, and Sun Downstream, LP., incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed with the SEC on October 14, 2016
3	Articles of Incorporation and By-Laws:
3.1	Amended and Restated Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q, filed with the SEC on October 29, 2009
3.2	Amended and Restated By-Laws, as amended, of the Company, incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q, filed with the SEC on October 31, 2013
10	Material Contracts:
10.1	Credit Agreement among CIRCOR International, Inc., as borrower, certain subsidiaries of CIRCOR International, Inc. as guarantors, the lenders from time to time parties thereto, Suntrust Bank as administrative agent, swing line lender and letter of credit issuer, Suntrust Robinson Humphrey, Inc. as joint-lead arranger and joint-bookrunner, Keybank Capital Markets Inc., as joint-lead arranger and joint-bookrunner, Keybank National Association as syndication agent, and Santander Bank, N.A., Branch Banking and Trust Company and HSBC Bank USA, N.A., as co-documentation agents, dated July 31, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q, filed with the SEC on August 1, 2014 (the "Credit Agreement")
10.2	First Amendment to CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan, dated as of December 1, 2005, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on December 7, 2005
10.3§	CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (as amended, the "1999 Stock Option and Incentive Plan"), incorporated herein by reference to Exhibit 4.4 to the Company's Form S-8, File No. 333-125237, filed with the SEC on May 25, 2005
10.4§	First Amendment to the 1999 Stock Option and Incentive Plan, dated as of December 1, 2005, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on December 7, 2005
10.5§	Second Amendment to the 1999 Stock Option and Incentive Plan, dated as of February 12, 2014
10.6§	Form of Non-Qualified Stock Option Agreement for Employees (Three Year Cliff Vesting) under the 1999 Stock Option and Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q, filed with the SEC on May 10, 2010
10.7§**	CIRCOR International, Inc. Amended and Restated Management Stock Purchase Plan dated as of January 1, 2017
10.8§	Form of Indemnification Agreement entered into by the Company and its directors and certain of its officers is incorporated herein by reference to Exhibit 10.12 to the Company's Form 10-K, filed with the SEC on March 12, 2003
10.9§	Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated September 1, 2009, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on October 29, 2009
10.10§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated November 4, 2010, incorporated by reference to Exhibit 10.8 to the Company's Form 8-K, filed with the SEC on November 5, 2010
10.11§	Restricted Stock Unit Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on April 15, 2013
10.12§	Performance-Based Restricted Stock Unit Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K, filed with the SEC on April 15, 2013
10.13§	Stock Option Inducement Award Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K, filed with the SEC on April 15, 2013



- 10.14§ Severance Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.4 to the Company's Form 8-K, filed with the SEC on April 15, 2013
- 10.15§ Amended Performance-Based Restricted Stock Unit Agreement, dated as of April 9, 2013, between the Company and Scott A. Buckhout, incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, filed with the SEC on April 28, 2015
- 10.16§ Executive Change of Control Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.5 to the Company's Form 8-K, filed with the SEC on April 15, 2013
- 10.17§ Performance-Based Stock Option Award Agreement, dated as of March 5, 2014, between the Company and Scott A. Buckhout, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on March 11, 2014
- 10.18§ CIRCOR International, Inc. 2014 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit A to the Company's Definitive Proxy Statement, filed with the SEC on March 21, 2014 (the "2014 Stock Option and Incentive Plan")
- 10.19§ First Amendment to 2014 Stock Option and Incentive Plan, dated December 31, 2014, incorporated herein by reference to Exhibit 10.36 to the Company's Form 10-K for the year ended December 31, 2014 filed with the SEC on February 18, 2015
- 10.20§ Executive Change of Control Agreement, dated as of March 5, 2015, between the Company and Erik Wiik, incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on April 28, 2015
- 10.21§ Executive Change of Control Agreement, dated as of June 10, 2015, between the Company and Andrew Farnsworth, incorporated herein by reference to the Company's Form 10-Q filed with the SEC on July 29, 2015
- 10.22§ Executive Change of Control Agreement, dated as of January 8, 2016, between the Company and David Mullen, incorporated herein by reference to the Company's Form 10-K filed with the SEC on February 23, 2016
- 10.23§ Severance Agreement, dated as of March 19, 2014, between the Company and Vincent Sandoval, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on April 22, 2014
- 10.24§ Executive Change of Control Agreement, dated as of March 19, 2014, between the Company and Vincent Sandoval, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on April 22, 2014
- 10.25§ Inducement Restricted Stock Unit Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.35 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.26§ Stock Option Inducement Award Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.36 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.27§ Severance Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.37 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.28§ Executive Change of Control Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.38 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.29§\*\* Form of Performance-Based Restricted Stock Unit Agreement For Employees and Directors under the Amended and Restated 1999 Stock Option And Incentive Plan
- 10.30§\*\* Form of Management Stock Purchase Plan Restricted Stock Unit Agreement For Employees and Directors under the CIRCOR International, Inc. Amended and Restated 1999 Stock Option And Incentive Plan
- 10.31§\*\* Form of Restricted Stock Unit Agreement For Directors under the Company 2014 Stock Option And Incentive Plan
- 10.32§\*\* Form of Performance-Based Restricted Stock Unit Agreement For Employees and Directors under the 2014 Stock Option And Incentive Plan
- 10.33§\*\* Form of Management Stock Purchase Plan Restricted Stock Unit Agreement For Employees and Directors under the CIRCOR International, Inc. 2014 Stock Option And Incentive Plan
- 10.34§\*\* Form of Non-Qualified Stock Option Agreement for Employees under the Company 2014 Stock Option And Incentive Plan
- 10.35§\*\* Form of Restricted Stock Unit Agreement For Employees under the Company 2014 Stock Option And Incentive Plan
- 10.36§\*\* Executive Change of Control Agreement, dated as of November 7, 2016, between CIRCOR International, Inc. and Jennifer H. Allen
- 10.37§\*\* Executive Change of Control Agreement, dated as of October 26, 2016, between CIRCOR International, Inc. and Sumit Mehrotra

10.38§**	Severance Agreement, dated as of December 9, 2016, between CIRCOR International, Inc. and Jennifer H. Allen
10.39§**	Severance Agreement, dated as of December 9, 2016, between CIRCOR International, Inc. and Sumit Mehrotra
10.40§	Stock Option Inducement Award Agreement, dated as of April 9, 2013, between the Company and Scott A. Buckhout, incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K, filed with the SEC on April 15, 2013
21**	Schedule of Subsidiaries of CIRCOR International, Inc.
23.1**	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
23.2**	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm
31.1**	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2**	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1***	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from CIRCOR International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC on February 21, 2017, formatted in XBRL (eXtensible Business Reporting Language), as follows:
(i)	Consolidated Balance Sheets as of December 31, 2016 and 2015
(ii)	Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014
(iii)	Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2016, 2015 and 2014
(iv)	Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
(v)	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014
(vi)	Notes to the Consolidated Financial Statements
*	The Company hereby agrees to provide the Commission, upon request, copies of any omitted exhibits or schedules to this exhibit required by Item 601(b)(2) of Regulation S-K.
**	Filed with this report.
***	Furnished with this report.
§	Indicates management contract or compensatory plan or arrangement.

## Item 16. Form 10-K Summary

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIRCOR INTERNATIONAL, INC.

By: /s/ Scott A. Buckhout  
 Scott A. Buckhout  
 President and Chief Executive Officer

Date: February 21, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Scott A. Buckhout</u> Scott A. Buckhout	President and Chief Executive Officer (Principal Executive Officer)	February 21, 2017
<u>/s/ Rajeev Bhalla</u> Rajeev Bhalla	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 21, 2017
<u>/s/ David F. Mullen</u> David F. Mullen	Vice President and Corporate Controller (Principal Accounting Officer)	February 21, 2017
<u>/s/ David F. Dietz</u> David F. Dietz	Chairman of the Board of Directors	February 21, 2017
<u>/s/ Helmuth Ludwig</u> Helmuth Ludwig	Director	February 21, 2017
<u>/s/ Douglas M. Hayes</u> Douglas M. Hayes	Director	February 21, 2017
<u>/s/ John A. O'Donnell</u> John A. O'Donnell	Director	February 21, 2017
<u>/s/ Peter M. Wilver</u> Peter M. Wilver	Director	February 21, 2017

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for the years then ended present fairly, in all material respects, the financial position of CIRCOR International, Inc. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule as of and for the years ended December 31, 2016 and 2015 listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Critical Flow Solutions from its assessment of internal control over financial reporting as of December 31, 2016 because Critical Flow Solutions was acquired by the Company in a purchase business combination during 2016. We have also excluded Critical Flow Solutions from our audit of internal control over financial reporting. Critical Flow Solutions is a wholly-owned subsidiary whose total assets and total revenues represent approximately \$77 million and \$19 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 21, 2017

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the balance sheet of CIRCOR International, Inc. (the “Company”) as of December 31, 2014 (not presented herein), and the related consolidated statements of income, comprehensive (loss) income, changes in shareholders’ equity and cash flows for the year ended December 31, 2014. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15 (a)(2). These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of CIRCOR International Inc. and subsidiaries for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Boston, Massachusetts

February 18, 2015

(except for the effects of the change in reportable segments, as discussed in Note 17, as to which the date is February 21, 2017)

**CIRCOR INTERNATIONAL, INC.**  
**Consolidated Balance Sheets**  
(in thousands, except share and per share data)

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 58,279	\$ 54,541
Trade accounts receivable, less allowance for doubtful accounts of \$5,056 and \$8,290, respectively	133,046	125,628
Inventories	149,584	177,840
Prepaid expenses and other current assets	29,557	16,441
<b>Total Current Assets</b>	<b>370,466</b>	<b>374,450</b>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>99,713</b>	<b>87,029</b>
<b>OTHER ASSETS:</b>		
Goodwill	206,659	115,452
Intangibles, net	135,778	48,981
Deferred income taxes	4,824	36,799
Other assets	3,316	7,204
<b>TOTAL ASSETS</b>	<b>\$ 820,756</b>	<b>\$ 669,915</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 46,767	\$ 64,284
Accrued expenses and other current liabilities	50,707	59,463
Accrued compensation and benefits	20,249	18,424
<b>Total Current Liabilities</b>	<b>117,723</b>	<b>142,171</b>
<b>LONG-TERM DEBT</b>	<b>251,200</b>	<b>90,500</b>
<b>DEFERRED INCOME TAXES</b>	<b>13,657</b>	<b>10,424</b>
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>33,766</b>	<b>26,043</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 14)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 29,000,000 shares authorized; 16,445,363 and 16,364,299 shares issued and outstanding at December 31, 2016 and 2015, respectively	178	177
Additional paid-in capital	289,423	283,621
Retained earnings	265,543	257,939
Common treasury stock, at cost (1,372,488 and 1,381,784) shares at December 31, 2016 and 2015)	(74,472)	(74,972)
Accumulated other comprehensive loss, net of tax	(76,262)	(65,988)
<b>Total Shareholders' Equity</b>	<b>404,410</b>	<b>400,777</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 820,756</b>	<b>\$ 669,915</b>

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

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

	Year Ended December 31,		
	2016	2015	2014
Net revenues	\$ 590,259	\$ 656,267	\$ 841,446
Cost of revenues	407,144	456,935	584,426
GROSS PROFIT	183,115	199,332	257,020
Selling, general and administrative expenses	154,818	156,302	178,800
Impairment charges	208	2,502	726
Special and restructuring charges, net	17,171	14,354	12,737
OPERATING INCOME	10,918	26,174	64,757
Other expense (income):			
Interest expense, net	3,310	2,844	2,652
Other (income) expense, net	(2,072)	902	(1,156)
TOTAL OTHER EXPENSE, NET	1,238	3,746	1,496
INCOME BEFORE INCOME TAXES	9,680	22,428	63,261
(Benefit from) Provision for income taxes	(421)	12,565	12,875
NET INCOME	\$ 10,101	\$ 9,863	\$ 50,386
Earnings per common share:			
Basic	\$ 0.62	\$ 0.59	\$ 2.85
Diluted	\$ 0.61	\$ 0.58	\$ 2.84
Weighted average common shares outstanding:			
Basic	16,418	16,850	17,660
Diluted	16,536	16,913	17,768
Dividends paid per common share	\$ 0.15	\$ 0.15	\$ 0.15

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

CIRCOR INTERNATIONAL, INC.  
Consolidated Statements of Comprehensive (Loss) Income  
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income	\$ 10,101	\$ 9,863	\$ 50,386
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(14,866)	(31,775)	(30,658)
Other changes in pension plan assets - recognized actuarial gains (losses) (1)	1,441	262	(6,863)
Net periodic pension costs amortization (2)	3,152	(529)	(322)
Other comprehensive (loss), net of tax	(10,273)	(32,042)	(37,843)
COMPREHENSIVE (LOSS) INCOME	\$ (172)	\$ (22,179)	\$ 12,543

(1) Net of an income tax effect of \$0.8 million, \$0.0 million, and \$(4.2) million for the years ended December 31, 2016, 2015 and 2014, respectively.

(2) Net of an income tax effect of \$1.8 million, \$(0.2) million, and \$(0.2) million for the years ended December 31, 2016, 2015 and 2014, respectively.

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



**CIRCOR INTERNATIONAL, INC.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 10,101	\$ 9,863	\$ 50,386
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,304	14,254	16,446
Amortization	12,316	9,681	3,116
Provision for bad debt expense	2,330	2,561	7,817
Loss on write down of inventory	9,297	15,404	12,993
Impairment charges	208	2,502	726
Compensation expense of share-based plans	5,545	6,579	7,188
Tax effect of share-based plan compensation	145	(134)	(756)
Pension settlement charge	4,457	—	—
Deferred income tax (benefit) expense	(10,737)	781	(2,740)
Loss (gain) on disposal of property, plant and equipment	3,708	305	(79)
(Gain) loss on sale of businesses	—	(1,044)	3,413
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Trade accounts receivable	18,536	20,393	(38,439)
Inventories	36,092	(14,446)	(16,945)
Prepaid expenses and other assets	2,454	(4,786)	884
Accounts payable, accrued expenses and other liabilities	(48,357)	(34,771)	26,816
Net cash provided by operating activities	59,399	27,142	70,826
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(14,692)	(12,711)	(12,810)
Proceeds from the sale of property, plant and equipment	1,700	2,209	791
Proceeds from divestitures	—	2,759	10,177
Business acquisitions, net of cash acquired	(197,489)	(79,983)	—
Net cash used in investing activities	(210,481)	(87,726)	(1,842)
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	323,200	261,394	150,062
Payments of long-term debt	(162,540)	(182,004)	(185,361)
Debt issuance costs	—	—	(920)
Dividends paid	(2,497)	(2,559)	(2,681)
Proceeds from the exercise of stock options	246	258	420
Tax effect of share-based plan compensation	(145)	134	756
Sales (purchases) of treasury stock	500	(74,972)	—
Net cash provided by (used in) financing activities	158,764	2,251	(37,724)
Effect of exchange rate changes on cash and cash equivalents	(3,944)	(8,498)	(12,163)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,738</b>	<b>(66,831)</b>	<b>19,097</b>
Cash and cash equivalents at beginning of year	54,541	121,372	102,275
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 58,279</b>	<b>\$ 54,541</b>	<b>\$ 121,372</b>
Cash paid during the year for:			
Income taxes	\$ 10,650	\$ 15,049	\$ 16,672
Interest	\$ 2,908	\$ 1,992	\$ 2,476

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

CIRCOR INTERNATIONAL, INC.  
Consolidated Statements of Shareholders' Equity  
(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Shareholders' Equity
	Shares	Amount					
BALANCE AT DECEMBER 31, 2013	17,611	\$ 176	\$ 269,884	\$ 202,930	\$ 3,897	\$ —	\$ 476,887
Net income				50,386			50,386
Other comprehensive loss, net of tax					(37,843)		(37,843)
Common stock dividends declared				(2,681)			(2,681)
Stock options exercised	13	—	419				419
Tax effect of share-based plan compensation			756				756
Conversion of restricted stock units	58	1	(1,020)				(1,019)
Share-based plan compensation			7,188				7,188
BALANCE AT DECEMBER 31, 2014	17,682	\$ 177	\$ 277,227	\$ 250,635	\$ (33,946)	\$ —	\$ 494,093
Net income				9,863			9,863
Other comprehensive loss, net of tax					(32,042)		(32,042)
Common stock dividends declared				(2,559)			(2,559)
Stock options exercised	8		258				258
Tax effect of share-based plan compensation			134				134
Conversion of restricted stock units	56	—	(577)				(577)
Share-based plan compensation			6,579				6,579
Repurchase of common stock	(1,382)					(74,972)	(74,972)
BALANCE AT DECEMBER 31, 2015	16,364	\$ 177	\$ 283,621	\$ 257,939	\$ (65,988)	\$ (74,972)	\$ 400,777
Net income				10,101			10,101
Other comprehensive loss, net of tax					(10,273)		(10,273)
Common stock dividends declared				(2,497)			(2,497)
Stock options exercised	6		245				245
Tax effect of share-based plan compensation			(145)				(145)
Conversion of restricted stock units	66	1	156				157
Share-based plan compensation			5,545				5,545
Sales of common stock	9					500	500
BALANCE AT DECEMBER 31, 2016	16,445	\$ 178	\$ 289,422	\$ 265,543	\$ (76,261)	\$ (74,472)	\$ 404,410

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

**CIRCOR INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statements**

**(1) Description of Business**

CIRCOR International, Inc. ("CIRCOR" or the "Company" or "we") designs, manufactures and distributes a broad array of valves and related flow control products and certain services to a variety of end-markets for use in a wide range of applications to optimize the efficiency and/or ensure the safety of flow control systems. We have a global presence and operate major manufacturing facilities in North America, Western Europe, Morocco, and India.

We have organized our business segment reporting structure into two segments: CIRCOR Energy ("Energy segment" or "Energy") and CIRCOR Advanced Flow Solutions ("Advanced Flow Solutions" or "AFS"). Refer to Note 17 for further information about our segments.

**(2) Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation**

The consolidated financial statements include the accounts of CIRCOR and its subsidiaries. The results of companies acquired during the year are included in the consolidated financial statements from the date of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications have no effect on the previously reported net income.

**Use of Estimates**

The preparation of these financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Some of the more significant estimates relate to acquisition accounting, estimated total costs for ongoing long-term contracts accounted for under the percentage of completion method, inventory valuation, share-based compensation, amortization and impairment of long-lived assets, pension obligations, income taxes, penalty accruals for late shipments, asset valuations, and product warranties. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ materially from those estimates.

**Revenue Recognition and Accounts Receivable Allowances**

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, no significant post delivery obligations remain, the price to the buyers is fixed or determinable and collection of the resulting receivable is reasonably assured. Revenues and costs on certain long-term capital contracts for refinery valves are recognized on the percentage-of-completion method measured on the basis of costs incurred to estimated total costs for each contract. This method is used because management considers it to be the best available measure of progress towards completion on these contracts. Revenues and costs on contracts are subject to revision throughout the duration of the contracts, and any required adjustments are made in the period in which a revision becomes known. Estimated losses on contracts in progress are recognized in the period in which a loss becomes known. Unbilled receivables for net revenues recognized in excess of the amounts billed for active projects are recognized within other current assets on the balance sheet.

The Company provides for the estimated costs to fulfill customer warranty obligations upon the recognition of the related revenue. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues. We recognize revenue net of sales returns, rebates, penalties, and discounts. Accounts receivable allowances include sales returns and bad debt allowances. The Company monitors and tracks the amount of product returns and reduces revenue at the time of shipment for the estimated amount of such future returns, based on historical experience. The Company makes estimates evaluating its allowance for doubtful accounts. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. Account balances are charged off against the allowance when the company believes it is probable the receivable will not be recovered.

## Cost of Revenue

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

## Inventories

Inventories are stated at the lower of cost or market. Cost is generally determined on the first-in, first-out (“FIFO”) basis. Where appropriate, standard cost systems are utilized for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual cost. We typically analyze our inventory aging and projected future usage on a quarterly basis to assess the adequacy of our inventory allowance, which primarily consist of obsolescence and net realizable value estimates. These estimates are measured on an item-by-item basis determined based on the difference between the cost of the inventory and estimated market value. The provision for inventory allowance is a component of our cost of revenues. Assumptions about future demand are among the primary factors utilized to estimate market value. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Our inventory balance was \$150 million as of December 31, 2016, compared to \$178 million as of December 31, 2015. Our inventory allowances, which include amounts primarily for obsolescence and net realizable value estimates was \$24 million as of December 31, 2016, compared to \$28 million as of December 31, 2015.

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

## Penalty Accruals

Certain customer agreements, primarily in our long-cycle project related businesses and large aerospace programs, contain late shipment penalty clauses whereby we are contractually obligated to pay consideration to our customers if we do not meet specified shipment dates. The accrual for estimated penalties is shown as a reduction of revenue and is based on several factors including historical customer settlement experience and management’s assessment of specific shipment delay information. Accruals related to these potential late shipment penalties as of December 31, 2016 and 2015 were \$5 million and \$6 million, respectively. As we conclude performance under these agreements, the actual amount of consideration paid to our customers may vary from the amounts we currently have accrued.

## Business Acquisitions

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

The consideration for our acquisitions may include future payments that are contingent upon the occurrence of a particular event. For acquisitions that qualify as business combinations, we record an obligation for such contingent payments at fair value on the acquisition date. We estimate the fair value of contingent consideration obligations through valuation models that incorporate probability adjusted assumptions related to the achievement of the milestones and thus likelihood of making related payments or by using a Monte Carlo simulation model. We revalue these contingent consideration obligations each reporting period. Changes in the fair value of our contingent consideration obligations are recognized within general and administrative expense in our consolidated statements of income.

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

## Legal Contingencies

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

For more information related to our outstanding legal proceedings, see "Contingencies, Commitments and Guarantees" in Note 14 of the consolidated financial statements.

## Goodwill

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

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

On October 28, 2016, we announced a realignment of our businesses from Energy and Aerospace & Defense into: Energy and Advanced Flow Solutions. The Energy segment includes all of the historical businesses focused on the Oil & Gas markets and the Critical Flow Solutions ("CFS") business (acquired in Q4 2016) and excludes certain businesses that operate in the industrial, power and process markets (also referred to as the Control Valves businesses). The Advanced Flow Solutions segment includes all of the Aerospace & Defense businesses and the Control Valve businesses. Management began reporting the new segments during the fourth quarter of 2016. Our announced realignment was a triggering event under ASC 350-20 to test goodwill for impairment given the intended change in composition of our historical Energy and Aerospace & Defense reporting units. As such, during the fourth quarter of 2016, we performed a step one analysis on our historical reporting units. The fair value of each reporting unit exceeded the respective carrying amount, and no goodwill impairments were necessary.

As part of the realignment of our organizational structure, we re-evaluated our reporting units for purposes of goodwill impairment testing in accordance with ASC 350-20, which defines a reporting unit as an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available for which segment management regularly reviews the operating results of that component. For the year ended December 31, 2016, we determined our Energy operating segment to be a reporting unit. We also identified the following two components of the Advanced Flow Solutions operating segment to be reporting units: (i) Aerospace; and (ii) Power, Process and Industrial Solutions.

As such, during the fourth quarter of 2016, we performed a step one analysis on our legacy and new reporting units. The fair value of each reporting unit exceeded the respective carrying amount, and no goodwill impairments were necessary. The goodwill balances for Energy, Aerospace and Power, Process and Industrial Solutions as of December 31, 2016 were \$144.4 million, \$21.5 million and \$40.8 million, respectively.

For more information related to our Goodwill, see "Goodwill and Other Intangible Assets" in Note 7 of the consolidated financial statements.

#### Indefinite-Lived Intangible Assets

For intangible assets with indefinite lives, we perform an impairment assessment at the asset level on an annual basis as of the end of our October month end or more frequently if circumstances warrant. Indefinite-lived intangible assets, such as trade names, are generally recorded and valued in connection with a business acquisition. These assets are reviewed at least annually for impairment, or more frequently if facts and circumstances warrant. We also utilized a fair value calculation to evaluate these intangibles. Determining the fair value is subjective and requires the use of significant estimates and assumptions. With the assistance of an independent third-party appraisal firm, we estimate the fair value using an income approach based on the present value of future cash flows. We note the fair value of each individual indefinite-lived asset exceeded the respective carrying amount, and no intangible impairments were recorded.

For more information related to our Intangible Assets, see "Goodwill and Other Intangible Assets" in Note 7 of the consolidated financial statements.

#### Other Long-Lived Assets

In accordance with ASC 360, Plant, Property, and Equipment, we perform impairment analyses of our long-lived assets, such as property, plant and equipment, whenever events and circumstances indicate that they may be impaired. When the undiscounted future cash flows are expected to be less than the carrying value of identified asset groupings being reviewed for impairment, the asset groupings are written down to fair value.

See Note 6 to the consolidated financial statements for further information on impairment of other long-lived assets.

#### Pension Benefits

Pension obligations and other post-retirement benefits are actuarially determined and are affected by several assumptions including the discount rate and projected annual rates of return on plan assets. Changes in discount rate and differences from actual results will affect the amounts of pension and other post-retirement expense recognized in future periods. These assumptions may also have an effect on the amount and timing of future cash contributions.

As required in the recognition and disclosure provisions of ASC Topic 715, Compensation - Retirement Benefits, the Company recognizes the over-funded or under-funded status of defined benefit post-retirement plans in its balance sheet, measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other post-retirement plans). The change in the funded status is the net of the recognized net periodic benefit cost, cash contributions to the trust/benefits paid directly by CIRCOR and recognized changes in other comprehensive income. Other comprehensive income changes are due to new actuarial gains and losses and new plan amendments and the amortizations of amounts in the net periodic benefit cost.

Unrecognized actuarial gains and losses in excess of the 10% corridor (defined as the threshold above which gains or losses need to be amortized) are being recognized over approximately a twenty-six year period for the qualified plan, and a twenty years period for the nonqualified plan, which represents the weighted average expected remaining life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected returns and actual returns on plan assets.

In the third quarter of 2016, management offered a lump sum cash payout option to terminated and vested pension plan participants. In connection with this action, the window for participants who opt to avail themselves of this program closed in September 2016. See Note 13 of the consolidated financial statements for further information on our employee benefit plans.

## Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if we anticipate that it is more likely than not that we may not realize some or all of a deferred tax asset.

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

If future results of operations exceed our current expectations, our existing tax valuation allowances may be adjusted, resulting in future tax benefits. Alternatively, if future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realizable. Consequently, we may need to establish additional tax valuation allowances for a portion or all of the gross deferred tax assets, which may have a material adverse effect on our results of operations.

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

For more information related to our Income Taxes, see "Income Taxes" in Note 8 of the consolidated financial statements.

## Share-Based Compensation

Share-based compensation costs are based on the grant date fair value estimated in accordance with the provisions of ASC 718, Accounting for Share Based Payments, and these costs are recognized over the requisite vesting period. The Black-Scholes option pricing model is used to estimate the fair value of each stock option grant at the date of grant excluding the 2013 and 2014 CEO and CFO stock option awards which are valued using the Monte Carlo option pricing model as these are market condition awards. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historic volatility of the Company's stock price. The risk-free interest rate is derived from the U.S. Treasury Yield curve in effect at the time of the grant. The model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data.

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

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

## Environmental Compliance and Remediation

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations, which do not contribute to current or future revenue generation, are expensed. Expenditures that meet the criteria of "Regulated Operations" are capitalized. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. In accordance with ASC 450, Contingencies, estimated costs are based upon current laws and regulations, existing technology and the most probable method of remediation.

## Foreign Currency

Our international subsidiaries operate and report their financial results using local functional currencies. Accordingly, all assets, liabilities, revenues and costs of these subsidiaries are translated into United States dollars using exchange rates in effect at the end of the relevant periods. The resulting translation adjustments are presented as a separate component of other comprehensive income. We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries.

Our net foreign exchange losses / (gains) recorded for the years ended December 31, 2016, 2015 and 2014 were \$2.1 million, \$0.8 million, and \$(1.1) million, respectively. See Note 16, "Fair Value", of the consolidated financial statements for additional information on foreign currency exchange risk.

## Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the number of weighted average common shares outstanding. Diluted earnings per common share is calculated by dividing net income by the weighted average common shares outstanding and assumes the conversion of all dilutive securities when the effects of such conversion would not be anti-dilutive.

Earnings per common share and the weighted average number of shares used to compute net earnings per common share, basic and assuming full dilution, are reconciled below (in thousands, except per share data):

	Year Ended December 31,								
	2016			2015			2014		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	\$ 10,101	16,418	\$ 0.62	\$ 9,863	16,850	\$ 0.59	\$ 50,386	17,660	\$ 2.85
Dilutive securities, principally common stock options		118	(0.01)		63	(0.01)		108	(0.01)
Diluted EPS	\$ 10,101	16,536	\$ 0.61	\$ 9,863	16,913	\$ 0.58	\$ 50,386	17,768	\$ 2.84

Certain stock options to purchase common shares and restricted stock units ("RSUs") were anti-dilutive. There were 36,281 anti-dilutive options and RSUs for the year ended December 31, 2016 with exercise prices ranging from \$70.42 to \$79.33. There were 297,915 anti-dilutive options and RSUs for the year ended December 31, 2015 with exercise prices ranging from \$41.17 to \$79.33. There were 129,329 anti-dilutive options and RSUs for the year ended December 31, 2014 with exercise prices ranging from \$64.94 to \$79.33.

As of December 31, 2016, there were 3,040 outstanding restricted stock units that contain rights to nonforfeitable dividend equivalents and are considered participating securities that are included in our computation of basic and fully diluted earnings per share.

## Cash and Cash Equivalents

Our cash equivalents are invested in time deposits of financial institutions. We have established guidelines relative to credit ratings, diversification and maturities that are intended to maintain safety and liquidity. Cash equivalents include highly liquid investments with maturity periods of three months or less when purchased.

## Other Assets

Other assets in the accompanying consolidated balance sheets include deferred debt issuance costs, tax receivable and other assets.

## Fair Value

ASC Topic 820, Fair Value Measurement, defines fair value and includes a framework for measuring fair value and disclosing fair value measurements in financial statements. Fair value is a market-based measurement rather than an entity-specific measurement. The fair value hierarchy makes a distinction between assumptions developed based on market data obtained from independent sources (observable inputs) and the reporting entity's own assumptions (unobservable inputs). This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest



priority to unobservable inputs (Level 3). We utilize fair value measurements for forward currency contracts, guarantee and indemnification obligations, pension plan assets, and certain intangible assets.

See Note 16, "Fair Value", of the consolidated financial statements for additional information on fair value.

## Derivative Financial Instruments

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

See Note 16, "Fair Value", of the consolidated financial statements for additional information on derivative financial instruments.

## Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the assets, which typically range from 3 to 40 years for buildings and improvements, 3 to 10 years for manufacturing machinery and equipment, computer equipment and software, and furniture and fixtures. Motor vehicles are depreciated over a range of 2 to 6 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred.

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

See Note 6, "Property, Plant and Equipment", of the consolidated financial statements for additional information.

## Research and Development

Research and development expenditures, including certain engineering costs, are expensed when incurred and are included in selling, general and administrative expenses. Our research and development expenditures for the years ended December 31, 2016, 2015 and 2014 were \$5.9 million, \$5.9 million and \$7.8 million, respectively.

## New Accounting Standards

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which amends the presentation for statement of cash flows. The new guidance requires amounts generally included within the cash flow as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective for reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The new guidance is required to be applied using a retrospective transition method to each period presented. We are currently evaluating the requirements of ASU 2016-18 and have not yet determined its impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other than Inventory, which amends the accounting for income taxes. The new guidance requires the recognition of the income tax consequences of an intra-entity asset transfer, other than transfers of inventory, when the transfer occurs. For intra-entity transfers of inventory, the income tax effects will continue to be deferred until the inventory has been sold to a third party. The ASU is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The new guidance is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the requirements of ASU 2016-16 and have not yet determined its impact on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 reduces the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This ASU addresses eight specific cash flow issues with the objective of enhancing consistency in presentation and classification. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the requirements of ASU 2016-15 and have not yet determined its impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 outlines a model for lessees by recognizing all lease-related assets and liabilities on the balance sheet. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. We are currently evaluating the requirements of ASU 2016-02 and have not yet determined its impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The areas for simplification in this update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of ASU 2016-09 is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory. ASU 2015-11 more closely aligns the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards ("IFRS"). The amendments in this Update require that an entity should measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We intend to adopt the standard prospectively after the effective date of January 1, 2017. The adoption of ASU 2015-11 is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which amends existing guidance on income taxes to require the classification of all deferred tax assets and liabilities as non-current on the balance sheet. As permitted, the Company elected to early adopt this guidance effective December 31, 2015, and has applied the guidance prospectively.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, provide certain footnote disclosures. This ASU is effective for annual periods ending after December 15, 2016, including interim reporting periods thereafter. The adoption of ASU 2014-15 did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted but not earlier than the original effective date of December 15, 2016. An entity should apply ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized as an adjustment to the opening balance of retained earnings at the date of initial application. In March, April and May 2016, the FASB issued additional updates to the new revenue standard relating to reporting revenue on a gross versus net basis, identifying performance obligations and licensing arrangements, and narrow-scope improvements and practical expedients, respectively. We will not early adopt this new standard and are currently evaluating the requirements. Our final determination will depend on a number of factors, such as the significance of the impact of the new standard on our financial results, system readiness, and our ability to accumulate and analyze the information necessary to assess the impact on prior period financial statement.

### (3) Business Acquisitions

#### *CFS Acquisition*

On October 12, 2016, the Company, entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, Downstream Holding, LLC, a Delaware limited liability company (“Downstream”), Downstream Acquisition LLC, a Delaware limited liability company and subsidiary of the Company, and Sun Downstream, LP, a Delaware limited partnership to acquire all of the outstanding units of Downstream. Subsidiaries of Downstream, which do business as Critical Flow Solutions (“CFS”), manufacture critical severe service equipment for refining operations. This acquisition diversifies CIRCOR’s revenue base by providing further penetration into the downstream refining market as well as increased aftermarket revenues. CFS brings a portfolio of high technology valves and automation equipment for severe-service applications. Under its DeltaValve brand, CFS offers solutions for the delayed coking process in refineries, and under its TapcoEnpro brand, the company provides solutions for the fluid catalytic cracking process in refineries. CFS has a total of approximately 200 employees at its Salt Lake City, Utah headquarters, Houston, Texas facilities and Barnsley, England service center.

The consideration payable by the Company pursuant to the terms of the Merger Agreement is \$195.0 million, subject to (i) up to an additional \$15.0 million payable pursuant to an earn-out relating to achievement of specified business performance targets by the acquired business in the twelve month period ended September 30, 2017, (ii) increase or decrease based on deviation, subject to certain limitations, from a working capital target, (iii) decrease for indebtedness and certain transaction expenses of CFS, (iv) increase for the amount of CFS cash as of the closing, and (v) a potential increase for certain transaction related tax benefits, net of certain adjustments, if and when realized by the Company. The total consideration paid at closing on October 13, 2016 was approximately \$198.0 million in cash, net of cash acquired and including amounts paid at closing for estimated adjustments for CFS working capital, the repayment of CFS outstanding indebtedness and payment of certain transaction expenses. The Company funded the purchase price and payments at closing from borrowings under the Company’s existing credit agreement.

The estimated fair value of the earn-out as of the acquisition date was \$12.2 million, based on a Monte Carlo simulation model. The estimated undiscounted range of outcomes for the contingent consideration will be in the range of zero to \$15.0 million at the acquisition date. If the minimum target is met \$7.5 million will be earned. We will re-evaluate the fair value of the earn-out on a quarterly basis and recognize any change in estimate in general and administrative expense. As of December 31, 2016 there has been no change in our fair value estimate of the earn-out as of the acquisition date.

The operating results of CFS have been included in our consolidated financial statements from the date of acquisition reported within the Energy segment. Acquisition-related costs of \$1.0 million, which primarily consisted of legal and financial advisory services, were expensed at corporate during the fourth quarter of 2016.

The purchase price allocation is based upon a preliminary valuation of assets and liabilities that was prepared with assistance from a third party valuation specialist. The estimates and assumptions are subject to change as we obtain additional information during the measurement period (up to one year from the acquisition date). The purchase accounting is expected to be finalized in the third quarter of 2017. The assets and liabilities pending finalization include the valuation of acquired intangible assets, certain operating liabilities, and the evaluation of deferred income taxes. Differences between the preliminary and final valuation could have a material impact on our future results of operations and financial position.

The following table summarizes the preliminary fair value of the assets acquired and the liabilities assumed, at the date of acquisition:

(in thousands)

Cash and cash equivalents	\$	6,603
Accounts receivable		28,128
Unbilled receivable		10,786
Inventory		18,701
Prepaid and other current assets		4,380
Property, plant and equipment		20,869
Identifiable intangible assets		101,600
Accounts payable		(11,655)
Accrued and other expenses		(8,482)
Deferred revenue		(3,997)
Deferred income taxes		(42,660)
Total identifiable net assets	\$	124,273
Goodwill		93,228
Total purchase price	\$	217,501

The fair value of accounts receivable acquired approximates the contractual value of \$28.1 million. The excess of purchase price paid over the fair value of CFS' net assets was recorded to goodwill, which is primarily attributable to projected future profitable growth, market penetration, as well as an expanded customer base for the Energy segment. Goodwill is not deductible for income tax purposes.

The CFS acquisition resulted in the identification of the following identifiable intangible assets:

	Intangible assets acquired (in thousands)	Weighted average amortization period (in years)
Customer relationship	\$ 49,600	14
Existing technology	25,800	10
Trade name	24,100	Indefinite
Aftermarket backlog	2,100	1
Total intangible assets	\$ 101,600	

The fair value of the intangible assets was based on variations of the income approach, which estimates fair value based on the present value of cash flows that the assets are expected to generate. These approaches included the relief-from-royalty method, incremental cash flow method, multi-period excess earnings method and direct cash flow method, depending on the intangible asset being valued. Customer relationships, aftermarket backlog, and existing technology are amortized on a cash flow basis which reflects the economic benefit consumed. The tradename was assigned an indefinite life based on the Company's intention to keep the DeltaValve and TapcoEnpro names for an indefinite period of time. Refer to Note 7 for future expected amortization to be recorded.

The results of operations of CFS have been included in our consolidated financial statements beginning on the acquisition date. The results for the year ended December 31, 2016 include \$18.9 million of net revenue, and \$0.5 million of operating income, respectively.

The following unaudited pro forma information presents the combined results of operations as if the acquisition had been completed on January 1, 2015, the beginning of the comparable prior annual reporting period. The unaudited pro forma results include: (i) amortization associated with preliminary estimates for the acquired intangible assets; (ii) interest expense on borrowings in connection with the acquisition; and (iii) the associated tax impact on these unaudited pro forma adjustments.

The unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies or the effect of the incremental costs incurred in integrating the two companies. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations (in thousands):

(Unaudited)	Year ended December 31,	
	2016	2015
Net Revenues	\$ 710,825	\$ 776,833
Net Income	\$ 13,578	\$ 8,954

#### *Schroedahl Acquisition*

On April 15, 2015, we acquired all of the outstanding equity interest of Germany-based Schroedahl, a privately-owned manufacturer of safety and control valves primarily serving the power generation market. Founded in 1962 with customers in Asia, Europe and the Americas, Schroedahl designs and manufactures custom-engineered high-pressure auto-recirculation and control valves primarily for pump protection applications. We acquired Schroedahl for an aggregate purchase price of \$79.9 million in cash, net of acquired cash. We acquired Schroedahl to further increase our penetration into the power generation market. The operating results of Schroedahl have been included in our consolidated financial statements from the date of acquisition reported within the Energy segment. Acquisition-related costs of \$0.9 million, which primarily consisted of legal and financial advisory services, were expensed as incurred in general and administrative expenses during the twelve months ended December 31, 2015. We financed the acquisition of Schroedahl through cash on hand and net borrowings of approximately \$23.8 million under our existing credit facility.

The purchase price allocation is based upon a valuation of assets and liabilities that was prepared with assistance from a third party valuation specialist. The purchase accounting was finalized during the first quarter of 2016. The assets and liabilities include the valuation of acquired intangible assets, certain operating liabilities, and the evaluation of deferred income taxes.

The following table summarizes the fair value of the assets acquired and the liabilities assumed, at the date of acquisition:

(in thousands)	
Cash and cash equivalents	\$ 36,316
Other current assets	11,470
Property, plant and equipment	1,999
Identifiable intangible assets	32,829
Current liabilities	(5,452)
Deferred income taxes	(7,285)
Other non-current liabilities	(642)
Total identifiable net assets	69,235
Goodwill	46,818
Total purchase price	\$ 116,053

The fair value of accounts receivable acquired approximates the contractual value of \$4.3 million. The goodwill recognized is attributable primarily to projected future profitable growth, market penetration, as well as an expanded customer base for the Energy segment. The goodwill arising from the acquisition that is deductible for income tax purposes is \$13.2 million.

The Schroedahl acquisition resulted in the identification of the following identifiable intangible assets:

	Intangible assets acquired (in thousands)	Weighted average amortization period (in years)
Customer relationships	\$ 22,185	7
Order backlog	3,993	1
Acquired technology	2,260	10
Tradename	4,391	Indefinite
Total intangible assets	\$ 32,829	

The fair value of the intangible assets was based on variations of the income approach, which estimates fair value based on the present value of cash flows that the assets are expected to generate which included the relief-from-royalty method, incremental cash flow method, multi-period excess earnings method and direct cash flow method, depending on the intangible asset being valued. Customer relationships, order backlog, and acquired technology are amortized on a cash flow basis. The trade name was assigned an indefinite life based on the Company's intention to keep the Schroedahl name for an indefinite period of time. Refer to Note 7 for future expected amortization to be recorded.

The results of operations of Schroedahl have been included in our consolidated financial statements beginning on the acquisition date. The results for the year ended December 31, 2016 and December 31, 2015 include \$25.7 million and \$21.0 million of net revenue, and \$1.7 million and \$1.2 million of operating income, respectively.

Pro forma results of operations for the acquisition have not been presented because the effects of the acquisition are not material to the Company's consolidated financial results.

#### (4) Special and Restructuring charges, net

##### Special and Restructuring Charges, net

Special and restructuring charges, net consist of restructuring costs (including costs to exit a product line or program) as well as certain special charges such as significant litigation settlements and other transactions (charges or recoveries) that are described below. All items described below are recorded in Special and restructuring charges, net on our consolidated statements of income. Certain other special and restructuring charges such as inventory related items may be recorded in cost of revenues given the nature of the item.

The table below (in thousands) summarizes the amounts recorded within the special and restructuring charges, net line item on the consolidated statements of income for the periods ending December 31, 2016, 2015, and 2014:

	Special & Restructuring Charges, net		
	For the year ended December 31,		
	2016	2015	2014
Special charges, net	\$ 8,196	\$ 9,720	\$ 7,491
Restructuring charges, net	8,975	4,634	5,246
Total special and restructuring charges, net	<u>\$ 17,171</u>	<u>\$ 14,354</u>	<u>\$ 12,737</u>

##### Special Charges, net

The table below (in thousands) outlines the special charges, net recorded for the year ending December 31, 2016:

	Special Charges, net			
	For the year ended December 31, 2016			
	Energy	Advanced Flow Solutions	Corporate	Total
Acquisition related charges (recoveries)	\$ —	\$ (161)	\$ 978	\$ 817
Brazil closure	2,920	—	2	2,922
Pension settlement	—	—	4,457	4,457
Total special charges, net	<u>\$ 2,920</u>	<u>\$ (161)</u>	<u>\$ 5,437</u>	<u>\$ 8,196</u>

Acquisition related charges (recoveries) are described below:

- On October 12, 2016, we acquired Critical Flow Solutions. In connection with our acquisition, we recorded \$1.0 million of acquisition related professional fees for the year ended December 31, 2016.
- On April 15, 2015, we acquired Germany-based Schroedahl. In connection with our acquisition of Schroedahl, we recorded a \$0.2 million acquisition related professional fees recoveries for the year ended December 31, 2016.

**Brazil Closure:** On November 3, 2015 the Board of Directors approved the closure and exit of our Brazil manufacturing operations due to the economic realities in Brazil and the ongoing challenges with our only significant end customer, Petrobras. CIRCOR Brazil reported substantial operating losses every year since it was acquired in 2011 while the underlying market conditions and outlook deteriorated. In connection with the closure, we recorded \$2.9 million of charges within the Energy segment during the twelve months ended December 31, 2016, which primarily related to employee termination costs and losses incurred subsequent to our Q1 2016 closure of manufacturing operations. As of December 31, 2016, our remaining Brazil assets were \$2.0 million of which \$0.9 million relates to cash, \$0.9 million relates to assets held for sale, and \$0.2 million relates to net third party accounts receivables. The Brazil assets held for sale as of December 31, 2016 are reported within the other current assets caption on our condensed consolidated balance sheet.

**Pension Settlement:** During the third quarter of 2016, management offered a lump sum cash payout option to terminated and vested pension plan participants. In connection with this action, the window for participants who opt to avail themselves of this program closed in the fourth quarter of 2016. During the fourth quarter of 2016, we incurred a non-cash settlement charge of \$4.5 million recorded within the special and restructuring charges, net line item. Refer to Note 13, "Retirement Plans" for additional disclosure.

The table below (in thousands) outlines the special charges, net recorded for the year ending December 31, 2015:

	Special Charges, net			
	For the year ended December 31, 2015			
	Energy	Advanced Flow Solutions	Corporate	Total
Divestiture recoveries	\$ (2)	\$ (1,042)	\$ —	\$ (1,044)
Acquisition related charges	—	919	—	919
Brazil closure	8,650	—	775	9,425
Executive retirement charges	—	—	420	420
Total special charges, net	\$ 8,648	\$ (123)	\$ 1,195	\$ 9,720

**Divestiture recoveries:** On January 6, 2015, we announced the divestiture of two of our non-core businesses as part of our simplification strategy. The Energy divestiture was substantially completed in the fourth quarter of 2014 with the related charge recorded in 2014. During the first quarter of 2015, the Advanced Flow Solutions divestiture was substantially completed and we recorded a gain of \$1.0 million.

**Acquisition related charges:** In connection with our acquisition of Schroedahl, we recorded \$0.9 million of acquisition related professional fees for the year ended December 31, 2015.

**Brazil closure:** In connection with the closure, we recorded \$8.7 million in charges within our Energy segment during the year ended December 31, 2015. These charges relate to: the realizability of the value added tax recoverable for \$4.4 million as our exit will stop future sales which are needed to recover these taxes paid, supplier cancellation penalties of \$1.6 million as we have fixed purchase commitments which will be canceled, customer cancellation penalties of \$1.1 million, litigation claims of \$0.5 million that we deem probable for risk of loss, professional fees of \$0.3 million, and other charges of \$0.8 million. In addition, during the fourth quarter of 2015, we recorded \$0.8 million of professional fees associated with the Brazil matter at Corporate. As of December 31, 2015, our remaining Brazil assets were \$7.1 million of which \$4.2 million relates to inventory, \$1.0 million to accounts receivable, and \$1.0 million to cash.

**Executive Retirement Charges:** During the first quarter of 2015, we recorded charges of \$0.4 million associated with the retirement of our Energy President. These charges primarily related to equity award modifications.

The table below (in thousands) outlines the special charges, net recorded for the year ending December 31, 2014:

	Special Charges, net			
	For the year ended December 31, 2014			
	Energy	Advanced Flow Solutions	Corporate	Total
Watts settlement	\$ —	\$ —	\$ 300	\$ 300
Divestitures	2,983	430	—	3,413
Energy settlement	(210)	—	—	(210)
Customer settlement	6,232	—	—	6,232
TMW settlement	—	(2,243)	—	(2,243)
Total special charges, net	\$ 9,005	\$ (1,813)	\$ 300	\$ 7,492

**Watts Legal Settlement:** On March 28, 2014, we settled a dispute for \$1.5 million with Watts Water Technologies, Inc. Accordingly, we recorded a \$0.3 million charge in the quarter, net of amounts previously accrued.

**Divestitures:** On January 6, 2015, we announced the divestiture of two of our non-core businesses as part of our simplification strategy. During the fourth quarter of 2014, we recorded \$3.4 million of charges associated with losses related to these divestitures.

**Energy Legal Settlement:** During the fourth quarter of 2014, we recorded a gain of \$0.2 million in connection with revaluing certain liabilities recorded in connection with a 2013 Energy segment purchase price arbitration settlement.

**Customer Settlement:** In February 2015, we agreed to resolve a longstanding customer dispute regarding our design and fabrication of cable protection systems for an off-shore windfarm, a product line in which we no longer are involved. The resolution of this dispute was recorded as a charge during the fourth quarter of 2014 in the amount of \$6.2 million.

**TMW settlement:** On January 24, 2014, we reached a settlement on the T.M.W. Corporation ("TMW") arbitration where it was agreed that TMW would waive all rights to amounts due from us under a contingent consideration promissory note established at the time of acquisition, resulting in a gain of approximately \$2.2 million during the first quarter of 2014.

#### Restructuring Charges, net

The tables below (in thousands) outline the charges (or any recoveries) associated with restructuring actions recorded for the year ending December 31, 2016, 2015, and 2014. A description of the restructuring actions is provided in the section titled "Restructuring Programs Summary" below.

	Restructuring Charges / (Recoveries)			
	As of and for the year ended December 31, 2016			
	Energy	Advanced Flow Solutions	Corporate	Total
Facility related expenses (recoveries)	\$ 792	\$ 3,701	\$ —	\$ 4,493
Employee related expenses	2,393	2,089	—	4,482
Total restructuring charges, net	\$ 3,185	\$ 5,790	\$ —	\$ 8,975

Accrued restructuring charges as of December 31, 2015	\$ 663
Total year to date charges, net (shown above)	8,975
Charges paid / settled, net	(8,020)
Accrued restructuring charges as of December 31, 2016	\$ 1,618

We expect to make payment or settle the majority of the restructuring charges accrued as of December 31, 2016 during the first quarter of 2017.



Restructuring Charges / (Recoveries)				
As of and for the year ended December 31, 2015				
	Energy	Advanced Flow Solutions	Corporate	Total
Facility related expenses (recoveries)	\$ (376)	\$ 257	\$ —	\$ (119)
Employee related expenses	3,279	1,474	—	4,753
Total restructuring charges, net	<u>\$ 2,903</u>	<u>\$ 1,731</u>	<u>\$ —</u>	<u>\$ 4,634</u>
Accrued restructuring charges as of December 31, 2014				\$ 1,645
Total year to date charges, net (shown above)				4,634
Charges paid / settled, net				(5,616)
Accrued restructuring charges as of December 31, 2015				<u>\$ 663</u>

Restructuring Charges / (Recoveries)				
As of and for the year ended December 31, 2014				
	Energy	Advanced Flow Solutions	Corporate	Total
Facility related expenses	\$ 447	\$ 252	\$ —	\$ 699
Employee related expenses	1,516	2,714	317	4,547
Total restructuring charges, net	<u>\$ 1,963</u>	<u>\$ 2,966</u>	<u>\$ 317</u>	<u>\$ 5,246</u>
Accrued restructuring charges as of December 31, 2013				\$ 3,063
Total year to date charges, net (shown above)				5,246
Charges paid / settled, net				(6,664)
Accrued restructuring charges as of December 31, 2014				<u>\$ 1,645</u>

#### Restructuring Programs Summary.

As specific restructuring programs are announced, the amounts associated with that particular action may be recorded in periods other than when announced to comply with the applicable accounting rules. For example, the 2015 Announced Restructuring Program's total cost may be recorded in 2015 and 2016. The amounts shown below reflect the total cost for that restructuring program.

During 2016, we initiated certain restructuring activities, under which we continued to simplify our business ("2016 Actions"). Under these restructurings, we reduced expenses, primarily through reductions in force and closing a number of smaller facilities.

2016 Actions Restructuring Charges / (Recoveries), net as of December 31, 2016			
	Energy	Advanced Flow Solutions	Total
Facility related expenses - incurred to date	\$ 708	\$ 94	\$ 802
Employee related expenses - incurred to date	2,476	1,181	3,657
Total restructuring related special charges - incurred to date	<u>\$ 3,184</u>	<u>\$ 1,275</u>	<u>\$ 4,459</u>

In July 2015, we announced the closure of one of the two Corona, California manufacturing facilities ("California Restructuring"). Under this restructuring, we are reducing certain general, manufacturing and facility related expenses.

**California Restructuring  
Charges, net as of December  
31, 2016**

	<b>Advanced Flow Solutions</b>
Facility related expenses - incurred to date	\$ 3,700
Employee related expenses - incurred to date	800
Total restructuring related special charges - incurred to date	<u>\$ 4,500</u>

On February 18, 2015, we announced a restructuring action ("2015 Announced Restructuring"), under which we continued to simplify our businesses. Under this action, we reduced certain general, administrative and manufacturing related expenses primarily personnel related. The following table (in thousands) summarizes the total program costs for the 2015 Announced Restructuring as of December 31, 2016. Charges with this action were finalized in the fourth quarter of 2015. We do not anticipate any additional restructuring related charges associated with the 2015 Announced Restructuring action.

	<b>2015 Announced Restructuring Charges / (Recoveries), net as of December 31, 2016</b>			
	<b>Energy</b>	<b>Advanced Flow Solutions</b>	<b>Corporate</b>	<b>Total</b>
Facility related expenses - incurred to date	\$ (382)	\$ 257	\$ —	\$ (125)
Employee related expenses - incurred to date	3,425	740	—	4,165
Total restructuring related charges - incurred to date	<u>\$ 3,043</u>	<u>\$ 997</u>	<u>\$ —</u>	<u>\$ 4,040</u>

On April 22, 2014, we announced additional restructuring actions ("2014 Announced Restructuring"), under which we continued to simplify our businesses. Under this action, we reduced certain general and administrative expenses, including the reduction of certain management layers, and closing a number of smaller facilities. The following table (in thousands) summarizes the total program costs for the 2014 Announced Restructuring as of December 31, 2016. Charges with this action were finalized in the second quarter of 2015. We do not anticipate any additional restructuring related charges associated with the 2014 Announced Restructuring action.

	<b>2014 Announced Restructuring Charges / (Recoveries), net as of December 31, 2016</b>			
	<b>Energy</b>	<b>Advanced Flow Solutions</b>	<b>Corporate</b>	<b>Total</b>
Facility related expenses - incurred to date	\$ (64)	\$ 95	\$ —	\$ 31
Employee related expenses - incurred to date	1,463	2,956	317	4,736
Total restructuring related charges - incurred to date	<u>\$ 1,399</u>	<u>\$ 3,051</u>	<u>\$ 317</u>	<u>\$ 4,767</u>

On August 1, 2013 and October 31, 2013, we announced restructuring actions associated with our Energy and Advanced Flow Solutions segments under which we simplified the manner in which we managed our businesses ("2013 Announced Restructuring"). Under these actions, we consolidated facilities, shifted expenses to lower cost regions, restructured certain non-strategic product lines, and also consolidated our group structure from three groups to two, reducing management layers and administrative expenses. The following table (in thousands) summarizes the total program cost for the 2013 Announced Restructuring as of December 31, 2016. Charges with this action were finalized in the second quarter of 2014. We do not anticipate any additional restructuring charges to be incurred associated with the 2013 Announced Restructuring action.

	<b>2013 Announced Restructuring Charges / (Recoveries), net as of December 31, 2016</b>			
	<b>Energy</b>	<b>Advanced Flow Solutions</b>	<b>Corporate</b>	<b>Total</b>
Facility related expenses - incurred to date	\$ 2,117	\$ 473	\$ —	\$ 2,590
Employee related expenses - incurred to date	2,945	1,519	—	4,464
Total restructuring related charges - incurred to date	<u>\$ 5,062</u>	<u>\$ 1,992</u>	<u>\$ —</u>	<u>\$ 7,054</u>

### Additional Restructuring Charges

In conjunction with the restructuring actions noted above, we incur certain costs, primarily related to inventory, that are recorded in cost of revenues instead of special and restructuring charges. Such restructuring-related amounts totaled \$2.8 million, \$9.4 million, and \$8.0 million for the years ending December 31, 2016, 2015 and 2014, respectively, and are described further below.

During the first and fourth quarters of 2016, in connection with the restructuring of certain structural landing gear product lines, we recorded inventory related charges of less than \$0.1 million, and \$0.8 million respectively, within the Advanced Flow Solutions segment. As of December 31, 2016, our remaining structural landing gear product line inventory balance is \$0.2 million, which we believe is recoverable based upon our net realizable value analysis.

During the first and second quarters of 2016, we recorded restructuring related inventory \$1.9 million and \$0.1 million respectively, associated with the closure of manufacturing operations and the exit of the gate, globe and check valves product line in Brazil. As of December 31, 2016, no inventory amounts remain on our balance sheet for the gate, globe, and check valves product line.

During the third and fourth quarters of 2015, we recorded restructuring related inventory charges of \$6.4 million and \$0.5 million, respectively, associated with the closure of manufacturing operations and the exit of the gate, globe and check valves product line in Brazil.

During the second quarter of 2015, we recorded restructuring related inventory charges of \$0.2 million associated with the exit of our Energy segment cable protection product line.

During the second and fourth quarters of 2015, in connection with the restructuring of certain structural landing gear product lines, we recorded inventory related charges of \$1.9 million, and \$0.4 million, respectively, within the Advanced Flow Solutions segment.

During the second and third quarters of 2014, in connection with the restructuring of certain structural landing gear product lines, we recorded inventory related charges of \$5.1 million and \$2.9 million, respectively, within the Advanced Flow Solutions segment.

### **(5) Inventories**

Inventories consist of the following (in thousands):

	December 31,	
	2016	2015
Raw materials	\$ 54,359	\$ 51,439
Work in process	68,718	83,324
Finished goods	26,507	43,077
Inventories	<u>\$ 149,584</u>	<u>\$ 177,840</u>

We regularly review inventory quantities on hand and record a provision to write-down excess and obsolete inventory to its estimated net realizable value, if less than cost, based primarily on our estimated forecast of product demand. Once our inventory value is written-down a new cost basis has been established. For 2016, 2015 and 2014 our charges for slow moving, excess and obsolete inventory totaled \$9.3 million, \$15.4 million and \$13.0 million respectively.

Our provision for inventory obsolescence allowances was \$4.1 million, \$5.2 million, and \$5.0 million for the years ended of 2016, 2015 and 2014, respectively. As of December 31, 2016 we have \$0.2 million of remaining structural landing gear inventory which we believe is recoverable based upon our net realizable value analysis that considers inventory demand, expected selling price, costs to transact, and costs to complete the inventory. We believe our inventory allowances remain adequate with the net realizable value of our inventory being higher than our current inventory cost after allowances.

## (6) Property, Plant and Equipment

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

	December 31,	
	2016	2015
Land	\$ 13,082	\$ 12,441
Buildings and improvements	70,979	66,076
Manufacturing machinery and equipment	134,149	135,885
Computer equipment and software	23,982	23,495
Furniture and fixtures	9,930	10,604
Other	1,027	633
Construction in progress	5,699	4,235
Property, plant and equipment, at cost	258,848	253,369
Less: Accumulated depreciation	(159,135)	(166,340)
Property, plant and equipment, at cost, net	\$ 99,713	\$ 87,029

Depreciation expense for the years ended December 31, 2016, 2015, and 2014 was \$13.3 million, \$14.3 million, and \$16.4 million, respectively.

The Company recorded additions to property, plant and equipment of \$1.3 million and \$1.8 million in the year ended December 31, 2016 and December 31, 2015, respectively, for which cash payments had not yet been made.

## (7) Goodwill and Other Intangible Assets

The following table shows goodwill by segment as of December 31, 2016 and 2015 (in thousands):

	Energy	Advanced Flow Solutions	Consolidated Total
Goodwill as of December 31, 2015	\$ 43,687	\$ 71,765	\$ 115,452
Business acquisition (Note 3)	93,228	197	93,425
Transfers (1)	8,285	(8,285)	—
Currency translation adjustments	(795)	(1,423)	(2,218)
Goodwill as of December 31, 2016	<u>\$ 144,405</u>	<u>\$ 62,254</u>	<u>\$ 206,659</u>

(1) In connection with our Q4 organizational realignment certain goodwill amounts transferred from Energy to Advanced Flow Solutions.

	Energy	Advanced Flow Solutions	Consolidated Total
Goodwill as of December 31, 2014	\$ 48,070	\$ 24,359	\$ 72,429
Business acquisition (Note 3)	—	49,387	49,387
Currency translation adjustments	(4,383)	(1,981)	(6,364)
Goodwill as of December 31, 2015	<u>\$ 43,687</u>	<u>\$ 71,765</u>	<u>\$ 115,452</u>

As of both December 31, 2016 and 2015 the goodwill balance has been reduced by \$0.4 million and \$0.3 million of accumulated impairments for Energy and Advanced Flow Solutions, respectively.

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

December 31, 2016				
	Gross Carrying Amount	Impairment Charges	Accumulated Amortization	Net Carrying Value
Patents	\$ 5,399	\$ (208)	\$ (5,176)	\$ 15
Non-amortized intangibles (primarily trademarks and tradenames)	38,235	—	—	38,235
Customer relationships	99,769	—	(30,100)	69,669
Order backlog	6,955	—	(6,336)	619
Acquired technology	28,044	—	(1,512)	26,532
Other	5,095	—	(4,386)	709
Total	<u>\$ 183,497</u>	<u>\$ (208)</u>	<u>\$ (47,510)</u>	<u>\$ 135,779</u>

December 31, 2015				
	Gross Carrying Amount	Impairment Charges	Accumulated Amortization	Net Carrying Value
Patents	\$ 6,039	\$ —	\$ (5,765)	\$ 274
Non-amortized intangibles (primarily trademarks and tradenames)	15,802	(460)	—	15,342
Customer relationships	53,238	—	(24,029)	29,209
Order backlog	5,120	—	(3,893)	1,227
Acquired technology	2,317	—	(427)	1,890
Other	5,611	—	(4,572)	1,039
Total	<u>\$ 88,127</u>	<u>\$ (460)</u>	<u>\$ (38,686)</u>	<u>\$ 48,981</u>

The table below presents estimated future amortization expense for intangible assets recorded as of December 31, 2016 (in thousands):

	2017	2018	2019	2020	2021	After 2022
Estimated amortization expense	\$ 12,280	\$ 10,734	\$ 10,658	\$ 9,356	\$ 7,963	\$ 46,553

The annual impairment testing of our non-amortized intangible assets has been completed and consisted of a comparison of the fair value of the intangible assets with carrying amounts. No impairments of our non-amortized intangible assets were recorded for the year ended December 31, 2016.

During the three months ended October 2, 2016, we recorded a \$0.2 million impairment charge for a China patent deemed to no longer have economic value. The impairment charge is included in the impairment charge line on our consolidated statement of income. During the third quarter of 2015, we discontinued use of our Brazil indefinite-lived trademark as it was determined to have no future economic life. As such, we recorded a \$0.5 million impairment charge during the quarter ended October 4, 2015.

## (8) Income Taxes

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

	December 31,	
	2016	2015
<b>Deferred income tax liabilities:</b>		
Excess tax over book depreciation	\$ 11,210	\$ 5,070
Other	4,650	1,314
Intangible assets	42,837	10,119
Total deferred income tax liabilities	58,697	16,503
<b>Deferred income tax assets:</b>		
Accrued expenses	8,146	9,037
Equity compensation	6,461	5,710
Inventories	9,323	8,686
Net operating loss and state credit carry-forward	3,974	4,653
Foreign tax credit carryforward	18,177	7,760
Pension benefit obligation	5,262	6,466
Other	1,549	1,458
Total deferred income tax assets	52,892	43,770
Valuation allowance	(3,028)	(892)
Deferred income tax asset, net of valuation allowance	49,864	42,878
Deferred income tax (liability)/asset, net	\$ (8,833)	\$ 26,375

The deferred income taxes by classification and geography are as follows:

	December 31,	
	2016	2015
Long-term deferred income tax asset, net	\$ 4,824	\$ 36,799
Long-term deferred income tax liability, net	(13,657)	(10,424)
Deferred income tax (liability)/asset, net	\$ (8,833)	\$ 26,375
<b>Deferred income taxes by geography are as follows:</b>		
Domestic net long-term (liability)/asset	\$ (4,315)	\$ 32,099
Foreign net long-term liability	(4,518)	(5,724)
Net non-current deferred income tax asset	\$ (8,833)	\$ 26,375

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

	Year Ended December 31,		
	2016	2015	2014
Domestic	\$ (16,766)	\$ 12,965	\$ 26,229
Foreign	26,446	9,463	37,032
Income before income taxes	<u>\$ 9,680</u>	<u>\$ 22,428</u>	<u>\$ 63,261</u>

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

	Year Ended December 31,		
	2016	2015	2014
<b>Current provision:</b>			
Federal - US	\$ (232)	\$ 705	\$ 3,916
Foreign	10,823	11,023	10,455
State -US	(275)	56	1,244
Total current	<u>\$ 10,316</u>	<u>\$ 11,784</u>	<u>\$ 15,615</u>
<b>Deferred provision (benefit):</b>			
Federal - US	\$ (8,992)	\$ 2,618	\$ (967)
Foreign	(3,328)	(887)	(1,594)
State -US	1,583	(950)	(179)
Total (benefit) deferred	<u>\$ (10,737)</u>	<u>\$ 781</u>	<u>\$ (2,740)</u>
Total (benefit) provision for income taxes	<u>\$ (421)</u>	<u>\$ 12,565</u>	<u>\$ 12,875</u>

Actual income taxes reported from operations are different from those that would have been computed by applying the federal statutory tax rate to income before income taxes. The expense for income taxes differs from the U.S. statutory rate due to the following:

	Year Ended December 31,		
	2016	2015	2014
Expected federal income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	(4.8)	(0.7)	1.0
Change in state tax rate	—	3.5	—
Change in valuation allowance on state net operating losses	18.9	(7.3)	—
Foreign tax rate differential	(38.4)	(18.9)	(8.7)
Unbenefited foreign losses	14.7	41.4	3.0
Foreign tax credits	(26.6)	—	(9.1)
Manufacturing deduction	—	(1.6)	(1.7)
Research and development credit	(6.6)	(1.1)	(0.5)
Foreign audit settlement	—	6.0	—
Other, net	3.4	(0.3)	1.4
Effective tax rate	<u>(4.4)%</u>	<u>56.0 %</u>	<u>20.4 %</u>

Included in the 2016 foreign tax rate differential (38.4)% above are the following items: valuation allowance for foreign deferred tax assets (-3.4%), foreign tax rate changes (5.0%), and foreign permanent difference (-5.7%). Included in Other, net is nondeductible transaction costs.

As of December 31, 2016 and 2015, the Company maintained a total valuation allowance of \$3.0 million and \$0.9 million, respectively, which relates to foreign and state deferred tax assets as of December 31, 2016 and to state deferred tax assets as of December 31, 2015. The valuation allowance is based on estimates of taxable income in each of the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable.

The following table provides a summary of the changes in the deferred tax valuation allowance for the years ended December 31, 2016, 2015, and 2014 (in thousands):

	December 31,		
	2016	2015	2014
Deferred tax valuation allowance at January 1	\$ 892	\$ 9,448	\$ 13,928
Additions	2,257	15	1,460
Deductions	(121)	(7,798)	(5,705)
Translation adjustments	—	(773)	(235)
Deferred tax valuation allowance at December 31	\$ 3,028	\$ 892	\$ 9,448

The Company repatriated \$32 million of foreign earnings to the US during the fourth quarter of 2016, resulting in a tax benefit of \$2.6 million in the year ended December 31, 2016. The tax benefit is a result of foreign tax credits associated with the repatriation, in excess of the US corporate tax rate.

As of December 31, 2016 the Company had foreign tax credits of \$17.7 million, foreign net operating losses of \$1.5 million, state net operating losses of \$57.2 million and state tax credits of \$2.0 million. As of December 31, 2015, the Company had foreign tax credits of \$7.8 million, foreign net operating losses of \$4.4 million, state net operating losses of \$51.9 million and state tax credits of \$2.0 million. The foreign tax credits, if not utilized, will expire in 2026. The state net operating losses and state tax credits, if not utilized, will expire at various dates through 2036.

As we closed the Brazil site in 2016, we do not believe that any of the deferred tax assets related to Brazil have any value. Accordingly, this portion of the valuation allowance was written off during 2015, along with the related deferred tax assets.

During 2014, the Company believes a valuation allowance of \$5.7 million is no longer needed on US foreign tax credits due to changes in our risk of loss / title transfer contract provisions which were finalized in 2014 for certain international sites. Under these new provisions, title and risk of loss transfers to the customer at the international point of manufacture or receipt rather than when the product is shipped. These revised contract provisions resulted in increased foreign source income allowing for the full utilization of the foreign tax credits. Based upon this change, the Company believes it will fully utilize all available foreign tax credits well in advance of their expiration, and, accordingly, reversed the related valuation allowance.

On December 18, 2015, the President of the United States signed legislation that permanently extended the research and development ("R&D") tax credit. Accordingly, the Company recorded the entire benefit of \$0.3 million for the R&D tax credit attributable to 2015 in the fourth quarter.

The Company files income tax returns in the U.S. federal, state and local jurisdictions and in foreign jurisdictions. The Company is no longer subject to examination by the Internal Revenue Service ("IRS") for years prior to 2013 and is no longer subject to examination by the tax authorities in foreign and state jurisdictions prior to 2006, with the exception of net operating loss carryforwards. The Company is currently under examination for income tax filings in various foreign jurisdictions. During 2015, the Company settled a tax audit in Italy for \$2.2 million, of which \$0.9 million had been accrued in 2014.

During 2015, the Company restructured its multi-state activities, which resulted in a reduction of its state tax rate. In connection with this reduction, the Company recorded a one time tax expense of \$0.8 million to reflect the effect of this tax rate reduction on its deferred tax assets. In addition, the Company recognized a tax benefit of \$1.6 million on certain state net operating loss carryforwards, as it is more likely than not to utilize these losses within the carryforward period.

During 2016, the Company recorded a valuation allowance and additional tax expense of \$1.8 million on certain state net operating loss carryforwards, due to the uncertainty of the Company's ability to utilize these losses within the foreseeable future. The amount of net operating losses considered realizable, however, could be adjusted if objective evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as the Company's projections for growth.

As of December 31, 2016, the liability for uncertain income tax positions was approximately \$3.0 million. Approximately \$2.9 million as of December 31, 2016 represents the amount that if recognized would affect the Company's effective income tax rate in future periods. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe, or if the applicable statute of limitations lapses. The impact of the amount of such changes to previously recorded uncertain tax positions could range from zero to \$1.0 million.



The table below does not include interest and penalties of \$0.2 million and \$0.1 million as of December 31, 2016 and 2015, respectively. The following is a reconciliation of the Company's liability for uncertain income tax positions for the years ended December 31, 2016 and 2015 (in thousands).

	December 31,		
	2016	2015	2014
Balance beginning January 1	\$ 2,937	\$ 1,978	\$ 1,612
Additions for tax positions of prior years	(102)	521	149
Additions based on tax positions related to current year	483	69	820
Acquired uncertain tax position	—	1,326	—
Settlements	—	(544)	—
Lapse of statute of limitations	(328)	(612)	(562)
Currency movement	10	199	(41)
Balance ending December 31	<u>\$ 3,000</u>	<u>\$ 2,937</u>	<u>\$ 1,978</u>

Undistributed earnings of our foreign subsidiaries amounted to \$222.6 million at December 31, 2016 and \$202.8 million at December 31, 2015. The undistributed earnings of our foreign subsidiaries are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes has been recorded. Determination of the amount of unrecognized deferred tax liability on these undistributed earnings is not practicable because of the complexity of laws and regulations, the varying tax treatment of alternative repatriation scenarios, and the variation due to multiple potential assumptions relating to the timing of any future repatriation.

## (9) Accrued Expenses and Other Current Liabilities

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

	December 31,	
	2016	2015
Customer deposits and obligations	\$ 5,673	\$ 16,397
Commissions and sales incentives payable	6,376	10,447
Penalty accruals	4,834	6,002
Warranty reserve	4,559	4,551
Professional fees	2,202	2,540
Taxes other than income tax	1,512	1,956
Special charges and restructuring	5,097	4,664
Deferred revenue	7,073	118
Income tax payable	2,560	6,585
Other	10,821	6,203
Total accrued expenses and other current liabilities	<u>\$ 50,707</u>	<u>\$ 59,463</u>

## (10) Financing Arrangements

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

	December 31,	
	2016	2015
Line of Credit at interest rates ranging from 1.59% to 4.0%	\$ 251,200	\$ 90,500

On July 31, 2014, we entered into a five year unsecured credit agreement ("2014 Credit Agreement"), that provides for a \$400 million revolving line of credit. The 2014 Credit Agreement includes a \$200 million accordion feature for a maximum facility size of \$600 million. The 2014 Credit Agreement also allows for additional indebtedness not to exceed \$110 million. We anticipate using the 2014 Credit Agreement to fund potential acquisitions, to support our organic growth initiatives and working capital needs, and for general corporate purposes. We capitalized \$0.9 million in debt issuance costs that will be amortized over the five year life of the agreement.

On October 13, 2016, to fund the acquisition of CFS described in Note 3, "Business Acquisitions", the Company borrowed \$205.0 million under the Company's existing Credit Agreement. As of December 31, 2016, we had borrowings of \$251.2 million outstanding under this 2014 Credit Facility and \$53.6 million outstanding under letters of credit. At December 31, 2016, minimum principal payment of \$251.2 million is required in 2019.

## (11) Share-Based Compensation

We have two share-based compensation plans as of December 31, 2016: (1) the 2014 Stock Option and Incentive Plan (the "2014 Plan") and (2) the Amended and Restated 1999 Stock Option and Incentive Plan (the "1999 Plan"). The 2014 Plan was adopted by our Board of Directors on February 12, 2014 and approved by our shareholders at the Company's annual meeting held on April 30, 2014. As of April 30, 2014, no new awards will be granted under the 1999 Plan. As a result, any shares subject to outstanding awards under the 1999 Plan that expire, are canceled or otherwise terminate, or are withheld to satisfy tax withholding obligations, will not be available for award grant purposes under the 2014 Plan. Both plans permit the grant of the following types of awards to our officers, other employees and non-employee directors: incentive stock options; nonqualified stock options; deferred stock awards; restricted stock awards; unrestricted stock awards; performance share awards; cash-based awards; stock appreciation rights ("SARs") and dividend equivalent rights. The 2014 Plan provides for the issuance of up to 1,700,000 shares of common stock (subject to adjustment for stock splits and similar events). Under the 2014 Plan, shares issued for awards other than stock options or SARs count against the aggregate share limit as 1.9 shares for every share actually issued. New options granted under the 2014 Plan could have varying vesting provisions and exercise periods. All options and Restricted Stock Units ("RSUs") granted under the 1999 Plan are either 100% vested or have been terminated. Restricted stock units granted under the 2014 Plan generally vest within three years. Vested restricted stock units will be settled in shares of our common stock.

As of December 31, 2016, there were 736,319 stock options (including the CEO and CFO stock option awards noted below) and 206,685 restricted stock units outstanding. In addition, there were 1,039,568 shares available for grant under the 2014 Plan as of December 31, 2016. As of December 31, 2016, there were 3,040 outstanding restricted stock units that contain rights to nonforfeitable dividend equivalents and are considered participating securities that are included in our computation of basic and fully diluted earnings per share. There is no difference in the earnings per share amounts between the two class method and the treasury stock method, which is why we continue to use the treasury stock method.

During the twelve months ended December 31, 2016, we granted 210,633 stock option awards compared with 118,992 in 2015 and 164,503 in 2014. On April 9, 2013, we granted stock options to purchase 200,000 shares of common stock to our newly appointed President and Chief Executive Officer at an exercise price of \$41.17 per share ("2013 CEO Option Award"). On December 2, 2013, we granted stock options to purchase 100,000 shares of common stock to our newly appointed Executive Vice President and Chief Financial Officer at an exercise price of \$79.33 per share ("2013 CFO Option Award"). On March 5, 2014, we granted stock options to purchase 100,000 shares of common stock to our President and Chief Executive Officer at an exercise price of \$70.42 per share ("2014 CEO Option Award"). The 2013 CEO Option Award, the 2013 CFO Option Award, and the 2014 CEO Award were considered inducement awards and were granted outside of the Company's 1999 Plan. All three of these option awards include a service period and a market performance vesting condition. The stock options will vest if the following stock price targets are met based on the stock price closing at or above these targets for 60 consecutive trading days:

### 2013 CEO Option Award:

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

### 2013 CFO and 2014 CEO Option Awards:

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

As the CEO Option Awards and the CFO Option Award vest, they may be exercised 25% at the time of vesting, 50% one year from the date of vesting and 100% two years from the date of vesting. On August 8, 2013, the \$50.00 Stock Price Target for the 2013 CEO Option Award was achieved. On January 6, 2014 and January 28, 2014, the \$60.00 and \$70.00 Price targets for the 2013 CEO Option Award were achieved, respectively. Therefore, 150,000 options have vested and are exercisable under the 2013 CEO Option Award. As of December 31, 2016, none of the options awarded in connection with the 2013 CFO Option Award or the 2014 CEO Option Award have vested. These stock option awards are being expensed utilizing a graded method and are subject to forfeiture in the event of employment termination (whether voluntary or involuntary) prior to vesting. All three of these option awards have a 10 year term but to the extent that the market conditions above (Stock Price Targets) are not met within 5 years, these options will not vest and will forfeit 5 years from grant date. The Company used a Monte Carlo simulation option pricing model to value these option awards.

The average fair value of stock options granted during the year ended December 31, 2016, 2015, and 2014 of \$11.91, \$17.88, and \$26.32 was estimated using the following weighted-average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Risk-free interest rate	1.2%	1.4%	1.8%
Expected life (years)	4.5	4.5	3.7
Expected stock volatility	36.2%	40.4%	41.4%
Expected dividend yield	0.4%	0.3%	0.2%

We account for Restricted Stock Unit Awards (“RSU Awards”) by expensing the weighted average fair value to selling, general and administrative expenses ratably over vesting periods generally ranging up to three years. During the years ended December 31, 2016 and December 31, 2015 we granted 98,942 and 62,322 RSU Awards with approximate fair values of \$41.09 and \$51.53 per RSU Award, respectively. During 2016 and 2015, the Company granted performance-based RSUs as part of the overall mix of RSU Awards. These performance-based RSUs include metrics for achieving Return on Invested Capital and Adjusted Operating Margin with target payouts ranging from 0% to 200%. Of the 98,942 RSUs granted during 2016, 51,026 are performance-based RSU awards. This compares to 26,094 performance-based RSU awards granted in 2015.

The CIRCOR Management Stock Purchase Plan, which is a component of both the 2014 Plan and the 1999 Plan, provides that eligible employees may elect to receive restricted stock units in lieu of all or a portion of their pre-tax annual incentive bonus and, in some cases, make after-tax contributions in exchange for restricted stock units (“RSU MSPs”). In addition, non-employee directors may elect to receive restricted stock units in lieu of all or a portion of their annual directors’ retainer fees. Each RSU MSP represents a right to receive one share of our common stock after a three-year vesting period. RSU MSPs are granted at a discount of 33% from the fair market value of the shares of common stock on the date of grant. This discount is amortized as compensation expense, to selling, general and administrative expenses, over a four-year period. RSU MSPs totaling 20,130 and 38,965 with per unit discount amounts representing fair values of \$12.83 and \$17.11 were granted under the CIRCOR Management Stock Purchase Plan during the years ended December 31, 2016 and December 31, 2015, respectively.

Compensation expense related to our share-based plans for the year ended December 31, 2016, 2015, and 2014 was \$5.5 million, \$6.5 million, and \$7.1 million respectively. Share-based compensation expense is recorded as selling, general, and administrative expense. As of December 31, 2016, there was \$6.8 million of total unrecognized compensation costs related to our outstanding share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 1.8 years. This compares to \$7.0 million for 2015 and \$10.3 million for 2014, respectively. The decrease in total unrecognized compensation costs from 2015 and 2014 primarily relates to equity awards granted to our CEO and CFO during 2013 totaling \$5 million.

A summary of the status of all stock options granted to employees and non-employee directors as of December 31, 2016, 2015, and 2014 and changes during the years are presented in the table below:

	December 31,					
	2016		2015		2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	570,737	\$ 56.86	486,004	\$ 57.85	355,081	\$ 50.71
Granted	210,633	38.89	118,992	51.84	164,503	70.87
Exercised	(5,982)	41.05	(7,717)	33.44	(12,937)	32.41
Forfeited	(33,014)	45.25	(26,542)	59.25	(20,643)	54.72
Expired	(6,055)	65.34	—	—	—	—
Options outstanding at end of period	736,319	\$ 52.30	570,737	\$ 56.86	486,004	\$ 57.85
Options exercisable at end of period	226,386	\$ 45.20	140,248	\$ 43.08	78,226	\$ 38.75

The weighted average contractual term for stock options outstanding and exercisable as of December 31, 2016 was 6.1 years and 5.5 years, respectively. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2016, 2015 and 2014 was \$0.1 million, \$0.1 million and \$0.6 million, respectively. The aggregate fair value of stock-options vested during the years ended December 31, 2016, 2015 and 2014 was \$1.7 million, \$1.2 million and \$0.9 million, respectively. The aggregate intrinsic value of stock options outstanding and exercisable as of December 31, 2016 was \$11.5 million and \$4.6 million, respectively. As of December 31, 2016, there was \$2.8 million of total unrecognized compensation costs related to stock options that is expected to be recognized over a weighted average period of 1.7 years.

The following table summarizes information about stock options outstanding at December 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
\$30.91 - \$38.95	204,579	5.9	\$ 38.43	14,061	\$ 32.13
38.96 - 46.51	208,276	6.1	41.08	158,276	41.06
46.52 - 70.99	187,183	6.2	61.77	29,631	51.84
71.00 - 79.33	136,281	6.1	77.26	24,418	71.56
\$30.91 - \$79.33	736,319	6.1	\$ 52.30	226,386	\$ 45.20

A summary of the status of all RSU Awards granted to employees and non-employee directors as of December 31, 2016, 2015, and 2014 and changes during the year are presented in the table below:

	December 31,					
	2016		2015		2014	
	RSUs	Weighted Average Price	RSUs	Weighted Average Price	RSUs	Weighted Average Price
RSU Awards outstanding at beginning of period	109,281	\$ 52.90	115,949	\$ 52.97	176,084	\$ 44.39
Granted	98,942	41.09	62,322	51.53	38,899	72.11
Settled	(54,034)	48.50	(56,865)	48.34	(58,117)	45.51
Canceled	(22,527)	46.86	(19,088)	55.08	(40,917)	44.86
Added by Performance Factor	7,099	41.55	6,963	32.76	—	—
RSU Awards outstanding at end of period	138,761	\$ 46.60	109,281	\$ 52.90	115,949	\$ 52.97
RSU Awards exercisable at end of period	3,040	\$ 60.92	1,200	\$ 59.29	250	\$ 42.12

The aggregate intrinsic value of RSU Awards settled during the 12 months ended December 31, 2016, 2015 and 2014 was \$2.5 million, \$3.0 million, and \$4.2 million, respectively. The aggregate fair value of RSU Awards vested during the 12 months ended December 31, 2016, 2015 and 2014 was \$2.7 million, \$2.4 million and \$2.7 million, respectively.

The aggregate intrinsic value of RSU Awards outstanding and exercisable as of December 31, 2016 was \$9.0 million and \$0.2 million, respectively. As of December 31, 2016, there was \$3.6 million of total unrecognized compensation costs related to RSU awards that is expected to be recognized over a weighted average period of 1.6 years.

The following table summarizes information about RSU Awards outstanding at December 31, 2016:

Range of Grant Prices	RSUs	RSU Awards Outstanding	
		Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$38.89 - \$50.99	79,092	1.9	\$ 39.17
51.00 - 60.99	46,472	1.6	52.42
61.00 - 74.65	13,197	0.4	70.59
\$38.89 - \$74.65	138,761	1.6	\$ 46.59

A summary of the status of all RSU MSPs granted to employees and non-employee directors as of December 31, 2016, 2015, and 2014 and changes during the year are presented in the table below:

	December 31,					
	2016		2015		2014	
	RSUs	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price
RSU MSPs outstanding at beginning of period	78,732	\$ 37.46	69,293	\$ 35.81	62,896	\$ 25.67
Granted	20,130	26.06	38,965	34.73	32,752	47.95
Settled	(27,375)	29.94	(22,403)	27.87	(23,258)	25.94
Canceled	(3,563)	35.35	(7,123)	36.65	(3,097)	32.35
RSU MSPs outstanding at end of period	67,924	\$ 36.50	78,732	\$ 37.46	69,293	\$ 35.81

There are no RSU MSPs exercisable at December 31, 2016, 2015, and 2014. The aggregate intrinsic value of RSU MSPs settled during the year ended December 31, 2016, 2015, and 2014 was \$0.4 million, \$0.5 million and \$1.1 million, respectively. The aggregate fair value of RSU MSPs vested during the year ended December 31, 2016, 2015, and 2014 was \$0.4 million, \$0.3 million and \$0.3 million, respectively. The aggregate intrinsic value of RSU MSPs outstanding as of December 31, 2016 was \$1.9 million. As of December 31, 2016 there was \$0.4 million of total unrecognized compensation costs related to RSU MSPs that is expected to be recognized over a weighted average period of 1.1 years.

The following table summarizes information about RSU MSPs outstanding at December 31, 2016:

Range of Grant Prices	RSUs	RSU MSPs Outstanding	
		Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$26.06 - 33.99	16,727	2.1	\$ 26.06
34.00 - 45.99	31,154	1.1	34.73
46.00 - 47.95	20,043	0.2	47.95
\$26.06 - \$47.95	67,924	1.1	\$ 36.50

We also grant Cash Settled Stock Unit Awards to our international employee participants. These Cash Settled Stock Unit Awards typically cliff-vest in three years and are settled in cash based on our closing stock price at the time of vesting. As of December 31, 2016, there were 33,320 Cash Settled Stock Unit Awards outstanding compared with 28,660 Cash Settled Stock Unit Awards as of December 31, 2015. During 2016, the aggregate cash used to settle Cash Settled Stock Unit Awards was \$0.5 million. As of December 31, 2016, the Company had \$1.0 million in accrued expenses classified as current liabilities for Cash Settled Stock Unit Awards compared with \$0.7 million as of December 31, 2015. Cash Settled Stock Unit Award related compensation costs for the twelve month periods ended December 31, 2016, 2015, and 2014 totaled \$0.9 million, \$0.2 million, and \$0.3 million, respectively and was recorded as selling, general and administrative expense.

## (12) Concentrations of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables. A significant portion of our revenue and receivables are from customers who are either in or service the energy, aerospace, defense and industrial markets. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. For the years ended December 31, 2016, 2015 and 2014, we had no customers from which we derive revenues that exceed the threshold of 10% of the Company's consolidated revenues.

## (13) Retirement Plans

### *Employee Benefit Plan*

We offer a savings plan to eligible U.S. employees. The plan is intended to qualify under Section 401(k) of the Internal Revenue Code. Substantially all of our U.S. employees are eligible to participate in the 401(k) savings plan. Participating employees may defer a portion of their pre-tax compensation, as defined, but not more than statutory limits. Under this plan, we match a specified percentage of employee contributions, and are able to make a discretionary core contribution, subject to certain limitations. During 2016, we contributed 50% of the amount contributed by the employee, up to a maximum of 5% of the employee's earnings. Our matching contributions vest at a rate of 20% per year of service, with full vesting after 5 years of service.

The components of net periodic (benefit) expense for the employee benefit plan is as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Cost of 401(k) plan Company contributions	\$ 1,509	\$ 2,886	\$ 3,269

### *Pension Plans*

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

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

During fiscal year 2016, we made \$1.0 million in cash contributions to our qualified defined benefit pension plan, in addition to \$0.4 million in payments for our nonqualified plan. In fiscal year 2017, we expect to make cash contributions up to \$1.6 million to our qualified plan and payments of \$0.4 million for our nonqualified plan. Contributions to the qualified plan may differ based on a re-assessment of this plan's funded status during 2017 based on separate IRS cash funding calculations. Capital market and interest rate fluctuations may also impact future funding requirements.

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

	Year Ended December 31,		
	2016	2015	2014
<b>Pension components of net benefit expense:</b>			
Interest cost on benefits obligation	\$ 2,185	\$ 2,193	\$ 2,181
Expected return on assets	(2,562)	(2,655)	(2,788)
Net pension costs (income)	(377)	(462)	(607)
Net loss amortization	893	843	506
Total amortization	893	843	506
Non-cash settlement charge	4,457	—	—
Net periodic cost (benefit) of defined benefit pension plans	\$ 4,973	\$ 381	\$ (101)

The weighted average assumptions used in determining the net periodic benefit cost and benefit obligations for the pension plans are shown below:

	Year Ended December 31,		
	2016	2015	2014
<b>Net periodic benefit cost:</b>			
Discount rate – qualified plan	4.14%	3.82%	4.70%
Discount rate – nonqualified plan	3.87%	3.59%	4.30%
Expected return on plan assets	6.75%	7.25%	7.25%
Rate of compensation increase	N/A	N/A	N/A
<b>Benefit obligations:</b>			
Discount rate – qualified plan	3.88%	4.14%	3.82%
Discount rate – nonqualified plan	3.70%	3.87%	3.59%
Rate of compensation increase – nonqualified plan	N/A	N/A	N/A
Rate of compensation increase – qualified plan	N/A	N/A	N/A

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

We derive our discount rate utilizing a commonly known pension discount curve, discounting future projected benefit obligation cash flows to arrive at a single equivalent rate. For fiscal year end 2016 benefit obligations, we utilized a weighted average basis given the level of yield on high-quality corporate bond interest rates at fiscal year-end 2016. The effect of the discount rate change decreased our projected benefit obligation at December 31, 2016 by approximately \$1.2 million and we believe will decrease our 2017 pension expense by less than \$0.1 million.

In selecting the expected long-term rate of return on assets for the qualified plan, we considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of these plans. We, with input from the plans' professional investment managers and actuaries, also considered the average rate of earnings expected on the funds invested or to be invested to provide plan benefits. This process included determining expected returns for the various asset classes that comprise the plans' target asset allocation. This basis for selecting the long-term asset return assumptions is consistent with the prior year. Using generally accepted diversification techniques, the plans' assets, in aggregate and at the individual portfolio level, are invested so that the total portfolio risk exposure and risk-adjusted returns best meet the plans' long-term liabilities to employees. Plan asset allocations are reviewed periodically and rebalanced to achieve target allocation among the asset categories when necessary. This included considering the pension asset allocation and the expected returns likely to be earned over the life of the plans.

During the third quarter of 2016, management offered a lump sum cash payout option to terminated and vested participants in the Plan. In connection with this action, the window for participants who opt to avail themselves of this program closed during the fourth quarter 2016. During Q4 2016 we incurred a \$4.5 million non-cash settlement charge which has been recorded within the Special and restructuring charges, net line item. Also during the fourth quarter, the Plan made \$8.8 million of payments to participants who elected to receive distributions.

The funded status of the defined benefit plans and amounts recognized in the consolidated balance sheets, measured as of December 31, 2016 and December 31, 2015 are as follows (in thousands):

	December 31,	
	2016	2015
<b>Change in projected benefit obligation:</b>		
Balance at beginning of year	\$ 56,939	\$ 58,819
Interest cost	2,185	2,193
Actuarial loss (gain)	(2,932)	(2,077)
Benefits paid	(2,092)	(1,996)
Settlement payments	(8,800)	—
Balance at end of year	\$ 45,300	\$ 56,939
<b>Change in fair value of plan assets:</b>		
Balance at beginning of year	\$ 39,369	\$ 39,826
Actual return on assets	1,904	(457)
Benefits paid	(2,092)	(1,996)
Settlement payments	(8,800)	—
Employer contributions	1,395	1,996
Fair value of plan assets at end of year	\$ 31,776	\$ 39,369
<b>Funded status:</b>		
Excess of projected benefit obligation over the fair value of plan assets	\$ (13,524)	\$ (17,570)
Pension plan accumulated benefit obligation (“ABO”)	\$ 39,886	\$ 51,395
Supplemental pension plan ABO	5,414	5,544
Aggregate ABO	\$ 45,300	\$ 56,939

The following information is presented as of December 31, 2016 and 2015 (in thousands):

	2016	2015
<b>Funded status, end of year:</b>		
Fair value of plan assets	\$ 31,776	\$ 39,369
Benefit obligations	(45,300)	(56,939)
Net pension liability	\$ (13,524)	\$ (17,570)
<b>Pension liability recognized in the balance sheet consists of:</b>		
Current liability	\$ (393)	\$ —
Non-current liability	(13,131)	(17,570)
Total	\$ (13,524)	\$ (17,570)
<b>Amounts recognized in accumulated other comprehensive income consist of:</b>		
Net losses	\$ 21,640	\$ 29,263
<b>Estimated future pension expense to be recognized in other comprehensive income (loss):</b>	2017	
Amortization of net losses	\$ 594	

As of December 31, 2016, the benefit payments expected to be paid in each of the next five years and the aggregate for the five fiscal years thereafter are as follows (in thousands):

	2017	2018	2019	2020	2021	2022-2025
Expected benefit payments	\$ 2,335	\$ 2,397	\$ 2,467	\$ 2,560	\$ 2,661	\$ 13,897

The fair value of our pension plan assets as of December 31, 2016 and 2015 are \$31.8 million and \$39.4 million, respectively. Refer to Note 16, "Fair Value" for further disclosure regarding our fair value hierarchy assessment.



Our investment objectives for the portfolio of the plans' assets are to approximate the return of a composite benchmark comprised of 25% of the Barclays Capital Aggregate Bond Index, 8% of the Morgan Stanley Capital International EAFE Index, 47% of the Russell 1000 Index, 10% of the Russell 2000 Index, 8% of the Russell 600 Index, and 2% in cash. We also seek to maintain a level of volatility (measured as standard deviation of returns) which approximates that of the composite benchmark returns. Realignment among asset classes will occur periodically as global markets change. Portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. The long-term target allocations for plan assets are 73% in equities, 25% in fixed income, and 2% in cash, although the actual plan asset allocations may be within a range around these targets.

#### **(14) Contingencies, Commitments and Guarantees**

##### Legal Proceedings

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

We are subject to various legal proceedings and claims pertaining to matters such as product liability or contract disputes, including issues that may arise under certain customer contracts with aerospace and defense customers. We are also subject to other proceedings and governmental inquiries, inspections, audits or investigations pertaining to issues such as tax matters, patents and trademarks, pricing, business practices, governmental regulations, employment and other matters. Although the results of litigation and claims cannot be predicted with certainty, we believe that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on our business, financial condition, results of operations or liquidity.

##### Standby Letters of Credit

We execute standby letters of credit, which include bid bonds and performance bonds, in the normal course of business to ensure our performance or payments to third parties. The aggregate notional value of these instruments was \$53.6 million at December 31, 2016. Our historical experience with these types of instruments has been good and no claims have been paid in the current or past four fiscal years. We believe that the likelihood of demand for payments relating to the outstanding instruments is remote. These instruments generally have expiration dates ranging from less than 1 month to 5 years from December 31, 2016.

The following table contains information related to standby letters of credit instruments outstanding as of December 31, 2016 (in thousands):

<u>Term Remaining</u>	<u>Maximum Potential Future Payments</u>
0-12 months	\$ 12,019
Greater than 12 months	41,593
Total	<u>\$ 53,612</u>

##### Operating Lease Commitments

Rental expense under operating lease commitments amounted to: \$5.6 million, \$5.9 million and \$7.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. Minimum rental commitments due under non-cancelable operating leases, primarily for office and warehouse facilities were as follows at December 31, 2016 (in thousands):

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
Minimum lease commitments	<u>\$ 7,453</u>	<u>\$ 5,699</u>	<u>\$ 5,004</u>	<u>\$ 3,335</u>	<u>\$ 2,071</u>	<u>\$ 8,332</u>

##### Commercial Contract Commitment

As of December 31, 2016, we had approximately \$66.0 million of commercial contract commitments related to open purchase orders.

## Insurance

We maintain insurance coverage of a type and with such limits as we believe are customary and reasonable for the risks we face and in the industries in which we operate. While many of our policies do contain a deductible, the amount of such deductible is typically not material, and is generally less than \$0.4 million per occurrence. Our accruals for insured liabilities are not discounted and take into account these deductibles and are based on claims filed and reported as well as estimates of claims incurred but not yet reported.

### (15) Guarantees and Indemnification obligations

As permitted under Delaware law, we have agreements whereby we indemnify certain of our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, we have directors and officers' liability insurance policies that limit our exposure for events covered under the policies and should enable us to recover a portion of any future amounts paid. As a result of the coverage under these insurance policies, we believe the estimated fair value of these indemnification agreements is minimal and, therefore, have no liabilities recorded from those agreements as of December 31, 2016.

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

The following table sets forth information related to our product warranty reserves for the years ended December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Balance beginning January 1	\$ 4,551	\$ 4,213
Provisions	2,255	3,539
Claims settled	(3,304)	(3,714)
Acquired reserves/other	1,125	718
Currency translation adjustment	(68)	(205)
Balance ending December 31	\$ 4,559	\$ 4,551

Warranty obligations of \$4.6 million for the year ended December 31, 2016 were consistent with the prior year. Increases in warranty obligations of \$1.1 million from our 2016 CFS acquisition were partially offset by claims settled within our Engineered Valves and Industrial Solutions businesses.

### (16) Fair Value

#### Financial Instruments

The carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments. Cash equivalents are carried at cost which approximates fair value at the balance sheet date and is a Level 1 financial instrument. As of December 31, 2016 and 2015, the outstanding balance of the Company's debt approximated fair value based on current rates available to the Company for debt of the same maturity and is a Level 2 financial instrument.

Contingent consideration obligations are measured at fair value and are based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions and estimates to forecast a range of outcomes and probabilities for the contingent consideration. Contingent consideration obligations are valued using a Monte Carlo simulation model. We assess these assumptions and estimates on a quarterly basis as additional data impacting the assumptions is obtained. Any changes in the fair value of contingent

consideration related to updated assumptions and estimates will be recognized within general and administrative expenses in the consolidated statements of operations during the period in which the change occurs.

Our contingent consideration liability as of December 31, 2016 is related to the acquisition of CFS on October 12, 2016 which included a contingent payment relating to achievement of specified business performance targets by the acquired business in the twelve month period ended September 30, 2017. The fair value of the contingent consideration is \$12.2 million. See Note 3 for additional details related to the transaction.

The fair values of the Company's pension plan assets at December 31, 2016 and 2015, utilizing the fair value hierarchy are as follows (in thousands):

	December 31, 2016	December 31, 2015
	Level 1	Level 1
Cash Equivalents:		
Money Market Funds	\$ —	\$ 197
Mutual Funds:		
Bond Funds	1,721	10,928
Large Cap Funds	15,117	14,369
International Funds	5,967	5,994
Small Cap Funds	2,960	2,489
Blended Funds	2,185	1,998
Mid Cap Funds	3,826	3,394
Total Fair Value	\$ 31,776	\$ 39,369

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

All assets as of December 31, 2016 and 2015 are classified as Level 1 and are comprised of mutual funds held and are traded on the open market where quoted prices are determinable and available daily. The investments are valued using a market approach based on prices obtained from the primary or secondary exchanges on which they are traded.

#### Foreign Currency Contracts

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

As of December 31, 2016, we had four forward contracts with amounts as follows (in thousands):

Currency	Number	Contract Amount
Euro/BRL	3	— Euros
U.S. Dollar/Euro	1	74 U.S. Dollars

This compares to thirteen forward contracts as of December 31, 2015. The fair value liability of the derivative forward contracts as of December 31, 2016 was \$0.1 million and was included in accrued expenses and other current liabilities on our balance sheet. This compares to a fair value liability of \$0.2 million as of December 31, 2015. Our foreign currency forward contracts fall within Level 2 of the fair value hierarchy, in accordance with ASC Topic 820. The foreign exchange (gains)/losses for the year ended December 31, 2016, 2015 and 2014 are \$(0.6) million, \$0.5 million, and \$0.7 million, respectively and are included in other (income) expense in our consolidated statements of income.

## **(17) Business Segment and Geographical Information**

The Company's financial performance is managed and reported in two segments. A description of each segment follows. Prior periods presented have been recasted to reflect the new segment structure.

Our reportable segments have been identified in accordance with ASC 280-10-50 through our evaluation of how the Company engages in business activities to earn revenues and incur expenses, which operating results are regularly reviewed by our chief operating decision maker ("CODM") to assess performance and make decisions about resources to be allocated, and the availability of discrete financial information. CIRCOR's reportable segments are generally organized based upon the end markets we sell our product and services into. No individual operating segments have been aggregated for purposes of determining our reportable segments.

Advanced Flow Solutions is a diversified flow control technology platform. Our primary product focus areas are valves, actuation, motors, switches, high pressure pneumatic systems, steam and process loop flow management solutions. AFS products are used in aerospace, defense, power and process, and general industrial markets. These products are primarily focused on the following end markets: Aerospace and Defense, Power and Process, HVAC, Maritime and Industrial Gas. We plan to grow Advanced Flow Solutions by increasing market share in existing and new markets through exceptional sales and customer service enabled by innovative, reliable and high quality solutions. Product portfolio expansion through acquisitions of differentiated technologies in current and adjacent applications is also a key part of our growth strategy

Energy is a global provider of highly engineered integrated flow control solutions, valves and services primarily in the Oil & Gas end market. We are focused on satisfying our customers' mission-critical application needs by utilizing advanced technologies. Our flow control solutions can withstand extreme temperatures and pressures, including land-based, topside, and sub-sea applications. Energy is growing its product offering in the severe service sector, which includes applications such as process control, oil sands, pressure control and cryogenic applications. We plan to grow Energy by expanding our capabilities in Oil & Gas - upstream, mid-stream and downstream, including through acquisitions.

Each reporting segment is individually managed, as each requires different technology and marketing strategies, and has separate financial results that are reviewed by our CODM. Our CODM evaluates segment performance and determines how to allocate resources utilizing, among other data, segment operating income. Segment operating income excludes special and restructuring charges, net. In addition, certain administrative expenses incurred at the corporate level for the benefit of the reporting segments are allocated to the segments based upon specific identification of costs, employment related information or net revenues. Each segment contains related products and services particular to that segment.

Corporate is reported on a net "after allocations" basis. Inter-segment intercompany transactions affecting net operating profit have been eliminated within the respective reportable segments.

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

The Company's management evaluates segment operating performance using "segment operating income" which we define as operating income before special restructuring charges, special other charges, restructuring related inventory charges, impairment charges, amortization from acquisitions subsequent to 2011, amortization expense related to the step-up in fair value of the inventory acquired through business acquisitions, and 2015 Brazil restatement impact. The Company also refers to this measure as segment operating income or adjusted operating income. The Company uses this measure because it helps management understand and evaluate the segments' core operating results and facilitate comparison of performance for determining incentive compensation achievement.

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

	2016	2015	2014
<b>Net revenues</b>			
Energy	\$ 322,046	\$ 383,655	\$ 552,973
Advanced Flow Solutions	268,213	272,612	288,473
Inter-segment revenues	994	1,124	1,783
Corporate	(994)	(1,124)	(1,783)
Consolidated revenues	<u>\$ 590,259</u>	<u>\$ 656,267</u>	<u>\$ 841,446</u>
<b>Segment Income</b>			
Energy - Segment Operating Income	\$ 34,619	\$ 50,386	\$ 79,742
Advanced Flow Solutions - Segment Operating Income	33,463	33,811	29,883
Corporate expenses	(25,672)	(21,710)	(23,415)
Subtotal	42,410	62,487	86,210
Special restructuring charges, net	8,975	4,634	5,246
Special other charges, net	8,196	9,720	7,491
Special and restructuring charges, net	17,171	14,354	12,737
Restructuring related inventory charges	2,846	9,391	7,989
Amortization of inventory step-up	1,366	—	—
Impairment charges	208	2,502	726
Acquisition amortization	9,901	6,838	—
Brazil restatement impact	—	3,228	—
Restructuring and other cost, net	14,321	21,959	8,715
Consolidated Operating Income	<u>10,918</u>	<u>26,174</u>	<u>64,757</u>
Interest Expense, net (a)	3,310	2,844	2,652
Other (Expense) Income, net (a)	(2,072)	902	(1,156)
Income from continuing operations before income taxes	<u>\$ 9,680</u>	<u>\$ 22,428</u>	<u>\$ 63,261</u>
<b>Identifiable assets</b>			
Energy	\$ 658,749	\$ 463,359	\$ 545,216
Advanced Flow Solutions	407,035	486,369	291,821
Corporate	(245,028)	(279,813)	(112,315)
Consolidated Identifiable assets	<u>\$ 820,756</u>	<u>\$ 669,915</u>	<u>\$ 724,722</u>
<b>Capital expenditures</b>			
Energy	\$ 3,902	\$ 6,176	\$ 6,157
Advanced Flow Solutions	8,535	6,324	5,412
Corporate	1,775	814	1,241
Consolidated Capital expenditures	<u>\$ 14,212</u>	<u>\$ 13,314</u>	<u>\$ 12,810</u>
<b>Depreciation and amortization</b>			
Energy	\$ 8,755	\$ 7,102	\$ 8,503
Advanced Flow Solutions	15,555	15,624	9,949
Corporate	1,309	1,209	1,110
Consolidated Depreciation and amortization	<u>\$ 25,619</u>	<u>\$ 23,935</u>	<u>\$ 19,562</u>

(a) The company does not allocate interest or other income (expense), net to its segments.

The total assets for each reportable segment have been reported as the Identifiable Assets for that segment, including inter-segment intercompany receivables, payables and investments in other CIRCOR companies. Identifiable assets reported in Corporate include both corporate assets, such as cash, deferred taxes, prepaid and other assets, fixed assets, as well as the elimination of all inter-segment intercompany assets. The elimination of intercompany assets results in negative amounts reported in Corporate for Identifiable Assets. Corporate Identifiable Assets after elimination of intercompany assets were \$50.5 million, \$46.7 million, and \$48.8 million as of December 31, 2016, 2015 and 2014, respectively.

The following tables present net revenue and long-lived assets by geographic area. The net revenue amounts are based on shipments to each of the respective areas.

<u>Net revenues by geographic area (in thousands)</u>	Year Ended December 31,		
	2016	2015	2014
United States	\$ 232,650	\$ 284,227	\$ 406,153
Saudi Arabia	68,693	33,155	7,980
France	42,908	34,839	40,755
Canada	32,750	46,575	41,054
United Kingdom	27,579	36,005	58,479
Germany	26,451	26,889	30,672
Norway	21,668	43,502	50,634
China	11,157	13,255	15,397
Rest of Europe	32,460	24,508	40,290
Rest of Asia-Pacific	39,808	36,247	73,163
Other	54,135	77,065	76,869
Total net revenues	<u>\$ 590,259</u>	<u>\$ 656,267</u>	<u>\$ 841,446</u>

<u>Long-lived assets by geographic area (in thousands)</u>	December 31,	
	2016	2015
United States	\$ 55,577	\$ 38,199
United Kingdom	10,584	11,234
Germany	10,242	10,410
Italy	5,258	6,290
France	5,209	5,823
India	3,949	4,235
Other	8,894	10,475
Total long-lived assets	<u>\$ 99,713</u>	<u>\$ 86,666</u>

**(18) Quarterly Financial Information (Unaudited, in thousands, except per share information)****Summary Quarterly Data — Unaudited**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Year Ended December 31, 2016</b>				
Net revenues	\$ 150,798	\$ 146,392	\$ 134,833	\$ 158,236
Gross profit	45,233	46,431	42,354	49,097
Net income (loss)	3,872	3,813	4,418	(2,002)
Earnings (loss) per common share:				
Basic	\$ 0.24	\$ 0.23	\$ 0.27	\$ (0.12)
Diluted	0.23	0.23	0.27	(0.12)
Dividends per common share	0.0375	0.0375	0.0375	0.0375
Stock Price range:				
High	\$ 47.55	\$ 61.38	\$ 62.76	\$ 68.90
Low	32.94	45.87	53.61	48.14
<b>Year Ended December 31, 2015</b>				
Net revenues	\$ 165,860	\$ 166,906	\$ 159,258	\$ 164,243
Gross profit	52,649	50,794	45,393	50,496
Net income (loss)	8,912	1,872	(8,078)	7,156
Earnings per common share:				
Basic	\$ 0.50	\$ 0.11	\$ (0.49)	\$ 0.44
Diluted	0.50	0.11	(0.49)	0.43
Dividends per common share	0.0375	0.0375	0.0375	0.0375
Stock Price range:				
High	\$ 60.13	\$ 58.70	\$ 50.93	\$ 46.80
Low	49.21	52.87	39.99	39.63

## Schedule II — Valuation and Qualifying Accounts

### CIRCOR INTERNATIONAL, INC.

#### Allowance for Doubtful Accounts

Description	Balance at Beginning of Period	Additions (Reductions)		Deductions (1)	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
(in thousands)					
Year ended					
December 31, 2016					
Deducted from asset account:					
Allowance for doubtful accounts	\$ 8,290	\$ 613	\$ 425	\$ (4,272)	\$ 5,056
Year ended					
December 31, 2015					
Deducted from asset account:					
Allowance for doubtful accounts (2)	\$ 9,536	\$ 2,561	\$ (1,748)	\$ (2,059)	\$ 8,290
Year ended					
December 31, 2014					
Deducted from asset account:					
Allowance for doubtful accounts	\$ 2,449	\$ 7,817	\$ (162)	\$ (568)	\$ 9,536

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

(2) Balance at end of period excludes the engineered valves accounts receivable allowances of \$2.4 million, which are classified as long-term as of December 31, 2015.



PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT  
FOR EMPLOYEES AND DIRECTORS UNDER THE  
CIRCOR INTERNATIONAL, INC.  
AMENDED AND RESTATED 1999 STOCK OPTION AND INCENTIVE PLAN

Name of Awardee: Scott A. Buckhout

Awardee Solium Number: TBD

Target Number of Performance Based Restricted Stock Units: 10,689 (the “Target Performance Based Award”)

Award Date: March 9, 2013

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

1. Earned RSUs.

(a) The actual number of RSUs earned shall be determined by the level of achievement of the Company’s goal for Adjusted Return on Invested Capital (“ROIC”) and Adjusted Operating Margin (“AOM”) for the 2015 Fiscal Year the (“Performance Period”). Fifty percent of the Target Performance Based Award will be based on the Performance Period ending ROIC (“ROIC Portion”) and fifty percent will be based on the Performance Period ending AOM (“AOM Portion”) and determined as follows:

(b) ROIC Portion

ROIC Earned RSUs = ROIC Payout Percentage x Target Performance Based Award x 50%

The ROIC Portion “Payout Percentage” shall be determined based on the table below:

Performance Level	FY 2015 Ending ROIC	ROIC Payout Percentage
Threshold	11.2%	0.1%
Target	12.0%	100%
Maximum	12.9%	200%

No payout will be made if the Performance Period ending ROIC is below 11.2%. No payout will be made in excess of 200% under any circumstances. The Payout Percentage at performance levels between threshold and target and between target and maximum will be interpolated on a straight-line basis.

(c) AOM Portion

AOM Earned RSUs = AOM Payout Percentage x Target Performance Based Award x 50%

The AOM Portion “Payout Percentage” shall be determined based on the table below:

Performance Level	FY 2015 Ending AOM	AOM Payout Percentage		
Threshold	7.7	%	0.1	%
Target	8.7	%	100	%
Maximum	9.7	%	200	%

No payout will be made if the Performance Period ending ROIC is below 7.7%. No payout will be made in excess of 200% under any circumstances. The Payout Percentage at performance levels between threshold and target and between target and maximum will be interpolated on a straight-line basis.

(d) FY 2015 ending ROIC and AOM are subject to the discretion of Compensation Committee review for one-time adjustments for certain extraordinary items, such as impact of material acquisitions (i.e. greater than 10% of CIRCOR assets) or divestitures, impairment of goodwill, non-recurring special items and impact of restructuring charges.

2. Vesting Schedule. Unless otherwise set forth in the Plan, no portion of this Award shall vest or be received until the later of three (3) years from the date of award or five business days after the Compensation Committee of the Company's Board of Directors has approved the payout calculations on account of the Performance Period. Compensation Committee approval is targeted for Q1 2016.

In the event of a Covered Transaction as defined in Section 3(c) of the Plan prior to the completion of the Performance Period, there shall be immediate vesting of that number of RSUs equaling the greater of (i) the Target Performance Based Award and (ii) that amount that is determined by applying Section 1 above except that the Performance Period shall be deemed to consist of that fiscal year that has been completed most recently prior to the Covered Transaction. If the Covered Transaction occurs following the completion of the performance period, there shall be immediate vesting of that number of RSUs determined in accordance with Section 1 above.

### 3. 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 four (4), beginning on the Award Date. Such deferral election shall be made within 30 days of 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 vested Award; for example, a deferral period of seven (7) years would result in Awardee receiving shares of Stock underlying the entire vested Award seven (7) years from the Award Date regardless of the fact that the Earned 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. Notwithstanding the foregoing, no dividends or dividend equivalents shall be accrued or paid for RSUs which are not earned under paragraph 1 above.

4. Termination of Employment or Other Business Relationship. If the Awardee's employment or other business relationship with the Company or a Subsidiary (as defined in the Plan) is terminated for any reason except as otherwise set forth in this Section 4, 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.

a) Termination Due to Death. If the Awardee's employment terminates by reason of the Awardee's death, (excluding death by suicide), the outstanding Target Number of Performance-based RSUs shall become vested as of the date of death and the Company, within 90 days following the effective date of such termination shall issue all outstanding shares of Stock to Awardee (or Awardee's designated beneficiary or estate executor). In the event, however, that within such 90 day period, the Performance Period has been completed, then the number of Performance-based RSUs to be distributed shall be based on the actual results for the Performance Period as calculated in accordance with Section 1 and such distribution shall be made at such time as distribution is made to all other participants.

b) Termination Due to Disability. If the Awardee's employment terminates by reason of the Awardee's qualified disability, (an individual shall be considered disabled if such individual qualifies for receipt of long-term disability benefits under the long-term disability plan then in effect for the Company's employees), the outstanding Target Number of Performance-based RSUs shall become vested as of the date of disability and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee. In the event, however, that within such 90 day period, the Performance Period has been completed, then the number of Performance-based RSUs to be distributed shall be based on the actual results for the Performance Period as calculated in accordance with Section 1 and such distribution shall be made at such time as distribution is made to all other participants.

c) Termination Due to Retirement. If the Awardee's employment is terminated by reason of the Awardee's early or normal retirement, (as defined in the Company's Defined Benefit Pension Plan), Awardee will be entitled to that number of earned RSUs Awardee would have achieved under Section 1 but for such retirement, multiplied by a fraction that is equal to the number of completed fiscal months that the Awardee was employed by the Company after the Award date divided by thirty six. The shares underlying such RSUs will be distributed as contemplated under Section 2 above. 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.

d) Termination for Cause. If the Awardee's employment terminates for Cause (as defined below), all unvested RSUs shall terminate immediately and be of no further force and effect. For purposes hereof, unless otherwise provided in an employment agreement between the Company and the Awardee, a termination of employment for "Cause" shall mean, the occurrence of one or more of the following: (i) the Awardee 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 (as defined by the Plan) in good faith in its sole discretion; (ii) the Awardee 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 Awardee involving malfeasance or negligence in the performance of

the Awardee'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 Awardee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Awardee 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 Awardee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Awardee of any non-competition, non-solicitation, confidentiality or similar agreements between the Awardee and the Company as determined by the Administrator in good faith in its sole discretion.

e) Termination without Cause. If the Awardee's employment is terminated by the Company without Cause and unless otherwise determined by the Administrator, any portion of this Award that is not vested by time of such termination shall terminate immediately and be of no further force and effect.

f) Termination of Employment by Awardee. If the Awardee terminates his or her employment, this Award shall terminate immediately upon notice by the Awardee of such termination and be of no further force and effect.

g) Miscellaneous. The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives or legatees.

5. Clawback Provision. Anything in this Agreement to the contrary notwithstanding, the Awardee hereby acknowledges and agrees that any compensation payable under this Agreement is subject to any clawback policy of the Company currently in effect or adopted in the future providing for the recovery of erroneously awarded incentive compensation in the event the Company is required to prepare an accounting restatement ("Restatement") due to the material noncompliance of the Company with any financial reporting requirements under the securities laws, and the Awardee hereby agrees to repay the Company to the extent required by such clawback policy of the Company. Unless otherwise determined by the Company, in the event that any such Restatement with respect to the Performance Period becomes necessary within three (3) years of the date on which the Company has filed its Annual Report on Form 10-K for the 2015 fiscal year, the amount of the Award shall be reduced to that number of RSUs to which Awardee would have been entitled based on what the Awardee's actual achievement would have been after giving effect to such Restatement and the Awardee shall be obligated to return to the Company (at Awardee's option) either (i) that number of shares of stock issued on account of such RSUs that would not have been earned after giving effect to such Restatement, or (ii) cash equaling the number of such shares times the closing price of the Company's common stock on the date immediately preceding the date such shares vested.

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

7. 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.

8. **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.

9. **Tax Withholding.** For Circor employees, the Company is authorized to satisfy the minimum tax withholding obligation by withholding from shares of Stock to be issued a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due. For Circor directors, the gross number of shares will be distributed and the director will be required to make necessary tax payments.

10. **Non-Compete/Non-Solicitation Agreement.** Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor or if the Awardee were to solicit (i) customers to do business with a competitor of the Company or (ii) employees of the Company to leave the Company. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company (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 for which Awardee, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. In addition, Awardee, for a period of two years following the termination of Awardee's affiliation with the Company shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee either (a) has had any management responsibility, (b) has otherwise provided regular services during his affiliation with Company, or (c) has had access to confidential or proprietary information; or (2) entice, solicit, request or advise any employee of the Company to leave the Company's employment or to otherwise accept employment (or other affiliation) with any person, firm or business with which Awardee has an employment or consulting relationship. As used above, "Customers" mean all customers of any such business of the Company. Notwithstanding the provisions of this paragraph 10, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in this paragraph 10 are not enforceable, then the non-compete provisions of this paragraph 10 shall not apply; the non-solicitation provisions of this paragraph 10, however, shall continue to apply. In addition, in the event that a court of competent jurisdiction determines that any of the restrictions set forth in this paragraph 10 are impermissible in scope and/or duration, Awardee and the Company intend that such court shall revise such scope and/or duration as the court deems reasonable rather than invalidating any such restrictions.

11. Effect of Other Agreements. If Awardee is a party to any other agreement with the Company and any provisions set forth in such employment agreement conflict with the provisions set forth in this Performance-Based Restricted Stock Unit Award Agreement, the provisions set forth in such employment agreement shall override such conflicting provisions set forth herein.

12. 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: Wayne Robbins

Title: Acting President and CEO

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

/s/ Scott A. Buckhout

Date: April 9, 2013

## RESTRICTED STOCK UNIT AWARD AGREEMENT DEFERRAL ELECTION FORM

This Restricted Stock Unit (“RSU”) Award Agreement Deferral Election Form (“Deferral Election Form”) is entered into by and between CIRCOR International, Inc. (the “Company”) and Awardee, who is an eligible employee of the Company or any of its subsidiaries in the CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (the “Plan”). The Plan provisions are incorporated herein by reference in their entirety and supersede any conflicting provisions contained in this Deferral Election Form. Neither this Deferral Election Form nor the Plan shall be construed as giving Awardee any right to continue to be employed by or perform services for the Company or any subsidiary or affiliate thereof. This deferral election is effective for this award only.

### 1. Deferral of Performance-Based Restricted Stock Units

Awardee will be fully vested in each RSU as defined by the vesting schedule in Section 2 of the Performance-Based Restricted Stock Unit Agreement. 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 Four (4), beginning on the Award Date. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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).

I wish to defer receipt of all shares until \_\_\_\_\_ years (minimum of 4) after the Award Date.

### 2. Designation of Beneficiary (Optional)

Awardee may designate a beneficiary to receive payments or shares of Stock in the event of Awardee’s death. Awardee may designate his or her beneficiaries on line within their Solium account under the “Personal Profiles and Passwords” tab.

NOTE: This beneficiary designation will apply to Awardee’s entire interest in the Plan, revoking any prior beneficiary designation. However, if Awardee does not designate a beneficiary, Awardee’s prior beneficiary designation (if any) will remain in effect. An Awardee may change or revoke his or her beneficiary designation at any time within their Solium account as noted above.

### 3. Effective Date of Election

This Deferral Election Form must be received by the Company no later than May 9, 2013 and will become irrevocable on such date. Awardee may revise this Restricted Stock Unit Award Agreement with respect to the deferral period no later than such due date, by contacting the Vice President, Corporate Controller of the Company.

CIRCOR INTERNATIONAL, INC.

By: Wayne Robbins

Title: Acting President and CEO

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

RESTRICTED STOCK UNIT AGREEMENT  
FOR EMPLOYEES AND DIRECTORS UNDER THE  
CIRCOR INTERNATIONAL, INC.

AMENDED AND RESTATED 1999 STOCK OPTION AND INCENTIVE PLAN

Name of Awardee: Scott A. Buckhout

Awardee Solium Number: TBD

Number of Restricted Stock Units: 10,689

Award Date: April 9, 2013

Pursuant to the CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (the “Plan”), CIRCOR International, Inc. (the “Company”) hereby grants to the 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:

Number of

Restricted Stock Units Vesting Date

(3,563) one-third May 9, 2014

(3,563) one-third April 9, 2015

(3,563) one-third April 9, 2016

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. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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 distribution of such RSUs, all dividend equivalents so accrued (without interest) shall be paid in cash to Awardee. In addition, with respect to RSUs which have vested but have not been converted into shares of Stock pursuant to a valid deferral election by Awardee, dividends on the shares of Stock underlying such RSUs shall be paid in cash to Awardee upon distribution of such RSUs.

3. Termination of Employment or Other Business Relationship. If the Awardee's employment or other business relationship with the Company or a Subsidiary (as defined in the Plan) is terminated for any reason except as otherwise set forth in this Section 3, 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.

a) Termination Due to Death. If the Awardee's employment terminates by reason of the Awardee's death, (excluding death by suicide), all outstanding awards shall become vested as of the date of death and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee (or Awardee's designated beneficiary or estate executor).

b) Termination Due to Disability. If the Awardee's employment terminates by reason of the Awardee's qualified disability, (an individual shall be considered disabled if such individual qualifies for receipt of long-term disability benefits under the long-term disability plan then in effect for the Company's employees), all outstanding awards shall become vested as of the date of disability and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee.

c) Termination Due to Retirement. If the Awardee's employment is terminated by reason of the Awardee's early or normal retirement, (as defined in the Company's Defined Benefit Pension Plan), pro-rata vesting of unvested RSUs shall apply. 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.

d) Termination for Cause. If the Awardee's employment terminates for Cause (as defined below), all unvested RSUs shall terminate immediately and be of no further force and effect. For purposes hereof, unless otherwise provided in an employment agreement between the Company and the Awardee, a termination of employment for "Cause" shall mean, the occurrence of one or more of the following: (i) the Awardee 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 (as defined by the Plan) in good faith in its sole discretion; (ii) the Awardee 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 Awardee involving malfeasance or negligence in the performance of the Awardee'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 Awardee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Awardee 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 Awardee within ten (10) days after written notice from the Company of such

failure; or (v) material breach by the Awardee of any non-competition, non-solicitation, confidentiality or similar agreements between the Awardee and the Company as determined by the Administrator in good faith in its sole discretion.

e) Termination without Cause. If the Awardee's employment is terminated by the Company without Cause and unless otherwise determined by the Administrator, any portion of this Award that is not exercisable by time of such termination shall terminate immediately and be of no further force and effect. Vested options shall be exercised by Awardee within 90 days of termination date; all unexercised vested options shall terminate 90 days from the termination date.

f) Termination of Employment by Awardee. If the Awardee terminates his or her employment, this Award shall terminate immediately upon notice by the Awardee of such termination and be of no further force and effect.

g) Miscellaneous. The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives or legatees. Any portion of this Award that is unvested after the application of this Section 3 shall be cancelled immediately upon any termination of employment and shall not be exercisable by the Awardee.

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

5. 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. For Circor employees, the Company is authorized to satisfy the minimum tax withholding obligation by withholding from shares of Stock to be issued a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due. For Circor directors, the gross number of shares will be distributed and the director will be required to make necessary tax payments.

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

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 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: Wayne Robbins

Title: Acting President and CEO

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

/s/ Scott A. Buckhout

Date: April 9, 2013

## RESTRICTED STOCK UNIT AWARD AGREEMENT

### DEFERRAL ELECTION FORM

This Restricted Stock Unit (“RSU”) Award Agreement Deferral Election Form (“Deferral Election Form”) is entered into by and between CIRCOR International, Inc. (the “Company”) and Awardee, who is an eligible employee of the Company or any of its subsidiaries in the CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (the “Plan”). The Plan provisions are incorporated herein by reference in their entirety and supersede any conflicting provisions contained in this Deferral Election Form. Neither this Deferral Election Form nor the Plan shall be construed as giving Awardee any right to continue to be employed by or perform services for the Company or any subsidiary or affiliate thereof. This deferral election is effective for this award only.

#### 1. Deferral of Restricted Stock Units

Awardee will be fully vested in each RSU three years after the date such RSU is awarded, provided that Awardee has maintained employment with the Company for such three year period. The RSUs will vest over a three year period on the following basis:

Restricted Stock Units Vesting Date

(3,563) one-third May 9, 2014

(3,563) one-third April 9, 2015

(3,563) one-third April 9, 2016

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. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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).

I wish to receive shares immediately upon vesting of each tranche.

I wish to defer receipt of all shares until \_\_\_\_\_ years (minimum of 3) after the Award Date.

#### 2. Designation of Beneficiary (Optional)

Awardee may designate a beneficiary to receive payments or shares of Stock in the event of Awardee’s death. Awardee may designate his or her beneficiaries on line within their Solium account under the “Personal Profiles and Passwords” tab.

NOTE: This beneficiary designation will apply to Awardee’s entire interest in the Plan, revoking any prior beneficiary designation. However, if Awardee does not designate a beneficiary, Awardee’s prior beneficiary designation (if any) will remain in effect. An Awardee may change or revoke his or her beneficiary designation at any time within their Solium account as noted above.

#### 3. Effective Date of Election

This Deferral Election Form must be received by the Company no later than May 9, 2013 and will become irrevocable on such date. Awardee may revise this Restricted Stock Unit Award Agreement with

respect to the deferral period no later than such due date, by contacting the Vice President, Corporate Controller of the Company.

CIRCOR INTERNATIONAL, INC.

By: Wayne Robbins

Title: Acting President and CEO

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

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FORM OF  
RESTRICTED STOCK UNIT AGREEMENT  
FOR DIRECTORS UNDER THE  
CIRCOR INTERNATIONAL, INC.  
2014 STOCK OPTION AND INCENTIVE PLAN

**Name of Awardee:**  
**Awardee Solium Number:**  
**Number of Restricted Stock Units:**  
**Award Date:** \_\_\_\_\_

Pursuant to the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Awardee named above, who is a director 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 cliff vest at the end of a one-year and 30 day period on the following basis, subject to continued directorship with the Company on the vesting date:

Number of <u>Restricted Stock Units</u>	<u>Vesting Date</u>
(XXX)	

In the event of a Change of Control as defined in Section 14.3 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 one (1), beginning on the Award Date. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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 distribution of such RSUs, all dividend equivalents so accrued (without interest) shall be paid in cash to Awardee. In addition, with respect to RSUs

which have vested but have not been converted into shares of Stock pursuant to a valid deferral election by Awardee, dividends on the shares of Stock underlying such RSUs shall be paid in cash to Awardee upon distribution of such RSUs.

**3. Termination of Employment or Other Business Relationship.** If the Awardee's employment or other business relationship with the Company or a Subsidiary (as defined in the Plan) is terminated for any reason except as otherwise set forth in this Section 3, 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.

a) Termination Due to Death. If the Awardee's employment terminates by reason of the Awardee's death, (excluding death by suicide), all outstanding awards shall become vested as of the date of death and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee's designated beneficiary or estate executor.

b) Termination Due to Disability. If the Awardee's employment terminates by reason of the Awardee's disability as determined by the Administrator, all outstanding awards shall become vested as of the date of disability and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee.

c) Termination Due to Retirement. If the Awardee's employment is terminated by reason of the Awardee's retirement from the Board, pro-rata vesting of unvested RSUs shall apply based on the number of days elapsed in the vesting period as of the retirement date. 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.

d) Termination for Cause. If the Awardee's directorship terminates for Cause (as determined by the Administrator in its sole discretion), all unvested RSUs shall terminate immediately and be of no further force and effect.

e) Termination without Cause. If the Awardee's directorship is terminated by the Company without Cause and unless otherwise determined by the Administrator, any portion of this Award that is not exercisable by time of such termination shall terminate immediately and be of no further force and effect.

f) Termination of Directorship by Awardee. If the Awardee terminates his or her directorship, this Award shall terminate immediately upon notice by the Awardee of such termination and be of no further force and effect.

g) Miscellaneous. The Administrator's determination of the reason for termination of the Awardee's directorship shall be conclusive and binding on the Awardee and his or her representatives or legatees. Any portion of this Award that is unvested after the application of this Section 3 shall be cancelled immediately upon any termination of directorship and shall not be exercisable by the Awardee.

#### **4. [This section left intentionally blank]**

**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 or estate.

**7. No Tax Withholding.** For Circor directors, the gross number of shares will be distributed and the director will be required to make necessary tax payments.



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

**9. Effect of Agreement.** If Awardee is a party to an agreement with the Company and any provisions set forth in such agreement conflict with the provisions set forth in this Restricted Stock Unit Award Agreement, the provisions set forth in such 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 relationship with the Company or any Subsidiary.

(c) Pursuant to 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:

Title:

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

Date:

Name: Awardee

**DIRECTOR RESTRICTED STOCK UNIT AWARD AGREEMENT  
DEFERRAL ELECTION FORM**

This Restricted Stock Unit ("RSU") Award Agreement Deferral Election Form ("Deferral Election Form") is entered into by and between CIRCOR International, Inc. (the "Company") and Awardee, who is an eligible participant in the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"). The Plan provisions are incorporated herein by reference in their entirety and supersede any conflicting provisions contained in this Deferral Election Form. Neither this Deferral Election Form nor the Plan shall be construed as giving Awardee any right to continue to be employed by or perform services for the Company or any subsidiary or affiliate thereof. This deferral election is effective for this award only.

**1. Deferral of Restricted Stock Units**

Awardee will be fully vested in one year after the date such RSU is awarded, provided that Awardee has maintained directorship with the Company for such one year period. The RSUs will vest over a three year period on the following basis:

Restricted Stock Units   Vesting Date

(XXX)

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. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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).

I wish to receive shares immediately upon vesting of each tranche.

I wish to defer receipt of all shares until \_\_\_\_\_ years (minimum of 2) after the Award Date.

**2. Designation of Beneficiary (Optional)**

Awardee may designate a beneficiary to receive payments or shares of Stock in the event of Awardee's death. Awardee may designate his or her beneficiaries on line within their Solium account under the "Personal Profiles and Passwords" tab.

NOTE: This beneficiary designation will apply to Awardee's entire interest in the Plan, revoking any prior beneficiary designation. However, if Awardee does not designate a beneficiary, Awardee's prior beneficiary designation (if any) will remain in effect. An Awardee may change or revoke his or her beneficiary designation at any time within their Solium account as noted above.

**3. Effective Date of Election**

This Deferral Election Form must be received by the Company no later than [Date] and will become irrevocable on such date. Awardee may revise this Restricted Stock Unit Award Agreement with respect to the deferral period no later than such due date, by contacting the Corporate Treasurer of the Company.

**CIRCOR INTERNATIONAL, INC.**

**AWARDEE**

By:

By:

**Name:**   **Date:**   **Name:**   **Awardee**   **Date:**

**FORM OF  
PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT  
FOR EMPLOYEES AND DIRECTORS UNDER THE  
CIRCOR INTERNATIONAL, INC.  
2014 STOCK OPTION AND INCENTIVE PLAN**

**Name of Awardee:**

**Awardee Solium Number:**

**Target Number of Performance Based Restricted Stock Units: (the "Target Performance Based Award")**

**Award Date:** \_\_\_\_\_

Pursuant to the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Awardee named above, who is an officer, director or employee of the Company or any of its Subsidiaries, an award (the "Award") of Performance Based Restricted Stock Units ("RSUs") subject to the terms and conditions set forth herein and in the Plan.

**1. Earned RSUs.**

[Insert performance goals and threshold, target and maximum payout percentages for indicated "Performance Period"]

(d) [Performance goal achievements] for each fiscal year during the Performance Period are subject to the discretion of Compensation Committee review for one-time adjustments for certain extraordinary items, such as impact of material acquisitions (i.e. greater than 10% of CIRCOR assets) or divestitures, impairment of goodwill, non-recurring special items and impact of restructuring charges.

**2. Vesting Schedule.** Unless otherwise set forth in the Plan, no portion of this Award shall vest or be received until the later of three (3) years from the date of award or five business days after the Compensation Committee of the Company's Board of Directors has approved the payout calculations on account of the Performance Period. Compensation Committee approval is targeted for \_\_\_\_\_.

In the event of a Covered Transaction as defined in Section 3(c) of the Plan prior to the completion of the Performance Period, there shall be immediate vesting of that number of RSUs equaling the greater of (i) the Target Performance Based Award and (ii) that amount that is determined by applying Section 1 above except that the Performance Period shall be deemed to consist of those fiscal years or portions of fiscal years that have been completed most recently prior to the Covered Transaction. If the Covered Transaction occurs following the completion of the performance period, there shall be immediate vesting of that number of RSUs determined in accordance with Section 1 above.

**3. 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 four (4), beginning on the Award Date. Such deferral election shall be made within 30 days of 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 vested Award; for example, a deferral period of seven (7) years would result in Awardee receiving shares of Stock underlying the entire vested Award seven (7) years from the Award Date regardless of the fact that the Earned 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. Notwithstanding the foregoing, no dividends or dividend equivalents shall be accrued or paid for RSUs which are not earned under paragraph 1 above.

**4. Termination of Employment or Other Business Relationship.** If the Awardee's employment or other business relationship with the Company or a Subsidiary (as defined in the Plan) is terminated for any reason except as otherwise set forth in this Section 4, 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.

a) Termination Due to Death. If the Awardee's employment terminates by reason of the Awardee's death, (excluding death by suicide), the outstanding Target Number of Performance-based RSUs shall become vested as of the date of death and the Company, within 90 days following the effective date of such termination shall issue all outstanding shares of Stock to Awardee's designated beneficiary or estate executor. In the event, however, that within such 90 day period, the Performance Period has been completed, then the number of Performance-based RSUs to be distributed shall be based on the actual results for the Performance Period as calculated in accordance with Section 1 and such distribution shall be made at such time as distribution is made to all other participants.

b) Termination Due to Disability. If the Awardee's employment terminates by reason of the Awardee's qualified disability, (an individual shall be considered disabled if such individual qualifies for receipt of long-term disability benefits under the long-term disability plan then in effect for the Company's employees), the outstanding Target Number of Performance-based RSUs shall become vested as of the date of disability and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee. In the event, however, that within such 90 day period, the Performance Period has been completed, then the number of Performance-based RSUs to be distributed shall be based on the actual results for the Performance Period as calculated in accordance with Section 1 and such distribution shall be made at such time as distribution is made to all other participants.

c) Termination Due to Retirement. If the Awardee's employment is terminated by reason of the Awardee's early or normal retirement, (as defined in the Company's Defined Benefit Pension Plan), Awardee will be entitled to that number of earned RSUs Awardee would have achieved under Section 1 but for such retirement, multiplied by a fraction that is equal to the number of completed fiscal months that the Awardee was employed by the Company after the Award date divided by thirty six. The shares underlying such RSUs will be distributed as contemplated under Section 2 above. 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.

d) Termination for Cause. If the Awardee's employment terminates for Cause (as defined below), all unvested RSUs shall terminate immediately and be of no further force and effect. For purposes hereof, unless otherwise provided in an employment agreement between the Company and the Awardee, a termination of employment for "Cause" shall mean, the occurrence of one or more of the following: (i) the Awardee 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 (as defined by the Plan) in good faith in its sole discretion; (ii) the Awardee 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 Awardee involving malfeasance or negligence in the performance of the Awardee'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 Awardee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Awardee 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 Awardee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Awardee of any non-competition, non-solicitation, confidentiality or similar agreements between the Awardee and the Company as determined by the Administrator in good faith in its sole discretion.

e) Termination without Cause. If the Awardee's employment is terminated by the Company without Cause and unless otherwise determined by the Administrator, any portion of this Award that is not vested by time of such termination shall terminate immediately and be of no further force and effect.

f) Termination of Employment by Awardee. If the Awardee terminates his or her employment, this Award shall terminate immediately upon notice by the Awardee of such termination and be of no further force and effect.

g) Miscellaneous. The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives or legatees.

5. **Clawback Provision.** Anything in this Agreement to the contrary notwithstanding, the Awardee hereby acknowledges and agrees that any compensation payable under this Agreement is subject to any clawback policy of the Company currently in effect or adopted in the future providing for the recovery of erroneously awarded incentive compensation in the event the Company is required to prepare an accounting restatement ("Restatement") due to the material noncompliance of the Company with any financial reporting requirements under the securities laws, and the Awardee hereby agrees to repay the Company to the extent required by such clawback policy of the Company. Unless otherwise determined by the Company, in the event that any such Restatement with respect to the Performance Period becomes necessary within three (3) years of the date on which the Company has filed its Annual Report on Form 10-K for the 2018 fiscal year, the amount of the Award shall be reduced to that number of RSUs to which Awardee would have been entitled based on what the Awardee's actual achievement would have been after giving effect to such Restatement and the Awardee shall be obligated to return to the Company (at Awardee's option) either (i) that number of shares of stock issued on account of such RSUs that would not have been earned after giving effect to such Restatement, or (ii) cash equaling the number of such shares times the closing price of the Company's common stock on the date immediately preceding the date such shares vested.

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

7. **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.

8. **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 or estate.

**9. Tax Withholding.** For Circor employees, the Company is authorized to satisfy the minimum tax withholding obligation by withholding from shares of Stock to be issued a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due. For Circor directors, the gross number of shares will be distributed and the director will be required to make necessary tax payments.

**10. Non-Compete/Non-Solicitation Agreement.** Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor or if the Awardee were to solicit (i) customers to do business with a competitor of the Company or (ii) employees of the Company to leave the Company. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company (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 for which Awardee, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. In addition, Awardee, for a period of two years following the termination of Awardee's affiliation with the Company shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee either (a) has had any management responsibility, (b) has otherwise provided regular services during his affiliation with Company, or (c) has had access to confidential or proprietary information; or (2) entice, solicit, request or advise any employee of the Company to leave the Company's employment or to otherwise accept employment (or other affiliation) with any person, firm or business with which Awardee has an employment or consulting relationship. As used above, "Customers" mean all customers of any such business of the Company. Notwithstanding the provisions of this paragraph 10, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in this paragraph 10 are not enforceable, then the non-compete provisions of this paragraph 10 shall not apply; the non-solicitation provisions of this paragraph 10, however, shall continue to apply. In addition, in the event that a court of competent jurisdiction determines that any of the restrictions set forth in this paragraph 10 are impermissible in scope and/or duration, Awardee and the Company intend that such court shall revise such scope and/or duration as the court deems reasonable rather than invalidating any such restrictions.

**11. Effect of Other Agreements.** If Awardee is a party to any other agreement with the Company and any provisions set forth in such employment agreement conflict with the provisions set forth in this Performance-Based Restricted Stock Unit Award Agreement, the provisions set forth in such employment agreement shall override such conflicting provisions set forth herein.

**12. 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:

Title:

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

Date:

Name: Awardee

**RESTRICTED STOCK UNIT AWARD AGREEMENT  
DEFERRAL ELECTION FORM**

This Restricted Stock Unit ("RSU") Award Agreement Deferral Election Form ("Deferral Election Form") is entered into by and between CIRCOR International, Inc. (the "Company") and Awardee, who is an eligible employee of the Company or any of its subsidiaries in the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"). The Plan provisions are incorporated herein by reference in their entirety and supersede any conflicting provisions contained in this Deferral Election Form. Neither this Deferral Election Form nor the Plan shall be construed as giving Awardee any right to continue to be employed by or perform services for the Company or any subsidiary or affiliate thereof. This deferral election is effective for this award only.

**1. Deferral of Performance-Based Restricted Stock Units**

Awardee will be fully vested in each RSU as defined by the vesting schedule in Section 2 of the Performance-Based Restricted Stock Unit Agreement. 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 Four (4), beginning on the Award Date. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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).

I wish to defer receipt of all shares until \_\_\_\_\_ years (minimum of 4) after the Award Date.

**2. Designation of Beneficiary (Optional)**

Awardee may designate a beneficiary to receive payments or shares of Stock in the event of Awardee's death. Awardee may designate his or her beneficiaries on line within their Solium account under the "Personal Profiles and Passwords" tab.

NOTE: This beneficiary designation will apply to Awardee's entire interest in the Plan, revoking any prior beneficiary designation. However, if Awardee does not designate a beneficiary, Awardee's prior beneficiary designation (if any) will remain in effect. An Awardee may change or revoke his or her beneficiary designation at any time within their Solium account as noted above.

**3. Effective Date of Election**

This Deferral Election Form must be received by the Company no later than [Date] and will become irrevocable on such date. Awardee may revise this Restricted Stock Unit Award Agreement with respect to the deferral period no later than such due date, by contacting the Corporate Treasurer of the Company.

**CIRCOR INTERNATIONAL, INC.**

**AWARDEE**

By:

By:

**Name:**      **Date:**      **Name:** **Awardee**      **Date:**

**FORM OF  
MSP RESTRICTED STOCK UNIT AGREEMENT  
FOR EMPLOYEES AND DIRECTORS UNDER THE  
CIRCOR INTERNATIONAL, INC.  
2014 STOCK OPTION AND INCENTIVE PLAN  
Award of RSUs Under the CIRCOR International, Inc.  
Management Stock Purchase Plan "MSP" Bonus Deferral Award**

**Name of Awardee:**

**Awardee Solium Number:**

**Number of Restricted Stock Units:**

**Award Date:** \_\_\_\_\_

Pursuant to the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the 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. You elected under the MSP Bonus Deferral and RSU Subscription Agreement to receive an award of Restricted Stock Units (RSUs) in lieu of all or a portion of your annual incentive bonus for fiscal the year ended December 31, \_\_\_\_\_ ("Fiscal \_\_\_\_\_"), or in the case of independent directors your \_\_\_\_\_ annual retainer. Based on your election, you have been awarded RSUs effective as of the Award Date.

**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 cliff vest at the end of a three-year period on the following basis, subject to employment (or, in the case of directors, continued directorship) with the Company on the vesting date:

Number of <u>Restricted Stock Units</u>	<u>Vesting Date</u>
(XXX)	

In the event of a Change of Control as defined in Section 14.3 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. (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 distribution of such RSUs, all dividend equivalents so accrued (without interest) shall be paid in cash to Awardee. In addition, with respect to RSUs which have vested but have not been converted into shares of Stock pursuant to a valid deferral election by Awardee, dividends on the shares of Stock underlying such RSUs shall be paid in cash to Awardee upon distribution of such RSUs.

**3. Termination of Employment 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 except as otherwise set forth in this Section 3, 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. Awardee's sole rights with respect to the cancelled RSUs shall be to receive a return of the bonus or retainer deferral pursuant to the terms of Section V.C of the Company's Management Stock Purchase Plan. In the event of such termination and except as otherwise set forth in this Subsection 3, the Company, 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 such termination, have vested but for which shares of Stock had not yet been issued to Awardee (for example, due to a valid deferral election).

(a) Termination Due to Death. If the Awardee's employment terminates by reason of the Awardee's death, (excluding death by suicide), all outstanding awards shall become vested as of the date of death and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee's designated beneficiary or estate executor.

(b) Termination Due to Disability. If the Awardee's employment terminates by reason of the Awardee's qualified disability, (as defined under the Company's disability plan, an individual shall be considered disabled if such individual qualifies for receipt of long-term disability benefits under the long-term disability plan then in effect for the Company's employee's or, with respect to directors, as determined by the Administrator), all outstanding awards shall become vested as of the date of disability and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee.

(c) Termination Due to Retirement. If the Awardee's employment or directorship is terminated by reason of the Awardee's early or normal retirement, (as defined in the Company's Defined Benefit Pension Plan or with respect to directors, as determined by the Administrator), the Awardee's unvested RSUs shall be cancelled and he or she shall receive payment as follows as described in the MSP Plan: The number of unvested RSUs awarded on each award date shall be multiplied by a fraction that is equal to the number of full years that the Awardee was employed by the Company after each such award date divided by three and the Awardee shall receive the resulting number of such RSUs in shares of Stock. With respect to the Awardee's remaining unvested RSUs, except as otherwise provided in the Awardee's employment agreement, the Awardee shall receive payment in an amount equal to the lesser of (a) the Value of such RSUs or (b) an amount equal to the number of such RSUs multiplied by the value of CIRCOR stock on the date of the Awardee's termination of employment. Notwithstanding the foregoing, if the Awardee is a key employee (as defined in Section 416(i) of the Internal Revenue Code of 1986, as amended, without regard to paragraph 4 thereof), any distribution on account of retirement shall be delayed until at least six months after such retirement.

(d) Termination for Cause. If the Awardee's employment or directorship terminates for Cause (as defined below), the Awardee's unvested RSUs shall be cancelled and he or she shall receive payment equal to the lesser of (a) the Value of such RSUs or (b) an amount equal to the number of such RSUs multiplied by the fair market value of the Stock on the date of the Awardee's termination of employment. For purposes hereof, unless otherwise provided in an employment agreement between the Company and the Awardee, a termination of employment for "Cause" shall mean, the occurrence of one or more of the following: (i) the Awardee 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 Awardee 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 Awardee involving malfeasance or negligence in the performance of the Awardee'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 Awardee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Awardee 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 Awardee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Awardee of any non-competition, confidentiality or similar agreements between the Awardee and the Company as determined by the Administrator in good faith in its sole discretion. A termination of a directorship for cause shall be determined by the Administrator in its sole discretion.

(e) Termination without Cause. If the Awardee's employment or directorship is terminated by the Company without Cause and unless otherwise determined by the Administrator, the number of unvested RSUs awarded on each award date shall be multiplied by a fraction that is equal to the number of full years that the Awardee was employed by the Company after each such award date divided by three and the Awardee shall receive the resulting number of such RSUs in shares of Stock. With respect to the Awardee's remaining unvested RSUs, except as otherwise provided in the Awardee's employment agreement, the Awardee shall receive payment in an amount equal to the lesser of (a) the Value of such RSUs or (b) an amount equal to the number of such RSUs multiplied by the fair market value of the Stock on the date of the Awardee's termination of employment.

(f) Termination of Employment or Directorship by Awardee. If the Awardee terminates his or her employment or directorship with the Company for reasons other than death, permanent disability or retirement (except as otherwise set forth in this Subsection 3, the Awardee's unvested RSUs shall be cancelled and he or she shall receive payment in an amount equal to the lesser of (a) the Value of such RSUs or (b) an amount equal to the number of such RSUs multiplied by the fair market value of the Stock on the date of the Awardee's termination of employment.

(g) Miscellaneous. The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives or legatees. Any portion of this Award that is unvested after the application of this Section 3 shall be cancelled immediately upon any termination of employment and shall not be exercisable by the Awardee.

**4. Clawback Provision.** If Awardee is an employee of the Company, anything in this Agreement to the contrary notwithstanding, the Awardee hereby acknowledges and agrees that any compensation payable under this Agreement is subject to any clawback policy of the Company currently in effect or adopted in the future providing for the recovery of erroneously awarded incentive compensation in the event the Company is required to prepare an accounting restatement ("Restatement") due to the material noncompliance of the Company with any financial reporting requirements under the securities laws, and the Awardee hereby agrees to repay the Company to the extent required by such clawback policy of the Company. Unless otherwise determined by the Company, in the event that any such Restatement with respect to Fiscal 2014 becomes necessary within three (3) years of the date of this Award, the amount of the Award shall be reduced to that number of RSUs to which Awardee would have been entitled based on what the Awardee's actual annual incentive bonus achievement would have been for Fiscal 2014 after giving effect to such Restatement.

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

**6. 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.

**7. 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 or estate.

**8. Tax Withholding.** If Awardee is an employee, 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. The Company is authorized to satisfy the minimum tax withholding obligation by withholding from shares of Stock to be issued a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due.

**9. Non-Compete/Non-Solicitation Agreement.** Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor or if the Awardee were to solicit (i) customers to do business with a competitor of the Company or (ii) employees of the Company to leave the Company. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company (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 for which Awardee, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. In addition, Awardee, for a period of two years following the termination of Awardee's affiliation with the Company shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee either (a) has had any management responsibility, (b) has otherwise provided regular services during his affiliation with Company, or (c) has had access to confidential or proprietary information; or (2) entice, solicit, request or advise any employee of the Company to leave the Company's employment or to otherwise accept employment (or other affiliation) with any person, firm or business with which Awardee has an employment or consulting relationship. As used above, "Customers" means all customers of any such business of the Company. Notwithstanding the provisions of this paragraph 9, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in this paragraph 9 are not enforceable, then the non-compete provisions of this paragraph 9 shall not apply; the non-solicitation provisions of this paragraph 9, however, shall continue to apply. In addition, in the event that a court of competent jurisdiction determines that any of the restrictions set forth in this paragraph 9 are impermissible in scope and/or duration, Awardee and the Company intend that such court shall revise such scope and/or duration as the court deems reasonable rather than invalidating any such restrictions.

**10. 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.

**11. 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 or dictatorship by the Company or any Subsidiary.

(c) Pursuant to 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:

Title:

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

Date:            Name:    Awardee

**FORM OF  
NON-QUALIFIED STOCK OPTION AGREEMENT  
FOR EMPLOYEES UNDER THE  
CIRCOR INTERNATIONAL, INC.  
2014 STOCK OPTION AND INCENTIVE PLAN**

**Name of Awardee:**  
**Awardee Solium Number:**  
**Number of Stock Options:**  
**Option Exercise Price per Share:**  
**Award Date:**  
**Expiration Date:**

Pursuant to the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Awardee 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 "Options") 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. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

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 Administrator (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 Options on the dates indicated:

<b><u>Number of Options Exercisable</u></b>	<b><u>Vesting Date</u></b>
(XXX) one-third	
(XXX) one-third	
(XXX) one-third	

In the event of a Change of Control as defined in Section 14.3 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 Awardee 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 Awardee must obtain approval from the Company's Legal Counsel of his or her election to purchase some or all of the vested Options purchasable at the time of such notice. This notice shall specify the number of Options to be purchased. Once approval is obtained, the Administrator will change Awardee's status in Solium to allow for an Option transaction. Awardee may then log in to their Solium account and exercise the Options in one of four ways: (i) Exercise Options and sell all shares (also known as Cashless Exercise) (ii) Exercise Options and sell just enough shares to pay for the Options and hold the remaining shares (also known as Sell to Cover), (iii) Exercise options and hold the shares (also known as Exercise and Hold); or (iv) Exercise Options under the "net exercise method" pursuant to which a sufficient number of shares will be withheld by the Company to pay for the exercise price and required tax withholding with the remaining shares issued to the Awardee.

Alternatively, payment of the purchase price for the Options may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) by the Awardee delivering (or attesting to the ownership of) shares of Stock that have been purchased by the Awardee on the open market or that have been beneficially owned by the Awardee for at least six months and that are not then subject to restrictions under any Company plan; (iii) by the Awardee 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 Awardee chooses to pay the option purchase price as so provided, the Awardee and the broker shall comply with

such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

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

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

(c) 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 or other Business Relationship.** If the Awardee'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 Awardee's employment terminates by reason of the Awardee's death (excluding death by suicide), this Stock Option shall become fully exercisable and may thereafter be exercised by the Awardee's legal representative, beneficiary, 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 Awardee's employment terminates by reason of the Awardee's qualified disability (as defined under the Company's disability plan, an individual shall be considered disabled if such individual qualifies for receipt of long-term disability benefits under the long-term disability plan then in effect for the Company's employee's), this Stock Option shall become fully exercisable and may thereafter be exercised by the Awardee for a period of 12 months from the date of such termination or until the Expiration Date, if earlier.

(c) **Termination Due to Retirement.** If the Awardee's employment is terminated by reason of the Awardee's early or normal retirement, (as defined in the Company's Defined Benefit Pension Plan), any portion of this Stock Option may be exercised by the Awardee, to the extent exercisable by the date of termination. Any portion of the Stock Option that is not exercisable at such time of termination shall terminate immediately and be of no further force and effect.

(d) **Termination for Cause.** If the Awardee's employment terminates for Cause (as defined below), this Stock Option shall terminate immediately and be of no further force and effect. For purposes hereof, unless otherwise provided in an employment agreement between the Company and the Awardee, a termination of employment for "Cause" shall mean, the occurrence of one or more of the following: (i) the Awardee 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 Awardee 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 Awardee involving malfeasance or negligence in the performance of the Awardee'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 Awardee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Awardee 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 Awardee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Awardee of any non-competition, confidentiality or similar agreements between the Awardee and the Company as determined by the Administrator in good faith in its sole discretion.

(e) **Termination Without Cause.** If the Awardee's employment is terminated by the Company without Cause and unless otherwise determined by the Administrator, any portion of this Stock Option may be exercised by the Awardee, to the extent exercisable on the date of such termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of the Stock Option that is not exercisable at such time shall terminate immediately and be of no further force and effect.

(f) **Termination of Employment by Awardee.** If the Awardee terminates his or her employment, this Stock Option shall terminate immediately upon notice by the Awardee of such termination and be of no further force and effect.

(g) **Miscellaneous.** The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives, beneficiaries, or legatees. Any portion of this Stock Option that is unvested after the application of this Section 3 shall be cancelled immediately upon any termination of employment and shall not be exercisable by the Awardee.

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 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 Stock Option is exercisable, during the Awardee's lifetime, only by the Awardee, and thereafter, only by the Awardee's legal representative, beneficiary, or legatee.

6. **Tax Withholding.** The Awardee 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 Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company is authorized to cause the minimum required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Awardee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due.

7. **Non-Compete / Non Solicitation Agreement** Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor or if the Awardee were to solicit (i) customers to do business with a competitor of the Company or (ii) employees of the Company to leave the Company. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company (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 for which Awardee, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. In addition, Awardee, for a period of two years following the termination of Awardee's affiliation with the Company shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee either (a) has had any management responsibility, (b) has otherwise provided regular services during his affiliation with Company, or (c) has had access to confidential or proprietary information; or (2) entice, solicit, request or advise any employee of the Company to leave the Company's employment or to otherwise accept employment (or other affiliation) with any person, firm or business with which Awardee has an employment or consulting relationship. As used above, "Customers" means all customers of any such business of the Company. Notwithstanding the provisions of this paragraph 7, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in this paragraph 7 are not enforceable, then the non-compete provisions of this paragraph 7 shall not apply; the

non-solicitation provisions of this paragraph 7, however, shall continue to apply. In addition, in the event that a court of competent jurisdiction determines that any of the restrictions set forth in this paragraph 7 are impermissible in scope and/or duration, Awardee and the Company intend that such court shall revise such scope and/or duration as the court deems reasonable rather than invalidating any such restrictions.

8. **Effect of Employment Agreement.** If the 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 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 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) Neither the Plan nor this Stock Option confers upon the Awardee any rights with respect to continuance of employment by the Company or any Subsidiary.

(c) Pursuant to the Plan, the Administrator 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 Awardee's rights under this Agreement without the Awardee's consent.

**CIRCOR INTERNATIONAL, INC.**

By:

Title:

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

Date:           Name: Awardee

**FORM OF  
RESTRICTED STOCK UNIT AGREEMENT  
FOR EMPLOYEES UNDER THE  
CIRCOR INTERNATIONAL, INC.  
2014 STOCK OPTION AND INCENTIVE PLAN**

**Name of Awardee:**

**Awardee Solium Number:**

**Number of Restricted Stock Units:**

**Award Date:** \_\_\_\_\_

Pursuant to the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"), CIRCOR International, Inc. (the "Company") hereby grants to the Awardee named above, who is an officer 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:

	Number of <u>Restricted Stock Units</u>	<u>Vesting Date</u>
(XXX)	one-third	
(XXX)	one-third	
(XXX)	one-third	

In the event of a Change of Control as defined in Section 14.3 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. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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 distribution of such RSUs, all dividend equivalents so accrued (without interest) shall be paid in cash to Awardee. In addition, with respect to RSUs



which have vested but have not been converted into shares of Stock pursuant to a valid deferral election by Awardee, dividends on the shares of Stock underlying such RSUs shall be paid in cash to Awardee upon distribution of such RSUs.

**3. Termination of Employment or Other Business Relationship.** If the Awardee's employment or other business relationship with the Company or a Subsidiary (as defined in the Plan) is terminated for any reason except as otherwise set forth in this Section 3, 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.

a) Termination Due to Death. If the Awardee's employment terminates by reason of the Awardee's death, (excluding death by suicide), all outstanding awards shall become vested as of the date of death and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee's designated beneficiary or estate executor.

b) Termination Due to Disability. If the Awardee's employment terminates by reason of the Awardee's qualified disability, (an individual shall be considered disabled if such individual qualifies for receipt of long-term disability benefits under the long-term disability plan then in effect for the Company's employees), all outstanding awards shall become vested as of the date of disability and the Company, within 90 days following the effective date of such termination, shall issue all outstanding shares of Stock to Awardee.

c) Termination Due to Retirement. If the Awardee's employment is terminated by reason of the Awardee's early or normal retirement (as defined in the Company's Defined Benefit Pension Plan), pro-rata vesting of unvested RSUs shall apply based on the number of days elapsed in the vesting period as of the retirement date. 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.

d) Termination for Cause. If the Awardee's employment terminates for Cause (as defined below), all unvested RSUs shall terminate immediately and be of no further force and effect. For purposes hereof, unless otherwise provided in an employment agreement between the Company and the Awardee, a termination of employment for "Cause" shall mean, the occurrence of one or more of the following: (i) the Awardee 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 (as defined by the Plan) in good faith in its sole discretion; (ii) the Awardee 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 Awardee involving malfeasance or negligence in the performance of the Awardee'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 Awardee within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Awardee 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 Awardee within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Awardee of any non-competition, non-solicitation, confidentiality or similar agreements between the Awardee and the Company as determined by the Administrator in good faith in its sole discretion.

e) Termination without Cause. If the Awardee's employment is terminated by the Company without Cause and unless otherwise determined by the Administrator, any portion of this Award that is not exercisable by time of such termination shall terminate immediately and be of no further force and effect.

f) Termination of Employment by Awardee. If the Awardee terminates his or her employment, this Award shall terminate immediately upon notice by the Awardee of such termination and be of no further force and effect.

g) Miscellaneous. The Administrator's determination of the reason for termination of the Awardee's employment shall be conclusive and binding on the Awardee and his or her representatives or legatees. Any portion of this Award that is unvested after the application of this Section 3 shall be cancelled immediately upon any termination of employment and shall not be exercisable by the Awardee.

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

5. **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 or estate.

7. **Tax Withholding**. For Circor employees, the Company is authorized to satisfy the minimum tax withholding obligation by withholding from shares of Stock to be issued a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum required tax withholding amount due.

8. **Non-Compete/Non-Solicitation Agreement**. Awardee is receiving the Award provided for herein in part because the Company has determined that Awardee is a key contributor to the continued success of the Company. As such, Awardee is privy to certain proprietary information which the Company considers to be competition sensitive. The Company, therefore, would be materially harmed were Awardee to leave the Company and perform services on behalf of a competitor or if the Awardee were to solicit (i) customers to do business with a competitor of the Company or (ii) employees of the Company to leave the Company. Accordingly, in consideration of Awardee's receipt of the Award, Awardee covenants and agrees that, for a period of two (2) years following the termination of Awardee's affiliation with the Company (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 for which Awardee, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services. Awardee agrees that this provision is reasonable in view of the relevant market for the Company's products and services and that any breach hereof would result in continuing and irreparable harm to the Company. The foregoing, however, shall not prevent Awardee from making passive investments in a competitive enterprise whose shares are publicly traded if such investment constitutes less than five percent (5%) of such enterprise's outstanding capital stock. In addition, Awardee, for a period of two years following the termination of Awardee's affiliation with the Company shall not directly or indirectly (1) induce, solicit, request or advise any Customers (as defined below) to patronize any business which competes with any business of the Company for which Awardee either (a) has had any management responsibility, (b) has otherwise provided regular services during his affiliation with Company, or (c) has had access to confidential or proprietary information; or (2) entice, solicit, request or advise any employee of the Company to leave the Company's employment or to otherwise accept employment (or other affiliation) with any person, firm or business with which Awardee has an employment or consulting relationship. As used above, "Customers" means all customers of any such business of the Company. Notwithstanding the provisions of this paragraph 8, if Awardee is an employee or resident of a state in which non-compete provisions of the type set forth in this paragraph 8 are not enforceable, then the non-compete provisions of this paragraph 8 shall not apply; the non-solicitation provisions of this paragraph 8, however, shall continue to apply. In addition, in the event that a court of competent jurisdiction determines that any of the restrictions set forth in this paragraph 8 are impermissible in scope

and/or duration, Awardee and the Company intend that such court shall revise such scope and/or duration as the court deems reasonable rather than invalidating any such restrictions.

**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 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:

Title:

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

Date:

Name: Awardee

**EMPLOYEE RESTRICTED STOCK UNIT AWARD AGREEMENT  
DEFERRAL ELECTION FORM**

This Restricted Stock Unit ("RSU") Award Agreement Deferral Election Form ("Deferral Election Form") is entered into by and between CIRCOR International, Inc. (the "Company") and Awardee, who is an eligible employee of the Company or any of its subsidiaries and participant in the CIRCOR International, Inc. 2014 Stock Option and Incentive Plan (the "Plan"). The Plan provisions are incorporated herein by reference in their entirety and supersede any conflicting provisions contained in this Deferral Election Form. Neither this Deferral Election Form nor the Plan shall be construed as giving Awardee any right to continue to be employed by or perform services for the Company or any subsidiary or affiliate thereof. This deferral election is effective for this award only.

**1. Deferral of Restricted Stock Units**

Awardee will be fully vested in each RSU three years after the date such RSU is awarded, provided that Awardee has maintained employment with the Company for such three year period. The RSUs will vest over a three year period on the following basis:

Restricted Stock Units   Vesting Date

(XXX) one-third  
(XXX) one-third  
(XXX) one-third

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. Such deferral election shall be made within 30 days of 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 seven (7) years would result in Awardee receiving shares of Stock underlying the entire Award seven (7) 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).

I wish to receive shares immediately upon vesting of each tranche.

I wish to defer receipt of all shares until \_\_\_\_\_ years (minimum of 3) after the Award Date.

2. **Designation of Beneficiary (Optional)**

Awardee may designate a beneficiary to receive payments or shares of Stock in the event of Awardee's death. Awardee may designate his or her beneficiaries on line within their Solium account under the "Personal Profiles and Passwords" tab.

NOTE: This beneficiary designation will apply to Awardee's entire interest in the Plan, revoking any prior beneficiary designation. However, if Awardee does not designate a beneficiary, Awardee's prior beneficiary designation (if any) will remain in effect. An Awardee may change or revoke his or her beneficiary designation at any time within their Solium account as noted above.

3. **Effective Date of Election**

This Deferral Election Form must be received by the Company no later than [Date] and will become irrevocable on such date. Awardee may revise this Restricted Stock Unit Award Agreement with respect to the deferral period no later than such due date, by contacting the Corporate Treasurer of the Company.

**CIRCOR INTERNATIONAL, INC.**

**AWARDEE**

By: \_\_\_\_\_ By: \_\_\_\_\_  
**Name:**      **Date:**      **Name:** **Awardee**      **Date:**

## EXECUTIVE CHANGE OF CONTROL AGREEMENT

This EXECUTIVE CHANGE OF CONTROL AGREEMENT ("Agreement") is made as of the 7th day of November, 2016, between CIRCOR International, Inc., a Delaware corporation (the "Company"), and Jennifer H. Allen. ("Executive").

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

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

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

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

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

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

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

(a) Any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Act") (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of either (A) the combined voting power of the Company's then outstanding securities

having the right to voice in an election of the Company's Board ("Voting Securities") or (B) the then outstanding shares of Company's common stock, par value \$0.01 per share ("Common Stock") (other than as a result of an acquisition of securities directly from the Company); or

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

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

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

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

Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the Company cures the Good Reason event in a manner acceptable to Executive during the ninety (90) day period, Good Reason shall be deemed not to have occurred.

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

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

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

(a) **Change in Control.**

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

(ii) Notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, and except as set forth in paragraph (iii)

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

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

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

**(b) Additional Limitation.**

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

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

(B) If the Threshold Amount is less than (x) the Severance Payments, but greater than (y) the Severance Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Severance Payments which are in excess of the Threshold Amount, then the benefits payable under this Agreement shall be reduced (but not below zero) to the extent necessary so that the maximum



Severance Payments shall not exceed the Threshold Amount. To the extent that there is more than one method of reducing the payments to bring them within the Threshold Amount, the Severance Payments shall be reduced in the following order: (i) cash payments not subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) cash payments subject to Section 409A of the Code; (iii) equity-based payments; and (iv) non-cash form of benefits. To the extent any payment is to be made over time (e.g., in installments), then the payments shall be reduced in reverse chronological order.

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

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

4. **Unauthorized Disclosures.** Executive acknowledges that in the course of his employment with the Company (and, if applicable, its predecessors), he has been allowed to become, and will continue to be allowed to become, acquainted with the Company's and the Company's business affairs, information, trade secrets, and other matters which are of a proprietary or confidential nature, including but not limited to the Company's and its affiliates' and predecessors' operations, business opportunities, price and cost information, finance, customer information, business plans, various sales techniques, manuals, letters, notebooks, procedures, reports, products, processes, services, and other confidential information and knowledge (collectively the "Confidential Information") concerning the Company's and its affiliates' and predecessors' business. The Company agrees to provide on an ongoing basis such Confidential Information as the Company deems necessary or desirable to aid Executive in the performance of his duties. Executive understands and acknowledges that such Confidential Information is confidential, and he agrees not to disclose such Confidential Information to anyone outside the Company except to the extent that (i) Executive deems such disclosure or use reasonably necessary or appropriate in connection with performing his duties on behalf of the Company, (ii) Executive is required by order of a court of competent jurisdiction (by subpoena

or similar process) to disclose or discuss any Confidential Information, provided that in such case, Executive shall promptly inform the Company of such event, shall cooperate with the Company, as appropriate, in attempting to obtain a protective order or to otherwise restrict such disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with any such court order; (iii) such Confidential Information becomes generally known to and available for use in the Company's industry (the "Fluid-Control Industry"), other than as a result of any action or inaction by Executive; or (iv) such information has been rightfully received by a member of the Fluid-Control Industry or has been published in a form generally available to the Fluid-Control Industry prior to the date Executive proposes to disclose or use such information. Executive further agrees that he will not during employment and/or at any time thereafter use such Confidential Information in competing, directly or indirectly, with the Company. At such time as Executive shall cease to be employed by the Company, he will immediately turn over to the Company all Confidential Information, including papers, documents, writings, electronically stored information, other property, and all copies of them provided to or created by him during the course of his employment with the Company. The provisions of this Paragraph 4 shall survive termination of this Agreement for any reason.

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

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

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

Should Executive violate any of the provisions of this Paragraph, then in addition to all other rights and remedies available to the Company at law or in equity, the duration of this covenant

shall automatically be extended for the period of time from which Executive began such violation until he permanently ceases such violation.

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

If to the Executive:

Jennifer H. Allen

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

If to the Company:

CIRCOR International, Inc.  
30 Corporate Drive, Suite 200  
Burlington, MA 01803  
Attention: Board of Directors of CIRCOR International, Inc.

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

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

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

9. **Validity.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. The invalid portion of this Agreement, if

any, shall be modified by any court having jurisdiction to the extent necessary to render such portion enforceable.

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

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

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

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

14. **Section 409A.**

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

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

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

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

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

*[Remainder of Page Intentionally Left Blank]*

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

CIRCOR International

By: 

Scott A. Buckhout  
President & CEO

EXECUTIVE

  
Jennifer H. Allen

*[signature page to Executive Change of Control Agreement]*

## EXECUTIVE CHANGE OF CONTROL AGREEMENT

This EXECUTIVE CHANGE OF CONTROL AGREEMENT ("Agreement") is made as of the 26th day of October, 2016, between CIRCOR International, Inc., a Delaware corporation (the "Company"), and Sumit Mehrotra. ("Executive").

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

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

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

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

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

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

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

(a) Any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Act") (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of either (A) the combined voting power of the Company's then outstanding securities



having the right to voice in an election of the Company's Board ("Voting Securities") or (B) the then outstanding shares of Company's common stock, par value \$0.01 per share ("Common Stock") (other than as a result of an acquisition of securities directly from the Company); or

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

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

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

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



Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the Company cures the Good Reason event in a manner acceptable to Executive during the ninety (90) day period, Good Reason shall be deemed not to have occurred.

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

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

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

**(a) Change in Control.**

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

(ii) Notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, and except as set forth in paragraph (iii)

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

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

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

**(b) Additional Limitation.**

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

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

(B) If the Threshold Amount is less than (x) the Severance Payments, but greater than (y) the Severance Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Severance Payments which are in excess of the Threshold Amount, then the benefits payable under this Agreement shall be reduced (but not below zero) to the extent necessary so that the maximum

Severance Payments shall not exceed the Threshold Amount. To the extent that there is more than one method of reducing the payments to bring them within the Threshold Amount, the Severance Payments shall be reduced in the following order: (i) cash payments not subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) cash payments subject to Section 409A of the Code; (iii) equity-based payments; and (iv) non-cash form of benefits. To the extent any payment is to be made over time (e.g., in installments), then the payments shall be reduced in reverse chronological order.

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

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

4. **Unauthorized Disclosures.** Executive acknowledges that in the course of his employment with the Company (and, if applicable, its predecessors), he has been allowed to become, and will continue to be allowed to become, acquainted with the Company's and the Company's business affairs, information, trade secrets, and other matters which are of a proprietary or confidential nature, including but not limited to the Company's and its affiliates' and predecessors' operations, business opportunities, price and cost information, finance, customer information, business plans, various sales techniques, manuals, letters, notebooks, procedures, reports, products, processes, services, and other confidential information and knowledge (collectively the "Confidential Information") concerning the Company's and its affiliates' and predecessors' business. The Company agrees to provide on an ongoing basis such Confidential Information as the Company deems necessary or desirable to aid Executive in the performance of his duties. Executive understands and acknowledges that such Confidential Information is confidential, and he agrees not to disclose such Confidential Information to anyone outside the Company except to the extent that (i) Executive deems such disclosure or use reasonably necessary or appropriate in connection with performing his duties on behalf of the Company, (ii) Executive is required by order of a court of competent jurisdiction (by subpoena

or similar process) to disclose or discuss any Confidential Information, provided that in such case, Executive shall promptly inform the Company of such event, shall cooperate with the Company, as appropriate, in attempting to obtain a protective order or to otherwise restrict such disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with any such court order; (iii) such Confidential Information becomes generally known to and available for use in the Company's industry (the "Fluid-Control Industry"), other than as a result of any action or inaction by Executive; or (iv) such information has been rightfully received by a member of the Fluid-Control Industry or has been published in a form generally available to the Fluid-Control Industry prior to the date Executive proposes to disclose or use such information. Executive further agrees that he will not during employment and/or at any time thereafter use such Confidential Information in competing, directly or indirectly, with the Company. At such time as Executive shall cease to be employed by the Company, he will immediately turn over to the Company all Confidential Information, including papers, documents, writings, electronically stored information, other property, and all copies of them provided to or created by him during the course of his employment with the Company. The provisions of this Paragraph 4 shall survive termination of this Agreement for any reason.

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

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

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

Should Executive violate any of the provisions of this Paragraph, then in addition to all other rights and remedies available to the Company at law or in equity, the duration of this covenant

shall automatically be extended for the period of time from which Executive began such violation until he permanently ceases such violation.

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

If to the Executive:

Sumit Mehrotra

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

If to the Company:

CIRCOR International, Inc.  
30 Corporate Drive, Suite 200  
Burlington, MA 01803  
Attention: Chief Human Resource Officer

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

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

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

9. **Validity.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. The invalid portion of this Agreement, if

any, shall be modified by any court having jurisdiction to the extent necessary to render such portion enforceable.

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

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

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

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

14. **Section 409A.**

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

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

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

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

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

*[Remainder of Page Intentionally Left Blank]*


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

CIRCOR International

By: 

Scott A. Buckhout  
President & CEO

EXECUTIVE

  
Sumit Mehrotra

*[signature page to Executive Change of Control Agreement]*



## SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is made and entered into as of December 9, 2016 by and between CIRCOR International, Inc. ("CIRCOR" or "Company") and Jennifer Allen (the "Executive").

**WHEREAS**, CIRCOR presently employs the Executive in which capacity the Executive serves as Senior Vice President & General Counsel and as an officer and/or director of other direct and indirect subsidiaries of the Company; and

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

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

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

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

(a) "Accrued Benefits" shall mean (i) all accrued but unpaid Base Salary through the Date of Termination of Executive's employment (including any accrued vacation) at the rate in effect at the time Notice of Termination is given, (ii) any unpaid or unreimbursed expenses incurred in accordance with Company policies, (iii) accrued but unused vacation days through the Date of Termination of Executive's employment determined as per the Company's vacation policy, and (iv) any amounts that are accrued and vested under any Company plan or policy as of the Date of Termination.

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

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

(d) "For Cause" shall mean: (i) conduct by Executive constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of its affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; (ii) criminal or civil conviction of Executive, a plea of nolo contendere by Executive or conduct by Executive that would reasonably be expected to result in material injury to the reputation of the Company if he were retained in his position with the Company, including, without limitation, conviction of a felony involving moral turpitude; (iii) continued, willful and deliberate non-performance by Executive of his duties hereunder (other than by reason of Executive's physical

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or mental illness, incapacity or disability) which has continued for more than thirty (30) days following written notice of such non-performance from the Board of Directors of the Company (the "Board"); or (iv) a violation by Executive of the Company's employment policies which has continued following written notice of such violation from the Board.

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

"Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the Company in writing of the occurrence of the Good Reason event within 60 days of such occurrence; (iii) Executive reasonably cooperates in good faith with the Company's efforts following such notice (the "Cure Period"), to promptly remedy the condition; (iv) notwithstanding such efforts, the Good Reason event continues to exist; and (v) the Executive terminates his employment within 60 days after the end of the Cure Period. If the Company cures the Good Reason event during the Cure Period, Good Reason shall be deemed not to have occurred.

(f) "Severance Benefits" shall mean the payments described in Section 2(c) of this Agreement.

## 2. Post Termination Payments.

(a) Termination by the Company For Cause, Death or Disability. Upon termination of the Executive's employment by the Company for Cause, death, or Disability, the Company shall, through the Date of Termination (hereinafter defined), pay Executive the Accrued Benefits. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement or as required by law.

(b) Termination by the Executive other than for Good Reason. If Executive's employment is terminated by the Executive other than for Good Reason, then the Company shall, through the Date of Termination, pay Executive the Accrued Benefits. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement.

(c) Termination by the Company Other Than for Cause, Death or Disability or by the Executive for Good Reason. If Executive's employment is terminated (i) by the Company other than For Cause or Executive's death or Disability or (ii) by the Executive for Good Reason, then the Company shall, through the Date of Termination, pay Executive the Accrued Benefits. Subject to Section 2(d) and Section 18 below, the Executive shall also receive the following Severance Benefits:

(i) a lump sum payment equal to the Executive's current Base Salary in effect during the fiscal year in which such termination occurs payable in a single lump sum payment as soon as administratively practicable (but not later than sixty (60) days) following such Date of Termination;

(ii) a lump sum payment equal to the product of (A) the amount of the annual short-term bonus that would have been payable to the Executive if the Executive was still employed as of December 31st of the then current fiscal year in respect of the fiscal year in which employment termination occurs based on actual performance as compared to performance goals, and (B) the ratio of (x) the number of days elapsed during the fiscal year during which such termination of employment occurs on or prior to the date of such termination to (y) 365, payable as of the same time as annual short-term bonuses are paid to other senior executives; and

(iii) subject to the Executive's election of COBRA rights, monthly payment of an amount equal to the employer's cost coverage in accordance with its contribution percentage toward medical and dental coverage for active employees immediately prior to the Date of Termination for twelve (12) months after such termination; provided, however, that the installment payments under this Section 2(c)(iii) shall cease on the first day of the month immediately following the month that the Executive no longer qualifies for continued COBRA coverage for any reason, including but not limited to the Executive's failure to pay the Executive's portion of the COBRA cost or the Executive becoming eligible for medical/dental insurance under another group health insurance plan (as defined by COBRA). Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the foregoing installment payments without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall be entitled to amend this Section 2(c)(iii) in order to preserve the value of such installment payments to the Executive without additional cost to either party.

(d) Required Release. The payment of the Severance Benefits shall be conditioned upon the Executive's execution, delivery to the Company, and non-revocation of the release of claims, in a form reasonably acceptable to the Company (and the expiration of any revocation period contained in such release of claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If the Executive fails to execute the release of claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes the Executive's execution of such release following its execution, the Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60th) day following termination of the Executive's employment hereunder, but for the condition on executing the release of claims as set forth herein, shall not be made until the first (1st) regularly scheduled payroll date following such sixtieth (60th) day, after which any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein (and the first payment shall include any portion of the Severance Benefits, and any such other payments or benefits, that would have been paid during such sixty (60) day period).

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

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

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

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

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

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

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

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

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

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



such violation until he permanently ceases such violation, the Severance Benefits shall cease and the Company shall be entitled to recovery previously paid Severance Benefits.

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

If to the Executive:

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

If to the Company:

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

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

9. Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment.

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

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

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

13. Arbitration; Other Disputes. In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such

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

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

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

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

and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

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

18. Section 409A.

(a) It is intended that any compensation or benefits under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") provided under Treasury Regulations Sections 1.409A-1(b)(4), and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii)), the Executive's right to receive any installment payments under this Agreement (whether Severance Benefits or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Severance Benefits shall not commence until the Executive has a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "separation from service").

(b) Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed by the Company at the time of termination to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i), and if any of the payments set forth herein are deemed to be "deferred compensation," then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided prior to the earliest of (i) the expiration of the six-month period measured from the Executive's employment termination, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such period, all payments deferred pursuant to this paragraph shall be paid in a lump sum, and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable



year; provided, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any taxes or related liability under Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

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

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

CIRCOR INTERNATIONAL, INC.

By: 

Scott A. Buckhout  
President & CEO

EXECUTIVE

  
Jennifer Allen

Senior Vice President & General Counsel

## SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is made and entered into as of Dec 9 2016 by and between CIRCOR International, Inc. ("CIRCOR" or "Company") and Sumit Mehrotra (the "Executive").

**WHEREAS**, CIRCOR presently employs the Executive in which capacity the Executive serves as Group President, Advanced Flow Solutions and as an officer and/or director of other direct and indirect subsidiaries of the Company; and

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

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

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

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

(a) "Accrued Benefits" shall mean (i) all accrued but unpaid Base Salary through the Date of Termination of Executive's employment (including any accrued vacation) at the rate in effect at the time Notice of Termination is given, (ii) any unpaid or unreimbursed expenses incurred in accordance with Company policies, (iii) accrued but unused vacation days through the Date of Termination of Executive's employment determined as per the Company's vacation policy, and (iv) any amounts that are accrued and vested under any Company plan or policy as of the Date of Termination.

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

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

(d) "For Cause" shall mean: (i) conduct by Executive constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of its affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; (ii) criminal or civil conviction of Executive, a plea of nolo contendere by Executive or conduct by Executive that would reasonably be expected to result in material injury to the reputation of the Company if he were retained in his position with the Company, including, without limitation, conviction of a felony involving moral turpitude; (iii) continued, willful and deliberate non-performance by Executive of his duties hereunder (other than by reason of Executive's physical

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or mental illness, incapacity or disability) which has continued for more than thirty (30) days following written notice of such non-performance from the Board of Directors of the Company (the "Board"); or (iv) a violation by Executive of the Company's employment policies which has continued following written notice of such violation from the Board.

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

"Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the Company in writing of the occurrence of the Good Reason event within 60 days of such occurrence; (iii) Executive reasonably cooperates in good faith with the Company's efforts following such notice (the "Cure Period"), to promptly remedy the condition; (iv) notwithstanding such efforts, the Good Reason event continues to exist; and (v) the Executive terminates his employment within 60 days after the end of the Cure Period. If the Company cures the Good Reason event during the Cure Period, Good Reason shall be deemed not to have occurred.

(f) "Severance Benefits" shall mean the payments described in Section 2(c) of this Agreement.

## 2. Post Termination Payments.

(a) Termination by the Company For Cause, Death or Disability. Upon termination of the Executive's employment by the Company for Cause, death, or Disability, the Company shall, through the Date of Termination (hereinafter defined), pay Executive the Accrued Benefits. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement or as required by law.

(b) Termination by the Executive other than for Good Reason. If Executive's employment is terminated by the Executive other than for Good Reason, then the Company shall, through the Date of Termination, pay Executive the Accrued Benefits. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided under this Agreement.

(c) Termination by the Company Other Than for Cause, Death or Disability or by the Executive for Good Reason. If Executive's employment is terminated (i) by the Company other than For Cause or Executive's death or Disability or (ii) by the Executive for Good Reason, then the Company shall, through the Date of Termination, pay Executive the Accrued Benefits. Subject to Section 2(d) and Section 18 below, the Executive shall also receive the following Severance Benefits:

(i) a lump sum payment equal to the Executive's current Base Salary in effect during the fiscal year in which such termination occurs payable in a single lump sum payment as soon as administratively practicable (but not later than sixty (60) days) following such Date of Termination;

(ii) a lump sum payment equal to the product of (A) the amount of the annual short-term bonus that would have been payable to the Executive if the Executive was still employed as of December 31st of the then current fiscal year in respect of the fiscal year in which employment termination occurs based on actual performance as compared to performance goals, and (B) the ratio of (x) the number of days elapsed during the fiscal year during which such termination of employment occurs on or prior to the date of such termination to (y) 365, payable as of the same time as annual short-term bonuses are paid to other senior executives; and

(iii) subject to the Executive's election of COBRA rights, monthly payment of an amount equal to the employer's cost coverage in accordance with its contribution percentage toward medical and dental coverage for active employees immediately prior to the Date of Termination for twelve (12) months after such termination; provided, however, that the installment payments under this Section 2(c)(iii) shall cease on the first day of the month immediately following the month that the Executive no longer qualifies for continued COBRA coverage for any reason, including but not limited to the Executive's failure to pay the Executive's portion of the COBRA cost or the Executive becoming eligible for medical/dental insurance under another group health insurance plan (as defined by COBRA). Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the foregoing installment payments without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall be entitled to amend this Section 2(c)(iii) in order to preserve the value of such installment payments to the Executive without additional cost to either party.

(d) Required Release. The payment of the Severance Benefits shall be conditioned upon the Executive's execution, delivery to the Company, and non-revocation of the release of claims, in a form reasonably acceptable to the Company (and the expiration of any revocation period contained in such release of claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If the Executive fails to execute the release of claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes the Executive's execution of such release following its execution, the Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60th) day following termination of the Executive's employment hereunder, but for the condition on executing the release of claims as set forth herein, shall not be made until the first (1st) regularly scheduled payroll date following such sixtieth (60th) day, after which any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein (and the first payment shall include any portion of the Severance Benefits, and any such other payments or benefits, that would have been paid during such sixty (60) day period).

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

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

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

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

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

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

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

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

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

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

such violation until he permanently ceases such violation, the Severance Benefits shall cease and the Company shall be entitled to recovery previously paid Severance Benefits.

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

If to the Executive:

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

If to the Company:

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

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

9. Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment.

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

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

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

13. Arbitration; Other Disputes. In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such



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

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

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

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



and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

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

18. Section 409A.

(a) It is intended that any compensation or benefits under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") provided under Treasury Regulations Sections 1.409A-1(b)(4), and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii)), the Executive's right to receive any installment payments under this Agreement (whether Severance Benefits or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Severance Benefits shall not commence until the Executive has a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "separation from service").

(b) Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed by the Company at the time of termination to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i), and if any of the payments set forth herein are deemed to be "deferred compensation," then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided prior to the earliest of (i) the expiration of the six-month period measured from the Executive's employment termination, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such period, all payments deferred pursuant to this paragraph shall be paid in a lump sum, and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable

year; provided, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any taxes or related liability under Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

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

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

CIRCOR INTERNATIONAL, INC.

By:   
Scott A. Buckhout  
President & CEO

EXECUTIVE



Digitally signed by Sumit Mehrotra  
DN: cn=Sumit Mehrotra, o=Global Supply  
Chain, ou=CIRCOR International, Inc,  
email=sumit.mehrotra@circor.com, c=US  
Date: 2016.12.09 17:49:09 -0800

Sumit Mehrotra  
Group President, Advanced Flow Solutions

## SCHEDULE OF SUBSIDIARIES

## Subsidiaries of CIRCOR International, Inc.

## I. Subsidiaries of CIRCOR International, Inc.:

1. CIRCOR (Jersey) Ltd., a Jersey Company (83% ownership)
2. CIRCOR Aerospace, Inc., a Delaware Corporation
3. CIRCOR Energy Products, Inc., an Oklahoma Corporation
4. CIRCOR Luxembourg Holdings Sarl, a Luxembourg Limited Liability Company (39%)
5. Dovianus B.V., a Netherlands Corporation
6. CIRCOR France, a French Corporation
7. Leslie Controls, Inc., a Delaware Corporation
8. Patriot Holdings, Inc., a Colorado Corporation
9. Spence Engineering Company, Inc., a Delaware Corporation
10. CIRCOR German Holdings Management GmbH, a German Closed Corporation
11. Downstream Holding, LLC., a Delaware Limited Liability Company

## II. Subsidiaries of CIRCOR Aerospace, Inc.:

1. CIRCOR IP Holding Co., a Delaware Corporation
2. CIRCOR Instrumentation Technologies, Inc., a New York Corporation
3. CIRCOR Luxembourg Holdings Sarl., a Luxembourg Limited Liability Company (<1%)

## III. Subsidiaries of CIRCOR Instrumentation Technologies, Inc.:

1. CIRCOR (Jersey) Ltd., a Jersey Company (17% ownership)
2. Dopak Inc., a Texas Corporation
3. CIRCOR Mexico, S.A. de C.V., a Mexico Corporation (99%)
4. CIRCOR Empleados de Mexico S.A. de C.V., a Mexico Corporation (99%)

## IV. Subsidiaries of CIRCOR Energy Products, Inc.:

1. CIRCOR Luxembourg Holdings Sarl., a Luxembourg Limited Liability Company (approx. 61%)
2. CIRCOR LLC, a Massachusetts Limited Liability Company
3. CIRCOR Mexico, S.A. de C.V., a Mexico Corporation (1%)
4. CIRCOR Empleados de Mexico S.A. de C.V., a Mexico Corporation (1%)

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

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

VI. Subsidiaries of CIRCOR German Holdings, LLC:

1. CIRCOR German Holdings GmbH & Co. KG, a German Private Company

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

1. Regeltechnik Kornwestheim GmbH, a German Corporation
2. SCHROEDAHL-ARAPP Spezialarmaturen GmbH & Co. KG, a German Corporation

VIII. Subsidiaries of CIRCOR Luxembourg Holdings, Sarl.

1. CEP Holdings Sarl., a Luxembourg Limited Liability Company (6% ownership)
2. CIRCOR Energy Products (Canada) ULC, an Alberta Unlimited Liability Company
3. Howitzer Acquisition Limited, a United Kingdom Corporation
4. CIRCOR India Holdings BV, a Netherlands Corporation
5. CIRCOR Middle East FZE, a United Arab Emirates Corporation
6. CIRCOR Do Brasil Participações LTDA, a Brazilian Corporation (>99%)
7. CIRCOR (Barbados) Holdings SARL, a Barbados Company

IX. Subsidiaries of CIRCOR Do Brasil Participações LTDA.

1. CIRCOR do Brasil Industria e Comercio LTDA, a wholly owned subsidiary of CIRCOR do Brasil Participacoes LTDA

X. Subsidiaries of CIRCOR Energy Products (Canada) ULC, an Alberta Unlimited Liability Company

1. CEP Holdings Sarl., a Luxembourg Limited Liability Company (94% ownership)

XI. Subsidiaries of CEP Holdings, Sarl.

1. Pibiviesse Srl., an Italian Company
2. CIRCOR Do Brasil Participações LTDA, a Brazilian Corporation (1%)

XII. Subsidiaries of Pibiviesse, Srl.:

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

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

1. Hale Hamilton (Valves) Limited, a United Kingdom Corporation
2. Pipeline Engineering Supply Co., Limited, a United Kingdom Corporation

3. TapcoEnpro UK Limited, a United Kingdom Company

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

1. CIRCOR India LLC, a Delaware Limited Liability Company
2. CIRCOR Flow Technologies India Private Ltd, an Indian Private Company

XV. Subsidiaries of CIRCOR France, a French Corporation

1. CIRCOR Bodet, a French Corporation
2. CIRCOR Maroc, a Moroccan Corporation
3. CIRCOR Industria, a French Corporation

XVI. Subsidiaries of Downstream Holding, LLC., a Delaware Limited Liability Company

1. TapcoEnpro Tracker, LLC., a Delaware Limited Liability Company
2. DeltaValve Tracker, LLC., a Delaware Limited Liability Company

XVII. Subsidiaries of TapcoEnpro Tracker, LLC., a Delaware Limited Liability Company

1. Downstream Aggregator, LLC., a Delaware Limited Liability Company (29.019%)

XVII. Subsidiaries of DeltaValve Tracker, LLC., a Delaware Limited Liability Company

1. Downstream Aggregator, LLC., a Delaware Limited Liability Company (70.981%)

XVIV. Subsidiaries of Downstream Aggregator, LLC., a Delaware Limited Liability Company

1. TapcoEnpro, LLC., a Delaware Limited Liability Company
2. DeltaValve, LLC., a Delaware Limited Liability Company
3. CIRCOR Luxembourg Holdings Sarl, a Luxembourg Limited Liability Company (%)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-91229, 333-125237, 333-190295 and 333-197754) of CIRCOR International, Inc. of our report dated February 20, 2017, relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 21, 2017

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated February 18, 2015 (except for Note 17, as to which the date is February 21, 2017), with respect to the consolidated financial statements and schedule for the year ended December 31, 2014 included in the Annual Report of CIRCOR International, Inc. on Form 10-K for the year ended December 31, 2016. We consent to the incorporation by reference of the said report in the Registration Statements of CIRCOR International, Inc. on Forms S-8 (File No. 333-197754, 333-125237, 333-190295 and 333-91229).

/s/ GRANT THORNTON LLP  
Boston, Massachusetts  
February 21, 2017

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

I, Scott A. Buckhout, certify that:

1. I have reviewed this annual report on Form 10-K of CIRCOR International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2017

Signature: /s/ Scott A. Buckhout

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



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

I, Rajeev Bhalla, certify that:

1. I have reviewed this annual report on Form 10-K of CIRCOR International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2017

Signature: /s/ Rajeev Bhalla

**Rajeev Bhalla**

**Executive Vice President, Chief Financial Officer**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers, who are the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer of CIRCOR International, Inc. (the “Company”), each hereby certifies to the best of his knowledge, that the Company’s annual report on Form 10-K to which this certification is attached (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott A. Buckhout

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**Scott A. Buckhout**  
**President and Chief Executive Officer**  
*Principal Executive Officer*

February 21, 2017

/s/ Rajeev Bhalla

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**Rajeev Bhalla**  
**Executive Vice President, Chief Financial Officer**  
*Principal Financial Officer*

February 21, 2017