Ajdaharian Paul S
Form 4/A
March 02, 2018

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Ajdaharian Paul S

(Last) (First) (Middle)

C/O WASHINGTON PRIME GROUP INC., 180 EAST BROAD STREET

(Street)

COLUMBUS, OH 43215

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WASHINGTON PRIME GROUP INC. [WPG]

3. Date of Earliest Transaction (Month/Day/Year)
02/20/2018

4. If Amendment, Date Original Filed(Month/Day/Year)
02/22/2018

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, Head of Open Air Centers

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Units	(1)	02/20/2018		A		33,157 (2)		(3)	(3)	Common Stock, par value $0.0001 per share	33,157 (2)
Performance Stock Units	(4)	02/20/2018		A		33,157 (2)		(5)	(5)	Common Stock, par value $0.0001 per share	33,157 (2)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Ajdaharian Paul S C/O WASHINGTON PRIME GROUP INC. 180 EAST BROAD STREET COLUMBUS, OH 43215			EVP, Head of Open Air Centers	

Signatures

/s/ Stephen E. Ifeduba, as attorney-in-fact	03/01/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each of the restricted stock units ("RSUs") represents a contingent right to receive one share of Issuer's common stock (the "Common Stock").

(2) This amendment is being filed to update the number of Derivative Securities acquired by the Reporting Person.

(3) The awarded RSUs shall vest and become nonforfeitable in one-third installments on each of the first, second and third anniversaries of the grant date of February 20, 2018 ("2018 Grant Date"), provided that the Reporting Person is in continued compliance with certain covenants in the Reporting Person's employment agreement and subject to certain provisions of such agreement relating to a change in control of the Issuer.

(4) Each of the performance stock units ("PSUs") represents a contingent right to receive one share of Common Stock.

(5) Unvested PSUs shall be earned based upon the satisfaction of certain relative total shareholder return criteria ("TSR Criteria") with the number of earned PSUs ranging from 0% to 150% of the allocated amount awarded based on the achievement of the Company in the TSR Criteria over a three-year performance period from the 2018 Grant Date to February 20, 2021 ("Vesting Date"), provided that the Reporting Person is in continued compliance with certain covenants in the Reporting Person's employment agreement and subject to certain provisions of such agreement relating to a change in control of the Issuer. Settlement of the PSUs shall occur as soon as practicable after the Vesting Date, but no later than March 15, 2022.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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$
(398
)

$
21,139

$
865

$
(4,856
)

$
—

Aerospace
(2,091
)

12,674

(14,765
)

—

(2,703
)

(136
)

(11,926
)

—

Flow Technologies
34,378

37,586

(3,208
)

—

(2,930
)

(611
)

(275
)

608

Corporate
(29,939
)

(21,395
)

(8,544
)

—

(5,903
)

25

(2,734
)

68

Total
$

46,531

$
56,298

$
(9,767
)

$
(398
)

$
9,603

$
143

$
(19,791
)

$
676

(1) Special & Repositioning includes inventory, impairment and special charges associated with repositioning activities as well as CEO separation costs- see table below. See Note 4 of the accompanying consolidated financial statements for further information on these costs.

The special and repositioning charges for the twelve months ended December 31, 2012 were as follows:

Segment	Year Ended December 31, 2012 (In thousands)	Inventory Repositioning	Impairment Charges	Special Charges
Energy	$4,856	$ 893	$ 2,156	$ 1,807
Aerospace	11,926	3,237	8,193	496
Flow Technologies	275	31	—	244
Corporate	2,734	—	—	2,734
Total	$19,791	$4,161	$10,349	$5,281

Operating income decreased 17%, or $9.8 million, to $46.5 million for the year ended December 31, 2012 compared to $56.3 million for the same period in 2011.

Operating income for our Energy segment increased $16.8 million, or 61%, to $44.2 million for the year ended December 31, 2012 compared to the same period in 2011. Operating margins increased 330 basis points to 10.3% on a revenue increase of 9%, compared to 2011. The increase in operating income was primarily driven by improved

pricing and favorable penalty reserve adjustments with respect to large international projects and by increased volume and associated leverage, partially offset by organic increases in selling, general and administrative expenses and repositioning related charges at our Brazil operations.

Operating income for the Aerospace segment decreased $14.8 million, or 116%, to a loss of $2.1 million for the year ended December 31, 2012 compared to the same period in 2011. Operating margins were negative due to impairment charges and other repositioning related costs at our California operations as well as inefficiencies at our California operations and costs supporting new programs including initial production variances. These were partially offset by increases in volume and associated leverage.

Operating income for the Flow Technologies segment decreased $3.2 million, or 9%, to $34.4 million for the year ended December 31, 2012 compared to the same period in 2011, primarily due to lower LED equipment market volume and associated leverage and investments in growth initiatives, partially offset by improved pricing, mix and productivity.

Corporate operating expenses increased $8.5 million, or 40%, to $29.9 million, for the year ended December 31, 2012 compared to the same period in 2011, largely due to CEO separation costs, a favorable settlement of a long-standing litigation matter recognized as income in the third quarter of 2011 as well as higher professional fees and variable compensation.

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Interest Expense, Net

Interest expense, net, increased $0.3 million to $4.3 million for the year ended 2012 compared to $3.9 million for the year ended 2011. This increase in interest expense was primarily due to higher interest charges from higher international borrowings.

Other Expense, Net

Other expense, net, was $0.5 million for the year ended December 31, 2012 compared to $2.2 million in the same period of 2011. The difference of $1.7 million was largely the result of lower foreign exchange expenses associated with the remeasurement of foreign currency balances.

Provision for Income Taxes

The effective tax rate was 26.2% for the year ended December 31, 2012, 80 basis points lower compared to 27.0% for the same period of 2011. The primary driver of the lower 2012 tax rate was the decreased share of U.S. income compared to lower taxed foreign income and the utilization of a manufacturing deduction in the U.S., partially offset by the establishment of a valuation allowance in one of our foreign subsidiaries.

Net Income

Net income decreased $5.8 million to $30.8 million for the year ended December 31, 2012, compared to $36.6 million for the same period in 2011. The decrease was primarily due to the repositioning activities that resulted in impairment charges of $10.3 million, repositioning inventory charges of $4.2 million, and special charges of $5.3 million. These 2012 repositioning related and special charges were partially offset primarily by higher energy segment operating income.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

The following tables set forth the results of operations, percentage of net revenue and the period-to-period percentage change in certain financial data for the year ended December 31, 2011 and December 31, 2010:

	Year Ended					
	December 31, 2011		December 31, 2010		% Change	
	(Dollars in thousands)					
Net revenues	$822,349	100.0 %	$685,910	100.0 %	19.9	%
Cost of revenues	596,954	72.6 %	488,641	71.2 %	22.2	%
Gross profit	225,395	27.4 %	197,269	28.8 %	14.3	%
Selling, general and administrative expenses	168,421	20.5 %	149,508	21.8 %	12.7	%
Leslie asbestos and bankruptcy charges, net	676	0.1 %	32,775	4.8 %	(97.9	)%
Operating income	56,298	6.8 %	14,986	2.2 %	275.7	%
Other (income) expense:						
Interest expense, net	3,930	0.5 %	2,516	0.4 %	56.2	%
Other (income) expense, net	2,172	0.3 %	(39)	0.0 %	(5,669.2	)%
Total other expense	6,102	0.7 %	2,477	0.4 %	146.3	%
Income before income taxes	50,196	6.1 %	12,509	1.8 %	301.3	%
Provision (benefit) for income taxes	13,562	1.6 %	(115)	0.0 %	(11,893.0	)%
Net income	$36,634	4.5 %	$12,624	1.8 %	190.2	%

Net Revenue

Net revenues for the year ended December 31, 2011 increased by $136.4 million, or 20%, to $822.3 million, from $685.9 million for the year ended December 31, 2010. The increase in net revenues for the year ended December 31, 2011 was attributable to the following:

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Segment	Year Ended December 31, 2011 (In thousands)	December 31, 2010	Total Change	Acquisitions	Operations	Foreign Exchange
Energy	$394,693	$ 305,869	$88,824	$12,660	$68,739	$7,425
Aerospace	136,838	118,866	17,972	9,049	7,109	1,814
Flow Technologies	290,818	261,175	29,643	1,739	23,379	4,525
Total	$822,349	$ 685,910	$136,439	$23,448	$99,227	$13,764

Our Energy segment accounted for 48% of net revenues for the year ended December 31, 2011 compared to 45% for the year ended December 31, 2010. The Aerospace segment accounted for 17% of net revenues for both the year ended December 31, 2011 and the year ended December 31, 2010. The Flow Technologies segment accounted for 35% of net revenues for the year ended December 31, 2011 compared to 38% for the year ended December 31, 2010.

Energy segment revenues increased by $88.8 million, or 29%, for the year ended December 31, 2011 compared to the same period in 2010. The increase was primarily driven by $68.7 million of organic growth across the segment, particularly from the short-cycle North American businesses. This increase is also due to $12.7 million in revenue from the first quarter 2011 acquisition of SF Valves and $7.4 million of favorable foreign currency fluctuations. Orders for this segment increased $32.0 million to $396.8 million for the year ended December 31, 2011 compared to $364.8 million for the year ended December 31, 2010 primarily due to strength in short cycle businesses and the positive impact of the SF Valves acquisition, partially offset by minor weakness in international projects and due to a difficult comparison for pipeline solutions, which had a large $12.5 million order received in the third quarter of 2010. Backlog for our Energy segment has decreased by $10.6 million to $169.3 million as of December 31, 2011 compared to $179.9 million for the same period in 2010. Throughout 2011 we saw a continued rebound in North American short cycle activities. Large international project orders were inconsistent, but generally positive with pricing slowly improving and improvement in pipeline solutions.

Aerospace segment revenues increased by $18.0 million, or 15%, for the year ended December 31, 2011 compared to the same period in 2010. $9.0 million of the increase was driven by acquisitions, primarily the August 2010 acquisition of Castle. Additional increases were due to organic growth of $7.1 million across most areas with the exception of military aftermarket and favorable foreign currency fluctuations of $1.8 million. Orders for this segment increased $41.1 million to $165.0 million for the year ended December 31, 2011 compared to $123.9 million for the year ended December 31, 2010. This order increase was primarily due to a large $26.0 million multi-year military landing gear order placed in the third quarter of 2011. Order backlog increased 8% to $158.3 million as of December 31, 2011 compared to $147.2 million as of December 31, 2010.

Flow Technologies segment revenues increased by $29.6 million, or 11%, for the year ended December 31, 2011 compared to the same period in 2010. The revenue increase was due to organic growth of $23.4 million across most businesses with the exception of LED equipment. An additional increase of $4.5 million was due to favorable foreign currency fluctuations. Mazda Ltd. (“Mazda”), which we acquired in the second quarter of 2010, added $1.7 million in revenues in 2011. This segment’s customer orders increased 6% to $286.7 million for the year ended December 31, 2011 compared to $271.6 million as of December 31, 2010 with improvement in most markets excluding the LED equipment market. Order backlog declined to $69.8 million as of December 31, 2011 compared to $77.2 million as of December 31, 2010, driven by lower LED equipment, navy and maritime backlog, partially offset by increases in other Flow Technologies markets.

Gross Profit

Consolidated gross profit increased $28.1 million, or 14%, to $225.4 million for the year ended December 31, 2011 compared to $197.3 million for the same period in 2010. Consolidated gross margin of 27.4% for 2011 was a decrease of 140 basis points from 2010.

Gross profit for our Energy segment increased $16.3 million, or 23%, for the year ended December 31, 2011 compared to the same period in 2010. The gross profit increase was primarily due to $16.0 million of organic increases and $1.5 million in higher foreign exchange rates compared to the U.S. dollar. These increases were partially offset by a $1.2 million gross margin decrease due to the SF Valves acquisition. Gross margins declined 110 basis points to 22.0% for the year ended December 31, 2011 compared to 23.1% for the same period in 2010. This decline was primarily driven by pricing pressures in large international projects and the impact of the SF Valves acquisition, which recorded a loss in the first year of operations. These declines were partially offset by favorable volume and the associated leverage, especially in our North American businesses.

Gross profit for our Aerospace segment increased $1.0 million, or 2%, for the year ended December 31, 2011 compared to the same period in 2010. This gross profit increase was primarily due to $1.4 million from the 2010 acquisitions and $0.5 million

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due to favorable foreign currency fluctuations, partially offset by organic decreases of $0.9 million. Gross margins declined by 410 basis points from 36.7% for the year ended December 31, 2010 to 32.6% for the year ended December 31, 2011 primarily due to the previously acquired Castle landing gear facility where we implemented the CIRCOR Business System and the investment in capital and engineering elsewhere to support future landing gear programs. These declines were partially offset by the increased volume, associated leverage and price increases.

Gross profit for the Flow Technologies segment increased $10.8 million, or 13%, for the year ended December 31, 2011 compared to the same period in 2010. Organic growth in most markets resulted in a $8.6 million increase in gross profit, while our recently acquired Mazda business added $0.7 million and favorable foreign currency fluctuations added another $1.5 million. Gross margins improved 50 basis points from 31.8% for the year ended December 31, 2010 to 32.3% for the year ended December 31, 2011 primarily due to increased volume, the associated leverage and price increases, partially offset by material and wage inflation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $18.9 million, or 13%, to $168.4 million for the year ended December 31, 2011 compared to $149.5 million for 2010. Selling, general and administrative expenses were 20.5% of revenues for 2011, a decrease of 130 basis points from 2010.

Selling, general and administrative expenses for our Energy segment increased 26% or $12.3 million for the year ended December 31, 2011 compared to the same period for 2010. Organic increases, inclusive of higher commissions, increased selling resources and higher acquisition-related expenses accounted for $6.8 million of the total increase. In addition, the SF Valves acquisition in the first quarter of 2011 added $4.1 million in expenses and foreign currency fluctuations added $1.3 million.

Selling, general and administrative expenses for our Aerospace segment increased 13% or $3.7 million for the year ended December 31, 2011 compared to the same period for 2010. This increase was due to acquisitions that added $2.2 million in expenses primarily from the Castle acquisition and organic increases of $1.0 million that include incremental investment in new programs and acquisition integration costs. Foreign currency fluctuations added an additional $0.5 million in expenses in 2011 compared to the prior year.

Selling, general and administrative expenses for our Flow Technologies segment increased by $2.8 million or 5% for the year ended December 31, 2011 compared to the same period for 2010 primarily due to organic increases of $1.2 million partially from growth initiatives, a $0.7 million increase attributable to the Mazda acquisition and a $0.9 million increase due to foreign currency fluctuations.

Corporate, general and administrative expenses increased $0.1 million to $21.3 million for the year ended December 31, 2011 compared to the year ended December 31, 2010. The increase was primarily due to higher professional fees and share based compensation, partially offset by a $1.6 million receipt of a settlement of a long-standing litigation matter.

Leslie Asbestos and Bankruptcy Related Charges, Net

Asbestos and bankruptcy related charges are primarily associated with our Leslie subsidiary in the Flow Technologies segment. Net asbestos and bankruptcy related charges decreased to $0.7 million for the year ended December 31, 2011 compared to $32.8 million for the year ended December 31, 2010. The majority of this decrease is attributed to the $31.4 million of Leslie bankruptcy related charges incurred during 2010 prior to Leslie's emergence from bankruptcy in 2011. For more information on asbestos related litigation, see "Contingencies, Commitments and Guarantees" in Note (14) of the accompanying consolidated financial statements as well as "Legal Proceedings" in Part I, Item 3.

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Explanation of Responses:

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Operating Income (Loss)

The change in operating income (loss) for the year ended December 31, 2011 compared to the year ended December 31, 2010 was as follows:

Segment	Year Ended December 31, 2011	December 31, 2010	Total Change	Acquisitions	Operations	Foreign Exchange	Leslie Asbestos
	(Dollars In thousands)						
Energy	$27,433	$23,441	$3,992	$(5,368)	$9,209	$151	$—
Aerospace	12,674	15,402	(2,728)	(769)	(1,930)	(29)	—
Flow Technologies	37,586	(932)	38,518	(72)	7,442	672	30,476
Corporate	(21,395)	(22,925)	1,530	—	(91)	(2)	1,623
Total	$56,298	$14,986	$41,312	$(6,209)	$14,630	$792	$32,099

Operating income increased $41.3 million, or 276%, to $56.3 million for the year ended December 31, 2011 compared to $15.0 million for the same period in 2010.

Operating income for our Energy segment increased $4.0 million, or 17%, to $27.4 million for the year ended December 31, 2011 compared to the same period in 2010. Operating margins declined 70 basis points to 7.0% on a revenue increase of 29%, compared to 2010. The increase in operating income was primarily due to the significant volume increase and the associated leverage in our North American businesses, offset by the impact of pricing pressures, especially in large international projects, and the impact of the SF Valves acquisition.

Operating income for the Aerospace segment decreased $2.7 million, or 18%, to $12.7 million for the year ended December 31, 2011 compared to the same period in 2010. The decrease in operating income was primarily due to the Castle acquisition losses and growth investments associated with new programs, partially offset by favorable volume and pricing.

Operating income for the Flow Technologies segment increased $38.5 million to income of $37.6 million for the year ended December 31, 2011 compared to a net loss of $0.9 million for the same period in 2010. The most significant factor contributing to this increase was a $30.5 million decrease in Leslie asbestos and bankruptcy related charges, as well as $7.4 million of additional income primarily from organic revenue increases at most businesses during 2011.

Corporate operating expenses decreased $1.5 million, or 7%, for the year ended December 31, 2011 compared to the same period in 2010, largely due to a 2011 payment of a litigation settlement and lower Leslie bankruptcy related charges.

Interest Expense, Net

Interest expense, net, increased $1.4 million to $3.9 million for 2011 compared to $2.5 million in 2010. This increase in interest expense was primarily due to higher interest charges from higher borrowings associated with our revolving credit facility and other borrowings.

Other Expense, Net

Other expense, net, was $2.2 million for the year ended December 31, 2011 compared to less than $0.1 million in the same period of 2010. The difference of $2.1 million was largely the result of the remeasurement of foreign currency balances.

Provision for Income Taxes

The effective tax rate was 27.0% for the year ended December 31, 2011 compared to (0.9)% for the same period of 2010. The rate for the year ended December 31, 2010 would have been 23.7% without the one-time cost recognized in association with the Leslie bankruptcy. The primary driver of the higher 2011 tax rate was the increased share of U.S. income compared to lower taxed foreign income.

Net Income

Net income increased $24.0 million to $36.6 million for the year ended December 31, 2011 compared to $12.6 million for the same period in 2010. The increase in net income was primarily the result of the decrease in Leslie bankruptcy related charges.

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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 twelve month periods indicated (in thousands):

	2012	2011	2010
Cash flow provided by (used in):			
Operating activities	$60,523	$(48,833)	$36,844
Investing activities	(17,629)	(38,005)	(27,781)
Financing activities	(37,408)	97,052	(8,615)
Effect of exchange rates on cash balances	1,397	(1,111)	(1,046)
Increase (Decrease) in cash and cash equivalents	$6,883	$9,103	$(598)

During the year ended December 31, 2012, we generated $60.5 million in operating activities compared to using $48.8 million during the twelve months ended December 31, 2011. The increase in cash generated in operating activities was primarily due to a 2011 payment of $76.6 million to fund the Leslie Controls Asbestos Trust (as described in more detail in Part I, Item 3, “Legal Proceedings” hereof), and less cash used for operating assets and liabilities. During the twelve months ended December 31, 2012 we used approximately $4.3 million in cash from operating assets and liabilities compared to using $31.7 million during the same period in 2011. During the twelve months ended December 31, 2012 inventories were a source of cash of $6.5 million as compared to the twelve months ended December 31, 2011 when we used $38.6 million to acquire inventory with the Energy segment being the biggest contributor. During the twelve months ended December 31, 2012 prepaid expenses and other assets were a use of cash of $2.4 million as compared to the twelve months ended December 31, 2011 when we used $22.9 million. During the twelve months ended December 31, 2012 accounts payable, accrued expenses and other liabilities were uses of cash of $15.5 million as compared to the twelve months ended December 31, 2011 which was a source of $47.8 million of cash.

The $17.6 million used by investing activities included $18.2 million used for the net purchase of capital equipment. Financing activities used $37.4 million in 2012, which included a net $34.5 million of repayment on borrowings and $2.7 million in dividend payments to shareholders.

As of December 31, 2012, total debt was $70.5 million compared to $105.1 million at December 31, 2011 due to repayments on existing borrowings including our credit facility. Total debt as a percentage of total shareholders’ equity was 16.9% as of December 31, 2012 compared to 27.4% as of December 31, 2011.

On May 2, 2011, we entered into a five year unsecured credit agreement (“2011 Credit Agreement”) that provides for a $300.0 million revolving line of credit. The 2011 Credit Agreement includes a $150.0 million accordion feature for a maximum facility size of $450.0 million. The 2011 Credit Agreement also allows for additional indebtedness not to exceed $80 million. We anticipate borrowing under the 2011 Credit Agreement to fund potential acquisitions, to support our organic growth initiatives and working capital needs, and for general corporate purposes. As of December 31, 2012, we had borrowings of $62.1 million outstanding under our credit facility and $55.1 million was allocated to support outstanding letters of credit.

Certain of our loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and also limit 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. 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, 2012 and we believe it is reasonably likely that we will continue to meet such covenants in the near future.

The ratio of current assets to current liabilities was 2.43:1 at December 31, 2012 compared to 2.27:1 at December 31, 2011. The increase in the current ratio was primarily due to reductions in accounts payable and income taxes payable compared to December 31, 2011. As of December 31, 2012, cash and cash equivalents totaled $61.7 million, substantially all of which was held in foreign bank accounts. This compares to $54.9 million of cash and cash equivalents as of December 31, 2011 of which

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$51.2 million 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 2011 Credit Facility for U.S. based subsidiary cash needs. As a result, we believe that we will not need to repatriate cash from our foreign subsidiaries with earnings that are indefinitely reinvested.

On November 4, 2010, we filed with the SEC a shelf registration statement on Form S-3 under which we may issue up to $400 million of securities including debt securities, common stock, preferred stock, warrants to purchase any such securities and units comprised of any such securities (the “Securities”). The registration statement was declared effective by the SEC on December 17, 2010. We may offer these Securities from time to time in amounts, at prices and on terms to be determined at the time of sale. We believe that with this registration statement, we will have greater flexibility to take advantage of financing opportunities, acquisitions and other business opportunities when and if such opportunities arise. Depending on market conditions, we may issue securities under this or future registration statements or in private offerings exempt from registration requirements.

In 2013, we expect to generate positive cash flow from operating activities sufficient to support our capital expenditures and pay dividends of approximately $2.7 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. We continue to search for strategic acquisitions; a larger acquisition may require additional borrowings and/or the issuance of our common stock.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2012 that affect our liquidity:

	Payments due by Period				
(In thousands)	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 years
Contractual Cash Obligations:					
Current portion of long-term debt	$7,755	$7,755	$—	$—	$—
Total short-term borrowings	7,755	7,755	—	—	—
Long-term debt, less current portion	62,729	—	595	62,134	—
Interest payments on debt	7,083	2,682	3,101	1,300	—
Operating leases	28,613	6,848	11,307	5,644	4,814
Total contractual cash obligations	$106,180	$17,285	$15,003	$69,078	$4,814
Other Commercial Commitments:					
U.S. standby letters of credit	$2,788	$2,582	$125	$81	$0
International standby letters of credit	52,273	38,505	11,678	1,834	256
Commercial contract commitments	89,906	83,931	5,532	400	43
Total commercial commitments	$144,967	$125,018	$17,335	$2,315	$299

The interest on certain of our other debt balances, with scheduled repayment dates between 2013 and 2016 and interest rates ranging between 1.22% and 18.00%, have been included in the "Interest payments on debt" line within the Contractual Cash Obligations schedule. The most significant of our debt balances is the $62.1 million in outstanding borrowings under the 2011 Credit Agreement. Interest associated with this outstanding balance ranges from 1.75% to 3.75% as well as other fees. Capital lease obligations of $0.2 million and $0.3 million are included in the “Current portion of long-term debt” and “Long-term debt, less current portion” line items, respectively.

The most significant of our commercial contract commitments relate to approximately $85.1 million of commitments related to open purchase orders, $4.4 million of which extend to 2014 and beyond. The remaining $4.8 million in commitments primarily relate to loan commitment fees and employment agreements.

In 2012, we contributed $1.6 million to our qualified defined benefit pension plan in addition to $0.4 million in payments to our non-qualified supplemental plan. In 2011, we contributed $2.9 million to our qualified defined benefit pension plan in addition to $0.4 million in payments to our non-qualified supplemental plan. In 2013, we expect to make plan contributions totaling $2.1 million, consisting of $1.7 million in contributions to our qualified plan and payments of $0.4 million for our non-qualified plan. The estimates for plan funding for future periods may change as a result of the uncertainties concerning the return on plan

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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.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements 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.

New Accounting Standards

Refer to Note 2 of the accompanying consolidated financial statements for information on new accounting standards.

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

Market Risk

The oil and gas markets historically have been subject to cyclicality 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 facilities 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 petrochemical sales orders. As a result, the timing and magnitude of changes in market demand for oil and gas valve products are difficult to predict. Similarly, although not to the same extent as the oil and gas markets, the general industrial, chemical processing, aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand. These fluctuations may have a material adverse effect on our business, financial condition or results of operations.

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. 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 unrealized gains and losses on our contracts are recognized as a component of other expense in our consolidated statements of income.

As of December 31, 2012, we had twelve forward contracts with amounts as follows (in thousands):

Currency	Number	Contract Amount	
U.S. Dollar/GBP	1	300	U.S. Dollars
Euro/GBP	1	99	Euros
Canadian Dollar/Euro	1	7,236	Canadian Dollars
U.S. Dollar/Euro	4	24,975	U.S. Dollars
Brazilian Real/Euro	5	12,500	Brazilian Reals

This compares to six forward contracts as of December 31, 2011. The fair value asset of the derivative forward contracts as of December 31, 2012 was approximately $0.5 million and is included in prepaid expenses and other current assets on our balance sheet. This compares to a fair value asset of $0.1 million that was included in accrued expenses and other current liabilities on our balance sheet as of December 31, 2011. The unrealized foreign exchange gains or losses for the year ended December 31, 2012, 2011 and 2010 are less than $0.5 million for each year and are included in other income or expense in our consolidated statements of income.

We have determined that the majority of the inputs used to value our foreign currency forward contracts fall within Level 2 of the fair value hierarchy, found under ASC Topic 820.1. The credit valuation adjustments, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties are Level 3 inputs. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our foreign currency forward contracts and determined that the credit valuation adjustments are not significant to the overall valuation. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and the accompanying notes related 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 Acting Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have 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 amended) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to give 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.

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, 2012 that could materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 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 in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

Our internal control over financial reporting as of December 31, 2012 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which is incorporated by reference herein.

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 not later than 120 days after the close of the Company's fiscal year ended December 31, 2012.

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 not later than 120 days after the close of the Company's fiscal year ended December 31, 2012.

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

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proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2012.

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	410,394	(1)	$ 30.53	333,391
Equity compensation plans not approved by security holders	N/A		N/A	N/A
Total	410,394	(1)	$ 30.53	333,391

(1) Represents 146,621 stock options, and 263,773 restricted stock units under the Company's Amended and Restated 1999 Stock Option and Incentive Plan.

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 not later than 120 days after the close of the Company's fiscal year ended December 31, 2012.

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 not later than 120 days after the close of the Company's fiscal year ended December 31, 2012.

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

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Schedule II Valuation and Qualifying Accounts	73

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not material, and therefore have been omitted.

(a)(3) Exhibits

Exhibit No.	Description and Location
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:
2.1	Distribution Agreement by and between Watts Industries, Inc. and CIRCOR International, Inc., dated as of October 1, 1999, is incorporated herein by reference to Exhibit 2.1 to Amendment No. 2 to CIRCOR International, Inc.'s Form 10-12B, File No. 000-26961 ("Form 10"), filed with the Securities and Exchange Commission on October 6, 1999
3	Articles of Incorporation and By-Laws:

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3.1	Amended and Restated Certificate of Incorporation of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009
3.2	Amended and Restated By-Laws of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.2 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
3.3	Certificate of Amendment to the Amended and Restated Bylaws of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.3 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
3.4	Amended and Restated Certificate of Designations of Series A Junior Participating Cumulative Preferred Stock of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.4 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009
10	Material Contracts:
10.1§	CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 4.4 to CIRCOR International, Inc.'s Form S-8, File No. 333-125237, filed with the Securities and Exchange Commission on May 25, 2005
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§	Form of Incentive Stock Option Agreement under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.2 to Amendment No. 1 to the Form 10, File No. 000-26961, filed with the Securities and Exchange Commission on September 22, 1999 ("Amendment No. 1 to the Form 10")
10.4§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Five Year Graduated Vesting Schedule), is incorporated herein by reference to Exhibit 10.3 to Amendment No. 1 to the Form 10
10.5§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Performance Accelerated Vesting Schedule), is incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Form 10
10.6§	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Form 10
10.7§	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005
10.8§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005
10.9§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Three Year Cliff Vesting), is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2010
10.10§	Form of Restricted Stock Unit Agreement for Employees and Directors under the 1999 Stock Option and Incentive Plan (Three Year Annual Vesting), is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2010

10.11§	Form of Restricted Stock Unit Agreement for Employees and Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005.
10.12§	Restricted Stock Unit Agreement between CIRCOR International, Inc. and A. William Higgins, dated May 6, 2008, is incorporated herein by reference to Exhibit 10.17 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on May 6, 2008
10.13§	CIRCOR International, Inc. Management Stock Purchase Plan, is incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Form 10
10.14§	Form of CIRCOR International, Inc. Supplemental Employee Retirement Plan, is incorporated herein by reference to Exhibit 10.7 to Amendment No. 1 to the Form 10
10.15	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 National Association as joint-lead arranger, joint-book runner and syndication agent, and Sovereign Bank as documentation agent, dated May 2, 2011, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2011

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10.16§	Form of Indemnification Agreement by and between CIRCOR International, Inc. and its Officers and Directors, dated November 6, 2002, is incorporated herein by reference to Exhibit 10.12 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2003
10.17§	Amended and Restated Executive Change of Control Agreement between CIRCOR, Inc. and Andrew William Higgins, dated May 6, 2008, is incorporated herein by reference to Exhibit 10.16 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on May 6, 2008
10.18§	Amendment to Amended and Restated Change of Control Agreement between CIRCOR, Inc. and A. William Higgins, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.35 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.19§	Severance Agreement by and between CIRCOR, Inc. and A. William Higgins, dated March 24, 2008, is incorporated herein by reference to Exhibit 10.31 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 27, 2008
10.20§	Amendment to Severance Agreement between CIRCOR, Inc. and A. William Higgins, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.45 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.21§	General Release and Agreement by and between CIRCOR, Inc. and A. William Higgins, dated December 5, 2012, is incorporated 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 6, 2012
10.22§	Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated September 16, 2005, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on September 20, 2005
10.23§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.44 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.24§	Second Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated November 4, 2010, is incorporated by reference to Exhibit 10.5 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.25§	Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated August 8, 2000, is incorporated herein by reference to Exhibit 10.26 to CIRCOR International, Inc.'s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 9, 2001
10.26§	First Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated December 7, 2001, is incorporated herein by reference to Exhibit 10.30 to CIRCOR International, Inc.'s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 15, 2002
10.27§	First Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Paul M. Coppinger, dated December 7, 2001, is incorporated herein by reference to Exhibit 10.31 to CIRCOR International, Inc.'s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 15, 2002.
10.28§	Executive Change of Control Agreement between CIRCOR, Inc. and Christopher R. Celtruda, dated June 15, 2006, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on June 19, 2006
10.29§	Executive Change of Control Agreement between Hoke, Inc. and Wayne F. Robbins, dated March 21, 2006, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File

	No. 001-14962, filed with the Securities and Exchange Commission on March 24, 2006
10.30§	Severance Agreement by and between CIRCOR, Inc. and A. William Higgins, dated March 24, 2008, is incorporated herein by reference to Exhibit 10.31 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 27, 2008
10.31§	Letter Agreement between CIRCOR International, Inc. and Christopher R. Celtruda, dated December 30, 2008, is incorporated herein by reference to Exhibit 10.33 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.32§	Executive Change of Control Agreement between CIRCOR, Inc. and Frederic M. Burditt, dated February 11, 2008, is incorporated herein by reference to Exhibit 10.34 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.33§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Frederic M. Burditt, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.36 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.34§	Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated September 1, 2009, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009

Explanation of Responses:

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10.35§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated November 4, 2010, is incorporated by reference to Exhibit 10.8 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.36§	Executive Change of Control Agreement between CIRCOR, Inc. and Michael Ross Dill, dated August 2, 2011, is incorporated by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on November 3, 2011
10.37§	Executive Change of Control Agreement between CIRCOR, Inc. and Brian Young, dated October 18, 2011, is incorporated by reference to Exhibit 10.50 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 23, 2012
10.38§	Executive Change of Control Agreement between CIRCOR, Inc. and Mahesh Joshi, dated March 5, 2012, is incorporated by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 3, 2012
10.39*§	Executive Change of Control Agreement between CIRCOR, Inc. and Lisa Ryan, dated November 29, 2012
21*	Schedule of Subsidiaries of CIRCOR International, Inc.
23.1*	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, 2012, as filed with the Securities and Exchange Commission on February 21, 2013, formatted in XBRL (eXtensible Business Reporting Language), as follows:
(i)	Consolidated Balance Sheets as of December 31, 2012 and 2011
(ii)	Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010
(iii)	Statements of Consolidated Comprehensive Income for the years ended December 31, 2012, 2011 and 2010
(iv)	Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010
(v)	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2012, 2011 and 2010
(vi)	Notes to the Consolidated Financial Statements

* Filed with this report.

** Furnished with this report.

§ Indicates management contract or compensatory plan or arrangement.

† As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.

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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/ WAYNE F. ROBBINS
Wayne F. Robbins
Acting President and Chief Executive Officer

Date: February 28, 2013

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.

Signature	Title	Date
/s/ WAYNE F. ROBBINS Wayne F. Robbins	Acting President and Chief Executive Officer (Principal Executive Officer)	February 28, 2013
/s/ FREDERIC M. BURDITT Frederic M. Burditt	Vice President, Chief Financial Officer (Principal Financial Officer)	February 28, 2013
/s/ JOHN F. KOBER John F. Kober	Vice President, Corporate Controller and Treasurer (Principal Accounting Officer)	February 28, 2013
/s/ DAVID F. DIETZ David F. Dietz	Chairman of the Board of Directors	February 28, 2013
/s/ JEROME D. BRADY Jerome D. Brady	Director	February 28, 2013
/s/ DOUGLAS M. HAYES Douglas M. Hayes	Director	February 28, 2013
/s/ NORMAN E. JOHNSON Norman E. Johnson	Director	February 28, 2013
/s/ JOHN A. O’DONNELL John A. O’Donnell	Director	February 28, 2013
/s/ PETER M. WILVER Peter M. Wilver	Director	February 28, 2013

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of CIRCOR International, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits 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 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CIRCOR International, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 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, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2013 expressed an unqualified opinion.

/s/ Grant Thornton LLP

Boston, Massachusetts
February 28, 2013

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Report of Independent Registered Public Accounting Firm

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

We have audited the internal control over financial reporting of CIRCOR International, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2012, and our report dated February 28, 2013 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Boston, Massachusetts
February 28, 2013

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Explanation of Responses:

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CIRCOR INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31,	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$61,738	$54,855
Short-term investments	101	99
Trade accounts receivable, less allowance for doubtful accounts of $1,706 and $1,127, respectively	150,825	156,075
Inventories	198,005	203,777
Prepaid expenses and other current assets	16,510	12,376
Deferred income tax asset	15,505	16,320
Assets held for sale	542	542
Total Current Assets	443,226	444,044
PROPERTY, PLANT AND EQUIPMENT, NET	105,903	104,434
OTHER ASSETS:		
Goodwill	77,428	77,829
Intangibles, net	45,157	58,442
Deferred income tax asset	30,064	27,949
Other assets	8,203	9,825
TOTAL ASSETS	$709,981	$722,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$80,361	$92,493
Accrued expenses and other current liabilities	67,235	63,386
Accrued compensation and benefits	26,540	24,328
Asbestos liability	—	1,000
Income taxes payable	393	5,553
Notes payable and current portion of long-term debt	7,755	8,796
Total Current Liabilities	182,284	195,556
LONG-TERM DEBT, NET OF CURRENT PORTION	62,729	96,327
DEFERRED INCOME TAXES	10,744	11,284
OTHER NON-CURRENT LIABILITIES	35,977	35,271
COMMITMENTS AND CONTINGENCIES (Notes 14 and 15)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 29,000,000 shares authorized; 17,445,687 and 17,268,212 shares issued and outstanding at December 31, 2012 and 2011, respectively	174	173
Additional paid-in capital	262,744	258,209
Retained earnings	158,509	130,373
Accumulated other comprehensive loss, net of taxes	(3,180)	(4,670)
Total Shareholders' Equity	418,247	384,085
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$709,981	$722,523

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

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Explanation of Responses:

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

	Year Ended December 31,		
	2012	2011	2010
Net revenues	$845,552	$822,349	$685,910
Cost of revenues	604,009	596,954	488,641
GROSS PROFIT	241,543	225,395	197,269
Selling, general and administrative expenses	179,382	168,421	149,508
Leslie asbestos and bankruptcy charges	—	676	32,775
Impairment charges	10,348	—	—
Special charges	5,282	—	—
OPERATING INCOME	46,531	56,298	14,986
Other (income) expense:			
Interest income	(269)	(265)	(244)
Interest expense	4,528	4,195	2,760
Other expense (income), net	513	2,172	(39)
TOTAL OTHER EXPENSE	4,772	6,102	2,477
INCOME BEFORE INCOME TAXES	41,759	50,196	12,509
Provision (benefit) for income taxes	10,960	13,562	(115)
NET INCOME	$30,799	$36,634	$12,624
Earnings per common share:			
Basic	$1.77	$2.12	$0.74
Diluted	$1.76	$2.10	$0.73
Weighted average common shares outstanding:			
Basic	17,405	17,240	17,137
Diluted	17,452	17,417	17,297
Dividends paid per common share	$0.15	$0.15	$0.15

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

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

	Year Ended December 31,		
	2012	2011	2010
Net income	$30,799	$36,634	$12,624
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	3,925	(5,639)	(6,906)
Pension liability (1)	(2,826)	(5,349)	(1,040)
Pension liability adjustment (2)	391	212	182
Other comprehensive income (loss)	1,490	(10,776)	(7,764)
COMPREHENSIVE INCOME	32,289	25,858	4,860

(1) Net of an income tax effect of $(1.7), $(3.3) and $(0.6) million for the year ended 2012, 2011 and 2010, respectively.
(2) Net of an income tax effect of $0.2, $0.1 and $0.1 million for the year ended 2012, 2011 and 2010, respectively.

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

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

	Year Ended December 31,		
	2012	2011	2010
OPERATING ACTIVITIES			
Net income	$30,799	$36,634	$12,624
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	15,732	15,085	13,075
Amortization	3,596	4,351	4,301
Goodwill and intangible impairment charges	10,348	—	—
(Payment) provision for Leslie bankruptcy settlement	(1,000)	(76,625)	24,974
Compensation expense of stock-based plans	4,374	3,807	3,430
Tax effect of share-based compensation	642	(673)	(189)
Deferred income taxes	(832)	307	(9,868)
Loss (gain) on disposal of property, plant and equipment	1,135	(69)	315
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Trade accounts receivable	7,063	(17,862)	(24,768)
Inventories	6,592	(38,588)	(21,997)
Prepaid expenses and other assets	(2,422)	(22,918)	1,721
Accounts payable, accrued expenses and other liabilities	(15,504)	47,718	33,226
Net cash provided by (used in) operating activities	60,523	(48,833)	36,844
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(18,170)	(17,901)	(14,913)
Proceeds from the sale of property, plant and equipment	541	117	106
Proceeds from the sale of investments	—	—	21,427
Business acquisitions, net of cash acquired	—	(20,221)	(34,401)
Net cash used in investing activities	(17,629)	(38,005)	(27,781)
FINANCING ACTIVITIES			
Proceeds from long-term debt	186,409	279,346	88,680
Payments of long-term debt	(220,918)	(178,905)	(95,370)
Debt issuance costs	—	(2,001)	—
Dividends paid	(2,663)	(2,650)	(2,643)
Proceeds from the exercise of stock options	406	589	529
Tax effect of share-based compensation	(642)	673	189
Net cash (used in) provided by financing activities	(37,408)	97,052	(8,615)
Effect of exchange rate changes on cash and cash equivalents	1,397	(1,111)	(1,046)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,883	9,103	(598)
Cash and cash equivalents at beginning of year	54,855	45,752	46,350
CASH AND CASH EQUIVALENTS AT END OF YEAR	$61,738	$54,855	$45,752
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$16,699	$7,352	$9,273
Interest	$3,140	$4,646	$2,589

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

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
BALANCE AT DECEMBER 31, 2009	16,991	$170	$249,960	$86,408	$ 13,870	$350,408
Net income				12,624		12,624
Other comprehensive loss, net of tax					(7,764)	(7,764)
Common stock dividends paid				(2,643)		(2,643)
Stock options exercised	32		529			529
Excess tax benefit from share-based compensation			189			189
Conversion of restricted stock units	90	1	47			48
Share-based compensation			3,429			3,429
BALANCE AT DECEMBER 31, 2010	17,113	$171	$254,154	$96,389	$ 6,106	$356,820
Net income				36,634		36,634
Other comprehensive loss, net of tax					(10,776)	(10,776)
Common stock dividends paid				(2,650)		(2,650)
Stock options exercised	33		589			589
Tax effect from share-based compensation			673			673
Conversion of restricted stock units	122	2	(1,014)			(1,012)
Share-based compensation			3,807			3,807
BALANCE AT DECEMBER 31, 2011	17,268	$173	$258,209	$130,373	$ (4,670)	$384,085
Net income				30,799		30,799
Other comprehensive income, net of tax					1,490	1,490
Common stock dividends paid				(2,663)		(2,663)
Stock options exercised	24		406			406
Excess tax benefit from share-based compensation			642			642
Conversion of restricted stock units	154	1	(887)			(886)
Share-based compensation			4,374			4,374
BALANCE AT DECEMBER 31, 2012	17,446	$174	$262,744	$158,509	$ (3,180)	$418,247

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

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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 fluid-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 fluid-control systems. We have a global presence and operate 24 significant manufacturing facilities that are located in the United States, Canada, Western Europe, Morocco, Brazil, India and the People’s Republic of China.

We have organized our business segment reporting structure into three segments: Energy, Aerospace, and Flow Technologies:

Our Energy Segment—designs, manufactures and distributes products primarily into the upstream and midstream global energy markets and also designs, manufactures and sells an array of products and solutions for measuring the transfer of oil and gas in pipelines and for cleaning and maintaining pipeline integrity. We believe that our Energy segment is one of the leading producers of ball valves for the oil and natural gas markets worldwide. Selected products of our Energy segment include flanged-end and threaded-end floating and trunnion ball valves, needle valves, check valves, butterfly valves, large forged steel ball valves, gate valves, control valves, relief valves, pipeline closures, launcher and receiver systems and pressure regulators for use in oil, gas and chemical processing and industrial applications. The significant brands of our Energy segment include: KF, Pibiviesse, Mallard Control, Hydroseal, Contromatics, SF Valvulas, Sagebrush and Pipeline Engineering. Recently, we have begun to focus our marketing efforts on the "Circor Energy" brand whereby we position ourselves to provide an array of solutions for our end-use customers through geographic and product line channels irrespective of individual brand names.

Our Aerospace Segment—designs, manufactures and distributes valves, sensors, actuators, controls and subsystems for military and commercial aerospace applications. Selected products of our Aerospace segment include aerospace landing gear, precision valves, control valves, relief valves, solenoid valves, pressure switches, regulators, impact switches, actuators, speed indicators / tachometers and DC electric motors. We supply products used in hydraulic, fuel, water, air and electro-mechanical systems. Our products are sold globally to aircraft and aircraft engine manufacturers and their tier one and tier two suppliers. The Aerospace segment also supports airline operators through spare parts distribution and MRO channels. The significant brands of our Aerospace segment include: CIRCOR Aerospace, Aerodyne Controls, Circle Seal Controls, Loud Engineering, Industria, Bodet Aero and Motor Technology.

Our Flow Technologies Segment—designs, manufactures and distributes valves, fittings and controls for diverse end-uses, including instrumentation, cryogenic, oil and gas, power generation, maritime and steam applications. Selected products of our Flow Technologies segment include precision valves, compression tube fittings, manifolds, steam conditioning valves, turbine by-pass valves, control valves, relief valves, butterfly valves, regulators, strainers and sampling systems. The significant brands of our Flow Technologies segment include: Cambridge Fluid Systems, Hale Hamilton, Leslie Controls, Nicholson Steam Trap, GO Regulator, Hoke, CIRCORTech, Spence Engineering, CPC-Cryolab, RTK, Rockwood Swendeman, Spence Strainers, Dopak Sampling Systems and Texas Sampling.

(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.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles 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, inventory valuation, depreciation, share-based compensation, amortization and impairment of long-lived assets, pension obligations, income taxes, penalty accruals for late shipments, asset valuations, environmental liability, and product liability. 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.

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Fair Value

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820 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 and 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.

Revenue Recognition

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. We have limited long-term arrangements, representing less than 2% of our revenue, requiring delivery of products or services over extended periods of time and revenue and profits on certain of these arrangements are recognized in accordance with the percentage of completion method of accounting. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues.

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, inbound freight, production, direct labor and overhead, 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, depreciation of production building and equipment assets, salaries and benefits paid to plant manufacturing management and maintenance supplies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include the cost of selling products as well as administrative function costs. These expenses primarily are comprised of salaries and commissions related to the Company's sales force and other administrative costs, including salaries and office facility costs and administrative expense for certain support functions and the related overhead.

Cash, Cash Equivalents, and Short-term Investments

Cash and cash equivalents consist of amounts on deposit in checking and savings accounts with banks and other financial institutions. In 2012 and 2011, short-term investments primarily consist of guaranteed investment certificates. As of December 31, 2012, cash and cash equivalents totaled $61.7 million, substantially all of which was held in foreign bank accounts. This compares to $54.9 million of cash and cash equivalents as of December 31, 2011 of which $51.2 million was held in foreign bank accounts. Short-term investments as of December 31, 2012 and 2011 totaled $0.1 million, all of which is held in foreign bank accounts.

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. Lower of cost or market value of inventory is determined at the operating unit level and is evaluated periodically. Estimates for obsolescence or slow moving inventory are maintained based on current economic conditions, historical sales quantities and patterns and, in some cases, the risk of loss on specifically identified inventories. Such inventories are recorded at estimated realizable value net of the cost of disposal.

Penalty Accruals

Some of our customer agreements, primarily in our project related businesses, 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

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settlement experience and management's assessment of specific shipment delay information. Accruals related to these potential late shipment penalties as of December 31, 2012 and 2011 were $8.6 million and $9.4 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.

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 50 years for buildings and improvements, 3 to 10 years for manufacturing machinery and equipment, 3 to 10 years for computer equipment and software and 3 to 10 years for 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 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.

Business Acquisitions

ASC Topic 805 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 more detailed information, refer to Note 3, Business Acquisitions.

Goodwill and Intangible Assets

We utilize our three operating segments as our goodwill reporting units as we have discrete financial information that is regularly reviewed by operating segment management and the businesses within each segment have similar economic characteristics. For the year-ended December 31, 2012, the Company's three reporting units were Energy, Aerospace and Flow Technologies with respective goodwill balances of $51.5 million, $22.1 million and $3.8 million.

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 definitive lives are amortized over their useful lives. 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 for goodwill and intangible assets with indefinite lives.

In assessing the 2012 fair value of goodwill, we used our best estimates of future cash flows of operating activities and capital expenditures of the reporting unit, the estimated terminal value for each reporting unit, and a discount rate based on weighted average cost of capital for our step one analysis. In 2012 when we performed our step one 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 2012 goodwill assessment exceeded the carrying amounts by approximately 98%, 10% and 143% for our Energy, Aerospace and Flow Technologies reporting units, respectively. If our estimates or related projections change in the future due to changes in industry and market conditions, we may be required to record impairment charges.

The goodwill recorded on the consolidated balance sheet as of December 31, 2012 was $77.4 million compared with $77.8 million as of December 31, 2011. Net intangible assets as of December 31, 2012 were $45.2 million compared

to $58.4 million as of December 31, 2011. The total net amount of non-amortizing assets was $23.6 million and $29.6 million, as of December 31, 2012 and 2011, respectively.

Impairment of Other Long-Lived Assets

We perform impairment analyses of our other 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 assets being reviewed for impairment, the assets are written to fair value with the assistance of third party appraisers. During the quarter ended September 30, 2012 we performed an impairment analysis on certain fixed assets in light of the repositioning activities and evolving business factors at our Brazil energy and California aerospace options. Refer to Note 4 for additional information.

Advertising Costs

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Our accounting policy is to expense advertising costs, principally in selling, general and administrative expenses, when incurred. Our advertising costs for the years ended December 31, 2012, 2011 and 2010 were $3.0 million, $2.5 million and $1.9 million, respectively.

Research and Development

Research and development expenditures are expensed when incurred and are included in selling, general and administrative expenses. Our research and development expenditures for the years ended December 31, 2012, 2011 and 2010 were $8.4 million, $6.1 million and $6.1 million, respectively.

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.

For our Dutch operating subsidiary undistributed earnings are generally not considered to be indefinitely reinvested, and because our effective tax rate in the Netherlands is higher than the current U.S. tax rates, no additional provision for U.S. federal and state income taxes is needed. The undistributed earnings of our other foreign subsidiaries are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes has been recorded thereon.

In accordance with the provisions of FASB ASC Topic 740, 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.

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.

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. Liabilities are recorded when environmental assessments and, or, remedial efforts are probable and the costs can be reasonably estimated. Estimated costs are based upon current laws and regulations, existing technology and the most probable method of remediation. The costs are not discounted and exclude the

effects of inflation. If the cost estimates result in a range of equally probable amounts, the lower end of the range is accrued.

Foreign Currency Translation

Our international subsidiaries operate and report their financial results using local functional currencies. Accordingly, all assets and liabilities of these subsidiaries are translated into United States dollars using exchange rates in effect at the end of the relevant periods, and revenues and costs are translated using weighted average exchange rates for 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 generally provide for such taxes on undistributed earnings of foreign subsidiaries. Our net foreign exchange gains and (losses) recorded for the years ended December 31, 2012, 2011 and 2010 were not significant.

Earnings Per Common Share

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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,								
	2012			2011			2010		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$30,799	17,405	$1.77	$36,634	17,240	$2.12	$12,624	17,137	$0.74
Dilutive securities, principally common stock options	0	47	(0.01)	0	177	(0.02)	0	160	(0.01)
Diluted EPS	$30,799	17,452	$1.76	$36,634	17,417	$2.10	$12,624	17,297	$0.73

Certain stock options to purchase common shares and restricted stock units (RSUs) were anti-dilutive. There were 279,075 anti-dilutive options and RSUs for the year ended December 31, 2012 with exercise prices ranging from $29.37 to $60.83. There were 173,771 anti-dilutive options and RSUs for the year ended December 31, 2011 with exercise prices ranging from $30.91 to $60.83. There were 141,483 anti-dilutive options and RSUs for the year ended December 31, 2010 with exercise prices ranging from $30.91 to $60.83.

As of December 31, 2012, there were 19,093 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.

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. Any unrealized gains and losses on our contracts are recognized as a component of other expense in our consolidated statements of income.

Pension Benefits

Pension obligations and other post-retirement benefits are actuarially determined and are affected by several assumptions including the discount rate and assumed 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. 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 of the plan is recognized in the year in which the change occurs through other comprehensive income. These provisions also require plan assets and obligations to be measured as of the Company's balance sheet date.

Share-based Compensation

Share-based compensation costs are based on the grant date fair value estimated in accordance with the provisions of ASC Topic 718 and these costs are recognized over the requisite vesting period. For all of our stock option grants, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. 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. See Note 11 to the consolidated financial statements for further information on share-based compensation.

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New Accounting Standards

The FASB issued ASU 2011-04 in May 2011 to amend fair value measurements and related disclosures; the guidance becomes effective on a prospective basis at the beginning of the 2012 fiscal year. This new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between International Financial Reporting Standards (“IFRS”) and U.S. GAAP. The new guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The adoption of this updated authoritative guidance does not have any impact on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 to amend the presentation of comprehensive income in financial statements. This guidance allows companies the option to present other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income and comprehensive income. The guidance must be applied retrospectively and is effective for the first quarter of 2012. We have elected to adopt this standard early and have presented comprehensive income in two separate but consecutive statements in this Annual Report. The adoption of this updated authoritative guidance impacted the presentation of our consolidated financial statements, but it did not change the items that we reported in other comprehensive income. In December 2011, the FASB issued ASU 2011-12 to defer one provision of ASU 2011-05. The amendments in 2011-12 defer the requirements under ASU 2011-05 to present reclassification adjustments by component in both the statement where net income is presented and the statement where other comprehensive income is presented. These amendments do not have any impact on the presentation of other comprehensive income in our financial statements.

In the third quarter of 2011, the FASB issued an ASU aimed at simplifying entities’ annual goodwill impairment test. The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, early adoption is allowed. We elected to adopt this standard early and applied the provisions of this ASU to our 2011 annual impairment analysis of goodwill, but then returned to the quantitative annual impairment analysis for 2012.

In July 2012, the FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment which amends FASB Topic 350, Intangibles-Goodwill and Other to allow, but not require, an entity, when performing its annual or more frequent indefinite-lived intangible asset impairment test, to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The adoption of ASU 2012-02 is not expected to have a material impact on our consolidated financial statements.

Reclassifications

Certain items in the prior period footnote disclosures have been reclassified to conform to currently reported presentations.

(3) Business Acquisitions and Divestitures

Our growth strategy includes strategic acquisitions that complement and extend our broad array of valves and fluid control products and services. Our acquisitions typically have well established brand recognition and are well known within the industry. We have historically financed our acquisitions from available cash or credit lines.

On April 6, 2010, we acquired Ateliers de Navarre (“Ateliers”), located in Pau, France. Also on April 6, 2010, we acquired the remaining 48% ownership interest of Technoflux Sarl (“Technoflux”), a Moroccan corporation. Ateliers and Technoflux collectively ("ADN"), are reported in our Aerospace segment, expanded our capabilities in DC and AC motors, stator, rotor, solenoid and bobbin assembly. The excess of the purchase price over the fair value of the net identifiable assets of $1.3 million was recorded as goodwill and will not be deductible for tax purposes.

On May 31, 2010, we acquired the valves division of India-based Mazda Ltd., (“Mazda”) a manufacturer of severe service control valves and vacuum systems. The acquired operation is reported in our Flow Technologies segment. The excess of the purchase price over the fair value of the net identifiable assets of $2.7 million was recorded as goodwill and will be deductible for tax purposes.

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On August 3, 2010, we acquired certain assets of Castle Precision Industries ("Castle"), located in Sylmar, California. Castle manufactures landing gear components, landing gear and actuation sub-systems, and provides maintenance, repair and overhaul services to the commercial and military aircraft markets. Castle has been integrated into our Aerospace segment. We placed approximately $2.6 million in an escrow account to secure certain indemnification and purchase price obligations of the seller.The excess of the purchase price over the fair value of the net identifiable assets of $14.4 million was recorded as goodwill and will be deductible for tax purposes.

On February 4, 2011, we acquired the stock of Valvulas S.F. Industria e Comercio Ltda. ("SF Valves"), a Sao Paulo, Brazil based manufacturer of valves for the energy market. SF Valves is reported in our Energy segment. We placed approximately $9.0 million in an escrow account to secure certain indemnification and purchase price obligations of the seller. The excess of the purchase price over the fair value of the net identifiable assets of $14.0 million was recorded as goodwill and will not be deductible for Brazilian tax purposes.

The following table reflects the balance sheet line item estimated fair values recorded in connection with the acquisitions of ADN, Mazda, Castle and SF Valves acquisitions as of their respective acquisition dates (in millions):

	ADN	Mazda	Castle	SF Valves
Current assets	$1.0	$1.3	$4.4	$4.3
Property plant & equipment	0.2	0.3	0.9	7.6
Other assets	—	—	—	5.1
Intangibles	—	0.7	9.0	4.2
Goodwill	1.3	2.7	14.4	14.0
Current liabilities	2.5	0.3	0.6	3.7
Debt	—	—	—	3.9
Other non-current liabilities	—	—	2.1	7.8

The following table reflects unaudited pro forma consolidated net revenue, net income, and earnings per share (except with respect to the 2012 results, which are audited) on the basis that the ADN, Mazda, Castle and SF Valves acquisitions took place and were recorded at the beginning of each of the respective periods presented (unaudited, in thousands, except per share data):

	Year Ended December 31,		
	2012	2011	2010
Net revenue	$845,552	$823,440	$714,682
Net income	30,799	35,802	12,397
Earnings per share: basic	1.77	2.08	0.72
Earnings per share: diluted	1.76	2.06	0.72

The unaudited pro forma consolidated condensed results of operations may not be indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of each period, or of future operations of the consolidated companies under our ownership and management.

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The following tables provide reconciliations of the net cash paid and goodwill recorded for acquisitions during the years ended December 31, 2012, 2011 and 2010 (In thousands):

	Year Ended December 31,		
	2012	2011	2010
Reconciliation of net cash paid:			
Cash paid	$—	$20,221	$34,401
Less: cash acquired	—	—	—
Net cash paid for acquired businesses	$—	$20,221	$34,401
Determination of goodwill:			
Cash paid, net of cash acquired	$—	$20,221	$34,401
Liabilities assumed	—	10,300	5,594
Less: fair value of assets acquired, net of goodwill and cash acquired	—	16,571	24,461
Goodwill	$—	$13,950	$15,534

(4) Special Charges

During the twelve months ended December 31, 2012 we incurred approximately $5.3 million in special charges: $2.5 million associated with repositioning actions in the Energy, Aerospace and Flow Technologies segments and $2.7 million associated with CEO separation charges. The repositioning actions include consolidating facilities, shifting expenses to lower cost regions and exiting some non-strategic product lines. The CEO separation charges primarily relate to one time cash payments associated with our former CEO's March 2008 severance agreement, equity award modification charges as well as executive search fees. During the twelve months ended December 31, 2011 and 2010 we did not record any special charges. The following table summarizes our special charges by expense type and business segment (in thousands):

	As of and for the twelve months ended December 31, 2012				
	Energy	Aerospace	Flow Technologies	Corporate	Total
Accrued special charges as of December 31, 2011					$—
Facility-related expenses [1]	$1,302	$ 311	$ 135	$—	1,748
Employee-related expenses	505	186	109	—	800
Total repositioning charges	$1,807	$ 497	$ 244	$—	2,548
CEO Separation charges				2,734	2,734
Total Special Charges	$1,807	$497	$244	$2,734	5,282
Special charges paid					(4,482)
Accrued special charges as of December 31, 2012					$800

[1] Includes write-down of fixed assets of $0.8 million for Energy and $0.2 million for Aerospace.

Also, in connection with the repositioning special charges noted above, we recorded $0.9 million and $3.2 million of repositioning related inventory obsolescence charges during the twelve months ended December 31, 2012 for the Energy and Aerospace segments respectively. These repositioning related inventory obsolescence charges were included as costs of revenues.

We expect to incur additional repositioning special charges between $5.7 million and $7.0 million that are primarily facility and employee related during the first half of 2013 (between $2.0 million and $2.5 million for the Energy segment, between $3.5 million and $4.2 million for the Aerospace segment and between $0.2 million and $0.3 million for the Flow Technologies segment) to complete these repositioning actions. These repositioning activities are expected to be funded with cash generated from operations.

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(5) Inventories

Inventories consist of the following (In thousands):

	December 31, 2012	2011
Raw materials	$63,104	$57,755
Work in process	86,564	96,678
Finished goods	48,337	49,344
	$198,005	$203,777

(6) Property, Plant and Equipment

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

	December 31, 2012	2011
Land	$14,412	$14,244
Buildings and improvements	69,029	64,719
Manufacturing machinery and equipment	141,777	138,767
Computer equipment and software	19,507	17,887
Furniture and fixtures	10,673	9,875
Motor vehicles	1,044	909
Construction in progress	5,301	3,467
	261,743	249,868
Accumulated depreciation	(155,840)	(145,434)
	$105,903	$104,434

Depreciation expense for the years ended December 31, 2012, 2011, and 2010 was $15.7 million, $15.1 million, and $13.1 million, respectively.

(7) Goodwill and Other Intangible Assets

The following table shows goodwill, by segment as of December 31, 2012 and 2011 (In thousands):

	Energy	Aerospace	Flow Technologies	Consolidated Total
Goodwill as of December 31, 2011	$51,894	$22,091	$3,844	$77,829
Currency translation adjustments	(368)	30	(63)	(401)
Goodwill as of December 31, 2012	$51,526	$22,121	$3,781	$77,428

	Energy	Aerospace	Flow Technologies	Consolidated Total
Goodwill as of December 31, 2010	$39,423	$19,430	$4,322	$63,175
Business acquisitions (see Note 3)	13,950	—	—	13,950
Adjustments to preliminary purchase price allocation	—	2,713	(19)	2,694
Currency translation adjustments	(1,479)	(52)	(459)	(1,990)
Goodwill as of December 31, 2011	$51,894	$22,091	$3,844	$77,829

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

	December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Patents	$6,092	$(5,568)	$524
Non-amortized intangibles (primarily trademarks and trade names)	29,631	—	29,631
Customer relationships	38,346	(14,161)	24,185
Backlog	1,510	(1,306)	204
Other	7,488	(3,590)	3,898
Total	$83,067	$(24,625)	$58,442

	December 31, 2012			
	Gross Carrying Amount	2012 Impairment Charges	Accumulated Amortization	Net Carrying Value
Patents	$6,066	$—	$(5,625)	$441
Non-amortized intangibles (primarily trademarks and trade names)	29,917	(6,298)	—	23,619
Customer relationships	38,004	(3,803)	(16,323)	17,878
Backlog	1,275	(127)	(1,147)	1
Other	7,589	(120)	(4,251)	3,218
Total	$82,851	$(10,348)	$(27,346)	$45,157

The table below presents estimated future amortization expense for intangible assets recorded as of December 31, 2012 (In thousands):

	2013	2014	2015	2016	2017	After 2017
Estimated amortization expense	$3,114	$3,083	$3,061	$2,773	$2,644	$6,863

In 2011 and 2012, the fair value of each of our reporting units exceeded the respective book value, and no goodwill impairments were recorded. The fair values utilized for our 2012 goodwill assessment exceeded the book value by approximately 98%, 10% and 143% for the Energy, Aerospace and Flow Technologies reporting units, respectively. For purposes of our 2011 annual goodwill impairment test as of our October fiscal month end, we chose to perform a qualitative analysis for our three reporting units and we determined it was more likely than not that the fair value of these reporting units were not less than the respective carrying amounts. The annual impairment testing over our non-amortizing intangible assets is also completed as of the end of October and consists of a comparison of the fair value of the intangible assets with carrying amounts. If the carrying amounts exceed fair value, an impairment loss is recognized in an amount equal to that excess. We again assessed the goodwill and intangible factors as of December 31, 2012 and determined there were no indications of impairments.

During the quarter ended September 30, 2012, evolving business factors, including our outlook of diminished future revenue and cash flow as well as repositioning activities at our Brazil energy and California aerospace operations, were indicators of impairment that triggered impairment analysis of both the long-lived and intangible assets of these operations as well as the goodwill associated with their reporting units, Energy and Aerospace, respectively. With the assistance of an independent third-party appraisal firm, we performed ASC 360 and ASC 350 impairment analyses as part of our third quarter closing process, which resulted in Energy and Aerospace segment intangible asset impairment charges during the year ended December 31, 2012 of $2.2 million and $8.2 million, respectively, which are included

in the impairment charges line on our consolidated statements of income. The Company also determined that certain fixed assets were impaired. Refer to Note 4 for additional information.

For the years ended December 31, 2011 and December 31, 2010, we did not record any goodwill impairment or intangible impairment charges.

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(8) Income Taxes

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

	December 31,	
	2012	2011
Deferred income tax liabilities:		
Excess tax over book depreciation	$4,270	$9,131
Goodwill and other intangibles	14,066	15,049
Total deferred income tax liabilities	18,336	24,180
Deferred income tax assets:		
Accrued expenses	7,543	9,358
Inventories	9,253	8,003
Net operating loss and credit carry-forward	37,039	38,247
Intangible assets	2,551	3,522
Accumulated other comprehensive income—pension benefit obligation	9,580	8,087
Other	692	578
Total deferred income tax assets	66,658	67,795
Valuation allowance	(13,497)	(10,630)
Deferred income tax asset, net of valuation allowance	53,161	57,165
Deferred income tax asset, net	$34,825	$32,985
The above components of deferred income taxes are classified in the consolidated balance sheets as follows:		
Net current deferred income tax asset	$15,505	$16,320
Net non-current deferred income tax asset	30,064	27,949
Net non-current deferred income tax liability	(10,744)	(11,284)
Deferred income tax asset, net	$34,825	$32,985
Deferred income taxes by geography are as follows:		
Domestic net current asset	$10,873	$10,262
Foreign net current asset	4,632	6,058
Net current deferred income tax asset	$15,505	$16,320
Domestic net non-current asset	$20,163	$17,991
Foreign net non-current liability	(843)	(1,326)
Net non-current deferred income tax asset	$19,320	$16,665

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

	Year Ended December 31,		
	2012	2011	2010
Domestic	$17,466	$33,718	$(17,652)
Foreign	24,293	16,478	30,161
	$41,759	$50,196	$12,509

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

	2012	2011	2010
Current:			
Federal	$3,768	$(435)	$2,107
Foreign	6,853	12,786	7,061
State	1,171	904	585
Total current	$11,792	$13,255	$9,753
Deferred (benefit):			
Federal	$(1,269)	$11,970	$(7,934)
Foreign	415	(11,862)	(775)
State	22	199	(1,159)
Total deferred (benefit)	$(832)	$307	$(9,868)
Total provision (benefit) for income taxes	$10,960	$13,562	$(115)

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 reasons for these differences are as follows:

	Year Ended December 31,		
	2012	2011	2010
Expected federal income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	1.9	1.4	(3.0)
Foreign tax rate differential and credits	(8.3)	(7.9)	(34.1)
Manufacturing deduction	(1.4)	—	(1.6)
Research and experimental credit	—	(0.7)	(2.6)
Other, net	(1.0)	(0.8)	5.4
Effective tax rate	26.2 %	27.0 %	(0.9)%

With regard to the deferred tax assets, we maintained a total valuation allowance of $13.5 million and $10.6 million at December 31, 2012 and 2011, respectively. We had foreign tax credits of $20.7 million, foreign net operating losses of $21.7 million, state net operating losses of $69.1 million and state tax credits of $1.5 million at December 31, 2012. At December 31, 2011, we had foreign tax credits of $23.1 million, foreign net operating losses of $20.4 million, state net operating losses of $67.7 million and state tax credits of $1.2 million. The foreign tax credits, if not utilized, will expire in 2015 and 2021. The state net operating losses and state tax credits, if not utilized, will expire between 2014 and 2032. The $13.5 million valuation allowance as of December 31, 2012 is comprised of $6.6 million related to foreign credit carry-forwards, $3.8 million related to foreign loss carry-forwards and $3.1 million related to state income tax benefits.

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. If market conditions improve and future results of operations exceed our current expectations, our existing tax valuation allowances may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or 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 business, results of operations and financial condition. The Company has had a history of domestic and foreign taxable income, is able to avail itself of federal tax carryback provisions, has future taxable temporary differences and is forecasting future domestic and foreign taxable income. We believe that after considering all of the available objective evidence, it is more likely than not that the results of future operations will generate sufficient taxable income for the Company to realize the remaining deferred tax assets.

On January 2, 2013, the President of the United States signed legislation that retroactively extended the research and development (R&D) tax credit for two years, from January 1, 2012 through December 31, 2013. The Company expects its income tax expense for the first quarter of 2013 will reflect the entire benefit of the R&D tax credit attributable to 2012 and the first quarter of 2013. The Company will continue to record the benefit of the R&D tax credit in subsequent quarters in 2013.

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The Company files income tax returns in the U.S. federal jurisdiction and in various state, local and foreign jurisdictions. The Company is no longer subject to examination by the Internal Revenue Service for years prior to 2009 and is no longer subject to examination by the tax authorities in foreign and state jurisdictions prior to 2006. The Company is currently under examination for income tax filings in various state and foreign jurisdictions.

As of December 31, 2012, the liability for uncertain income tax positions was $2.0 million excluding interest of $0.9 million. As of December 31, 2012 and December 31, 2011, accrued interest and penalties were $0.9 million and $1.0 million respectively. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with these liabilities, we are unable to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid.

The following is a reconciliation of the Company's total gross unrecognized tax benefits for the years ended December 31, 2012 and 2011. Approximately $1.1 million as of December 31, 2012 represents the amount, that if recognized would affect the Company's effective income tax rate in future periods. The table below does not include interest and penalties of $0.9 million and $1.0 million as of December 31, 2012 and 2011 respectively.

	December 31,	
	2012	2011
Balance beginning January 1	$2,446	$1,941
Additions for tax positions of prior years	209	1,289
Additions based on tax positions related to current year	45	148
Settlements	(113)	(932)
Lapse of statute of limitations	(548)	—
Currency movement	$(77)	$—
Balance ending December 31	$1,962	$2,446

Undistributed earnings of our foreign subsidiaries amounted to $138.6 million at December 31, 2012 and $121.2 million at December 31, 2011. During our fiscal year ended December 31, 2012, we repatriated no cash to the U.S. During 2011 we repatriated approximately $36.9 million to the U.S. of which $4.0 million was from our Dutch operating subsidiary, for which undistributed earnings are not considered to be indefinitely reinvested. During 2010, one of our U.S. subsidiaries, Leslie Controls Inc., filed for bankruptcy under the U.S. Bankruptcy Code in order to resolve its exposure to asbestos litigation. As part of the bankruptcy settlement we were required to make payments during 2011 of approximately $76.6 million to a trust established under Section 542 of the U.S. Bankruptcy Code. In anticipation of this one time bankruptcy funding requirement we remitted foreign earnings of approximately $36.9 million to be used for a portion of this bankruptcy funding. We also utilized additional borrowings on our 2011 Credit Facility, which provides for a $300.0 million revolving line of credit and a $150.0 million accordion feature to meet the bankruptcy trust payment. We believe that the non-Dutch repatriation was a unique, one time event, and do not expect any similar repatriations to the U.S. in the foreseeable future. Upon distribution of any those earnings, in the form of dividends or otherwise, we will be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of U.S. income tax liability that would be incurred is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits may be available to reduce some portion of any U.S. income tax liability. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and, in addition we may utilize our 2011 Credit Facility for the cash needs of our U.S. based subsidiaries. As a result, we believe that we will not need to repatriate cash from our foreign subsidiaries that are indefinitely reinvested.

For our Dutch operating subsidiary undistributed earnings are not considered to be indefinitely reinvested, and because our effective tax rate in the Netherlands is higher than the current U.S. tax rates, no additional provision for U.S. federal and state income taxes is needed. The undistributed earnings of our other foreign subsidiaries are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes has been

recorded thereon.

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(9) Accrued Expenses and Other Current Liabilities

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

	December 31,	
	2012	2011
Customer deposits and obligations	$27,139	$24,137
Commissions payable and sales incentive	14,704	12,450
Penalty accruals	8,564	9,401
Warranty reserve	3,322	3,104
Professional fees	1,099	991
Insurance	1,187	727
Taxes other than income tax	2,821	3,424
Other	8,399	9,152
	$67,235	$63,386

(10) Financing Arrangements

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

	December 31,	
	2012	2011
Capital lease obligations	$483	$550
Line of Credit at interest rates ranging from 1.75% to 3.75%	62,100	95,056
Other borrowings, at varying interest rates ranging from 1.22% to 18.00% in 2012 and 2.90% to 18.00% in 2011	7,901	9,517
Total debt	70,484	105,123
Less: current portion	7,755	8,796
Total long-term debt	$62,729	$96,327

On May 2, 2011, we entered into a five year unsecured credit agreement ("2011 Credit Agreement") that provides for a $300.0 million revolving line of credit. The 2011 Credit Agreement includes a $150.0 million accordion feature for a maximum facility size of $450.0 million. The 2011 Credit Agreement also allows for additional indebtedness not to exceed $80.0 million. We anticipate using the 2011 Credit Agreement to fund potential acquisitions, to support our organic growth initiatives and working capital needs, and for general corporate purposes. We capitalized $2.0 million in debt issuance costs that will be amortized over the five year life of the agreement. As of December 31, 2012, we had borrowings of $62.1 million outstanding under our credit facility and $55.1 million was allocated to support outstanding letters of credit.

Certain of our loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and also limit our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. 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, 2012 and December 31, 2011.

At December 31, 2012, minimum principal payments required during each of the next five years and thereafter are as follows (In thousands):

	2013	2014	2015	2016	2017	Thereafter
Minimum principal payments	$7,755	$458	$137	$62,134	$—	$—

(11) Share-Based Compensation

As of December 31, 2012, we have one share-based compensation plan. The 1999 Stock Option and Incentive Plan (the “1999 Stock Plan”), which was adopted by our Board of Directors and approved by our shareholders, permits the grant of the following types of awards to our officers, other employees and non-employee directors: incentive stock options; non-qualified stock options; deferred stock awards; restricted stock awards; unrestricted stock awards; performance share awards; cash-based

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awards; stock appreciation rights and dividend equivalent rights. The 1999 Stock Plan provides for the issuance of up to 3,000,000 shares of common stock (subject to adjustment for stock splits and similar events). New options granted under the 1999 Stock Plan could have varying vesting provisions and exercise periods. Options granted vest in periods ranging from one to five years and expire ten years after the grant date. Restricted stock units granted generally vest from three to six years. Vested restricted stock units will be settled in shares of our common stock. As of December 31, 2012, there were 146,621 stock options and 263,773 restricted stock units outstanding. In addition, there were 486,455 shares available for grant under the 1999 Stock Plan as of December 31, 2012. As of December 31, 2012, there were 19,093 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.

For all of our stock option grants, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate and 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. In 2012, we granted 68,943 stock option awards compared with 64,755 in 2011 and 34,081 in 2010.

The fair value of stock options granted during the year ended December 31, 2012 of $14.16 was estimated using the following weighted-average assumptions:

Risk-free interest rate	1.0	%
Expected life (years)	5.8	
Expected stock volatility	47.9	%
Expected dividend yield	0.5	%

We account for Restricted Stock Unit (“RSU”) Awards by expensing the weighted average fair value to selling, general and administrative expenses ratably over vesting periods ranging from three to six years. During the years ended December 31, 2012 and December 31, 2011 we granted 142,338 and 72,417 RSU Awards with approximate fair values of $33.78 and $38.14 per RSU Award, respectively.

The CIRCOR Management Stock Purchase Plan, which is a component of the 1999 Stock 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’ 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 34,534 and 43,734 with per unit discount amounts representing fair values of $10.81 and $12.87 were granted under the CIRCOR Management Stock Purchase Plan during December 31, 2012 and December 31, 2011, respectively.

Compensation expense related to our share-based plans for the twelve month periods ended December 31, 2012, 2011 and 2010 was $4.4 million, $3.8 million and $3.4 million, respectively. and was recorded as selling, general, and administrative expense in our statement of income.

As of December 31, 2012, there was $4.8 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 2.0

years.

A summary of the status of all stock-options granted to employees and non-employee directors as of December 31, 2012, 2011, and 2010 and changes during the years are presented in the table below:

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	December 31, 2012		2011		2010	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	145,313	$ 29.20	134,901	$ 23.29	132,120	$ 19.81
Granted	68,943	32.76	64,755	38.27	34,081	30.91
Exercised	(24,040)	16.84	(32,440)	18.12	(31,300)	16.88
Forfeited	(43,595)	35.96	(21,903)	36.05	—	—
Options outstanding at end of period	146,621	$ 30.89	145,313	$ 29.20	134,901	$ 23.29
Options exercisable at end of period	64,137	$ 26.87	68,380	$ 21.95	100,820	$ 20.72

The weighted average contractual term for stock-options outstanding and exercisable as of December 31, 2012 was 6.5 years and 3.8 years, respectively. The aggregate intrinsic value of stock-options exercised during the years ended December 31, 2012, 2011 and 2010 was $0.4 million, $0.7 million and $0.5 million, respectively. The aggregate fair value of stock-options vested during the years ended December 31, 2012, 2011 and 2010 was $0.3 million, $0.0 million and $0.1 million, respectively. The aggregate intrinsic value of stock-options outstanding and exercisable as of December 31, 2012 was $1.3 million and $0.8 million, respectively. As of December 31, 2012, there was $0.6 million of total unrecognized compensation costs related to stock options that is expected to be recognized over a weighted average period of 1.9 years.

The following table summarizes information about stock options outstanding at December 31, 2012 :

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$23.80 - $27.91	44,340	1.9	$ 24.72	44,340	$ 24.72
27.92 - 31.01	24,335	7.2	30.91	11,554	30.91
31.02 - 31.93	5,987	8.7	31.10	0	—
31.94 - 35.88	49,982	9.2	32.76	8,243	32.76
35.89 - 39.00	21,977	8.2	$ 39.00	—	$—
$23.80 - $39.00	146,621	6.5	$ 30.89	64,137	$ 26.87

A summary of the status of all RSU Awards granted to employees and non-employee directors as of December 31, 2012, 2011, and 2010 and changes during the year are presented in the table below (RSUs in thousands):

	December 31, 2012		2011		2010	
	RSUs	Weighted Average Price	RSUs	Weighted Average Price	RSUs	Weighted Average Price
RSU Awards outstanding at beginning of period	234,035	$ 33.52	339,891	$ 30.79	291,290	$ 30.63
Granted	142,338	33.78	72,417	38.14	130,226	30.91
Settled	(122,895)	31.98	(134,487)	29.84	(69,001)	30.04
Canceled	(65,811)	37.48	(43,786)	31.30	(12,624)	33.24
RSU Awards outstanding at end of period	187,667	$ 33.34	234,035	$ 33.52	339,891	$ 30.79
	9,494	$ 32.71	11,848	$ 34.48	22,597	$ 30.06

RSU Awards exercisable at end of period

The aggregate intrinsic value of RSU Awards settled during the 12 months ended December 31, 2012, 2011 and 2010 was $4.2 million, $5.6 million and $2.2 million, respectively. The aggregate fair value of RSU Awards vested during the 12 months ended December 31, 2012, 2011 and 2010 was $3.9 million, $3.4 million and $1.9 million, respectively. The aggregate intrinsic value of RSU Awards outstanding and exercisable as of December 31, 2012 was $6.7 million and $0.4 million, respectively.
The following table summarizes information about RSU Awards outstanding at December 31, 2012:

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Range of Exercise Prices	RSU Awards Outstanding			RSU Awards Vested	
	RSUs (thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	RSUs (thousands)	Weighted Average Exercise Price
$22.00 - $27.99	16,078	0.2	$22.27	2,172	$22.23
28.00 - 30.99	23,516	0.3	30.82	560	30.91
31.00 - 36.99	94,444	2.2	32.80	—	—
37.00 - 42.09	53,629	1.5	38.70	6,762	36.23
$22.00 - $42.09	187,667	1.6	$33.34	9,494	$32.71

A summary of the status of all RSU MSPs granted to employees and non-employee directors as of December 31, 2012, 2011, and 2010 and changes during the year are presented in the table below (RSUs in thousands):

	December 31,					
	2012		2011		2010	
	RSUs	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price
RSU MSPs outstanding at beginning of period	151,708	$ 18.14	172,662	$ 18.64	212,232	$ 18.58
Granted	34,534	21.95	43,734	26.13	13,505	20.71
Settled	(98,867)	15.20	(44,991)	27.76	(49,362)	19.06
Canceled	(11,269)	23.40	(19,697)	18.25	(3,713)	17.20
RSU MSPs outstanding at end of period	76,106	$ 22.91	151,708	$ 18.14	172,662	$ 18.64
RSU MSPs exercisable at end of period	9,599	$ 17.15	1,226	$ 32.60	1,797	$ 18.63

The aggregate intrinsic value of RSU MSPs settled during the twelve months ended December 31, 2012, 2011, and 2010 was $1.8 million, $0.5 million and $0.6 million, respectively. The aggregate fair value of RSU MSPs vested during the twelve months ended December 31, 2012, 2011, and 2010 was $0.8 million, $0.6 million and $0.4 million, respectively. The aggregate intrinsic value of RSU MSPs outstanding and exercisable as of December 31, 2012 was $1.3 million and $0.2 million, respectively.

The following table summarizes information about RSU MSPs outstanding at December 31, 2012:

Range of Exercise Prices	RSU MSPs Outstanding			RSU MSPs Vested	
	RSUs	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	RSUs	Weighted Average Exercise Price
$14.89 - 16.99	8,373	0.0	$14.89	8,373	14.89
17.00 - 25.99	35,699	1.7	21.67	0	—
26.00 - 32.60	32,034	1.1	26.38	1,226	32.60
$14.89 - $32.60	76,106	1.3	$22.91	9,599	17.15

(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, and industrial markets. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. During 2012, 2011 and 2010, the

Company has not experienced any significant losses related to the collection of our accounts receivable. For the years ended December 31, 2012, 2011 and 2010, we had no customers from which we derive revenues that exceed the threshold of 10% of the Company's consolidated revenues.

(13) Employee Benefit Plans

We maintain two pension benefit plans, a qualified noncontributory defined benefit plan and a nonqualified, noncontributory defined benefit supplemental plan that provides benefits to certain retired highly compensated officers and employees. To date, the supplemental plan remains an unfunded plan. These plans include significant pension benefit obligations which are

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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 generally do not accrue any additional benefits under the defined benefit plan after July 1, 2006.

During 2012, we made $1.6 million in cash contributions to our qualified defined benefit pension plan, in addition to $0.4 million in payments for our non-qualified supplemental plan. In 2013, we expect to make cash contributions of approximately $1.7 million to our qualified plan and payments of $0.4 million for our non-qualified plan. Contributions to the qualified plan may differ based on a re-assessment of this plan's funded status during 2013 based on separate IRS cash funding calculations. Global capital market and interest rate fluctuations will also impact future funding requirements.

Additionally, substantially all of our U.S. employees are eligible to participate in a 401(k) savings plan. Under this plan, we make a core contribution and match a specified percentage of employee contributions, subject to certain limitations.

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

	Year Ended December 31,		
	2012	2011	2010
Components of net benefit expense:			
Service cost-benefits earned (1)	$—	$430	$400
Interest cost on benefits obligation	2,054	2,161	2,137
Expected return on assets	(2,126)	(2,438)	(2,026)
Net pension costs and return	(72)	153	511
Net loss amortization	631	341	294
Total amortization items	631	341	294
Net periodic cost of defined benefits plans	558	494	805
Cost of 401(k) plan company contributions	4,252	3,707	3,524
Net benefit expense	$4,810	$4,201	$4,329

(1) Plan administration charges

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

	Year Ended December 31,		
	2012	2011	2010
Net periodic benefit cost:			
Discount rate – qualified plan	4.50 %	5.50 %	6.00 %
Discount rate – nonqualified plan	4.25 %	5.25 %	5.75 %
Expected return on plan assets	7.00 %	8.00 %	8.00 %
Rate of compensation increase	N/A	N/A	N/A
Benefit obligations:			
Discount rate – qualified plan	3.85 %	4.50 %	5.50 %
Discount rate – nonqualified plan	3.35 %	4.25 %	5.25 %
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.

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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 2012 benefit obligations, we utilized 3.85% as our discount rate for our qualified plan and 3.35% as a discount rate for our nonqualified plan on a weighted average basis given the level of yield on high-quality corporate bond interest rates at fiscal year-end 2012. The effect of the discount rate change raised our projected benefit obligation at December 31, 2012 by approximately $4.6 million and will have an insignificant impact on our 2013 pension expense.

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. This included considering the pension asset allocation and the expected returns likely to be earned over the life of the plans. In 2011 we changed our asset composition to more fixed income investments. As such, the expected long-term rate of return on assets declined from 8.00% for determining 2011 expense to 7.00% for determining 2012 expense.

The funded status of the defined benefit plans and amounts recognized in the balance sheets, measured as of December 31, 2012 and December 31, 2011 are as follows (In thousands):

	December 31,	
	2012	2011
Change in projected benefit obligation:		
Balance at beginning of year	$46,776	$40,330
Service cost	—	430
Interest cost	2,054	2,161
Actuarial loss	5,686	5,529
Benefits paid	(1,859)	(1,654)
Administrative expenses	—	(20)
Balance at end of year	$52,657	$46,776
Change in fair value of plan assets:		
Balance at beginning of year	$30,170	$29,258
Actual return on assets	3,254	(659)
Benefits paid	(1,859)	(1,654)
Administrative expenses	—	(20)
Employer contributions	1,995	3,245
Fair value of plan assets at end of year	$33,560	$30,170
Funded status:		
Excess of projected benefit obligation over the fair value of plan assets	$(19,097)	$(16,606)
Pension plan accumulated benefit obligation (“ABO”)	$46,728	$41,321
Supplemental pension plan ABO	5,929	5,455
Aggregate ABO	$52,657	$46,776

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The following information is presented as of December 31, 2012 and 2011 (In thousands):

	2012	2011
Funded status, end of year:		
Fair value of plan assets	$33,560	$30,170
Benefit obligations	52,657	46,776
Net Pension Liability	$86,217	$76,946
Pension Liability recognized in the balance sheet consists of:		
Noncurrent asset	$0	$0
Noncurrent liability	(19,097)	(16,606)
Total	(19,097)	(16,606)
Amounts recognized in accumulated other comprehensive income consist of:		
Net losses	$25,209	$21,282
Prior service cost	0	0
Total	25,209	21,282
Estimated pension expense to be recognized in other comprehensive income (loss) in 2013 consists of:		
Amortization of net losses	765	
Prior service cost	0	
Total	$765	

At December 31, 2012, 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):

	2013	2014	2015	2016	2017	2018-2022
Expected benefit payments	$1,886	$1,968	$2,093	$2,222	$2,372	$13,691

The fair values of the Company's pension plan assets at December 31, 2012 and 2011, utilizing the fair value hierarchy are as follows (in thousands):

	December 31, 2012		December 31, 2011	
	Total	Level 1	Total	Level 1
Cash Equivalents:				
Money Market Funds	2,216	2,216	3,487	3,487
Mutual Funds:				
Bond Funds	18,385	18,385	16,228	16,228
Large Cap Funds	4,966	4,966	4,190	4,190
International Funds	4,430	4,430	3,350	3,350
Small Cap Funds	1,805	1,805	1,448	1,448
Blended Funds	1,028	1,028	869	869
Mid Cap Funds	730	730		