CRANE CO /DE/
Form DEF 14A
March 14, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

CRANE CO.

(Name of Registrant as Specified in Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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CRANE CO. 100 FIRST STAMFORD PLACE STAMFORD CONNECTICUT 06902

March 14, 2016

DEAR CRANE CO. SHAREHOLDER:

Crane Co. cordially invites you to attend the Annual Meeting of Shareholders of Crane Co., at 10:00 a.m., Eastern Daylight Time, on Monday, April 25, 2016 in the First Floor Conference Room at 200 First Stamford Place, Stamford, Connecticut.

The Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented at the meeting. Management will report on current operations, and there will be an opportunity for discussion of Crane Co. and its activities. Our 2015 Annual Report accompanies this Proxy Statement.

It is important that your shares be represented at the meeting, regardless of the size of your holdings. If you are unable to attend in person, we urge you to participate by voting your shares by proxy. You may do so by filling out and returning the enclosed proxy card, or by using the internet address or the toll-free telephone number on the proxy card.

Sincerely,

R.S. EVANS

Chairman of the Board

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 25, 2016.

THIS PROXY STATEMENT AND THE 2015 ANNUAL REPORT TO SHAREHOLDERS

ARE AVAILABLE AT

WWW.CRANECO.COM/AR

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CRANE CO.

100 FIRST STAMFORD PLACE

STAMFORD, CONNECTICUT 06902

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

APRIL 25, 2016

March 14, 2016

To the Shareholders of Crane Co.:

THE ANNUAL MEETING OF SHAREHOLDERS OF CRANE CO. will be held in the First Floor Conference Room at 200 First Stamford Place, Stamford, Connecticut on Monday, April 25, 2016 at 10:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect four directors to serve for three-year terms until the Annual Meeting of Shareholders in 2019;

2. To consider and vote on a proposal to ratify the selection of Deloitte & Touche LLP as independent auditors for Crane Co. for 2016;

3. To consider and vote on a proposal to approve, by a non-binding advisory vote, the compensation paid by the Company to certain executive officers;

4. To consider and vote on a proposal to approve the Annual Incentive Plan;

5. To consider and vote on a proposal submitted by a shareholder regarding share repurchases; and

6. To conduct any other business that properly comes before the meeting, in connection with the foregoing or otherwise.

The Board of Directors has fixed the close of business on February 29, 2016 as the record date for the meeting. Shareholders at that date and time are entitled to notice of and to vote at the meeting or any postponement or adjournment of the meeting. A complete list of shareholders as of the record date will be open to the examination of any shareholder during regular business hours at the offices of Crane Co., 100 First Stamford Place, Stamford, Connecticut, for ten days before the meeting, as well as at the meeting.

In order to assure a quorum, it is important that shareholders who do not expect to attend the meeting in person fill in, sign, date and return the enclosed proxy in the accompanying envelope, or use the internet address or the toll-free telephone number on the enclosed proxy card.

By Order of the Board of Directors,

AUGUSTUS I. DUPONT

Secretary

IF YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE WRITE FOR YOUR ADMISSION CARD TO THE CORPORATE SECRETARY, CRANE CO., 100 FIRST STAMFORD PLACE, STAMFORD, CONNECTICUT 06902.

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CRANE CO.

100 FIRST STAMFORD PLACE STAMFORD, CONNECTICUT 06902

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

APRIL 25, 2016

GENERAL MEETING MATTERS

The Board of Directors of Crane Co. asks you to complete and return the enclosed proxy for use at the Annual Meeting of Shareholders to be held in the First Floor Conference Room at 200 First Stamford Place, Stamford, Connecticut, on Monday, April 25, 2016, at 10:00 a.m., Eastern Daylight Time, or at any postponement or adjournment of the meeting. This Proxy Statement and enclosed form of proxy are first being sent to shareholders on or about March 14, 2016.

Voting by Written Proxy. Shares represented by the enclosed proxy, if properly executed, received by the Secretary prior to the meeting, and not revoked, will be voted in accordance with the directions indicated on the proxy.

Treatment of Unmarked Proxies. If no directions are indicated on a properly executed and returned proxy with respect to any particular matter, the shares represented by the proxy will be voted **for** each nominee named in this Proxy Statement for election as a director; **for** the proposal to ratify the selection of Deloitte & Touche LLP as our independent auditors for 2016; **for** the non-binding advisory vote regarding executive compensation; **for** the proposal to approve the Annual Incentive Plan; and **against** the shareholder proposal regarding share repurchases, as the case may be. If any other matter is presented at the Annual Meeting upon which a vote may properly be taken, the shares represented by the proxy will be voted in accordance with the discretion of the person or persons named in the proxy.

Revocation of Instructions. A shareholder may revoke a proxy at any time before the vote is taken, either by written notice to the Corporate Secretary, by submitting a new proxy, or by casting a vote in person at the meeting.

Alternative Voting Methods. As an alternative to using the written form of proxy, shareholders of record may vote by using the toll-free number listed on the enclosed proxy card, proving their identity by using the Personal Identification Number shown on the card. Alternatively, shareholders of record may give voting instructions at the website *www.investorvote.com/cr*. Both procedures allow shareholders to appoint the designated proxies to vote their shares and to confirm that their instructions have been properly recorded. The enclosed proxy card includes specific instructions to be followed by any shareholder of record wishing to vote by telephone or on the internet.

Shares Outstanding. As of the close of business on February 29, 2016, the record date for determining shareholders entitled to vote at the Annual Meeting, Crane Co. had issued and outstanding 58,283,914 shares of common stock, par value $1.00 per share. Each share of Crane Co. common stock is entitled to one vote at the meeting. Information about the ownership of our common stock appears on pages 14 and 16.

Required Votes. Nominees for the Board of Directors will be elected if more votes are cast in favor of the nominee than are cast against the nominee by the holders of shares present in person or represented by proxy and entitled to vote at the meeting. Each other matter to be voted upon at the meeting requires the affirmative vote of a majority of the votes cast by the holders of shares of common stock present in person or represented by proxy and entitled to vote at the meeting.

Effect of Abstentions. Shareholders may abstain from voting on any proposal expected to be brought before the meeting. Abstentions will have no effect on the election of directors, as each nominee will be elected if the number of votes cast in favor of such nominee exceeds the number of votes cast against such nominee. On all other matters, the choice that receives the majority of votes cast will be considered approved. Abstentions from voting are not treated as votes cast and therefore will have no effect on any of these proposals.

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Effect of Broker Non-Votes. Under the rules of the New York Stock Exchange, brokers holding shares for customers have authority to vote on certain matters even if the broker has not received instructions from the beneficial owner, but do not have such authority as to certain other matters (broker non-votes). Member firms of the New York Stock Exchange may vote without specific instructions from beneficial owners on the ratification of the selection of auditors, but not on the election of directors, the approval of the compensation paid by the Company to certain executive officers, the approval of the Annual Incentive Plan or the shareholder proposal. Broker non-votes are counted for the purpose of convening a quorum but do not count as votes cast for or against a matter or as shares entitled to vote, and therefore will not affect the outcome of the voting at the meeting.

ITEM 1: ELECTION OF DIRECTORS

The Board of Directors currently consists of 12 members divided into three classes.

Ellen McClain, Jennifer M. Pollino, Peter O. Scannell and James L. L. Tullis, who are current members of the Board, have been nominated for election by shareholders to hold office for three-year terms until the Annual Meeting in 2019 and until their successors are elected and qualified. Richard S. Forté, a member of the Board since 1983, has chosen not to stand for reelection, and the Board has determined to reduce the number of directors from 12 to 11. If all of the nominees are elected at the Annual Meeting, the Board will then consist of 11 members divided into three classes.

The Board believes that a company s directors should possess and demonstrate, individually and as a group, an effective and diverse combination of skills and experience to guide the management and direction of the Company s business and affairs. The Board has charged the Nominating and Governance Committee with responsibility for evaluating the mix of skills and experience of the Company s directors and director nominees, as well as leading the evaluation process for the Board and its committees. In conducting its annual review of director skills and Board composition, the Nominating and Governance Committee determined and reported to the Board its judgment that the Board as a whole demonstrates a diversity of organizational experience, professional experience, education and other background, viewpoint, skills and other personal qualities and attributes that enables the Board to perform its duties in a highly effective manner. The Nominating and Governance Committee also considers the Board s overall diversity of experience, education, background, skills and attributes when identifying and evaluating potential director nominees.

The Nominating and Governance Committee has proposed, and the Board of Directors recommends, that each of the four nominees be elected to the Board. If, before the meeting, any nominee becomes unavailable for election as a director, the persons named in the enclosed form of proxy will vote for whichever nominee, if any, the Board of Directors recommends to fill the vacancy, or the Board of Directors may reduce the number of directors to eliminate the vacancy.

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NOMINEES AND CONTINUING DIRECTORS

Shown below for each of the nominees for election and for each of those directors whose terms will continue are the individual s:

- Age as of February 29, 2016, the record date for the Annual Meeting,
- Period of service as a Crane Co. director,
- Position with Crane Co., if any, and business experience during at least the past five years,
- Directorships in other public companies during at least the past five years, and
- Areas of experience and qualifications that led the Nominating and Governance Committee and the Board to the conclusion that the individual should serve, or continue to serve, as a director of Crane Co.

Holdings of Crane Co. stock as of February 29, 2016 are also shown, determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, which includes shares subject to stock options exercisable within 60 days and deferred stock units and restricted share units that will vest within 60 days.

No director beneficially owns more than 1% of the outstanding shares of common stock. For more information on shareholdings of directors and officers, please see Beneficial Ownership of Common Stock by Directors and Management, beginning on page 14.

Nominees to be Elected for Terms to Expire in 2019	**Common Shares Beneficially Owned**
ELLEN MCCLAIN Age 51; Director since 2013. Chief Financial Officer, Year Up, Boston, MA (not-for-profit provider of job training services) since July 2015. President from May 2012 to April 2013, Chief Operating Officer from September 2011 to April 2013, Executive Vice President from September 2011 to May 2012, and Senior Vice President and Chief Financial Officer from 2009 to September 2011, of New York Racing Association, Inc., Ozone Park, NY (operator of thoroughbred racetracks). Vice President, Finance, Hearst-Argyle Television, Inc., New York, NY (operator of local television stations) from 2004 to 2009. Other directorships: none. Relevant skills and experience: financial and organizational expertise gained as chief financial officer of public and private enterprises.	5,271
JENNIFER M. POLLINO Age 51; Director since 2013. Executive Coach and Consultant, JMPollino LLC, Charlotte, NC since July 2012. Executive Vice President, Human Resources and Communications, Goodrich Corporation, Charlotte, NC (diversified manufacturer) from 2005 to July 2012. Other directorships: Wesco Aircraft Holdings, Inc. since 2014; Kaman Corporation since June 2015.	5,271

Relevant skills and experience: broad experience with governance, intellectual capital and organizational issues, as well as financial expertise, gained in over 20 years as senior executive and general manager with large manufacturer of aerospace products; financial expertise gained as controller of savings and loan association and field accounting officer at Resolution Trust Corporation; certified public accountant.

PETER O. SCANNELL	11,411

Age 57; Director since 2015. Chief Executive Officer, Rockwood Service Corporation, Greenwich, CT (holding company for testing and testing technology businesses) since 1990.

Other directorships: Kane Holding Company since 1988; Genesee & Wyoming, 2002-2011.
Relevant skills and experience: financial and acquisition expertise gained as chief executive officer of privately owned provider of industrial services.

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	Common Shares Beneficially Owned
JAMES L. L. TULLIS Age 68; Director since 1998. Chief Executive Officer, Tullis Health Investors, Greenwich, CT since 1986, and Tullis Health Investors FL, LLC, North Palm Beach, FL since 2012 (venture capital investments in the health care industry). Other directorships: Lord Abbett & Co. Mutual Funds since 2006 (Lord Abbett family of mutual funds). Relevant skills and experience: financial and organizational expertise gained as chief executive officer of venture capital investment group; expertise in management, strategy and governance matters gained as director of public and private companies.	26,493
Directors Whose Terms Expire in 2018	
MARTIN R. BENANTE Age 63; Director since 2015. Chairman of the Board of Directors from 2000 to December 2014, and Chief Executive Officer from 2000 to December 2013, Curtiss-Wright Corporation, Charlotte, NC (supplier of highly engineered products and services to commercial, industrial, defense and energy markets). Other directorships: Curtiss-Wright Corporation from 1999 to 2015. Relevant skills and experience: strategic, operational and managerial expertise gained through a more than 35-year career with an industrial manufacturer serving markets similar to those of the Company.	1,926
DONALD G. COOK Age 69; Director since 2005. General, United States Air Force (Retired). Other directorships: Burlington Northern Santa Fe Corporation from 2005 to 2010; Beechcraft LLC (formerly Hawker Beechcraft Inc.) from 2007 to 2014; USAA Federal Savings Bank since 2007; U.S. Security Associates, Inc. since 2011. Relevant skills and experience: experience with organizational and intellectual capital matters gained throughout an extensive career with the United States Air Force.	18,978
R. S. EVANS Age 71; Director since 1979. Chairman of the Board of Crane Co. since 2001. Chairman and Chief Executive Officer of Crane Co. from 1984 to 2001. Other directorships: HBD Industries, Inc. since 1989; Huttig Building Products, Inc. from 1999 to 2015. Relevant skills and experience: unique familiarity with the operations, history and culture of the Company gained as its former Chief Executive Officer and as its Chairman of the Board of Directors.	461,013
RONALD C. LINDSAY Age 57; Director since 2013. Chief Operating Officer, Eastman Chemical Company Kingsport, TN (manufacturer of specialty chemicals, plastic compounds and acetate fibers) since 2013; Executive Vice President, Specialty Fluids and Intermediates, Fibers, Adhesives and Plasticizers Worldwide Engineering, Construction and Manufacturing Support, Eastman Chemical Company from May 2011 to 2013. Positions of increasing responsibility with Eastman Chemical from 1980, including Senior Vice President from 2006 to 2009 and Executive Vice President from 2009 to 2013. Other directorships: none.	7,182

Relevant skills and experience: operational, sales and manufacturing expertise gained by extensive senior executive experience with large industrial manufacturer.

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	Common Shares Beneficially Owned
Directors Whose Terms Expire in 2017	
E. THAYER BIGELOW Age 74; Director since 1984. Managing Director, Bigelow Media, New York, NY (advisor to media and entertainment companies) since 2000 and Senior Advisor, Time Warner Inc., New York, NY (media and entertainment) since 1998.	54,413
Other directorships: Huttig Building Products, Inc. from 1999 to 2015; Lord Abbett & Co. Mutual Funds since 1994 (Lead independent director, and Chairman since 2013) (Lord Abbett family of 42 mutual funds); Expo TV, Inc. since 2010; Adelphia Communications, Inc. from 2003 (post-Chapter 11 filing) to 2007; R. H. Donnelly, Inc. from 2009 to 2010.	
Relevant skills and experience: operational and financial expertise gained by extensive experience as senior executive and financial officer of and advisor to media and entertainment companies; expertise in management and governance matters gained as a director of public companies.	
PHILIP R. LOCHNER, JR. Age 72; Director since 2006. Director of public companies. Senior Vice President and Chief Administrative Officer, Time Warner, Inc., New York, NY (media and entertainment) from 1991 to 1998. A Commissioner of the Securities and Exchange Commission from 1990 to 1991.	27,325
Other directorships: Adelphia Communications from 2005 (post-Chapter 11 filing) to 2008; Apria Healthcare Group Inc. from 1998 to 2008; Gtech Holdings Corporation from 2001 to 2006; Monster Worldwide, Inc. from 2006 to 2008; Solutia Inc. from 2002 to 2008; Clarcor Inc. since 1999; CMS Energy Corporation since 2005; Gentiva Health Services, Inc. from 2009 to 2015.	
Relevant skills and experience: legal and administrative expertise gained as senior executive of public company (including certain responsibility for internal audit, shareholder relations, legal, public affairs, compensation and benefits, governance, real estate and other administrative matters); expertise in securities and disclosure matters gained as a Commissioner of the Securities and Exchange Commission; expertise in management and governance matters gained as a director of public companies.	
MAX H. MITCHELL Age 52; Director since 2014. President and Chief Executive Officer of the Company since January 2014; President and Chief Operating Officer from January 2013 to January 2014; Executive Vice President and Chief Operating Officer from May 2011 to January 2013; Group President, Fluid Handling segment of the Company from 2005 to October 2012. Vice President, Operational Excellence of the Company from 2004 to 2005.	305,494
Other directorships: none.	
Relevant skills and experience: comprehensive knowledge of the Company s culture and operations gained from successive positions as head of its Operational Excellence system, president of its largest segment, its President and Chief Operating Officer and now Chief Executive Officer.	

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CORPORATE GOVERNANCE MATTERS

The Board of Directors has adopted Corporate Governance Guidelines which reflect the Board s commitment to monitor the effectiveness of policy-making and decision-making both at the Board and management level, with a view to enhancing long-term shareholder value. The Corporate Governance Guidelines are available on our website at *www.craneco.com/GovernanceGuidelines*.

Board Leadership Structure. Our Corporate Governance Guidelines do not require the separation of the roles of Chairman of the Board and Chief Executive Officer, as the Board believes that effective board leadership structure can be highly dependent on the experience, skills and personal interaction between persons in leadership roles. Since 2001, these leadership roles have been filled separately by our non-executive Chairman of the Board, Mr. Evans, and by our former Chief Executive Officer, Eric C. Fast, who held the position from 2001 through January 2014, and Mr. Mitchell, who was elected Chief Executive Officer effective January 31, 2014. To assist in defining this leadership structure, the Board adopted a position description for the role of the non-executive Chairman of the Board, which is incorporated into our Corporate Governance Guidelines. The principal duties are as follows:

- Provide leadership to the Board and ensure that each director is making an appropriate contribution;
- Guide the Board s discharge of its duties, including monitoring risk management and compliance activities, reviewing corporate strategy and evaluating senior management performance and succession planning;
- Chair meetings of the Board of Directors and the Annual Meeting of Shareholders;
- Organize and approve the agendas for Board meetings based on input from directors and the Chief Executive Officer; and
- Conduct a performance evaluation of the Board.

The Board believes this leadership structure has afforded the Company an effective combination of internal and external experience, continuity and independence that has served the Board and the Company well.

Board Role in Oversight of Risk. The Board recognizes its duty to assure itself that the Company has effective procedures for assessing and managing risks to the Company s operations, financial position and reputation, including compliance with applicable laws and regulations. The Board has charged the Audit Committee with responsibility for monitoring the Company s processes and procedures for risk assessment, risk management and compliance, including regular reports on any violations of law or Company policies and consequent corrective action. The Audit Committee receives presentations regarding these matters from management at each in-person meeting (at least quarterly). The Company s Director of Compliance and Ethics, as well as the Chief Audit Executive, has a direct reporting relationship to the Audit Committee. The Chair of the Audit Committee reports any significant matters to the Board as part of his reports on the Committee s meetings and activities. The Management Organization and Compensation Committee of the Board has established a process for assessing the potential that the Company s compensation plans and practices may encourage executives to take risks that are reasonably likely to have a material adverse effect on the Company. The conclusions of this assessment are set forth in the Compensation Discussion and Analysis under the heading Compensation Risk Assessment on page 38. In addition, the Board schedules an annual presentation by management on the Company s risk management practices. The Board also receives reports from management at each meeting regarding operating results, the Company s asbestos liability, pending and proposed acquisition and divestiture transactions (each of which must be approved by the Board before completion), capital expenditures and other matters.

Conflicts of Interest; Transactions with Related Persons. Crane Co. has established Conflict of Interest Policies: CP-103, to which all officers and salaried employees are subject, and CP-103D, to which non-employee directors are subject. Those who are subject to the policies are required to disclose to the General Counsel in writing each outside relationship, activity and interest that creates a potential conflict of interest, including prior disclosure of transactions with third parties. The General Counsel will determine whether the matter does or does not constitute an impermissible conflict of interest, or may in his discretion refer the question to the Nominating and Governance Committee, which will review the facts and make a recommendation to the Board. All directors, executive officers and other salaried employees are required to certify in writing each year whether they are personally in compliance with CP-103 or CP-103D, as applicable, and whether they have knowledge of any other

person s failure to comply. In addition, each director and executive officer is required to complete an annual questionnaire which calls for disclosure of any transactions above a stated amount in which Crane Co. or a Crane Co. affiliate is or is to be a participant on the one hand, and in which the director or officer or any member of his or her family has a direct or indirect material interest on the other. The Board of Directors is of the opinion that these procedures in the aggregate are sufficient to allow for the review, approval or ratification of any Transactions with Related Persons that would be required to be disclosed under applicable Securities and Exchange Commission rules.

Attendance. The Board of Directors met nine times during 2015. Each director attended over 85% of the Board and Committee meetings held in the period during which he or she was a director and Committee member. In addition, it is Crane Co. s policy that each of our directors attend the Annual Meeting; all directors were in attendance at the 2015 Annual Meeting.

Executive Sessions of Non-Management Directors. Seven of the meetings of the Board during 2015 included executive sessions without management present, presided over by R. S. Evans, Chairman of the Board. Crane s Corporate Governance Guidelines require our non-management directors to meet in executive session without management on a regularly scheduled basis, but not less than two times a year. The Chairman of the Board presides at executive sessions, unless he is a member of management, in which case the presiding person at executive sessions rotates on an annual basis among the Chairs of the Nominating and Governance Committee, the Audit Committee and the Management Organization and Compensation Committee. If the designated person is not available to chair an executive session, then the non-management directors select a person to preside.

Share Ownership Guidelines for Directors. The Board of Directors has adopted share ownership guidelines which require each director to hold shares of Crane Co. stock having a fair market value not less than five times the cash portion of the annual retainer for directors, currently $70,000. A director must have attained this ownership level by the fifth anniversary of his or her first election as a director. As of the Record Date, all directors who had attained their fifth anniversary of service were in compliance with this ownership guideline.

Shareholder Communications with Directors. The Board has established a process to receive communications from shareholders and other interested parties. Shareholders and other interested parties may contact any member (or all members) of the Board, any Board committee or any Chair of any such committee by mail or electronically. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or any individual director or group or committee of directors by either name or title. All such correspondence should be sent to Crane Co., c/o Corporate Secretary, 100 First Stamford Place, Stamford, CT 06902. To communicate with any of our directors electronically, shareholders should use the following e-mail address: adupont@craneco.com.

All communications received as set forth in the preceding paragraph will be opened by the office of the Corporate Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents will be forwarded promptly to the addressee unless they are in the nature of advertising or promotion of a product or service, or are patently offensive or irrelevant. To the extent that the communication involves a request for information, such as an inquiry about Crane Co. or stock-related matters, the Corporate Secretary s office may handle the inquiry directly. In the case of communications to the Board or any group or committee of directors, the Corporate Secretary s office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

Independent Status of Directors

Standards for Director Independence. No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with Crane Co. The Board has adopted the standards set forth below in order to assist the Nominating and Governance Committee and the Board itself in making determinations of director independence. Any of the following relationships would preclude a director from qualifying as an independent director:

The director is or was an employee, or the director s immediate family member is or was an executive officer, of Crane Co. other than as an interim Chairman or interim CEO, unless at least three years have passed since the end of such employment relationship.

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The director is an employee, or the director s immediate family member is an executive officer, of an organization (other than a charitable organization) that in any of the last three completed fiscal years made payments to, or received payments from, Crane Co. for property or services, if the amount of such payments exceeded the greater of $1 million or 2% of the other organization s consolidated gross revenues.

The director has received, or the director s immediate family member has received, direct compensation from Crane Co., if the director is a member of the Audit Committee or the amount of such direct compensation received during any twelve-month period within the preceding three years has exceeded $120,000 per year, excluding (i) director and committee fees and pension and other forms of deferred compensation for prior services (so long as such compensation is not contingent in any way on continued service); (ii) compensation received as interim Chairman or CEO; or (iii) compensation received by an immediate family member for service as a non-executive employee of Crane Co.

The director is a current partner of or employed by, or the director s immediate family member is a current partner of, or an employee who personally works on the audit of Crane Co. at, a firm that is the internal or external auditor of Crane Co., or the director was, or the director s immediate family member was, within the last three years a partner or employee of such a firm and personally worked on the Crane Co. audit at that time.

The director is or was employed, or the director s immediate family member is or was employed, as an executive officer of another organization, and any of Crane Co. s present executive officers serves or served on that other organization s compensation committee, unless at least three years have passed since the end of such service or the employment relationship.

The director is a member of a law firm, or a partner or executive officer of any investment banking firm, that has provided services to Crane Co., if the director is a member of the Audit Committee or the fees paid in any of the last three completed fiscal years or anticipated for the current fiscal year exceed the greater of $1 million or 2% of such firm s consolidated gross revenues.

The existence of any relationship of the type referred to above, but at a level lower than the thresholds referred to, does not, if entered into in the ordinary course of business, preclude a director from being independent. The Nominating and Governance Committee and the Board review all relevant facts and circumstances before concluding that a relationship is not material or that a director is independent.

Crane Co. s Standards for Director Independence, along with its Corporate Governance Guidelines and Code of Ethics, which applies to Crane Co. s directors and to all officers and other employees, including our chief executive officer, chief financial officer and controller, are available on our website at *www.craneco.com/governance*. Crane Co. intends to satisfy any disclosure requirements concerning amendments to, or waivers of, the Code of Ethics by posting such information at that website address.

Independence of Directors. The Nominating and Governance Committee has reviewed whether any of the directors, other than Mr. Mitchell, has any relationship that, in the opinion of the Committee, (i) is material (either directly or as a partner, shareholder or officer of an organization that has a relationship with Crane Co.) and, as such, would be reasonably likely to interfere with the exercise by such person of independent judgment in carrying out the responsibilities of a director or (ii) would otherwise cause such person not to qualify as an independent director under the rules of the NYSE and, in the case of members of the Audit Committee and the Management Organization and Compensation Committee, the additional requirements under Section 10A and 10C, respectively, of the Securities Exchange Act of 1934 and the associated rules. The Nominating and Governance Committee determined that, other than Mr. Mitchell, all of Crane Co. s current directors and all persons who served as a director of Crane Co. at any time during 2015 are independent in accordance with the foregoing standards, and the Board of Directors has reviewed and approved the determinations of the Nominating and Governance Committee. Mr. Mitchell is Chief Executive Officer of Crane Co.

In reaching their determinations regarding the independence of the other directors, the Committee and the Board applied the Standards for Director Independence described above and determined that there were no transactions that were likely to affect the independence of those directors judgment.

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Committees of the Board; Charters

The Board of Directors has established an Audit Committee, a Management Organization and Compensation Committee and a Nominating and Governance Committee. Copies of the charters of these committees are available on our website at *www.craneco.com/CharterAudit; www.craneco.com/CharterCompensation* and *www.craneco.com/CharterNominating*, respectively. The Board of Directors has also established an Executive Committee, which meets when a quorum of the full Board of Directors cannot be readily convened. The memberships of these committees during 2015 were as follows:

Executive Committee:	Audit Committee:
E. T. Bigelow	M. R. Benante (from September)
R. S. Evans (Chair)	E. T. Bigelow (Chair)
M. H. Mitchell	P. R. Lochner, Jr.
	E. McClain
	J. M. Pollino
Management Organization and Compensation Committee:	Nominating and Governance Committee:
D. G. Cook	D. G. Cook
R. C. Lindsay	R. S. Forté (Chair)
J. M. Pollino	P. R. Lochner, Jr.
J. L. L. Tullis (Chair)	E. McClain

Audit Committee. The Audit Committee is the Board s principal agent in fulfilling legal and fiduciary obligations with respect to matters involving Crane Co. s accounting, auditing, financial reporting, internal control and legal compliance functions. The Audit Committee has the authority and responsibility for the appointment, retention, compensation and oversight of our independent auditors. The Audit Committee met eight times in 2015, including three meetings by conference telephone to review quarterly financial information, with Crane Co. s management, internal auditors and independent accountants to review matters relating to the quality of financial reporting and internal accounting controls and the nature, extent and results of audits. The Audit Committee s report appears beginning on page 18.

Audit Committee Qualifications. All members of the Audit Committee meet the independence and expertise requirements of the New York Stock Exchange, and all qualify as independent under the provisions of Securities and Exchange Commission Rule 10A-3. In addition, the Board of Directors has determined that each of Mr. Benante, Mr. Bigelow, Ms. McClain and Ms. Pollino is an audit committee financial expert as defined in regulations of the Securities and Exchange Commission.

Management Organization and Compensation Committee. The duties of the Management Organization and Compensation Committee include: coordinating the annual evaluation of the Chief Executive Officer; recommending to the Board of Directors all actions regarding compensation of the Chief Executive Officer; approving the compensation of other named executive officers and reviewing the compensation of other officers and business unit presidents; reviewing director compensation; administering the annual incentive compensation plans and stock incentive plan; reviewing and approving any significant changes in or additions to compensation policies and practices; and reviewing management development and succession planning policies.

All members of the Management Organization and Compensation Committee meet the independence requirements of the New York Stock Exchange. The Management Organization and Compensation Committee met five times in 2015. The Management Organization and Compensation Committee s report appears on page 39.

Nominating and Governance Committee. The duties of the Nominating and Governance Committee include developing criteria for selection of and identifying potential candidates for service as directors, policies regarding tenure of service and retirement for members of the Board of Directors and responsibility for and oversight of corporate governance matters. All members of the Nominating and Governance Committee meet the independence requirements of the New York Stock Exchange. The Nominating and Governance Committee met three times in 2015.

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Independence of Committee Members. As noted above, each of the members of the Audit Committee, the Nominating and Governance Committee and the Management Organization and Compensation Committee is independent under applicable rules of the NYSE and in the case of members of the Audit Committee and the Management Organization and Compensation Committee, the additional requirements under Section 10A and 10C, respectively, of the Securities Exchange Act of 1934 and the associated rules.

Executive Committee. The Board of Directors has also established an Executive Committee, which meets when a quorum of the full Board of Directors cannot be readily convened. The Executive Committee may exercise any of the powers of the Board of Directors, except for (i) approving an amendment of the Certificate of Incorporation or By-Laws, (ii) adopting an agreement of merger or sale of all or substantially all of Crane Co. s assets or dissolution of Crane Co., (iii) filling vacancies on the Board or any committee thereof or (iv) electing or removing officers. The Executive Committee did not meet during 2015.

Director Nominating Procedures

Our Corporate Governance Guidelines provide that the Board should generally have from nine to twelve directors, a substantial majority of whom must qualify as independent directors under the listing standards of the NYSE.

Criteria for Board Membership. Criteria for Board membership take into account skills, expertise, integrity, diversity and other qualities which are expected to enhance the Board s ability to manage and direct Crane Co. s business and affairs. In general, nominees for director should have an understanding of the workings of large business organizations such as Crane Co., and senior level executive experience as well as the ability to make independent, analytical judgments, the ability to be an effective communicator and the ability and willingness to devote the time and effort to be an effective and contributing member of the Board. A director who serves as a chief executive officer should not serve on more than two public company boards in addition to our Board, and other directors should not sit on more than four public company boards in addition to our Board. The members of the Audit Committee should not serve on more than two other audit committees of public companies.

The Nominating and Governance Committee will, from time to time, seek to identify potential candidates for director to sustain and enhance the composition of the Board with the appropriate balance of knowledge, experience, skills, expertise and diversity. In this process, the Committee will consider potential candidates proposed by other members of the Board, by management or by shareholders, and the Committee has the sole authority to retain a search firm to assist in this process, at Crane Co. s expense.

Nominations by Shareholders. In considering candidates submitted by shareholders, the Nominating and Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. A shareholder proposing to nominate a director must provide us with the following information about the nominating stockholder and the director nominee, and must update such information as of the record date for the meeting:

- the number of shares of Company stock, including details regarding any derivative securities, held by the nominating shareholder and the director nominee and any of their respective affiliates or associates;

- a description of any agreement regarding how the director nominee would vote, if elected, on a particular matter, including a representation that there are no other understandings;

- a description of any agreement with respect to compensation as a director from any person other than Crane Co., including a representation that there are no other understandings;

- a representation that the director nominee will comply with all publicly disclosed Board policies, including those relating to confidentiality;

- a completed questionnaire similar to the one required of existing directors, a copy of which the Corporate Secretary will provide upon request;

- a description of any material interest the nominating shareholder has in any such nomination; and

- any other information about the proposed candidate that would, under the Securities and Exchange Commission s proxy rules, be required to be included in our proxy statement if the person were a nominee.

Such notice must also be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director, if elected.

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Any shareholder recommendation for next year s Annual Meeting, together with the information described above, must be sent to the Corporate Secretary at 100 First Stamford Place, Stamford, CT 06902 and, in order to allow for timely consideration, must be received by the Corporate Secretary no earlier than December 27, 2016, and no later than January 26, 2017.

Once a person has been identified by the Nominating and Governance Committee as a potential candidate, the Committee, as an initial matter, may collect and review publicly available information regarding the person to assess whether the person should be considered further. Generally, if the person expresses a willingness to be considered and to serve on the Board, and the Committee believes that the person has the potential to be a good candidate, the Committee would seek to gather information from or about the person, review the person s accomplishments and qualifications in light of any other candidates that the Committee might be considering, and, as appropriate, conduct one or more interviews with the person. In certain instances, Committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate s accomplishments. The Committee s evaluation process does not vary based on whether or not a prospective candidate is recommended by a shareholder, although, as stated above, the Board may take into consideration the number of shares held by the recommending shareholder and the length of time that such shares have been held.

Majority Voting for Directors and Resignation Policy

Our By-Laws provide that nominees for director and directors running for re-election to the Board without opposition must receive a majority of votes cast. Any director who fails to receive the required number of votes for re-election is required by Crane Co. policy to tender his or her written resignation to the Chairman of the Board for consideration by the Nominating and Governance Committee. The Committee will consider such tendered resignation and make a recommendation to the Board concerning the acceptance or rejection of the resignation. In determining its recommendation to the Board, the Committee will consider all factors deemed relevant by the members of the Committee including, without limitation, the stated reason or reasons why shareholders voted against such director s re-election, the qualifications of the director (including, for example, whether the director serves on the Audit Committee of the Board as an audit committee financial expert and whether there are one or more other directors qualified, eligible and available to serve on the Audit Committee in such capacity), and whether the director s resignation from the Board would be in the best interests of the Company and its shareholders.

COMPENSATION OF DIRECTORS

The members of the Board of Directors, other than Mr. Evans and Mr. Mitchell, receive the following compensation:

- A retainer of $185,000 per year, payable $70,000 in cash and $115,000 in the form of Deferred Stock Units (DSUs) of equivalent value; the terms of DSUs are described immediately below. A director may also elect to receive 100% of the retainer in DSUs;
- A retainer of $20,000 per year for the Chair of the Audit Committee;
- A retainer of $15,000 for each of the Chair of the Management Organization and Compensation Committee and the Chair of the Nominating and Governance Committee; and
- A retainer of $10,000 for each member of the Audit Committee other than the Chair; $7,500 for each member of the Management Organization and Compensation Committee or the Nominating and Governance Committee other than the Chair; and $2,000 per year for each member of the Executive Committee.

No meeting fees will be paid unless the total number of meetings exceeds three more than the regularly scheduled meetings of the Board of Directors and the relevant committees. The compensation of Mr. Mitchell, who is Chief Executive Officer in addition to having been a Director since January 31, 2014, is shown in the Summary Compensation Table on page 40.

Mr. Evans, the non-executive Chairman of the Board, receives the same annual retainer as a non-employee director plus an incremental retainer of $100,000, payable in cash (or 100% in DSUs at the election of the Chairman), pursuant to an agreement under which the Company also provides him with an office, office assistant and technical support. The Company also has a time-sharing agreement with Mr. Evans under which he is permitted personal use of the corporate aircraft, for which he reimburses the Company the aggregate incremental cost. See Other Agreements and Information Use of Company Aircraft on page 57.

Deferred Stock Units (DSUs) are issued each year as of the date of the Annual Meeting; are forfeitable if the director ceases to remain a director until Crane Co. s next Annual Meeting, except in the case of death, disability or change in control; and entitle the director to receive an equivalent number of shares of Crane Co. stock upon the director s ceasing to be a member of the Board. In April 2015, each non-employee director received DSUs pursuant to this plan: Mr. Evans received 4,684 DSUs, one director who had elected to receive the entire retainer in DSUs received 3,040 DSUs, and the remaining non-employee directors each received 1,890 DSUs. Upon his election to the Board in December 2015, Mr. Scannell received a grant of 1,401 DSUs, representing 100% of his pro-rated retainer.

The Board has adopted share ownership guidelines which require each director to hold shares of Crane Co. stock having a fair market value not less than five times the cash portion of the annual retainer for directors. See Share Ownership Guidelines for Directors on page 7.

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Director Compensation in 2015

The following table shows the compensation in 2015 of all directors except for Mr. Mitchell, our Chief Executive Officer since January 31, 2014, whose compensation is shown in the Summary Compensation Table on page 40.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Total ($)
M.R. Benante	$ 48,333	$ 116,887	$ 165,220
E. T. Bigelow	$ 96,835	$ 131,611	$ 228,446
D. G. Cook	$ 93,333	$ 131,611	$ 224,944
R. S. Evans	$ 37,500	$ 298,181	$ 335,681
R. S. Forté	$ 85,833	$ 132,971	$ 218,804
R. C. Lindsay	$ 19,000	$ 193,320	$ 212,320
P. R. Lochner, Jr.	$ 91,000	$ 139,049	$ 230,049
E. McClain	$ 91,001	$ 121,236	$ 212,237
J. M. Pollino	$ 95,001	$ 121,236	$ 216,237
P.O. Scannell	$	$ 71,423	$ 71,423
J. L. L. Tullis	$ 89,833	$ 131,611	$ 221,444

(1) Amounts shown in this column reflect the grant date fair value computed in accordance with FASB ASC Topic 718, with respect to awards of DSUs made during the indicated year. Awards of DSUs during 2015, all pursuant to the 2013 Stock Incentive Plan (together with any predecessor equity compensation plans of the Company, the Stock Incentive Plan), were as follows:

1,890 DSUs to each of Messrs. Benante, Bigelow, Cook, Forté, Lochner and Tullis, and Ms. McClain and Ms. Pollino; 3,040 DSUs to Mr. Lindsay; and 4,684 DSUs to Mr. Evans on April 27 in connection with the Annual Meeting;

An aggregate of 301.63 additional DSUs to each of Messrs. Bigelow, Cook and Tullis; 241.54 additional DSUs to Mr. Evans; 326.22 additional DSUs to Mr. Forté; 153.06 additional DSUs to Mr. Lindsay; 436.09 additional DSUs to Mr. Lochner; and 114.08 additional DSUs to Ms. McClain and Ms. Pollino, all in connection with the payment of regular quarterly dividends on Crane Co. stock on March 10, June 9, September 9 and December 9;

1,401 DSUs to Mr. Scannell in connection with his election to the Board on December 7; and

9.50 additional DSUs to Mr. Scannell, in connection with the payment of a regular quarterly dividend on Crane Co. stock on December 9.

The grant date fair value of each DSU granted on April 27, 2015 was $60.85. The grant date fair value of each DSU granted on December 7 was $50.65.

At December 31, 2015, each non-employee director held DSUs as follows:

Mr. Benante	1,925.47
Mr. Bigelow	13,254.48
Gen. Cook	13,254.48

Mr. Evans	11,309.42
Mr. Forté	14,300.81
Mr. Lindsay	7,182.42
Mr. Lochner	18,977.84
Ms. McClain	5,271.09
Ms. Pollino	5,271.09
Mr. Scannell	1,410.50
Mr. Tullis	13,254.48

The assumptions on which this valuation is based are set forth in Note 12 to the audited financial statements included in Crane Co. s annual report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2016.

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BENEFICIAL OWNERSHIP OF COMMON STOCK

BY DIRECTORS AND MANAGEMENT

Crane Co. believes that officers and other key employees, in order to focus their attention on growth in shareholder value, should have a significant equity stake in the Company. We therefore encourage our officers and key employees to increase their ownership of and to hold Crane Co. stock through the Stock Incentive Plan and the Savings and Investment Plan, as discussed in the Compensation Discussion and Analysis at page 35. Directors also receive a majority of their annual retainer, and may elect to receive the entire retainer, in the form of Deferred Stock Units issued under the Stock Incentive Plan. Beneficial ownership of stock by the non-executive directors and nominees, the executive officers named in the Summary Compensation Table, all other executive officers as a group and all directors, nominees and executive officers of Crane Co. as a group as of February 29, 2016 is as follows:

		Amount and Nature of Beneficial Ownership					
Title of Class	**Name of Beneficial Owner**	**Shares Owned Directly or Beneficially (1)**	**Stock Options, Deferred Stock Units and Restricted Share Units Which Have Vested or Will Vest Within 60 Days**	**Shares in Company Savings Plan (401(k))**	**Total Shares Beneficially Owned**	**Percent of Class**	**Share Units Under Incentive Stock Plans Vesting After 60 Days (2)(3)**
Common Stock	M. R. Benante		1,926		1,926	*	
	E. T. Bigelow	27,160	27,253		54,413	*	
	D. G. Cook	4,225	14,753		18,978	*	
	R. S. Evans	449,704	11,309		461,013	*	
	R. S. Forté	10,051	14,799		24,850	*	
	R. C. Lindsay		7,182		7,182	*	
	P. R. Lochner, Jr.	350	26,975		27,325	*	
	E. McClain		5,271		5,271	*	
	M. H. Mitchell	77,256	225,689	2,549	305,494	*	61,347
	J. M. Pollino		5,271		5,271	*	
	P. O. Scannell	10,000	1,411		11,411	*	
	J. L. L. Tullis	3,240	23,253		26,493	*	
	R. A. Maue	31,312	72,251	1,529	105,092	*	5,853
	B. L. Ellis	151,229	61,033	6,814	219,076	*	3,718
	L. V. Pinkham	10,894	33,274	434	44,602	*	12,540
	A. I. duPont	99,862	75,118	4,894	179,874	*	4,094
	Other Executive Officers (8 persons)	61,267	170,157	28,772	260,196	*	27,572
	Total Directors, Nominees and Executive Officers as a Group (24 persons)	936,550	772,925	44,992	1,754,467	3.0%	115,124

* Less than one percent.

(1) Includes Crane Co. shares which are owned directly; shares which are owned by trusts or by family members and are attributable to the director or officer pursuant to Rule 13d-3 under the Securities and Exchange Act of 1934; time-based restricted share units which will vest

within 60 days; and shares of retirement-based restricted stock held by Mr. Ellis (1,200 shares) and Mr. duPont (6,900 shares), which are subject to vesting as shown in footnote 2 to the 2015 Outstanding Equity Awards at Fiscal Year-End table on page 46, and are subject to forfeiture if established service conditions are not met.

(2) Includes time-based RSUs vesting more than 60 days after the Record Date, which are subject to vesting as shown in footnote 2 to the 2015 Outstanding Equity Awards at Fiscal Year-End table on page 46, and are subject to forfeiture if established service conditions are not met. Performance-based RSUs, which will vest, if at all, on December 31, 2016, December 31, 2017 and December 31, 2018, are not included.

(3) Does not include 7,778,416 shares of Common Stock owned by The Crane Fund (see Principal Shareholders of Crane Co. above); nor 510,471 shares of Common Stock owned by the Crane Fund for Widows and Children; nor an aggregate of 582,470 shares of Common Stock held in trusts for the pension plans of Crane Co. and certain subsidiaries, which shares may be voted and disposed of in the discretion of the trustees unless the sponsor of a particular plan directs otherwise. Mr. Maue, Mr. duPont and Mr. J. A. Lavish, all of whom are executive officers of Crane Co., are the trustees of The Crane Fund. Mr. Maue, Mr. duPont, Mr. Lavish and Mr. C. A. Baron, Jr., all of whom are executive officers of Crane Co., and Ms. T.A. Pelton, are the trustees of the Crane Fund for Widows and Children. None of the directors or trustees has any beneficial interest in, and all disclaim beneficial ownership of, the shares held by the trusts. In addition, as of February 29, 2016, employees and former employees of Crane Co. held approximately 1,539,706 shares of Common Stock in the Crane Co. Savings and Investment Plan.

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PRINCIPAL SHAREHOLDERS OF CRANE CO.

The following table sets forth the ownership by each person who owned of record or was known by Crane Co. to own beneficially more than 5% of our common stock on February 29, 2016.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	The Crane Fund (1) 100 First Stamford Place Stamford, CT 06902	7,778,416	13.3%
Common Stock	GAMCO Investors, Inc. One Corporate Center Rye, NY 10580-1435	4,100,843(2)	7.0%
Common Stock	UBS Group AG Bahnhofstrasse 45 PO Box CH-8021 Zurich, Switzerland	3,728,396(3)	6.4%
Common Stock	BlackRock, Inc. 40 East 52nd Street New York, NY 10022	3,631,727(4)	6.2%
Common Stock	The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	3,418,559(5)	5.9%

(1) The Crane Fund, a trust established for the benefit of former employees, is managed by trustees appointed by the Board of Directors of Crane Co. The incumbent trustees are A.I. duPont, J.A. Lavish and R.A. Maue, all of whom are executive officers of Crane Co. Pursuant to the trust instrument, the shares held by the trust are voted by the trustees as directed by the Board of Directors, the distribution of the income of the trust for its intended purposes is subject to the control of the Board of Directors and the shares may be sold by the trustees only upon the direction of the Board of Directors. None of the directors or the trustees has any direct beneficial interest in, and all disclaim beneficial ownership of, shares held by The Crane Fund.

(2) As reported in a Form 13F filed by GAMCO Investors, Inc. et al., giving information on shareholdings as of December 31, 2015. The amount shown represents the aggregate of holdings of Crane Co. stock reported by GAMCO Asset Management, Inc. (2,890,443 shares), Gabelli Funds, LLC (1,172,400 shares) and GAMCO Investors, Inc. (38,000 shares). According to documents previously filed with the Securities and Exchange Commission, each of GAMCO Asset Management, Inc. and Gabelli Funds, LLC is an investment adviser registered under the Investment Advisers Act of 1940, and a wholly-owned subsidiary of GAMCO Investors, Inc., which is a New York Stock Exchange listed asset management and financial services company.

(3) As reported in a Schedule 13G filed February 9, 2016 by UBS Group AG, giving information on shareholdings as of December 31, 2015. According to the Schedule 13G, UBS Group AG, a bank as defined in Section 3(a)(6) of the Securities Act of 1933, has shared voting power and shared dispositive power over 3,728,396 shares of Crane Co. stock.

(4) As reported in a Schedule 13G filed January 26, 2016 by BlackRock, Inc., giving information on shareholdings as of December 31, 2015. According to the Schedule 13G BlackRock, Inc. has sole voting power over 3,436,301 shares, and sole dispositive power over 3,631,727 shares, of Crane Co. stock.

(5) As reported in a Schedule 13G filed February 10, 2016 by The Vanguard Group, giving information on shareholdings as of December 31, 2015. According to the Schedule 13G, The Vanguard Group, an investment adviser, has sole voting power over 34,974 shares, shared voting power over 2,500 shares, sole dispositive power over 3,383,585 shares, and shared dispositive power over 34,974 shares of Crane Co. stock.

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ITEM 2: RATIFICATION OF THE SELECTION OF AUDITORS

The Board of Directors proposes and recommends that the shareholders ratify the Audit Committee s selection of the firm of Deloitte & Touche LLP as independent auditors for Crane Co. for 2016. Deloitte & Touche LLP has been Crane Co. s independent auditor since 1979. Although ratification of this selection is not required by law, the Board of Directors believes that it is desirable as a matter of corporate governance. If the shareholders do not ratify the selection of Deloitte & Touche LLP, the Audit Committee will reconsider the appointment of Deloitte & Touche LLP as Crane Co. s independent auditor. We expect that representatives of Deloitte & Touche LLP will attend the Annual Meeting, where they will have an opportunity to make a statement if they wish to do so and to respond to appropriate questions.

Unless otherwise directed by the shareholders, proxies that are properly executed and returned will be voted **for** approval of the ratification of Deloitte & Touche LLP to audit our consolidated financial statements for 2016.

PRINCIPAL ACCOUNTING FIRM FEES

Set forth below is a summary of the fees paid for the years ended December 31, 2015 and 2014 to Crane Co. s principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates:

	2015	**2014**
	($ in thousands)	
Audit fees (a)	$ 4,996	$ 4,984
Audit-related fees (b)	215	183
Tax fees (c)	726	964
All other fees (d)	2	2
Total	$ 5,939	$ 6,133

(a) Audit services consisted of: (i) audit of Crane Co. s annual financial statements; (ii) reviews of Crane Co. s quarterly financial statements; (iii) Sarbanes-Oxley Act, Section 404 attestation matters; and (iv) statutory and regulatory audits, comfort letters, consents and other services related to Securities and Exchange Commission matters.

(b) Audit-related services consisted of (i) benefit plan audit fees paid by Crane Co., (ii) agreed-upon procedures reports and (iii) financial accounting and reporting consultations.

(c) Fees for tax compliance services totaled $483 and $422 in 2015 and 2014, respectively. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings. Fees for tax planning and advice services totaled $244 and $542 in 2015 and 2014, respectively.

(d) Fees for all other services billed consisted of fees for software licenses, and services related to inventory review procedures.

	2015	**2014**
Ratio of tax planning and advice fees and all other fees to audit fees, audit-related fees and tax compliance fees	4.3%	9.7%
Percentage of non-audit services approved by the Audit Committee	100%	100%

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REPORT OF AUDIT COMMITTEE

In accordance with its written charter adopted by the Board of Directors, the Audit Committee (the Committee) assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of Crane Co. All of the members of the Committee qualify as independent under the provisions of Section 10A of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder.

The members of the Committee are not professionally engaged in the practice of auditing or accounting and are not, and do not represent themselves to be, performing the functions of auditors or accountants. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Committee s considerations and discussions referred to below do not assure that the audit of Crane Co. s financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), that the financial statements are presented in accordance with generally accepted accounting principles or that Crane Co. s auditors are in fact independent.

In discharging its oversight responsibility as to the audit process, the Committee received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Committee concerning independence, and has discussed with the independent auditors the independent auditors independence. The Committee discussed with the auditors any activities that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors independence. The Committee received a report on the quality control procedures of the independent auditors. The Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of Crane Co. s internal controls, with particular focus on compliance with Section 404 of the Sarbanes-Oxley Act of 2002, as well as the internal audit function s organization, responsibilities, budget and staffing. The Committee reviewed with the independent auditors and the internal auditors their audit plan and audit scope. The Committee reviewed with management the risk assessment and risk management procedures of Crane Co., as well as the procedures and findings of Crane Co. s compliance program.

The Committee discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114, The Auditor s Communication with Those Charged with Governance and, both with and without members of management present, discussed and reviewed the independent auditors examination of the financial statements. The Committee also discussed the results of the internal audit examinations.

The Committee reviewed the audited financial statements of Crane Co. as of and for the year ended December 31, 2015, with management and the independent auditors. Management is responsible for the preparation, presentation and integrity of Crane Co. s financial statements, Crane Co. s internal controls and financial reporting process and the procedures designed to assure compliance with accounting standards and applicable laws and regulations. Crane Co. s independent auditors are responsible for performing an independent audit of Crane Co. s financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

Based on the above-mentioned review and discussions with the independent auditors, the Committee recommended to the Board of Directors that Crane Co. s audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2015, for filing with the Securities and Exchange Commission.

The Committee approved a policy regarding services by Crane Co. s independent auditors, effective January 1, 2003. Under this policy, the independent auditors are prohibited from performing certain services in accordance with Section 202 of the Sarbanes-Oxley Act of 2002. With respect to non-prohibited services to be provided by the independent auditors, the policy requires that a budget for such services be prepared by management and approved by the Committee at the beginning of each fiscal year, and any expenditure outside of

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the budget must also be approved by the Committee in advance. Pursuant to this policy, the Committee reviewed and approved the budget for the audit and other services to be provided by Deloitte & Touche LLP in 2016. The Committee also approved the reappointment of Deloitte & Touche LLP to serve as independent auditors; the Board of Directors concurred in such appointment and directed that this action be presented to shareholders for ratification.

Submitted by:

The Audit Committee of the

Board of Directors of Crane Co.

E. Thayer Bigelow, Chair

Martin R. Benante

Philip R. Lochner, Jr.

Ellen McClain

Jennifer M. Pollino

Incorporation by Reference. The Audit Committee Report in this Proxy Statement shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, and shall not be deemed filed under those Acts, except to the extent that Crane Co. specifically incorporates any such matter in a filed document by reference.

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ITEM 3: ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

At the Company s 2011 Annual Meeting of Shareholders, the Company s shareholders voted on a proposal to recommend, by a non-binding vote, the frequency with which the shareholders of the Company will be asked to approve the compensation paid by the Company to its named executive officers. Based on the voting results for that proposal and its consideration of those results, the Company has determined that it will hold a non-binding advisory vote to approve the compensation paid by the Company to its named executive officers every year, until the next required shareholder vote to recommend the frequency of such votes. The Company is required to hold such frequency votes at least every six years. Accordingly, we are asking shareholders to express their opinion of the compensation of the named executive officers in 2015, as described in the pages that follow in this Proxy Statement.

We believe that the compensation of our executive officers should be:

(1) closely linked to the performance of the Company as a whole, the executive s business unit and the individual executive;

(2) aligned with the Company s annual operating plan and long-term strategic plans and objectives;

(3) attractive in the markets in which we compete for executive talent; and

(4) structured so as to reward actions in accordance with the Company s values and standards and to discourage the taking of inappropriate risks, and thereby to uphold Crane Co. s high standards of corporate governance.

The Compensation Discussion and Analysis beginning on the following page explains in detail the elements of the Company s executive compensation program and the steps taken by the Company to ensure that the program, as implemented in 2015, was aligned with these core principles. Balancing annual and long-term compensation elements, the program directly links incentive compensation for executives with increases in shareholder value, principally by means of annual cash bonuses based on achievement of performance goals set by the Committee at the beginning of the year, performance-based restricted share units which vest in accordance with the Company s total shareholder return relative to the S&P Mid-Cap 400 Capital Goods Group over a three-year period, stock options and time-based restricted share units that vest over a four-year period. The Company believes that this system, as put into practice under the supervision of the Management Organization and Compensation Committee, is instrumental in enabling the Company to achieve superior financial performance and investor returns.

The Board strongly endorses the Company s actions in this regard, and recommends that shareholders vote **for** the following resolution:

RESOLVED, that the compensation of the named executive officers as disclosed in the Proxy Statement is approved.

Vote Required

Approval of the above resolution requires the affirmative vote of a majority of the votes cast on this question at the Annual Meeting of Shareholders by holders of shares of common stock present in person or represented by proxy and entitled to vote at the meeting. See Required Votes, page 1. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related Securities and Exchange Commission rules, the resolution is non-binding and advisory; however, the Board will give due consideration to the opinion of the Company s shareholders expressed pursuant to this vote.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This section of the Proxy Statement explains how, under the guidance of our Management Organization and Compensation Committee (the Committee), our executive compensation program is designed and operated with respect to our named executive officers or NEOs , whose compensation is set forth in the Summary Compensation Table and other compensation tables contained in this Proxy Statement:

Max H. Mitchell, President and Chief Executive Officer;

Richard A. Maue, Vice President, Finance and Chief Financial Officer;

Bradley L. Ellis, Senior Vice President;

Louis V. Pinkham, Senior Vice President; and

Augustus I. duPont, Vice President, General Counsel and Secretary.

This discussion is organized into six sections:

Section	Topics Covered
Overview of 2015 and 2014	- *Financial Results and Impact on Compensation* - *Compensation Highlights*
Overview of Compensation Program	- *Compensation Principles* - *Elements of Compensation* - *Compensation Consultant and Peer Group Analysis* - *Realizable Pay for Chief Executive Officer*
Cash Compensation	- *Base Salary* - *Annual Incentive Compensation* - *Annual Incentive Objectives for 2015* - *Named Executive Officers Bonuses for 2015*
Stock-Based Compensation	- *Stock Incentive Plan* - *Grants in 2015*
Other Compensation Components and Considerations	- *Retirement Benefits* - *Other Compensation*

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OVERVIEW OF 2015 AND 2014

Financial Results and Impact on Compensation

The Company reported 2015 earnings per share of $3.89, compared to $3.23 in 2014. Included in these results were the following special items:

2015:

After tax costs:

- $0.07 per share related to acquisition integration activities
- $0.16 per share related to repositioning actions, primarily in our Fluid Handling segment

2014:

After tax costs:

- $0.61 per share to update projected environmental remediation costs at two former sites
- $0.30 per share related to repositioning actions in our Fluid Handling and Electronics groups
- $0.29 per share related to the acquisition of MEI Conlux Holdings
- $0.07 per share related to lawsuit settlements
- $0.02 per share related to a loss on a business divestiture

After tax gains:

- $0.07 per share related to two real estate divestitures

Excluding special items in both years, 2015 earnings per share were $4.13 compared to $4.45 in 2014. While our Aerospace & Electronics, Payment and Merchandising Technologies and Engineered Materials segments aggregated operating results and margins that exceeded target in 2015, our Fluid Handling business was significantly impacted by deteriorating end markets driven by the collapse of oil and gas prices. Through the course of 2015, these conditions were exacerbated by growing adverse impacts from a strengthening U.S. dollar against most other major currencies, and incremental regional weakness that started in the second half, most notably in China.

As a result, earnings per share and free cash flow did not meet the targets established under the Annual Incentive Plan, as conveyed in the guidance to investors at the beginning of the year. Consequently, the annual bonus payout for 2015 to our corporate officers was at 48% of target, compared to 73% of target in 2014 and 104% of target in 2013. The annual bonus payouts to our named executive officers are shown in the Summary Compensation Table on page 40.

The Company s stock price reached its high for 2015 in the first quarter and then declined during the next three quarters. Our total shareholder return for the three year period 2013-2015 lagged the median return of the companies in the S&P Midcap 400 Capital Goods Group, as shown in the chart below.

Based on the Company s stock performance over the three year period 2013-2015, the Company s total shareholder return ranked at the 46th percentile of the S&P Mid Cap 400 Capital Goods Group. Accordingly, the performance-based restricted share units granted to the named executive officers and 12 other senior executives in January 2013, which represented approximately 40% of the long term incentive compensation to such officers in 2013 (Mr. Mitchell was serving as our Chief Operating Officer in 2013), vested to the extent of 86% of the target shares granted.

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The chart below shows the Company s total shareholder return compared to the median return of the S&P Mid-Cap 400 Capital Goods Group for the three-year periods 2011-2013, 2012-2014 and 2013-2015, and the resulting vesting percentage of PRSUs for the years 2013, 2014 and 2015, respectively.

Compensation Highlights

It is important to note that the compensation described in this CD&A and the Summary Compensation Table is set by the Committee in January and February of the year for which the compensation is paid, except in the case of new hires and promotions. Base salary is set each year in January and paid throughout the year. Target cash bonuses under the Annual Incentive Plan, along with related threshold and maximum values, are set in January or February and then paid the following February after full year financial results are determined. Stock-based compensation is granted in January each year based on competitive compensation data provided by the Committee s independent compensation consultant, as well as performance of the individual during the previous year and as an incentive for performance during future years, and the value of such compensation that is realized by the executive is affected significantly by the subsequent performance of the Company s stock. Accordingly, in reviewing the compensation of our NEOs presented for 2015, shareholders and investors are advised that the annual cash bonus relates to performance in 2015 while the reported stock-based compensation was granted in relation to performance in 2014, acknowledging the long-term incentive nature, and variability of actual realized value, of the stock-based compensation.

Annual Bonus

Under the Annual Incentive Plan, the Committee sets target bonuses in January for corporate executives that are based 75% on earnings per share and 25% on free cash flow. The goals for earnings per share and free cash flow are generally set at the midpoint of the Company s guidance communicated to investors in January for the year ahead. Both the earnings per share and free cash flow targets are set in a range between a low end where the payout would be zero and a high end where the payout would be a maximum of 200% of the target bonus. For business unit executives, the annual bonus is based on performance of the business unit: operating profit (70% of target bonus) and free cash flow (30% of target bonus). See the graphs presented under Annual Incentive Objectives for 2015 on page 31 for an illustration of the corporate bonus framework under the Annual Incentive Plan.

The annual cash bonus goals for corporate executives in 2015 were based 75% on earnings per share, using a target of $4.42 (100% payout) and a range from $3.54 (zero payout) to $5.30 (200% payout), and 25% on free cash flow, with a target of $225 million (100% payout) and a range from $158 million (zero payout) to $293 million (200% payout). Actual performance reported for the year, excluding special items approved by the Committee for compensation purposes (relating to repositioning charges in certain Fluid Handling businesses, in Aerospace and Electronics and in Crane Payment Innovations), was EPS of $3.96 and free cash flow of $189.8 million, resulting in bonuses that were 48% of target. Mr. Mitchell received a bonus of $439,374 for 2015 as Chief Executive Officer, compared to $620,719 for 2014.

The annual cash bonus goals for corporate executives in 2014 were based 75% on earnings per share using a target of $4.65 (100% payout) and 25% on free cash flow with a target of $237.5 million (100% payout). Actual performance reported for the year, excluding special items, was EPS of $4.45 and free cash flow of $219.5 million, resulting in bonuses that were 73% of target.

Stock-Based Compensation

Under the Stock Incentive Plan, the Committee grants a mix of stock options, performance-based restricted share units (PRSUs) and time-based restricted share units (TRSUs). For the Chief Executive Officer, the mix is 60% PRSUs and 40% stock options. For other named executive officers and approximately 12 other senior leadership executives, the mix is 50% PRSUs, 35% stock options and 15% TRSUs. Grants to other key employees consist of TRSUs and, for those in senior positions, stock options.

The long-term incentive grants for 2015 were made by the Committee in January 2015 by reference to competitive compensation data compiled by the Committee s independent compensation consultant. The Committee sized these grants between the 50th and 75th percentiles of the competitive data, generally at levels comparable to the grants for 2014 made in January 2014.

The table below sets forth, for each of our named executive officers, annual incentive bonus paid in cash for performance in 2015 and 2014 and the number of shares and dollar value of stock options and performance-based RSUs and total stock-based compensation granted in January 2015 and 2014. The stock grants also included time-based RSUs for NEOs other than our Chief Executive Officer.

NEO	Annual Incentive Cash Bonus	Long-Term Incentive* Options		PRSUs		TRSUs		LTI Total
		#	$	#	$	#	$	
M. H. Mitchell								
2015	$ 439,374	135,903	1,340,000	32,897	2,010,000			$ 3,350,000
2014	$ 620,719	92,283	1,160,000	28,450	1,740,000			$ 2,900,000
R. A. Maue								
2015	$ 180,297	28,398	280,000	6,547	400,000	2,052	120,000	$ 800,000
2014	$ 263,644	18,099	227,500	5,314	325,000	1,505	97,500	$ 650,000
B. L. Ellis								
2015	$ 455,551	17,748	175,000	4,092	250,000	1,283	75,000	$ 500,000
2014	$ 490,287	9,049	113,750	2,656	162,500	752	48,750	$ 325,000
L. V. Pinkham**								
2015	$ 0	24,848	245,000	5,728	350,000	1,796	105,000	$ 700,000
2014	$ 197,347	17,542	220,500	5,150	315,000	1,459	94,500	$ 630,000
A. I. duPont								
2015	$ 141,053	19,878	196,000	4,583	280,000	1,437	84,000	$ 560,000
2014	$ 209,277	15,704	197,400	4,611	282,000	1,306	84,600	$ 564,000

* Because of rounding differences, dollar values may not equal the corresponding amounts in the Summary Compensation Table.

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** The cash bonus for Mr. Pinkham for 2014 includes $46,573 on a pro-rated basis for serving as acting president of the Company s ChemPharma Energy business for six months.

See Cash Compensation and Stock-Based Compensation below for a more detailed discussion about the incentive compensation decisions for 2015.

Overview of Compensation Program

Compensation Principles

We believe that compensation should be directly linked to performance and highly correlated to shareholder value. The principles that guide us as we make decisions involving executive compensation are that compensation should be:

- based on (i) overall performance of the Company, (ii) performance of the executive s business unit, as applicable, and (iii) individual performance of the executive;
- aligned with the annual operating plan and longer term strategic plans and objectives to drive achievement of those plans and build sustainable value for shareholders;
- competitive given relevant and appropriate market conditions in order to attract and retain highly-qualified executives; and
- consistent with high standards of corporate governance and designed to avoid encouraging executives to take risks that are reasonably likely to have a material adverse effect on the Company or to behave in ways that are inconsistent with the Company s values and standards of behavior.

We also believe that it is important for our NEOs and other executives to have an ongoing long-term investment in the Company as outlined below under Stock Ownership Guidelines.

We design our performance-based incentive compensation so that variation in performance will result in meaningful variation in the earned compensation paid to our NEOs and other key executives. Thus, actual compensation amounts will vary above or below targeted levels depending on performance of the Company and/or business unit and achievement of individual performance goals.

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The principal performance measures selected by the Committee to drive annual incentive compensation are, for the Chief Executive Officer and other corporate executives including our other NEOs in 2015 (other than Messrs. Ellis and Pinkham), earnings per share and free cash flow (cash provided by operating activities less capital spending) for the Company as a whole and, for business unit executives (such as Messrs. Ellis and Pinkham), operating profit and free cash flow for their respective business units. For our PRSUs, the performance measure is total shareholder return for the Company over a three year period relative to the S&P Midcap 400 Capital Goods Group. These performance criteria were chosen for the variable incentive plans because they focus our executive officers on the Company s long-term strategic goal of driving profitable growth in our businesses, both organically and through acquisitions, which we believe will increase shareholder value.

Elements of Compensation

The following table summarizes the major elements of our executive officer compensation program.

Compensation Element	Principal Objectives	Key Characteristics
Base Salary	To provide a fixed amount for performing the duties and responsibilities of the position	Determined based on overall performance, level of responsibility, competitive compensation data and comparison to other Company executives
Annual Incentive Plan	To motivate executive officers to achieve business unit and Company-wide financial performance goals	Payment based on achievement of business unit and Company-wide performance goals relative to pre-established targets
Stock Options	To attract and retain executive officers and align their interests with shareholder interests	Grants based on position, responsibility and individual performance Grants vest ratably over four years Value realized dependent on Company stock price appreciation
Performance-Based Restricted Share Units (PRSUs)	To motivate executive officers to drive profitable growth	Awards based on relative total shareholder return Earned shares vest upon conclusion of the three year performance period Value realized dependent on Company stock price performance
Time-Based Restricted Share Units (TRSUs)	To retain executive officers and drive profitable growth	Vest ratably over four years Value realized varies with Company stock price performance

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The mix of target total direct compensation (base salary, annual incentive awards and long-term incentive awards) for 2015 was structured to deliver the following approximate proportions of total compensation to our Chief Executive Officer and the other NEOs (on average) if target levels of performance are achieved.

For annual bonus and long-term stock-based compensation, the Committee calibrates award values for targeted performance by reference to the 50^{th} percentile of competitive peer company compensation, subject to some variability as target bonuses, stock option grants and PRSU/TRSU awards may be comparable for certain executives whose salaries are differentiated. In addition, the Committee may determine to increase or decrease long-term stock-based compensation based on Company and/or individual performance during the previous year, the Company s stock price relative to historical stock price trends, availability of shares in the Company s Stock Incentive Plan and other factors.

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Compensation Consultant and Peer Group Analysis

In 2012, the Committee decided to change its independent compensation consultant and engaged the firm of Frederic W. Cook & Co., Inc. (Cook & Co.). Cook & Co. reviewed the Company s executive compensation program and made several suggestions for changes to existing practices, including augmenting the compensation peer group to bring the median of certain size-related metrics closer to the Company. After screening mid-cap industrial companies for alignment with the Company s business segments and complexity of operations, Cook & Co. proposed, and the Committee approved, the addition of four companies to the compensation peer group for 2013 (Actuant Corporation, Gardner Denver, Inc., ITT Corporation and Woodward, Inc.), bringing the total number of peers to 18 companies. The current 17 company peer group (Gardner Denver Inc. was acquired in 2013) was used by Cook & Co. to develop comparative compensation data for the Committee in setting 2015 compensation targets.

Compensation Peer Group for 2015

Actuant Corporation	Ametek, Inc.	Carlisle Companies Incorporated
Curtiss Wright Corporation	Dover Corporation	Esterline Technologies Incorporated
Flowserve Corporation	Harsco Corporation	IDEX Corporation
ITT Corporation	Pall Corporation	Pentair, Inc.
Roper Industries, Inc.	SPX Corporation	Teledyne Technologies Incorporated
Trinity Industries, Inc.	Woodward, Inc.	

The Company s comparator group for PRSUs granted in 2015 is the S&P Midcap 400 Capital Goods Group, consisting of approximately 40 companies and including nine of the companies in our compensation peer group. The Committee selected the larger comparator group for PRSU purposes based on the view (with which Cook & Co. concurs) that a larger group is appropriate for measuring relative TSR over a three year period because it is less likely to be meaningfully affected by the loss of constituent companies during the period. In addition, the S&P Midcap 400 Capital Goods Group is a regularly published listing with all the necessary data to make the required calculations.

Cook & Co. provides the Committee with comparative compensation data on the peer companies from publicly available sources and, in addition, comparative compensation data compiled from a broad group of general industry companies with revenues ranging from $1.0 billion to $5.0 billion, appropriately size-adjusted to determine market values for companies of comparable size to the Company or business unit, as applicable. This data includes base salary, target bonus opportunity and long-term incentive compensation for the named executive officers. The Committee uses this comparative data during its review of salaries, annual cash incentive compensation and aggregate stock option and RSU grant values for Mr. Mitchell and the other NEOs, with the view that all elements of target total direct compensation should be at the 50^{th} percentile of competitive market data for targeted performance, with significant upside potential for performance that exceeds target and lesser (or zero) payouts if performance is below target. As noted above, the Committee may use its judgment and discretion to vary the award values, based on Company and individual performance during the previous year, historical stock price trends and other factors.

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Realizable Pay for Chief Executive Officer

The chart below presents a comparison of target pay and realizable pay for our Chief Executive Officer, Mr. Mitchell, for the years 2014 (when he became CEO) and 2015. Target pay is shown at the values approved by the Committee for each element of pay: base salary, annual incentive cash bonus at target, and grant values for stock options and PRSUs. Realizable pay for each year is comprised of base salary paid during that year, cash incentive bonus paid for that year and the value of stock options and PRSUs granted that year, each valued as of December 31, 2015. The notes below the chart provide additional detail for the compensation elements presented.

The Committee believes that this chart reflects the strong correlation between Company performance and executive pay. As of December 31, 2015, realizable pay is valued at 36% of total target pay granted in January 2014 and 64% of total target pay granted in January 2015, reflecting principally the lower stock price for the Company at the end of 2015 relative to the PRSU peer group. Importantly, the amounts shown for PRSUs and stock options are estimated as described in the notes. Amounts actually realized in respect of such PRSUs and stock options will not be determined until they are vested and, in the case of stock options, exercised. For information regarding values realized by Mr. Mitchell during 2015 from stock-based compensation granted in previous years, see 2015 Option Exercises and Stock Vested on page 45.

Notes:

(1) Performance-based RSUs at target are based on a Monte Carlo valuation model, which is used by the Company to determine accounting expense for such PRSUs on the grant date. The corresponding realizable value for such PRSUs is the calculated value of PRSUs assumed to have been earned as of December 31, 2015 based on the Company s total shareholder return percentile rank relative to the S&P MidCap 400 Capital Goods Group constituents and the Company s stock price on that date.

(2) Stock option values at target are based on the Black-Scholes valuation model used by the Company to determine accounting expense for such options on the grant date. The corresponding realizable value for such options is based on an updated Black-Scholes model as of December 31, 2015.

(3) Annual incentive is the cash bonus under the Company s Annual Incentive Plan. Mr. Mitchell s target bonus for 2014 and 2015 was set at 100% of his base salary, with a payment range from 0% to 200% depending on performance against target metrics of earnings per share and free cash flow. Realizable pay includes the actual cash bonus paid for the year based upon full year results.

(4) Target salary is the annual base salary approved by the Committee. Actual base salary included in realizable pay varies from target because annual change in base salary is effective at the Committee meeting in late January. The higher actual base salary paid to Mr. Mitchell in 2015 resulted from an extra paycheck on December 31 due to the Company s practice of paying salaried employees every two weeks (26 pay periods per year) which causes an extra paycheck in the calendar year approximately every eleven years. This was partially offset by one week of unpaid furlough taken by Mr. Mitchell (and other corporate officers) in 2015.

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CASH COMPENSATION

Base Salary

Base salaries are a fixed compensation paid to each executive for performing his or her normal duties and responsibilities. We determine the amount at the date of hire based on competitive market data, current salary levels within the Company and the bargaining process needed to attract the particular executive. We review and determine the amount annually based on the executive s overall performance, level of responsibility, competitive compensation data and comparison to other Company executives.

Base salaries for certain executive officers were increased effective January 26, 2015. After giving effect to annual merit increases in January 2015 averaging 3.3% for all executive officers, the base salaries for our named executive officers in relation to the 50^{th} percentile of competitive market data per Cook & Co. were as follows: Mr. Mitchell, 6.0% below; Mr. Maue, at the median; Mr. Ellis, 10.0% above; Mr. Pinkham, 11.0% above; and Mr. duPont, 2.0% above.

Annual Incentive Compensation

We paid our named executive officers cash bonuses for 2015 based on the attainment of Company and business unit performance goals established at the beginning of the year and an assessment of individual performance conducted at the end of the year.

Early in the year, the Committee establishes and approves the annual target bonus objectives and award opportunities for each of our named executive officers, subject to review and approval by the Board in the case of the Chief Executive Officer. In making these determinations, the Committee considers a variety of factors including financial elements of the annual operating plan, comparison to prior year results, the general business outlook for the coming year and the opinions of analysts who follow the Company and our diversified industrial manufacturing peers. Our Chief Executive Officer and other officers participate in the discussions regarding annual incentive objectives so they can provide their input and understand the expectations of each incentive plan component. Each participating executive receives a confirmation of his or her annual bonus objectives and payout range after it has been approved by the Committee. Annual incentive plan objectives are not modified during the year, although the Committee may determine to exclude certain special items impacting earnings per share or free cash flow, either known at the beginning of the year or occurring during the year.

The Committee reviews the performance results for the Annual Incentive Plan, including Company and business unit results and individual performance, at its regularly scheduled January meeting, which is generally the first meeting following the end of the Company s fiscal year. Based on this review, the Committee determines and approves the annual cash bonuses for each of our executive officers.

Annual Incentive Objectives for 2015 CEO and Corporate NEOs

Performance metrics for 2015 consisted of earnings per share and free cash flow (cash provided by operating activities less capital spending), weighted 75% / 25% respectively, for the Chief Executive Officer and other corporate executives. In addition to the targeted performance goals, for each performance metric, the Committee set minimum threshold and maximum cap values, so that actual payouts could range from 0% to 200% of the target award amounts. The weighting of these metrics, the same as in 2014, was designed for profitable growth as the primary objective but with a significant ancillary objective in maintaining a strong and efficient balance sheet and liquidity.

For earnings per share, the Committee established a target of $4.42 to drive profitable growth over 2014 earnings per share of $4.38. The Committee also established a payout range for earnings per share from $3.54 (0% payout) to $5.30 (200% payout). For free cash flow, the Committee established a target of $225 million, to focus management on maintaining a strong balance sheet and efficient capital structure. For this performance metric, the Committee established a payout range from $158 million (0% payout) to $293 million (200% payout).

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The graphs below show the performance targets and related ranges set by the Committee in January 2015 and the actual performance in 2014 and 2015 for the corporate financial metrics applicable under the Annual Incentive Plan.

Crane Co. Earnings Per Share

(75% of Target Bonus for Mr. Mitchell and Corporate NEOs)

Crane Co. Free Cash Flow

(25% of Target Bonus for Mr. Mitchell and Corporate NEOs)

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Named Executive Officers Bonuses for 2015

In January 2016, the Committee reviewed management s reports on the performance of the Company, the relevant business units and the individual named executive officers in 2015 against the relevant bonus objectives. In considering Company performance, the Committee excluded special items as reported from earnings per share and free cash flow. The resulting calculations resulted in a corporate payout percentage of 48%. The approved cash bonuses for our NEOs for 2015 are as follows:

Corporate Bonus for 2015

Objective	Weight	Target	Actual	Payout as a % of Target
Earnings per share	75%	$ 4.42	$ 3.96	48.07%
Free cash flow	25%	$ 225.0	$ 189.8	47.86%
Weighted payout %				48.02%

Named Executive Officer	Bonus Target	Bonus Paid
M.H. Mitchell	$ 915,000	$ 439,374
R.A. Maue	$ 375,471	$ 180,297
A.I. duPont	$ 293,745	$ 141,053

Performance Targets and Bonuses for Operations NEOs in 2015

For our Senior Vice Presidents and other operations executives, the performance targets for 2015 were operating profit (70% of target bonus) and free cash flow (30% of target bonus). For Mr. Ellis, these targets were based on the results of Payment and Merchandising Technologies and Engineered Materials. For Mr. Pinkham, these targets were based on the results of the Fluid Handling Group and Electronics.

The performance metrics approved by the Committee for Mr. Ellis were operating profit of Payment and Merchandising Technologies and Engineered Materials, with a target of $143.1 million (100% payout) and a payout range from $112.4 million (0% payout) to $166.5 million (200% payout), and free cash flow for the same operating businesses with a target of $71.5 million (100% payout) and a range from $52.9 million (0% payout) to $91.1 million (200% payout).

Based on actual results achieved for Payment and Merchandising Technologies and Engineered Materials in relation to the foregoing performance targets, Mr. Ellis received a bonus of $455,551 representing a 168.9% payout of the target bonus of $269,640.

The performance metrics approved by the Committee for Mr. Pinkham were operating profit of the Fluid Handling Group and Electronics, with a target of $209.6 million (100% payout) and a payout range from $166.1 million (0% payout) to $253.7 million (200% payout), and free cash flow for the same operating businesses, with a target of $133.4 million (100% payout) and a payout range from $105.2 million (0% payout) to $162.1 million (200% payout).

Based on the actual results achieved in 2015 for the Fluid Handling Group and Electronics in relation to the foregoing targets, Mr. Pinkham received a bonus of $0 representing a 0% payout of the target bonus of $336,350.

STOCK-BASED COMPENSATION

Stock Incentive Plan

The Stock Incentive Plan is used to provide long-term incentive compensation through stock options and performance-based restricted share units, as well as retention of employees through time-based restricted share units. We believe that employees approach their responsibilities more like owners as their holdings of and potential to own stock increase. Under the Stock Incentive Plan, stock options must be granted at no less than fair market value on the date of grant and are subject to vesting terms as established by the Committee (generally 25% per year over four years). Accordingly, employees can realize a gain only if the share price increases from

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the date of grant, directly linking this incentive compensation to increases in shareholder value. Although broad market dynamics can strongly influence our share price, the Board of Directors believes that with stock options our senior level management employees are motivated to take actions that improve the share price, such as profitable sales growth through organic growth as well as acquisitions, improvement in operating margins to generate increased operating profit and drive higher multiple valuations and prudent use of free cash flow through capital expenditures, dividends, acquisitions and stock repurchases.

The Stock Incentive Plan also authorizes the Board of Directors, acting through the Committee, to grant restricted share units, or RSUs, subject to such terms and conditions as the Committee may deem appropriate. Beginning in 2011, the Committee has granted PRSUs with three year performance vesting conditions based on relative total shareholder return as described below, thus directly linking this form of stock-based compensation to returns received by our shareholders relative to our industrial peer companies. The Committee also grants TRSUs to well-regarded management employees for retention purposes.

In determining the size of the stock option and RSU grants in January 2015, the Committee considered Company and individual performance in 2014, the peer group data compiled by Cook & Co., our historical grant practices including the number of shares, the fair market value of the stock and, for stock options, Black-Scholes values.

Grants in 2015

The vesting of PRSUs awarded to members of the senior leadership team in January 2015 is based on a relative measurement of total shareholder return (share price change plus reinvested dividends), or TSR, for Crane Co. over the three year period January 1, 2015 through December 31, 2017 (with the share price for such purpose being defined as the average of the closing prices for the last 20 trading days in 2014 and 2017, respectively) compared to TSRs of the other companies in the S&P Midcap 400 Capital Goods Group (approximately 40 companies, including nine of the companies in our peer group for compensation purposes). Vesting of the PRSUs as shares of Crane Co. common stock will be determined by the following formula:

Crane Co. TSR Relative to S&P Midcap 400 Capital Goods Group	**PRSU Vesting (% of Target Allocation)**
Less than 35th percentile	0%
35th percentile	50%
50th percentile	100%
70th percentile or greater	175%

For TSR between the 35th and 50th percentiles and between the 50th and 70th percentiles, the vesting would be interpolated on a straight line basis. If Crane Co. s TSR for the three year period is negative, the maximum vesting is 100%. In addition, the maximum value that can be earned under the PRSUs (total shares earned multiplied by the final share price) cannot exceed 3.5 times the base award value.

The target number of PRSUs granted in January 2015 to the named executive officers are as follows: Mr. Mitchell, 32,897; Mr. Maue, 6,547; Mr. Ellis, 4,092; Mr. Pinkham, 5,728; and Mr. duPont, 4,583. Such grants constituted 60% of the stock-based incentive compensation value awarded to Mr. Mitchell and 50% to each other executive officer.

In January 2015, the Committee also granted stock options to the named executive officers, with vesting of 25% per year over four years and a ten year term, as follows: Mr. Mitchell, 135,903; Mr. Maue, 28,398; Mr. Ellis, 17,748; Mr. Pinkham, 24,848; and Mr. duPont, 19,878. Such grants constituted 40% of the stock-based incentive compensation value awarded to Mr. Mitchell and 35% to each other executive officer.

In addition, the Committee granted time-based restricted share units (TRSUs) vesting 25% per year over four years to the following named executive officers in January 2015: Mr. Maue, 2,052; Mr. Ellis, 1,283; Mr. Pinkham, 1,796; and Mr. duPont, 1,437. Such grants constituted 15% of the stock-based incentive compensation value awarded to each such executive officer. As our Chief Executive Officer, Mr. Mitchell does not receive grants of TRSUs.

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OTHER