EDGAR Online

CRANE CO /DE/

FORM 10-Q
(Quarterly Report)

Filed 05/04/12 for the Period Ending 03/31/12

Address	CRANE CO. 100 FIRST STAMFORD PLACE STAMFORD, CT 06902
Telephone	203-363-7300
CIK	0000025445
Symbol	CR
SIC Code	3490 - Miscellaneous Fabricated Metal Products
Industry	Misc. Fabricated Products
Sector	Basic Materials
Fiscal Year	12/31

Powered By EDGAR Online
http://www.edgar-online.com
© Copyright 2012, EDGAR Online, Inc. All Rights Reserved.
Distribution and use of this document restricted under EDGAR Online, Inc. Terms of Use.

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

FORM 10-Q

Mark One:

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

For the Quarterly Period Ended March 31, 2012

OR

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

For the Transition Period from __________ to __________

Commission File Number: 1-1657

CRANE CO.
(Exact name of registrant as specified in its charter)

Delaware	**13-1952290**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
100 First Stamford Place, Stamford, CT	**06902**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 203-363-7300

(Not Applicable)
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer ☒		Accelerated filer	☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of shares outstanding of the issuer's classes of common stock, as of April 30, 2012

Common stock, $1.00 Par Value – 58,811,258 shares

PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

CRANE CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
Net sales	$657,879	$611,020
Operating costs and expenses:		
Cost of sales	437,471	397,850
Selling, general and administrative	140,848	140,310
Operating profit	79,560	72,860
Other income (expense):		
Interest income	395	290
Interest expense	(6,711)	(6,622)
Miscellaneous—net	(347)	3,625
	(6,663)	(2,707)
Income before income taxes	72,897	70,153
Provision for income taxes	21,101	21,775
Net income before allocation to noncontrolling interests	51,796	48,378
Less: Noncontrolling interest in subsidiaries' earnings (losses)	134	(89)
Net income attributable to common shareholders	$ 51,662	$ 48,467
Earnings per basic share	$ 0.89	$ 0.83
Earnings per diluted share	$ 0.88	$ 0.81
Average basic shares outstanding	57,889	58,330
Average diluted shares outstanding	58,880	59,552
Dividends per share	$ 0.26	$ 0.23

CRANE CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
Net income before allocation to noncontrolling interests	$51,796	$48,378
Other comprehensive income, net of tax		
Currency translation adjustment	19,388	30,441
Changes in pension and postretirment plan assets and benefit obligation, net of tax benefit	3,429	1,197
Other comprehensive income	22,817	31,638
Comprehensive income before allocation to noncontrolling interests	74,613	80,016
Less: Noncontrolling interest in comprehensive income (loss)	160	(9)
Comprehensive income attributable to common shareholders	$74,453	$80,025

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 195,860	$ 245,089
Accounts receivable, net	404,418	349,250
Current insurance receivable—asbestos	16,345	16,345
Inventories, net:		
Finished goods	113,375	105,442
Finished parts and subassemblies	36,350	35,100
Work in process	75,954	74,608
Raw materials	142,816	145,539
Inventories, net	368,495	360,689
Current deferred tax asset	48,578	46,664
Other current assets	15,514	14,195
Total current assets	1,049,210	1,032,232
Property, plant and equipment:		
Cost	815,619	802,057
Less: accumulated depreciation	531,330	517,911
Property, plant and equipment, net	284,289	284,146
Long-term insurance receivable—asbestos	204,929	208,952
Long-term deferred tax assets	254,104	265,849
Other assets	87,692	85,301
Intangible assets, net	143,472	146,227
Goodwill	826,717	820,824
Total assets	$2,850,413	$2,843,531

See Notes to Condensed Consolidated Financial Statements.

CRANE CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	March 31, 2012	December 31, 2011
Liabilities and equity		
Current liabilities:		
Short-term borrowings	$ 794	$ 1,112
Accounts payable	184,319	194,158
Current asbestos liability	100,943	100,943
Accrued liabilities	187,006	226,717
U.S. and foreign taxes on income	14,745	10,165
Total current liabilities	487,807	533,095
Long-term debt	398,958	398,914
Accrued pension and postretirement benefits	180,770	178,382
Long-term deferred tax liability	42,664	41,668
Long-term asbestos liability	770,443	792,701
Other liabilities	73,915	76,715
Total liabilities	1,954,557	2,021,475
Commitments and contingencies (Note 8)		
Equity:		
Preferred shares, par value $.01;		
5,000,000 shares authorized	0	0
Common stock, par value $1.00;		
200,000,000 shares authorized,		
72,426,139 shares issued	72,426	72,426
Capital surplus	190,790	189,294
Retained earnings	1,132,524	1,095,953
Accumulated other comprehensive loss	(70,721)	(93,512)
Treasury stock	(437,826)	(450,608)
Total shareholders' equity	887,193	813,553
Noncontrolling interest	8,663	8,503
Total equity	895,856	822,056
Total liabilities and equity	$ 2,850,413	$ 2,843,531
Common stock issued	72,426,139	72,426,139
Less: Common stock held in treasury	(14,327,320)	(14,811,885)
Common stock outstanding	58,098,819	57,614,254

See Notes to Condensed Consolidated Financial Statements.

CRANE CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
Operating activities:		
Net income attributable to common shareholders	$ 51,662	$ 48,467
Noncontrolling interest in subsidiaries' earnings (losses)	134	(89)
Net income before allocation to noncontrolling interests	51,796	48,378
Gain on divestiture	—	(4,258)
Depreciation and amortization	14,674	15,774
Stock-based compensation expense	4,007	3,503
Defined benefit plans and postretirement expense	4,991	2,749
Deferred income taxes	8,544	6,893
Cash used for working capital	(103,503)	(67,250)
Defined benefit plans and postretirement contributions	(1,183)	(4,779)
Environmental payments, net of reimbursements	(2,579)	(4,593)
Payments for asbestos-related fees and costs, net of insurance recoveries	(18,235)	(12,725)
Other	(1,319)	142
Total used for operating activities	(42,807)	(16,166)
Investing activities:		
Capital expenditures	(7,165)	(8,138)
Proceeds from disposition of capital assets	172	4,553
Proceeds from divestiture	—	1,000
Total used for investing activities	(6,993)	(2,585)
Financing activities:		
Equity:		
Dividends paid	(15,090)	(13,474)
Reacquisition of shares on open market	—	(29,999)
Stock options exercised—net of shares reacquired	8,426	12,552
Excess tax benefit from stock-based compensation	2,947	3,952
Debt:		
Net decrease in short-term debt	(318)	(76)
Total used for financing activities	(4,035)	(27,045)
Effect of exchange rates on cash and cash equivalents	4,606	6,017
Decrease in cash and cash equivalents	(49,229)	(39,779)
Cash and cash equivalents at beginning of period	245,089	272,941
Cash and cash equivalents at end of period	$ 195,860	$233,162
Detail of cash used for working capital:		
Accounts receivable	$ (50,351)	$ (48,577)
Inventories	(3,318)	(22,641)
Other current assets	(1,112)	(312)
Accounts payable	(12,306)	14,023
Accrued liabilities	(41,043)	(14,509)
U.S. and foreign taxes on income	4,627	4,766
Total	$(103,503)	$ (67,250)
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,980	$ 6,074
Income taxes paid	$ 4,985	$ 7,207

See Notes to Condensed Consolidated Financial Statements.

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and the instructions to Form 10-Q and, therefore, reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These interim condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

In December 2011, the FASB issued amended guidance on the disclosure requirements on the offsetting of financial assets and liabilities. The amended disclosures will enable financial statement users to compare balance sheets prepared under U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS"), which are subject to different offsetting models. The disclosures will be limited to financial instruments and derivatives instruments that are either offset in accordance with the U.S. GAAP offsetting guidance or subject to enforceable master netting arrangements or similar agreements. The Company is currently evaluating the impact of the amended guidance on its disclosures.

Note 2—Segment Results

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The Company has five reportable segments: Aerospace & Electronics, Engineered Materials, Merchandising Systems, Fluid Handling and Controls. Furthermore, Corporate consists of corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs. Assets of the reportable segments exclude general corporate assets, which principally consist of cash, deferred tax assets, insurance receivables, certain property, plant and equipment, and certain other assets.

Financial information by reportable segment is set forth below:

(in thousands)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net sales		
Aerospace & Electronics	175,168	$161,936
Engineered Materials	58,159	61,832
Merchandising Systems	87,675	94,878
Fluid Handling	301,886	264,142
Controls	34,991	28,232
Total	$657,879	$611,020
Operating profit (loss)		
Aerospace & Electronics	$ 38,069	$ 34,042
Engineered Materials	8,409	10,143
Merchandising Systems	4,713	4,673
Fluid Handling	39,640	35,453
Controls	4,701	3,111
Corporate	(15,972)	(14,562)
Total	79,560	72,860
Interest income	395	290
Interest expense	(6,711)	(6,622)
Miscellaneous—net *	(347)	3,625
Income before income taxes	$ 72,897	$ 70,153

* Primarily related to the sale of a building in the three months ended March 31, 2011.

(in thousands)	As of March 31, 2012	As of December 31, 2011
Assets		
Aerospace & Electronics	$ 517,105	$ 514,240
Engineered Materials	249,429	245,350
Merchandising Systems	416,601	408,857
Fluid Handling	951,781	909,265
Controls	65,542	64,162
Corporate	649,955	701,657
Total	$2,850,413	$2,843,531

(in thousands)	As of March 31, 2012	December 31, 2011
Goodwill		
Aerospace & Electronics	$203,571	$ 203,516
Engineered Materials	171,517	171,489
Merchandising Systems	200,730	197,719
Fluid Handling	222,909	220,111
Controls	27,990	27,990
Total	$826,717	$ 820,824

Note 3—Earnings Per Share

The Company's basic earnings per share calculations are based on the weighted average number of common shares outstanding during the year. Shares of restricted stock are included in the computation of both basic and diluted earnings per share. Potentially dilutive securities include outstanding stock options, Restricted Share Units, Deferred Stock Units and Performance-based Restricted Share Units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share by application of the treasury method. Diluted earnings per share gives effect to all potentially dilutive common shares outstanding during the year.

(in thousands, except per share data)	Three Months Ended March 31, 2012	2011
Net income attributable to common shareholders	$51,662	$48,467
Average basic shares outstanding	57,889	58,330
Effect of dilutive stock options	991	1,222
Average diluted shares outstanding	58,880	59,552
Earnings per basic share	$ 0.89	$ 0.83
Earnings per diluted share	$ 0.88	$ 0.81

The computation of diluted earnings per share excludes the effect of the potential exercise of stock options when the average market price of the common stock is lower than the exercise price of the related stock options during the period (1.6 million and 0.5 million average options for the first quarter of 2012 and 2011, respectively).

Note 4—Changes in Equity and Comprehensive Income

A summary of the changes in equity for the three months ended March 31, 2012 and 2011 is provided below:

	Three Months Ended March 31,					
	2012			2011		
(in thousands)	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	$ 813,553	$ 8,503	$822,056	$ 984,944	$ 8,086	$ 993,030
Dividends	(15,090)	—	(15,090)	(13,444)	—	(13,444)
Reacquisition on open market	—	—	—	(29,999)	—	(29,999)
Exercise of stock options, net of shares reacquired	7,323	—	7,323	12,599	—	12,599
Stock compensation expense	4,007	—	4,007	3,503	—	3,503
Excess tax benefit from stock based compensation	2,947	—	2,947	3,952	—	3,952
Net income (loss)	51,662	134	51,796	48,467	(89)	48,378
Other comprehensive income	22,791	26	22,817	31,558	80	31,638
Comprehensive income (loss)	74,453	160	74,613	80,025	(9)	80,016
Balance, end of period	$ 887,193	$ 8,663	$895,856	$1,041,580	$ 8,077	$1,049,657

The table below provides the accumulated balances for each classification of accumulated other comprehensive income, as reflected on the Condensed Consolidated Balance Sheets.

	March 31, 2012	December 31, 2011
Currency translation adjustment	$ 84,272	$ 64,910
Changes in pension and postretirement plan assets and benefit obligation, net of tax benefit *	(154,993)	(158,422)
Accumulated other comprehensive income	$ (70,721)	$ (93,512)

* Net of tax benefit of $74,744 and $76,179 for March 31, 2012 and December 31, 2011, respectively.

Note 5—Acquisitions

Acquisitions are accounted for in accordance with the guidance for business combinations. Accordingly, the Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

In July 2011, the Company completed the acquisition of W.T. Armatur GmbH & Co. KG ("WTA"), a manufacturer of bellows sealed globe valves, as well as certain types of specialty valves, for chemical, fertilizer and thermal oil applications for a purchase price of $37 million in cash and $1 million of assumed debt. WTA's 2010 sales were approximately $21 million and has been integrated into the Company's Fluid Handling segment. In connection with

the WTA acquisition, the purchase price and initial recording of the transaction were based on preliminary valuation assessments and are subject to change. The initial allocation of the aggregate purchase price was made in the third quarter of 2011 and resulted in current assets of $8 million; property, plant, and equipment of $12 million; identified intangible assets of $9 million, which primarily consist of customer relationships; goodwill of $12 million; and current liabilities of $4 million. The amount allocated to goodwill reflects the benefits the Company expects to realize from the acquisition, as the acquisition is expected to strengthen and broaden the Company's portfolio by providing valves with zero fugitive emissions used in severe service applications. The goodwill from this acquisition is deductible for tax purposes. The pro forma impact of this acquisition on the Company's historical results of operations was not material. See Note 6 for further details on purchase price allocation.

Note 6—Goodwill and Intangible Assets

The Company's business acquisitions have typically resulted in the recognition of goodwill and other intangible assets. The Company follows the provisions under Accounting Standards Codification ("ASC") Topic 350, "Intangibles – Goodwill and Other" ("ASC 350") as it relates to the accounting for goodwill in the Condensed Consolidated Financial Statements. These provisions require that the Company, on at least an annual basis, evaluate the fair value of the reporting units to which goodwill is assigned and attributed and compare that fair value to the carrying value of the reporting unit to determine if an impairment has occurred. The Company performs its annual impairment testing during the fourth quarter. Impairment testing takes place more often than annually if events or circumstances indicate a change in status that would indicate a potential impairment. The Company believes that there have been no events or circumstances which would more likely than not reduce the fair value for its reporting units below its carrying value. A reporting unit is an operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment (a "component"), in which case the component would be the reporting unit. In certain instances, the Company has aggregated components of an operating segment into a single reporting unit based on similar economic characteristics. At March 31, 2012, the Company had twelve reporting units.

When performing its annual impairment assessment, the Company compares the fair value of each of its reporting units to its respective carrying value. Goodwill is considered to be potentially impaired when the net book value of the reporting unit exceeds its estimated fair value. Fair values are established primarily by discounting estimated future cash flows at an estimated cost of capital which varies for each reporting unit and which, as of the Company's most recent annual impairment assessment, ranged between 8% and 17% (a weighted average of 11%), reflecting the respective inherent business risk of each of the reporting units tested. This methodology for valuing the Company's reporting units (commonly referred to as the Income Method) has not changed since the adoption of the provisions under ASC 350. The determination of discounted cash flows is based on the businesses' strategic plans and long-range planning forecasts, which change from year to year. The revenue growth rates included in the forecasts represent best estimates based on current and forecasted market conditions. Profit margin assumptions are projected by each reporting unit based on the current cost structure and anticipated net cost increases/reductions. There are inherent uncertainties related to these assumptions, including changes in market conditions, and management's judgment in applying them to the analysis of goodwill impairment. In addition to the foregoing, for each reporting unit, market multiples are used to corroborate its discounted cash flow results where fair value is estimated based on earnings multiples determined by available public information of comparable businesses. While the Company believes it has made reasonable estimates and assumptions to calculate the fair value of its reporting units, it is possible a material change could occur. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may then be determined to be overstated and a charge would need to be taken against net earnings. Furthermore, in order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test performed during the fourth quarter of 2011, the Company applied a hypothetical, reasonably possible 10% decrease to the fair values of each reporting unit. The effects of this hypothetical 10% decrease would still result in the fair value calculation exceeding the carrying value for each reporting unit.

Changes to goodwill are as follows:

(in thousands)	Three Months Ended March 31, 2012	Year Ended December 31, 2011
Balance at beginning of period	$ 820,824	$ 810,285
Additions	—	10,900
Adjustments to purchase price allocations	—	3,932
Currency translation	5,893	(4,293)
Balance at end of period	$ 826,717	$ 820,824

For the year ended December 31, 2011, the additions to goodwill represent the initial purchase price allocation related to WTA, and the adjustments to purchase price allocations pertain to the December 2010 acquisition of Money Controls and the February 2010 acquisition of Merrimac Industries, Inc. ("Merrimac").

Changes to intangible assets are as follows:

(in thousands)	Three Months Ended March 31, 2012	Year Ended December 31, 2011
Balance at beginning of period, net of accumulated amortization	$ 146,227	$ 162,636
Additions, net of disposals	—	5,980
Amortization expense	(4,963)	(21,646)
Currency translation	2,208	(743)
Balance at end of period, net of accumulated amortization	$ 143,472	$ 146,227

For the year ended December 31, 2011, the additions relate to the December 2010 acquisition of Money Controls and the July 2011 acquisition of WTA.

As of March 31, 2012, the Company had $143.5 million of net intangible assets, of which $30.5 million were intangibles with indefinite useful lives, consisting of trade names. The Company amortizes the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Intangibles with indefinite useful lives are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the intangibles with indefinite useful lives exceeds the fair value, the intangible asset is written down to its fair value. Fair value is calculated using discounted cash flows.

A summary of intangible assets follows:

(in thousands)	Weighted Average Amortization Period of Finite Lived Assets (in years)	March 31, 2012			December 31, 2011		
		Gross Asset	Accumulated Amortization	Net	Gross Asset	Accumulated Amortization	Net
Intellectual property rights	17.7	$ 90,578	$ 47,025	$ 43,553	$ 89,619	$ 46,286	$ 43,333
Customer relationships and backlog	11.7	148,086	69,995	78,091	146,291	66,256	80,035
Drawings	9.5	11,824	10,617	1,207	11,824	10,423	1,401
Other	14.0	52,562	31,941	20,621	52,155	30,697	21,458
Total	14.0	$303,050	$ 159,578	$143,472	$299,889	$ 153,662	$146,227

Amortization expense for these intangible assets is currently estimated to be approximately $14.7 million in total for the remaining three quarters in 2012, $18.1 million in 2013, $16.2 million in 2014, $13.6 million in 2015, $12.1 million in 2016 and $38.3 million in 2017 and thereafter.

Note 7—Accrued Liabilities

Accrued liabilities consist of:

(in thousands)	March 31, 2012	December 31, 2011
Employee related expenses	$ 63,916	$ 97,297
Warranty	16,734	16,379
Other	106,356	113,041
Total	$187,006	$ 226,717

The Company accrues warranty liabilities when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Warranty provision is included in cost of sales in the Condensed Consolidated Statements of Operations.

A summary of the warranty liabilities is as follows:

(in thousands)	Three Months Ended March 31, 2012	Year Ended December 31, 2011
Balance at beginning of period	$ 16,379	$ 19,198
Expense	1,994	6,759
Additions through acquisitions/divestitures	—	11
Payments / deductions	(1,721)	(9,545)
Currency translation	82	(44)
Balance at end of period	$ 16,734	$ 16,379

Note 8—Commitments and Contingencies

Asbestos Liability

Information Regarding Claims and Costs in the Tort System

As of March 31, 2012, the Company was a defendant in cases filed in numerous state and federal courts alleging injury or death as a result of exposure to asbestos. Activity related to asbestos claims during the periods indicated was as follows:

	Three Months Ended March 31,		Year Ended December 31,
	2012	2011	2011
Beginning claims	58,658	64,839	64,839
New claims	893	965	3,748
Settlements	(289)	(340)	(1,117)
Dismissals	(2,042)	(817)	(11,059)
MARDOC claims*	178	(1)	2,247
Ending claims	57,398	64,646	58,658

* As of January 1, 2010, the Company was named in 36,448 maritime actions which had been administratively dismissed by the United States District Court for the Eastern District of Pennsylvania ("MARDOC claims"), and therefore were not included in "Beginning claims". As of March 31, 2012, pursuant to an ongoing review process initiated by the Court, 26,574 claims were permanently dismissed, and 3,378 claims remain active (and have been added to "Ending claims"). In addition, the Company was named in 8 new maritime actions in 2010 (not included in "Beginning claims"). The Company expects that more of the remaining 6,504 maritime actions will be activated, or permanently dismissed, as the Court's review process continues.

Of the 57,398 pending claims as of March 31, 2012, approximately 19,400 claims were pending in New York, approximately 9,900 claims were pending in Texas, approximately 5,500 claims were pending in Mississippi, and approximately 5,500 claims were pending in Ohio, all jurisdictions in which legislation or judicial orders restrict the types of claims that can proceed to trial on the merits.

Substantially all of the claims the Company resolves are either dismissed or concluded through settlements. To date, the Company has paid two judgments arising from adverse jury verdicts in asbestos matters. The first payment, in the amount of $2.54 million, was made on July 14, 2008, approximately two years after the adverse verdict in the *Joseph Norris* matter in California, after the Company had exhausted all post-trial and appellate remedies. The second payment, in the amount of $0.02 million, was made in June 2009 after an adverse verdict in the *Earl Haupt* case in Los Angeles, California on April 21, 2009.

The Company has tried several cases resulting in defense verdicts by the jury or directed verdicts for the defense by the court, one of which, the *Patrick O'Neil* claim in Los Angeles, was reversed on appeal. In an opinion dated January 12, 2012, the California Supreme Court reversed the decision of the Court of Appeal and instructed the trial court to enter a judgment of nonsuit in favor of the defendants.

On March 14, 2008, the Company received an adverse verdict in the *James Baccus* claim in Philadelphia, Pennsylvania, with compensatory damages of $2.45 million and additional damages of $11.9 million. The Company's post-trial motions were denied by order dated January 5, 2009. The case was concluded by settlement in the fourth quarter of 2010 during the pendency of the Company's appeal to the Superior Court of Pennsylvania.

On May 16, 2008, the Company received an adverse verdict in the *Chief Brewer* claim in Los Angeles, California. The amount of the judgment entered was $0.68 million plus interest and costs. The Company is pursuing an appeal in this matter.

On February 2, 2009, the Company received an adverse verdict in the *Dennis Woodard* claim in Los Angeles, California. The jury found that the Company was responsible for one-half of one percent (0.5%) of plaintiffs' damages of $16.93 million; however, based on California court rules regarding allocation of damages, judgment was entered against the Company in the amount of $1.65 million, plus costs. Following entry of judgment, the Company filed a motion with the trial court requesting judgment in the Company's favor notwithstanding the jury's verdict, and on June 30, 2009, the court advised that the Company's motion was granted and judgment was entered in favor of the Company. The trial court's ruling was affirmed on appeal by order dated August 25, 2011. The plaintiffs appealed that ruling to the Supreme Court of California, which dismissed the appeal on February 29, 2012; the matter is now finally determined in the Company's favor.

On March 23, 2010, a Philadelphia County, Pennsylvania, state court jury found the Company responsible for a 1/11th share of a $14.5 million verdict in the *James Nelson* claim, and for a 1/20th share of a $3.5 million verdict in the *Larry Bell* claim. On February 23, 2011, the court entered judgment on the verdicts in the amount of $0.2 million against the Company, only, in *Bell* , and in the amount of $4.0 million, jointly, against the Company and two other defendants in *Nelson* , with additional interest in the amount of $0.01 million being assessed against the Company, only, in *Nelson* . All defendants, including the Company, and the plaintiffs took timely appeals of certain aspects of those judgments. The *Nelson* appeal is pending. The Company resolved the *Bell* appeal by settlement, which is reflected in the settled claims for 2012.

On August 17, 2011, a New York City state court jury found the Company responsible for a 99% share of a $32 million verdict on the *Ronald Dummitt* claim. The Company has filed post-trial motions seeking to overturn the verdict, to grant a new trial, or to reduce the damages, which the Company argues are excessive under New York appellate case law governing awards for non-economic losses. The Court held oral argument on these motions on October 18, 2011, and a written decision is expected to be issued. The Company anticipates that it will likely appeal any judgment that may be entered on the verdict.

On March 9, 2012, a Philadelphia County, Pennsylvania, state court jury found the Company responsible for a 1/8th share of a $123,000 verdict in the Frank Paasch claim. The Company and plaintiffs have filed post-trial motions. The Company anticipates that it will likely appeal any judgment that may be entered on the verdict.

Such judgment amounts are not included in the Company's incurred costs until all available appeals are exhausted and the final payment amount is determined.

The gross settlement and defense costs incurred (before insurance recoveries and tax effects) for the Company for the three-month periods ended March 31, 2012 and 2011 totaled $23.6 million and $27.6 million, respectively. In contrast to the recognition of settlement and defense costs, which reflect the current level of activity in the tort system, cash payments and receipts generally lag the tort system activity by several months or more, and may show some fluctuation from quarter to quarter. Cash payments of settlement amounts are not made until all releases and other required documentation are received by the Company, and reimbursements of both settlement amounts and defense costs by insurers may be uneven due to insurer payment practices, transitions from one insurance layer to the next excess layer and the payment terms of certain reimbursement agreements. The Company's total pre-tax payments for settlement and defense costs, net of funds received from insurers, for the three-month periods ended March 31, 2012 and 2011 totaled a $18.2 million net payment and $12.7 million net payment, respectively. Detailed below are the comparable amounts for the periods indicated.

(in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011
Settlement / indemnity costs incurred (1)	$ 10.4	$ 16.2	$ 50.2
Defense costs incurred (1)	13.1	11.4	55.3
Total costs incurred	$ 23.6	$ 27.6	$ 105.5
Settlement / indemnity payments	$ 9.4	$ 8.5	$ 55.0
Defense payments	12.9	10.6	56.5
Insurance receipts	(4.0)	(6.4)	(32.2)
Pre-tax cash payments	$ 18.2	$ 12.7	$ 79.3

(1) Before insurance recoveries and tax effects.

The amounts shown for settlement and defense costs incurred, and cash payments, are not necessarily indicative of future period amounts, which may be higher or lower than those reported.

Cumulatively through March 31, 2012, the Company has resolved (by settlement or dismissal) approximately 87,000 claims, not including the MARDOC claims referred to above. The related settlement cost incurred by the Company and its insurance carriers is approximately $340 million, for an average settlement cost per resolved claim of approximately $4,000. The average settlement cost per claim resolved during the years ended December 31, 2011, 2010 and 2009 was $4,123, $7,036 and $4,781 respectively. Because claims are sometimes dismissed in large groups, the average cost per resolved claim, as well as the number of open claims, can fluctuate significantly from period to period. In addition to large group dismissals, the nature of the disease and corresponding settlement amounts for each claim resolved will also drive changes from period to period in the average settlement cost per claim. Accordingly, the average cost per resolved claim is not considered in the Company's periodic review of its estimated asbestos liability. For a discussion regarding the four most significant factors affecting the liability estimate, see "Effects on the Condensed Consolidated Financial Statements".

Effects on the Condensed Consolidated Financial Statements

The Company has retained the firm of Hamilton, Rabinovitz & Associates, Inc. ("HR&A"), a nationally recognized expert in the field, to assist management in estimating the Company's asbestos liability in the tort system. HR&A reviews information provided by the Company concerning claims filed, settled and dismissed, amounts paid in settlements and relevant claim information such as the nature of the asbestos-related disease asserted by the claimant, the jurisdiction where filed and the time lag from filing to disposition of the claim. The methodology used by HR&A to project future asbestos costs is based largely on the Company's experience during a base reference period of eleven quarterly periods (consisting of the two full preceding calendar years and three additional quarterly periods to the estimate date) for claims filed, settled and dismissed. The Company's experience is then compared to the results of previously conducted epidemiological studies estimating the number of individuals likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population of workers believed to have been exposed to asbestos. Using that information, HR&A estimates the number of future claims that would be filed against the Company and estimates the aggregate settlement or indemnity costs that would be incurred to resolve both pending and future claims based upon the average settlement costs by disease during the reference period. This methodology has been accepted by numerous courts. After discussions with the Company, HR&A augments its

liability estimate for the costs of defending asbestos claims in the tort system using a forecast from the Company which is based upon discussions with its defense counsel. Based on this information, HR&A compiles an estimate of the Company's asbestos liability for pending and future claims, based on claim experience during the reference period and covering claims expected to be filed through the indicated forecast period. The most significant factors affecting the liability estimate are (1) the number of new mesothelioma claims filed against the Company, (2) the average settlement costs for mesothelioma claims, (3) the percentage of mesothelioma claims dismissed against the Company and (4) the aggregate defense costs incurred by the Company. These factors are interdependent, and no one factor predominates in determining the liability estimate. Although the methodology used by HR&A will also show claims and costs for periods subsequent to the indicated period (up to and including the endpoint of the asbestos studies referred to above), management believes that the level of uncertainty regarding the various factors used in estimating future asbestos costs is too great to provide for reasonable estimation of the number of future claims, the nature of such claims or the cost to resolve them for years beyond the indicated estimate.

In the Company's view, the forecast period used to provide the best estimate for asbestos claims and related liabilities and costs is a judgment based upon a number of trend factors, including the number and type of claims being filed each year; the jurisdictions where such claims are filed, and the effect of any legislation or judicial orders in such jurisdictions restricting the types of claims that can proceed to trial on the merits; and the likelihood of any comprehensive asbestos legislation at the federal level. In addition, the dynamics of asbestos litigation in the tort system have been significantly affected over the past five to ten years by the substantial number of companies that have filed for bankruptcy protection, thereby staying any asbestos claims against them until the conclusion of such proceedings, and the establishment of a number of post-bankruptcy trusts for asbestos claimants, which are estimated to provide $30 billion for payments to current and future claimants. These trend factors have both positive and negative effects on the dynamics of asbestos litigation in the tort system and the related best estimate of the Company's asbestos liability, and these effects do not move in a linear fashion but rather change over multi-year periods. Accordingly, the Company's management continues to monitor these trend factors over time and periodically assesses whether an alternative forecast period is appropriate.

Each quarter, HR&A compiles an update based upon the Company's experience in claims filed, settled and dismissed during the updated reference period (consisting of the preceding eleven quarterly periods) as well as average settlement costs by disease category (mesothelioma, lung cancer, other cancer, asbestosis and other non-malignant conditions) during that period. In addition to this claims experience, the Company also considers additional quantitative and qualitative factors such as the nature of the aging of pending claims, significant appellate rulings and legislative developments, and their respective effects on expected future settlement values. As part of this process, the Company also takes into account trends in the tort system such as those enumerated above. Management considers all these factors in conjunction with the liability estimate of HR&A and determines whether a change in the estimate is warranted.

Liability Estimate . With the assistance of HR&A, effective as of December 31, 2011, the Company updated and extended its estimate of the asbestos liability, including the costs of settlement or indemnity payments and defense costs relating to currently pending claims and future claims projected to be filed against the Company through 2021. The Company's previous estimate was for asbestos claims filed or projected to be filed through 2017. As a result of this updated estimate, the Company recorded an additional liability of $285 million as of December 31, 2011. The Company's decision to take this action at such date was based on several factors which contribute to the Company's ability to reasonably estimate this liability for the additional period noted. First, the number of mesothelioma claims (which although constituting approximately 8% of the Company's total pending asbestos claims, have accounted for approximately 90% of the Company's aggregate settlement and defense costs) being filed against the Company and associated settlement costs have recently stabilized. In the Company's opinion, the outlook for mesothelioma claims expected to be filed and resolved in the forecast period is reasonably stable. Second, there have been favorable developments in the trend of case law which has been a contributing factor in stabilizing the asbestos claims activity and related settlement costs. Third, there have been significant actions taken by certain state legislatures and courts

over the past several years that have reduced the number and types of claims that can proceed to trial, which has been a significant factor in stabilizing the asbestos claims activity. Fourth, the Company has now entered into coverage-in-place agreements with almost all of its excess insurers, which enables the Company to project a more stable relationship between settlement and defense costs paid by the Company and reimbursements from its insurers. Taking all of these factors into account, the Company believes that it can reasonably estimate the asbestos liability for pending claims and future claims to be filed through 2021. While it is probable that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably estimated beyond 2021. Accordingly, no accrual has been recorded for any costs which may be incurred for claims which may be made subsequent to 2021.

Management has made its best estimate of the costs through 2021 based on the analysis by HR&A completed in January 2012. As of March 31, 2012, the Company's actual experience during the updated reference period for mesothelioma claims filed and dismissed generally approximated the assumptions in the Company's liability estimate. In addition to this claims experience, the Company considered additional quantitative and qualitative factors such as the nature of the aging of pending claims, significant appellate rulings and legislative developments, and their respective effects on expected future settlement values. Based on this evaluation, the Company determined that no change in the estimate was warranted for the period ended March 31, 2012. A liability of $894 million was recorded as of December 31, 2011 to cover the estimated cost of asbestos claims now pending or subsequently asserted through 2021, of which approximately 80% is attributable to settlement and defense costs for future claims projected to be filed through 2021. The liability is reduced when cash payments are made in respect of settled claims and defense costs. The liability was $871 million as of March 31, 2012. It is not possible to forecast when cash payments related to the asbestos liability will be fully expended; however, it is expected such cash payments will continue for a number of years past 2021, due to the significant proportion of future claims included in the estimated asbestos liability and the lag time between the date a claim is filed and when it is resolved. None of these estimated costs have been discounted to present value due to the inability to reliably forecast the timing of payments. The current portion of the total estimated liability at March 31, 2012 was $101 million and represents the Company's best estimate of total asbestos costs expected to be paid during the twelve-month period. Such amount is based upon the HR&A model together with the Company's prior year payment experience for both settlement and defense costs.

Insurance Coverage and Receivables. Prior to 2005, a significant portion of the Company's settlement and defense costs were paid by its primary insurers. With the exhaustion of that primary coverage, the Company began negotiations with its excess insurers to reimburse the Company for a portion of its settlement and/or defense costs as incurred. To date, the Company has entered into agreements providing for such reimbursements, known as "coverage-in-place", with eleven of its excess insurer groups. Under such coverage-in-place agreements, an insurer's policies remain in force and the insurer undertakes to provide coverage for the Company's present and future asbestos claims on specified terms and conditions that address, among other things, the share of asbestos claims costs to be paid by the insurer, payment terms, claims handling procedures and the expiration of the insurer's obligations. Similarly, under a variant of coverage-in-place, the Company has entered into an agreement with a group of insurers confirming the aggregate amount of available coverage under the subject policies and setting forth a schedule for future reimbursement payments to the Company based on aggregate indemnity and defense payments made. In addition, with six of its excess insurer groups, the Company entered into policy buyout agreements, settling all asbestos and other coverage obligations for an agreed sum, totaling $79.5 million in aggregate. Reimbursements from insurers for past and ongoing settlement and defense costs allocable to their policies have been made in accordance with these coverage-in-place and other agreements. All of these agreements include provisions for mutual releases, indemnification of the insurer and, for coverage-in-place, claims handling procedures. With the agreements referenced above, the Company has concluded settlements with all but one of its solvent excess insurers whose policies are expected to respond to the aggregate costs included in the updated liability estimate. That insurer, which issued a single applicable policy, has been paying the shares of defense and indemnity costs the Company has allocated to it, subject to a reservation of rights. There are no pending legal proceedings between the Company and any insurer contesting the Company's asbestos claims under its insurance policies.

In conjunction with developing the aggregate liability estimate referenced above, the Company also developed an estimate of probable insurance recoveries for its asbestos liabilities. In developing this estimate, the Company considered its coverage-in-place and other settlement agreements described above, as well as a number of additional factors. These additional factors include the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships. In addition, the timing and amount of reimbursements will vary because the Company’s insurance coverage for asbestos claims involves multiple insurers, with different policy terms and certain gaps in coverage. In addition to consulting with legal counsel on these insurance matters, the Company retained insurance consultants to assist management in the estimation of probable insurance recoveries based upon the aggregate liability estimate described above and assuming the continued viability of all solvent insurance carriers. Based upon the analysis of policy terms and other factors noted above by the Company’s legal counsel, and incorporating risk mitigation judgments by the Company where policy terms or other factors were not certain, the Company’s insurance consultants compiled a model indicating how the Company’s historical insurance policies would respond to varying levels of asbestos settlement and defense costs and the allocation of such costs between such insurers and the Company. Using the estimated liability as of December 31, 2011 (for claims filed or expected to be filed through 2021), the insurance consultant’s model forecasted that approximately 25% of the liability would be reimbursed by the Company’s insurers. While there are overall limits on the aggregate amount of insurance available to the Company with respect to asbestos claims, those overall limits were not reached by the total estimated liability currently recorded by the Company, and such overall limits did not influence the Company in its determination of the asset amount to record. The proportion of the asbestos liability that is allocated to certain insurance coverage years, however, exceeds the limits of available insurance in those years. The Company allocates to itself the amount of the asbestos liability (for claims filed or expected to be filed through 2021) that is in excess of available insurance coverage allocated to such years. An asset of $225 million was recorded as of December 31, 2011 representing the probable insurance reimbursement for such claims expected through 2021. The asset is reduced as reimbursements and other payments from insurers are received. The asset was $221 million as of March 31, 2012.

The Company reviews the aforementioned estimated reimbursement rate with its insurance consultants on a periodic basis in order to confirm its overall consistency with the Company’s established reserves. The reviews encompass consideration of the performance of the insurers under coverage-in-place agreements and the effect of any additional lump-sum payments under policy buyout agreements. Since December 2011, there have been no developments that have caused the Company to change the estimated 25% rate, although actual insurance reimbursements vary from period to period, and will decline over time, for the reasons cited above.

Uncertainties. Estimation of the Company’s ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on past experience that may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would substantial adverse verdicts at trial that withstand appeal. A legislative solution, structured settlement transaction, or significant change in relevant case law could also change the estimated liability.

The same factors that affect developing estimates of probable settlement and defense costs for asbestos-related liabilities also affect estimates of the probable insurance reimbursements, as do a number of additional factors. These additional factors include the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships. In addition, due to the uncertainties inherent in litigation matters, no assurances can be given regarding the outcome of any litigation, if necessary, to enforce the Company's rights under its insurance policies or settlement agreements.

Many uncertainties exist surrounding asbestos litigation, and the Company will continue to evaluate its estimated asbestos-related liability and corresponding estimated insurance reimbursement as well as the underlying assumptions and process used to derive these amounts. These uncertainties may result in the Company incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if the number of claims and settlement and defense costs change significantly, or if there are significant developments in the trend of case law or court procedures, or if legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes and, accordingly, while it is probable that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably determined beyond 2021. Although the resolution of these claims may take many years, the effect on the results of operations, financial position and cash flow in any given period from a revision to these estimates could be material.

Other Contingencies

Environmental Matters

For environmental matters, the Company records a liability for estimated remediation costs when it is probable that the Company will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability as of March 31, 2012 is substantially related to the former manufacturing site in Goodyear, Arizona (the "Goodyear Site") discussed below.

The Goodyear Site was operated by UniDynamics/Phoenix, Inc. ("UPI"), which became an indirect subsidiary of the Company in 1985 when the Company acquired UPI's parent company, UniDynamics Corporation. UPI manufactured explosive and pyrotechnic compounds, including components for critical military programs, for the U.S. government at the Goodyear Site from 1962 to 1993, under contracts with the Department of Defense and other government agencies and certain of their prime contractors. No manufacturing operations have been conducted at the Goodyear Site since 1994. The Goodyear Site was placed on the National Priorities List in 1983, and is now part of the Phoenix-Goodyear Airport North Superfund Site. In 1990, the U.S. Environmental Protection Agency ("EPA") issued administrative orders requiring UPI to design and carry out certain remedial actions, which UPI has done. Groundwater extraction and treatment systems have been in operation at the Goodyear Site since 1994. A soil vapor extraction system was in operation from 1994 to 1998, was restarted in 2004, and is currently in operation. The Company recorded a liability in 2004 for estimated costs to remediate the Goodyear Site. On July 26, 2006, the Company entered into a consent decree with the EPA with respect to the Goodyear Site providing for, among other things, a work plan for further investigation and remediation activities (inclusive of a supplemental remediation investigation and feasibility study). During the fourth quarter of 2007, the Company and its technical advisors determined that changing groundwater flow rates and contaminant plume direction at the Goodyear Site required additional extraction systems as well as modifications and upgrades of the existing systems. In consultation with its technical advisors, the Company prepared a forecast of the expenditures required for these new and upgraded systems as well as the costs of operation over the forecast period through 2014. Taking these additional costs into consideration, the Company estimated its liability for the costs of such activities through 2014 to be $41.5 million as of December 31, 2007. During the fourth quarter of 2008, based on further consultation with the Company's advisors and the EPA and in response to groundwater monitoring results that reflected a continuing migration in contaminant plume direction during the year, the Company revised its forecast of remedial activities to increase the level of extraction systems and the number of monitoring wells in and around the Goodyear Site, among other things. As of December 31, 2008, the revised liability estimate was $65.2 million which resulted in an additional charge of $24.3 million during the fourth quarter of 2008. During the fourth quarter of 2011, additional remediation activities were determined to be required, in consultation with our advisors, to further address the migration of the contaminant

plume. As a result, the Company recorded a charge of $30.3 million during the fourth quarter of 2011, extending the accrued costs through 2016. The total estimated gross liability was $62.4 million as of March 31, 2012, and as described below, a portion is reimbursable by the U.S. Government. The current portion of the total estimated liability was approximately $16.0 million and represents the Company's best estimate, in consultation with its technical advisors, of total remediation costs expected to be paid during the twelve-month period.

Estimates of the Company's environmental liabilities at the Goodyear Site are based on currently available facts, present laws and regulations and current technology available for remediation, and are recorded on an undiscounted basis. These estimates consider the Company's prior experience in the Goodyear Site investigation and remediation, as well as available data from, and in consultation with, the Company's environmental specialists. Estimates at the Goodyear Site are subject to significant uncertainties caused primarily by the dynamic nature of the Goodyear Site conditions, the range of remediation alternatives available, together with the corresponding estimates of cleanup methodology and costs, as well as ongoing, required regulatory approvals, primarily from the EPA. Accordingly, it is likely that upon completing the supplemental remediation investigation and feasibility study and reaching a final work plan in or before 2016, an adjustment to the Company's liability estimate may be necessary to account for the agreed upon additional work as further information and circumstances regarding the Goodyear Site characterization develop. While actual remediation cost therefore may be more than amounts accrued, the Company believes it has established adequate reserves for all probable and reasonably estimable costs.

It is not possible at this point to reasonably estimate the amount of any obligation in excess of the Company's current accruals through the 2016 forecast period because of the aforementioned uncertainties, in particular, the continued significant changes in the Goodyear Site conditions and additional expectations of remediation activities experienced in recent years.

On July 31, 2006, the Company entered into a consent decree with the U.S. Department of Justice on behalf of the Department of Defense and the Department of Energy pursuant to which, among other things, the U.S. Government reimburses the Company for 21% of qualifying costs of investigation and remediation activities at the Goodyear Site. As of March 31, 2012, the Company has recorded a receivable of $12.7 million for the expected reimbursements from the U.S. Government in respect of the aggregate liability as at that date. The receivable is reduced as reimbursements and other payments from the U.S. Government are received.

The Company has been identified as a potentially responsible party ("PRP") with respect to environmental contamination at the Crab Orchard National Wildlife Refuge Superfund Site (the "Crab Orchard Site"). The Crab Orchard Site is located near Marion, Illinois, and consists of approximately 55,000 acres. Beginning in 1941, the United States used the Crab Orchard Site for the production of ordnance and other related products for use in World War II. In 1947, the Crab Orchard Site was transferred to the United States Fish and Wildlife Service ("FWS"), and about half of the Crab Orchard Site was leased to a variety of industrial tenants whose activities (which continue to this day) included manufacturing ordnance and explosives. A predecessor to the Company formerly leased portions of the Crab Orchard Site, and conducted manufacturing operations at the Crab Orchard Site from 1952 until 1964. General Dynamics Ordnance and Tactical Systems, Inc. ("GD-OTS") is in the process of conducting the remedial investigation and feasibility study at the Crab Orchard Site, pursuant to an Administrative Order on Consent between GD-OTS and the U.S. Fish and Wildlife Service, the EPA and the Illinois Environmental Protection Agency. The Company is not a party to that agreement, and has not been asked by any agency of the United States Government to participate in any investigative or remedial activity relative to the Crab Orchard Site. The Company has been informed that GD-OTS completed a Phase I remedial investigation in 2008, and a Phase II remedial investigation in 2010. Additionally, FWS completed its human health and baseline ecological risk assessments in 2010, and submitted a revised human health risk assessment in December 2011. The draft remedial investigation, and revised human health risk assessment and baseline ecological risk reports are currently under review by FWS and GD-OTS respectively. A revised draft remedial investigation report was submitted in late December 2011, and GD-OTS is awaiting comments from FWS. Submission of a final remedial investigation report is projected for late 2012. Work on interim deliverables for the feasibility study is underway, and the draft feasibility study is expected to be submitted in March

2013. GD-OTS has asked the Company to participate in a voluntary cost allocation exercise, but the Company, along with a number of other PRPs that were contacted, declined citing the absence of certain necessary parties as well as an underdeveloped environmental record. In light of the ongoing investigative activities, and the apparent willingness of the US government to consider participation in an allocation proceeding, it is possible that an allocation proceeding may go forward beginning after submission of the final remedial investigation report in late 2012. The Company does not believe it likely that any determination of the allocable share of the various PRPs, including the U.S. Government, will be completed before late 2013. Although a loss is probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation of the Crab Orchard Site because the extent of the environmental impact, allocation among PRPs, remediation alternatives, and concurrence of regulatory authorities have not yet advanced to the stage where a reasonable estimate can be made. The Company has notified its insurers of this potential liability and will seek coverage under its insurance policies.

Other Proceedings

On January 8, 2010, a lawsuit related to the acquisition of Merrimac was filed in the Superior Court of the State of New Jersey. The action, brought by a purported stockholder of Merrimac, names Merrimac, each of Merrimac's directors, and Crane Co. as defendants, and alleges, among other things, breaches of fiduciary duties by the Merrimac directors, aided and abetted by Crane Co., that resulted in the payment to Merrimac stockholders of an allegedly unfair price of $16.00 per share in the acquisition and unjust enrichment of Merrimac's directors. The complaint seeks certification as a class of all Merrimac stockholders, except the defendants and their affiliates, and unspecified damages. Simultaneously with the filing of the complaint, the plaintiff filed a motion that sought to enjoin the transaction from proceeding. After a hearing on January 14, 2010, the court denied the plaintiff's motion. All defendants thereafter filed motions seeking dismissal of the complaint on various grounds. After a hearing on March 19, 2010, the court denied the defendants' motions to dismiss and ordered the case to proceed to pretrial discovery. All defendants have filed their answers and deny any liability. The Court certified the class, and the parties are engaged in pre-trial discovery. The Company believes that it has valid defenses to the underlying claims raised in the complaint. The Company has given notice of this lawsuit to Merrimac's and the Company's insurance carriers and will seek coverage for any resulting loss. As of March 31, 2012, no loss amount has been accrued in connection with this lawsuit because a loss is not considered probable, nor can an amount be reasonably estimated.

The Company is defending a series of five separate lawsuits, which have now been consolidated, revolving around a fire that occurred in May 2003 at a chicken processing plant located near Atlanta, Georgia that destroyed the plant. The aggregate damages demanded by the plaintiff, consisting largely of an estimate of lost profits which continues to grow with the passage of time, are currently in excess of $260 million. These lawsuits contend that certain fiberglass-reinforced plastic material manufactured by the Company that was installed inside the plant was unsafe in that it acted as an accelerant, causing the fire to spread rapidly, resulting in the total loss of the plant and property. In September 2009, the trial court entertained motions for summary judgment from all parties, and subsequently denied those motions. In November 2009, the Company sought and was granted permission to appeal the trial court's denial of its motions. The appellate court issued its opinion on November 24, 2010, rejecting the plaintiffs' claims for per se negligence and statutory violations of the Georgia Life Safety Code, but allowing the plaintiffs to proceed on their ordinary negligence claim, which alleges that the Company failed to adequately warn end users of how the product would perform in a fire. The Company believes that it has valid defenses to the remaining claims alleged in these lawsuits. The trial commenced on April 12, 2012, and a verdict is expected in early May 2012. The Company has given notice of these lawsuits to its insurance carriers and will seek coverage for any resulting losses. The Company's carriers have issued standard reservation of rights letters but are engaged with the Company's trial counsel to monitor the defense of these claims. If the plaintiffs in these lawsuits were to prevail at trial and be awarded the full extent of their claimed damages, and insurance coverage were not fully available, the resulting liability could have a material effect on the Company's results of operations and cash flows in the periods affected. As of March 31, 2012, no loss amount has been accrued in connection with these suits because a loss is not considered probable, nor can an amount be reasonably estimated.

Pursuant to recently enacted regulations in New Jersey, the Company performed certain tests of the indoor air quality of approximately 40 homes in a residential area surrounding a former manufacturing facility in Roseland, New Jersey, to determine if any contaminants (volatile organic compound vapors from groundwater) from the facility were present in those homes. The Company installed vapor mitigation equipment in three homes where contaminants were found. On April 15, 2011, those three homeowners, and the tenants in one of those homes, filed separate suits against the Company seeking unspecified compensatory and punitive damages for their lost property value and nuisance. In addition, a homeowner in the testing area, whose home tested negative for the presence of contaminants, filed a class action suit against the Company on behalf of himself and 142 other homeowners in the surrounding area, claiming damages in the nature of loss of value on their homes due to their proximity to the facility. It is not possible at this time to reasonably estimate the amount of a loss and therefore, no loss amount has been accrued for the claims because among other things, the extent of the environmental impact, consideration of other factors affecting value have not yet advanced to the stage where a reasonable estimate can be made.

A number of other lawsuits, claims and proceedings have been or may be asserted against the Company relating to the conduct of its business, including those pertaining to product liability, patent infringement, commercial, employment, employee benefits, environmental and stockholder matters. While the outcome of litigation cannot be predicted with certainty, and some of these other lawsuits, claims or proceedings may be determined adversely to the Company, the Company does not believe that the disposition of any such other pending matters is likely to have a material impact on its financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a significant impact on the Company's results of operations and cash flows for that period.

Other Commitments

The Company entered into a seven year operating lease for an airplane in the first quarter of 2007 which includes a maximum residual value guarantee of $14.1 million by the Company if the fair value of the airplane is less than $22.1 million. This commitment is secured by the leased airplane and the residual value guarantee liability is $2.3 million as of March 31, 2012.

Note 9—Pension and Other Postretirement Benefit Plans

The components of net periodic cost are as follows:

	Three Months Ended March 31,			
	Pension Benefits		Other Postretirement Benefits	
(in thousands)	2012	2011	2012	2011
Service cost	$ 3,495	$ 2,976	$ 29	$ 115
Interest cost	9,334	9,127	127	603
Expected return on plan assets	(12,830)	(11,807)	—	—
Amortization of prior service cost	100	102	(59)	(102)
Amortization of net loss (gain)	4,843	1,978	(21)	(243)
Settlements	(27)	—	—	—
Net periodic cost	$ 4,915	$ 2,376	$ 76	$ 373

The Company expects, based on current actuarial calculations, to contribute approximately $5 million to its defined benefit plans and $1 million to its other postretirement benefit plans in 2012, of which $0.8 million and $0.3 million have been contributed during the first quarter of 2012, respectively. The Company contributed $47.5 million to its defined benefit plans and $1.4 million to its other postretirement benefit plans in 2011. Cash contributions for subsequent years will depend on a number of factors, including the impact of the Pension Protection Act signed into law in 2006, changes in minimum funding requirements, long-term interest rates, the investment performance of plan assets and changes in employee census data affecting the Company's projected benefit obligations.

Note 10—Income Taxes

The Company calculates its income tax provision in accordance with the requirements of ASC Topic 740, "Income Taxes."

The Company's effective tax rate of 29% for the three months ended March 31, 2012 is lower than the Company's effective tax rate of 31% for the three months ended March 31, 2011 primarily due to a lower rate on non-U.S. earnings partially offset by the statutory expiration of the U.S. federal research tax credit as of December 31, 2011.

The Company's effective tax rate for the three months ended March 31, 2012 is lower than the statutory U.S. federal tax rate primarily as a result of income earned in jurisdictions with tax rates lower than the U.S. statutory rate, and the U.S. federal tax benefit for domestic manufacturing activities. These items are partially offset by net U.S. state taxes and certain expenses that are statutorily non-deductible for income tax purposes.

During the three months ended March 31, 2012, the Company's gross unrecognized tax benefits increased by $0.4 million as a result of tax positions taken in both the current and prior periods. During the three months ended March 31, 2012, the total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate increased by $0.5 million.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of its income tax expense. During the three months ended March 31, 2012, the Company recognized $0.1 million of interest and penalty expense related to unrecognized tax benefits in its consolidated statement of operations. As of March 31, 2012 and December 31, 2011, the Company had accrued $0.7 million and $0.6 million, respectively, of interest and penalty expense related to unrecognized tax benefits on its consolidated balance sheet.

As of March 31, 2012, it is reasonably possible that the Company's unrecognized tax benefits will not significantly change during the next twelve months.

The Company's income tax returns are subject to examination by the U.S. federal, U.S. state and local, and non-U.S. tax authorities. The Internal Revenue Service ("IRS") has completed its examinations of the Company's consolidated U.S. federal income tax returns through 2008; however, the 2008 federal income tax return of an acquired subsidiary remains open to examination.

With few exceptions, the Company is no longer subject to U.S. state and local or non-U.S. income tax examinations for years before 2007. In March 2012, the German tax authorities commenced an examination of the 2006 through 2009 income tax returns of a German subsidiary of the Company. As of March 31, 2012, the Company and its subsidiaries are under examination in additional jurisdictions, including Canada (2007 through 2009), Germany (2000 through 2005), and California (2007 and 2008). The Company believes that adequate accruals have been provided for all jurisdictions' open years.

Note 11—Long-Term Debt and Notes Payable

The following table summarizes the Company's debt as of March 31, 2012 and December 31, 2011:

(in thousands)	March 31, 2012	December 31, 2011
Long-term debt consists of:		
5.50% notes due 2013	$199,789	$ 199,753
6.55% notes due 2036	199,169	199,161
Total long-term debt	$398,958	$ 398,914
Short-term borrowings	$ 794	$ 1,112

Note 12—Derivative Instruments and Hedging Activities

The Company is exposed to certain risks related to its ongoing business operations, including market risks related to fluctuation in currency exchange. The Company uses foreign exchange contracts to manage the risk of certain cross-currency business relationships to minimize the impact of currency exchange fluctuations on the Company's earnings and cash flows. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. As of March 31, 2012, the foreign exchange contracts designated as hedging instruments did not have a material impact on the Company's statement of operations, balance sheet or cash flows. Foreign exchange contracts not designated as hedging instruments which primarily pertain to foreign exchange fluctuation risk of intercompany positions, had a notional value of $172 million and $155 million as of March 31, 2012 and December 31, 2011, respectively. The settlement of derivative contracts for the three months ended March 31, 2012 and 2011resulted in a net cash outflow of $5.8 million and a net cash inflow of $5.5 million, respectively, and is reported with "Total (used for) provided by operating activities" on the Condensed Consolidated Statements of Cash Flows.

Note 13—Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are to be considered from the perspective of a market participant that holds the asset or owes the liability. The standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standards describe three levels of inputs that may be used to measure fair value:

Level 1 : Quoted prices in active markets for identical or similar assets and liabilities.

Level 2 : Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets and liabilities. Level 2 assets and liabilities include over-the-counter derivatives, principally forward foreign exchange contracts, whose value is determined using pricing models with inputs that are generally based on published foreign exchange rates and exchange traded prices, adjusted for other specific inputs that are primarily observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 : Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes assets and liabilities measured at fair value on a recurring basis at the dates indicated:

	March 31, 2012				December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair
(dollars in thousands)	Level 1	Level 2	Level 3	Value	Level 1	Level 2	Level 3	Value
Assets:								
Derivatives - foreign exchange contracts	$ —	$ 155	$ —	$ 155	$ —	$ 290	$ —	$ 290
Liabilities:								
Derivatives - foreign exchange contracts	$ —	$ 203	$ —	$ 203	$ —	$ 6,060	$ —	$ 6,060

Valuation Technique —The Company’s derivative assets and liabilities include foreign exchange contract derivatives that are measured at fair value using internal models based on observable market inputs such as forward rates and interest rates. Based on these inputs, the derivatives are classified within Level 2 of the valuation hierarchy.

The carrying value of the Company’s financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and short-term loans payable approximate fair value, without being discounted, due to the short periods during which these amounts are outstanding. Long-term debt rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value for debt issues that are not quoted on an exchange. The estimated fair value of long-term debt is measured using Level 2 inputs and was $415.3 million and $419.0 million at March 31, 2012 and December 31, 2011, respectively.

Part I – Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains information about Crane Co., some of which includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical information or statements about our current condition. You can identify forward-looking statements by the use of terms such as "believes," "contemplates," "expects," "may," "could," "should," "would," or "anticipates," other similar phrases, or the negatives of these terms.

Reference herein to "Crane", "we", "us", and, "our" refer to Crane Co. and its subsidiaries unless the context specifically states or implies otherwise. References to "core business" or "core sales" in this report include sales from acquired businesses starting from and after the first anniversary of the acquisition, but exclude currency effects. Amounts in the following discussion are presented in millions, except employee, share and per share data, or unless otherwise stated.

We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections about us and the markets we serve. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. There are a number of other factors that could cause actual results or outcomes to differ materially from those addressed in the forward-looking statements. The factors that we currently believe to be material are detailed in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the Securities and Exchange Commission and are incorporated by reference herein.

Overview

We are a diversified manufacturer of highly engineered industrial products. Our business consists of five segments: Aerospace & Electronics, Engineered Materials, Merchandising Systems, Fluid Handling and Controls. Our primary markets are aerospace, defense electronics, non-residential construction, recreational vehicle ("RV"), transportation, automated merchandising, chemical, pharmaceutical, oil, gas, power, nuclear, building services and utilities.

Our strategy is to grow the earnings and cash flows of niche businesses with leading market shares, acquire businesses that fit strategically with existing businesses, aggressively pursue operational and strategic linkages among our businesses, build a performance culture focused on productivity and continuous improvement, continue to attract and retain a committed management team whose interests are directly aligned with those of our shareholders and maintain a focused, efficient corporate structure.

Outlook

Our sales depend heavily on industries that are cyclical in nature, or are subject to market conditions which may cause customer demand for our products to be volatile. These industries are subject to fluctuations in domestic and international economies as well as to currency fluctuations, inflationary pressures, and commodity costs.

The global economic recovery remains uncertain due, in part, to persistent high unemployment in the U.S. and Europe, a weak U.S. and European housing market, government budget reduction plans, and concerns over the deepening European sovereign debt crisis. Although a slower global economy is likely, we believe we are well positioned to achieve profitable growth in 2012. We expect a combination of limited market growth and gains in market share to drive profitable growth in 2012, albeit at a reduced, year-over-year rate compared to 2011. We expect further improvements in our longer, late cycle businesses within Fluid Handling and Aerospace & Electronics while our outlook is relatively stable for our short cycle businesses (Engineered Materials and Merchandising Systems), with the potential for slight improvement in 2012. Specifically, in 2012, we expect core sales to increase 5% to 6%, sales from our acquisitions, net of divestures to increase less than 1% and unfavorable foreign exchange of 2%. In aggregate, we expect total year-over-year sales growth of 3% to 5%.

Aerospace & Electronics

In 2012, we believe market conditions in the aerospace industry will remain positive despite high fuel prices and, accordingly, we expect to achieve higher sales and profits in our Aerospace Group as we benefit from higher build rates for large commercial aircraft, new products and an expanded global sales force. In addition, we expect an increase in aftermarket sales resulting from continued commercial airline growth. We forecast reasonably stable results for our Electronics Group despite reductions in overall defense spending, as we expect growth in our commercial business, which comprises about 39% of Electronics sales, to offset a slight decline in defense related sales.

Engineered Materials

In 2012, we expect a modest increase in sales volume and operating profit in our Engineered Materials segment despite challenging end market conditions, as we leverage market share gains and benefit from new product applications.

Merchandising Systems

In 2012, we expect relatively flat sales for our Merchandising Systems segment, reflecting modest core growth offset by unfavorable foreign exchange translation. Operating profit is expected to improve led by productivity initiatives across the segment. In Payment Solutions, despite headwinds in the first half of 2012 related to the German gaming market, we expect sales to increase modestly due to a gradual improvement in market demand for new products. In Vending Solutions, we expect revenue to remain close to 2011 levels, reflecting continued economic uncertainty.

Fluid Handling

For 2012, in our Fluid Handling segment, we expect further sales growth and margin improvement over 2011 levels led by a continuing recovery in our Energy and ChemPharma business units, which are positioned to benefit from exposure to their late cycle end markets and an expanded sales force. We expect unfavorable foreign exchange translation to partially offset core sales growth in 2012. We also expect to see continued improvement in both our MRO and project business. Refining quote activity is improving in both the U.S. and the Middle East, and we expect this trend to continue in 2012. Market conditions in Europe have stabilized since the fourth quarter of 2011, but remain somewhat depressed, reflecting economic uncertainty. Demand from global power markets has softened, with some customers delaying delivery dates.

Controls

In our Controls segment, we anticipate further growth in the oil and gas, transportation and industrial end markets which should result in higher sales and operating profit in 2012.

Results from Operations – Three Month Periods Ended March 31

All comparisons below refer to the first quarter 2012 versus the first quarter 2011, unless otherwise specified.

First quarter of 2012 compared with first quarter of 2011

(dollars in millions)	First Quarter 2012	First Quarter 2011	Change $	Change %
Net sales	$657.9	$611.0	$46.9	7.7
Operating profit	79.6	72.9	6.7	9.2
Operating margin	12.1%	11.9%		
Other income (expense):				
Interest income	0.4	0.3	0.1	36.2
Interest expense	(6.7)	(6.6)	(0.1)	(1.3)
Miscellaneous—net	(0.3)	3.6	(4.0)	NM
	(6.7)	(2.7)	(4.0)	(146.1)
Income before income taxes	72.9	70.2	2.7	3.9
Provision for income taxes	21.1	21.8	(0.7)	(3.1)
Net income before allocation to noncontrolling interests	51.8	48.4	3.4	7.1
Less: Noncontrolling interest in subsidiaries' earnings (losses)	0.1	(0.1)	0.2	250.6
Net income attributable to common shareholders	51.7	48.5	$ 3.2	6.6

First quarter 2012 sales increased $46.9 million, or 7.7% compared to the first quarter of 2011. Core business sales for the first quarter increased approximately $47.9 million, or 7.8%. Sales also increased $4.4 million, due to the net impact of divestitures and acquisitions. The impact of currency translation decreased reported sales by approximately $5.4 million as the U.S. dollar strengthened against other major currencies in the first quarter of 2012 compared to the first quarter of 2011. Net sales related to operations outside the U.S. were 40.9% and 41.1% of total net sales for the quarters ended March 31, 2012 and 2011, respectively.

Operating profit was $79.6 million in the first quarter 2012 compared to $72.9 million in the same period of 2011. The increase in operating profit reflected improved performance in our Fluid Handling, Aerospace & Electronics and Controls segments. Operating profit margins were 12.1% in the first quarter of 2012, compared to 11.9% in the comparable period in 2011.

Miscellaneous – net decreased by $4.0 million in the first quarter 2012 compared to the same period of 2011. The decrease primarily reflected the absence of a net gain primarily associated with the sale of a building in Ontario, Canada in 2011 and the divestiture of a small product line.

Our effective tax rate is affected by a number of items, both recurring and discrete, including the amount of income we earn in different jurisdictions and their respective statutory tax rates, changes in the valuation of our deferred tax assets and liabilities, changes in tax laws, regulations and accounting principles, the continued availability of statutory tax credits and deductions, the continued reinvestment of our overseas earnings, and examinations initiated by tax authorities around the world.

Our effective tax rate of 29% for the three months ended March 31, 2012 is lower than our effective rate of 31% for the three months ended March 31, 2011 primarily due to a lower rate on non-U.S. earnings partially offset by the statutory expiration of the U.S. federal research tax credit as of December 31, 2011.

Segment Results

Aerospace & Electronics

(dollars in millions)	First Quarter		Change	
	2011	2010		
Sales	$175.2	$161.9	$13.2	8.2%
Operating profit	$ 38.1	$ 34.0	$ 4.0	11.8%
Operating margin	21.7%	21.0%		

The first quarter 2012 sales increase of $13.2 million reflected sales increases of $10.2 million and $3.0 million in the Aerospace Group and Electronics Group, respectively. The segment's operating profit increased $4.0 million, or 11.8%, in the first quarter of 2012 when compared to the same period in the prior year, driven by strong sales growth and margin improvement in the Aerospace Group which more than offset a decrease in the Electronics Group.

Aerospace Group sales of $108.9 million increased $10.2 million, or 10.4%, from $98.6 million in the prior year period. The increase was due to higher original equipment manufacturers ("OEM") product sales of 13.7% and higher aftermarket product sales of 5.7%. The OEM sales increase reflects higher commercial product sales associated with business jets and large aircraft while sales associated with regional aircraft grew only slightly. The aftermarket sales increase reflects higher commercial repair and overhaul product sales. During the first quarter of 2012, sales to OEMs and sales to aftermarket customers were 60.8% and 39.2%, respectively, of total sales, compared to 59.1% and 40.9%, respectively, in the same period last year. Aerospace operating profit increased by $5.0 million in the first quarter of 2012, compared to the first quarter of 2011, primarily due to leverage on the higher sales volume.

Electronics Group sales of $66.3 million increased $3.0 million, or 4.7%, from $63.3 million in the prior year period reflecting higher sales of our Custom Power Solutions products. Operating profit decreased $1.0 million compared to the first quarter of 2011, primarily reflecting a change in the product mix.

The Aerospace & Electronics segment backlog was $437.8 million at March 31, 2012, compared with $410.8 million at December 31, 2011 and $454.6 million at March 31, 2011.

Engineered Materials

(dollars in millions)	First Quarter 2012	First Quarter 2011	Change	
Sales	$58.2	$61.8	$(3.7)	(5.9%)
Operating profit	8.4	10.1	$(1.7)	(17.1%)
Operating margin	14.5%	16.4%		

First quarter 2012 sales of $58.2 million decreased $3.7 million, or 5.9%, reflecting lower sales to our transportation-related customers and RV manufacturers, slightly offset by an increase in sales to our building products customers. We experienced an 18.9% sales decrease to our transportation-related customers, reflecting slower acceptance of new products and a reduction in market share due to competitive conditions. Sales to our traditional RV manufacturers decreased by 3.3% reflecting lower OEM shipments to RV dealers as RV OEMs are cautious about retail customer demand, particularly in light of high gasoline prices. Sales to our building products customers increased by 2.5% aided by market share increases and new product sales. Operating profit in the first quarter of 2012 decreased $1.7 million, or 17.1%, primarily as a result of lower sales.

The Engineered Materials segment backlog was $11.1 million at March 31, 2012, compared with $11.1 million at December 31, 2011 and $13.8 million at March 31, 2011.

Merchandising Systems

(dollars in millions)	First Quarter 2012	First Quarter 2011	Change	
Sales	$87.7	$94.9	$(7.2)	(7.6%)
Operating profit	$ 4.7	$ 4.7	$ 0.0	0.9%
Operating margin	5.4%	4.9%		

First quarter 2012 sales decreased $7.2 million, or 7.6%, reflecting a core sales decrease of $6.2 million, or 6.6%, and unfavorable foreign currency translation of $1.0 million, or 1.0%. We experienced lower sales in our Payment Solutions business, and to a lesser extent in our Vending Solutions business, particularly in Europe. The decline in Payment Solutions is primarily related to German legislation which began to negatively impact a portion of our gaming-related sales in the second half of 2011. Operating profit was generally flat, in the first quarter of 2012, reflecting solid productivity gains and the absence of a non-recurring purchase accounting charge of $1.7 million associated with our Money Controls acquisition in 2011 which offset the impact of lower sales and the costs to settle a lawsuit in 2012.

The Merchandising Systems segment backlog was $30.0 million at March 31, 2012, compared with $15.2 million at December 31, 2011 and $25.0 million at March 31, 2011.

Fluid Handling

(dollars in millions)	First Quarter 2012	First Quarter 2011	Change	
Sales	$301.9	$264.1	$37.7	14.3%
Operating profit	$ 39.6	$ 35.5	$ 4.2	11.8%
Operating margin	13.1%	13.4%		

First quarter 2012 sales increased $37.7 million, or 14.3%, including an increase in core sales of $37.4 million, or 14.2%, and a sales increase resulting from the acquisition of WTA of $4.4 million, or 1.7%, slightly offset by unfavorable foreign currency exchange of $4.1 million, or 1.6%. The core sales performance reflected sales growth in our later, long cycle Energy and ChemPharma businesses due to strong demand in the North America chemical

industry as well as generally higher sales in the remaining businesses across the segment. Operating profit in the first quarter of 2012 increased $4.2 million reflecting the higher sales which more than offset throughput inefficiencies and higher manufacturing costs in certain European manufacturing operations.

The Fluid Handling segment backlog was $337.5 million at March 31, 2012, compared with $313.8 million at December 31, 2011 and $305.3 million at March 31, 2011.

Controls

(dollars in millions)	First Quarter 2012	First Quarter 2011	Change	
Sales	$35.0	$28.2	$6.8	23.9%
Operating profit	$ 4.7	$ 3.1	$1.6	51.1%
Operating margin	13.4%	11.0%		

The first quarter 2012 sales increase of $6.8 million, or 23.9%, reflected improvement in industrial, transportation and upstream oil and gas related demand. Operating profit increased $1.6 million, or 51.1%, reflecting the leverage on the higher sales.

The Controls segment backlog was $29.8 million at March 31, 2012, compared with $27.1 million at December 31, 2011 and $24.1 million at March 31, 2011.

Liquidity and Capital Resources

Our operating philosophy is to deploy cash provided from operating activities, when appropriate, to provide value to shareholders by reinvesting in existing businesses, by making acquisitions that will complement our portfolio of businesses, by paying dividends and/or repurchasing shares.

Cash and cash equivalents decreased by $49 million to $196 million at March 31, 2012 compared with $245 million at December 31, 2011. Our current cash balance, together with cash we expect to generate from future operations and the $300 million available under our existing committed revolving credit facility, are expected to be sufficient to finance our short- and long-term capital requirements, as well as fund payments associated with our asbestos and environmental liabilities and expected pension contributions. In addition, we believe our credit ratings afford us adequate access to public and private markets for debt. We have no borrowings outstanding, as of March 31, 2012, under our five-year $300 million Amended and Restated Credit Agreement, which expires in September 2012. We expect to enter into an updated credit agreement in the second quarter of this year. Also, there are no significant debt maturities coming due until the third quarter of 2013, when senior unsecured notes having an aggregate principal amount of $200 million mature.

We have approximately $196 million of cash held by our non-U.S. subsidiaries as of March 31, 2012, which is subject to additional tax upon repatriation to the U.S. Our intent is to permanently reinvest the earnings of our non-U.S. operations, and current plans do not anticipate that we will need funds generated from our non-U.S. operations to fund our U.S. operations. In the event we were to repatriate the cash balances of our non-U.S. subsidiaries, we would provide for and pay additional U.S. and non-U.S. taxes in connection with such repatriation.

Operating Activities

Cash used for operating activities was $42.8 million in the first three months of 2012, an increase of $26.6 million compared to the first three months of 2011. The increase resulted primarily from higher working capital requirements to support improving sales trends, partially offset by higher earnings. Net asbestos-related payments in the first three months of 2012 and 2011 were $18.2 million and $12.7 million, respectively.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures and cash provided by divestitures of businesses or assets. Cash used for investing activities was $7.0 million in the first three months of 2012, compared to $2.6 million used in the comparable period of 2011. The increase of cash used for investing activities was primarily due to the absence of proceeds received from the sale of a building in Ontario, Canada, in 2011. This was partially offset by a decline in capital spending of $0.9 million to $7.2 million in the first quarter of 2012 compared to $8.1 million in the first quarter of 2011. Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development and improving information systems. We expect our capital expenditures to approach $40 million in 2012.

Financing Activities

Financing cash flows consist primarily of payments of dividends to shareholders, share repurchases, repayments of indebtedness and proceeds from the issuance of common stock. Cash used for financing activities was $4.0 million during the first three months of 2012 compared to $27.0 million used during the first three months of 2011. The decrease of cash used for financing activities during the first three months of 2012 was driven by dividends paid of $15.1 million, partially offset by net proceeds received from employee stock option exercises of $8.4 million. The first three months of 2011 included a repurchase of 634,900 shares of our common stock at a cost of $30 million.

Recent Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 2 to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the information called for by this item since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. Controls and Procedures

Disclosure Controls and Procedures . The Company’s Chief Executive Officer and Principal Financial Officer have evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that the information is accumulated and communicated to the Company’s Chief Executive Officer and Principal Financial Officer to allow timely decisions regarding required disclosure. Based on this evaluation, the Company’s Chief Executive Officer and Principal Financial Officer have concluded that these controls are effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting . During the fiscal quarter ended March 31, 2012, there have been no changes in the Company’s internal control over financial reporting, identified in connection with our evaluation thereof, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

Discussion of legal matters is incorporated by reference from Part 1, Item 1, Note 9, "Commitments and Contingencies", of this Quarterly Report on Form 10-Q, and should be considered an integral part of Part II, Item 1, "Legal Proceedings".

Item 1A. Risk Factors

Information regarding risk factors appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Information Relating to Forward-Looking Statements," in Part I – Item 2 of this Quarterly Report on Form 10-Q and in Item 1A of Crane Co.'s Annual Report on Form 10-K for the year ended December 31, 2011. There has been no significant change to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Share Repurchases

	Total number of shares repurchased	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs**	**Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs**
January 1-31, 2012	—	$ —	—	—
February 1-29, 2012			—	—
March 1-31, 2012			—	—
Total	—		—	—

The table above only relates to the open-market repurchases of our common stock during the quarter. We routinely receive shares of our common stock as payment for stock option exercises and the withholding taxes due on stock option exercises and the vesting of restricted stock awards from stock-based compensation program participants.

Item 4. Mine Safety Disclosures

Not applicable

Item 6. Exhibits

Exhibit 10.1	Crane Co. 2009 Non-Employee Director Compensation Plan, as amended and restated February 27, 2012
Exhibit 10.2	Amendment, dated February 27, 2012, to Agreement between the Company and Robert S. Evans dated January 24, 2010, previously filed as Exhibit 101 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a)
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a)
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or 15d-14(b)
Exhibit 32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b)
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Presentation Linkbase Document

Notes to Exhibits List:

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011, respectively; (ii) the Condensed Consolidated Balance Sheets at March 31, 2012 and December 31, 2011; and (iii) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011, respectively. Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

CRANE CO.
REGISTRANT

Date
May 4, 2012

By /s/ Eric C. Fast
Eric C. Fast
President and Chief Executive Officer

Date
May 4, 2012

By /s/ Richard A. Maue
Richard A. Maue
Vice President,
Principal Accounting Officer

Exhibit Index

Exhibit No.	Description
Exhibit 10.1	Crane Co. 2009 Non-Employee Director Compensation Plan, as amended and restated February 27, 2012
Exhibit 10.2	Amendment, dated February 27, 2012, to Agreement between the Company and Robert S. Evans dated January 24, 2010, previously filed as Exhibit 101 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a)
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a)
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or 15d-14(b)
Exhibit 32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b)
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Presentation Linkbase Document

Notes to Exhibits List:

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011, respectively; (ii) the Condensed Consolidated Balance Sheets at March 31, 2012 and December 31, 2011; and (iii) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011, respectively. Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Exhibit 10.1

CRANE CO. 2009 NON-EMPLOYEE DIRECTOR COMPENSATION PLAN
As Amended February 27, 2012

1. PURPOSE.

The purpose of this Crane Co. 2009 Non-Employee Director Compensation Plan (the "Plan") is to attract and retain well-qualified persons for service as directors of Crane Co. (the "Company"), by providing non-employee directors of the Company with compensation in connection with their service to the Company through the payment of annual retainer, meeting and other cash fees, and by providing for the grant of equity and equity-like interests in the Company, thereby increasing their proprietary interest in the Company and their personal interest in the Company's continued success. This Plan supersedes the Crane Co. 2007 Non-Employee Director Compensation Plan and The Crane Co. 2000 Non-Employee Director Stock Compensation Plan (collectively, the "Prior Plans") and no new awards shall be made under the Prior Plans following the Effective Date of this Plan; provided, that the Prior Plans shall remain applicable to awards granted under those plans prior to the Effective Date of this Plan.

The Plan was approved by the Board of Directors of the Company (the "Board") on January 26, 2009 and shall become effective upon approval by the stockholders of the Company (the "Effective Date"). The Plan shall remain in effect until terminated by action of the Board.

2. DEFINITIONS.

(a) "Affiliate" means a subsidiary, division or affiliate of the Company, as determined in accordance with Code Sections 414(b), (c) or (m).

(b) "Audit Committee" means the Audit Committee of the Board.

(c) "Board" has the meaning set forth in Section 1.

(d) "Change in Control" shall mean the occurrence of one of the following: (i) a "person" (as such term is used in Sections 13(d) and 14 (d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becoming the "beneficial owner" (as that term is defined in Rule 13d-3 under the Exchange Act) of more than 50% of the outstanding shares of the Company's Common Stock calculated as provided in paragraph (d) of said Rule 13d-3; (ii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (iii) the consummation of any sale, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or (iv) a majority of the members of the Board being replaced during any twelve (12) month period commencing on the Effective Date, by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment. In all respects, the definition of "Change in Control" shall be interpreted, and limited to the extent necessary, to comply with Code Section 409A and the applicable regulations and any successor statute, regulation and guidance thereto.

(e) “Code” means the United States Internal Revenue Code of 1986, as amended.

(f) “Committee Chair” means the individual who chairs a committee or a sub-committee of the Board to which the Board has delegated authority with respect to certain functions, including the Audit Committee, the Compensation Committee, the Nominating and Governance Committee and any other committee or sub-committee established by the Board.

(g) “Common Stock” means a share of the Company’s common stock, par value $1.00 per share.

(h) “Company” means Crane Co., a Delaware corporation, and any successor to all or substantially all of its assets or business.

(i) “Compensation Committee” means the Management Organization and Compensation Committee of the Board.

(j) “Deferred Stock Unit” or “DSU” means a notional bookkeeping entry representing the equivalent of a share of Common Stock, which is deferred in accordance with the terms and conditions of this Plan, and represents the Company’s obligation to issue one share of Common Stock in accordance with the terms and conditions of this Plan.

(k) “Disability” means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. A determination of Disability shall be made in good faith by a majority vote of the Compensation Committee, based solely on the opinion of one or more physicians chosen by the Compensation Committee.

(l) “Effective Date” of the Plan is the date the stockholders of the Company approve the Plan.

(m) “Executive Committee” means the Executive Committee of the Board.

(n) “Exercise Price” means the amount established by the Board in the Award Agreement in accordance with Section 5(b) which is required to purchase each share of Common Stock upon exercise of the Option.

(o) “Fair Market Value” means, as of any applicable date, the closing sales price of the Common Stock on the New York Stock Exchange-Composite Transactions Tape on such date, or, if no sale of Common Stock has been recorded on such date, then on the next preceding date on which a sale was so made. In the event the Common Stock is not admitted to trade on a securities exchange, the Fair Market Value as of any given date shall be as determined in good faith by the Board.

(p) “Nominating and Governance Committee” means the Nominating and Governance Committee of the Board.

(q) “Non-Employee Director” means a member of the Board who is not an employee of the Company or any Affiliate of the Company.

(r) “Option” means an option to purchase shares of Common Stock.

(s) “Participant” means a Non-Employee Director of the Company who is eligible to participate in the Plan under Section 4(a) hereof.

(t) “Plan” means this Crane Co. 2009 Non-Employee Director Compensation Plan.

(u) “Prior Plans” has the meaning set forth in Section 1.

(v) “Separate from Service” means a Participant ceasing to be a member of the Board for any reason, determined in accordance with Code Section 409A and the applicable regulations and any successor statute, regulation and guidance thereto.

3. ADMINISTRATION.

Responsibility and authority to administer and interpret the provisions of this Plan shall be conferred upon the Compensation Committee. The Compensation Committee shall record its proceedings under this Plan. The Compensation Committee may employ attorneys, consultants, accountants or other persons, and the Compensation Committee, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All usual and reasonable expenses of the Compensation Committee shall be paid by the Company. The Compensation Committee acts under this Plan in accordance with the authority granted to it under the Company’s Charter for the Management Organization and Compensation Committee (the “Charter”). Actions taken under the Plan that are described herein as actions by the Compensation Committee under the terms of the Plan, but which require Board approval under the Charter, shall be deemed to include, for purposes of the Plan, such action by the Board. All actions taken and all interpretations and determinations made by the Compensation Committee in good faith shall be final and binding upon all Participants who have received awards, the Company and other interested persons. No member of the Compensation Committee shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to this Plan or awards made hereunder, and all members of the Compensation Committee shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

4. ELIGIBILITY; STOCK SUBJECT TO PLAN.

(a) All Non-Employee Directors of the Company shall be Participants in this Plan, provided that any director who is age 65 or older on the Effective Date and who elected, prior to the Effective Date, to continue his participation in the Crane Co. Retirement Plan for Non-Employee Directors, shall not be eligible to receive any stock option grants under this Plan.

(b) The total number of shares of Common Stock authorized to be awarded under the Plan shall not exceed the sum of (i) 600,000 shares plus (ii) any shares added to the Plan related to an award granted under any Prior Plan that expires, is forfeited or is terminated as provided by Sections 4(c) and 4(d) below. Of the total number of shares of Common Stock authorized to be awarded under the Plan, no more than the sum of (i) 300,000 shares plus (ii) any shares added to the Plan related to a DSU award granted under any Prior Plan that is forfeited or terminated as provided by Section 4(d) below (the “DSU Award Reserve”) shall be awarded as DSUs.

Notwithstanding the foregoing, in the event the entire DSU Award Reserve has been used, the Committee may award additional DSUs from the remaining available shares of Common Stock, provided that each share of Common Stock so awarded as DSUs shall count as 2.5 shares against such remaining available shares of Common Stock. The number of shares available for grants under the Plan shall be subject to adjustment in accordance with Section 8 hereof. Such shares shall be made available, at the discretion of the Board, either from the authorized but unissued shares of Common Stock or from shares of Common Stock reacquired by the Company, including shares purchased in the open market.

(c) Subject to the provisions of Section 5(d), any shares subject to an Option granted under this Plan or any Prior Plan that expires, is forfeited or terminated for any reason without having been exercised in full, shall be available for future grants under this Plan.

(d) Any shares subject to a DSU granted under this Plan or any Prior Plan that is forfeited or terminated for any reason prior to the date that the restrictions on such award would have otherwise lapsed shall be available for future grants under this Plan.

(e) Any award settled in cash shall not be counted as shares of Common Stock for any purpose under the Plan.

(f) To the extent that any shares underlying an award of DSUs granted under this Plan are returned to the reserve of shares available to be awarded under the Plan in accordance with this Section 4, then the number of shares of Common Stock added back to the total Plan reserve available for grants under Section 4(b) of the Plan for each such underlying share shall be equal to (i) one share if the original award was granted out of the DSU Award Reserve and such share shall again be available to be awarded from the DSU Award Reserve, and (ii) two and one-half shares if the original award was not granted out of the DSU Award Reserve.

5. STOCK OPTIONS.

(a) Upon review of the Compensation Committee's recommendations from time to time with respect to the compensation of Non-Employee Directors, the Board may grant to any Participant one ore more awards of Options entitling the Participant to purchase shares of Common Stock from the Company on such terms and subject to such conditions as may be established by the Board. An award of Options may be granted in such number, at such Exercise Price, and subject to such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments), not inconsistent with the terms of this Plan, as may be determined by the Board at the time of grant.

(b) The Exercise Price of each share of Common Stock upon exercise of any Option granted under the Plan shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant. Each Option shall have a stated term not to exceed ten (10) years from the date of grant.

(c) The Exercise Price of the shares purchased upon the exercise of an Option shall be paid in full at the time of exercise in cash or in whole or in part by tendering (either actually or by attestation) shares of Common Stock; provided, however, any shares of Common Stock that are thereby tendered shall not become available for issuance for purposes of this Plan. The value

of each share of Common Stock delivered in payment of all or part of the Exercise Price upon the exercise of an Option shall be the Fair Market Value of the Common Stock on the date the Option is exercised. Exercise of Options shall also be permitted, if approved by the Board, in accordance with a cashless exercise program under which, if so instructed by an optionee, shares of Common Stock may be issued directly to the optionee's broker or dealer upon receipt of an irrevocable written notice of exercise from the optionee.

(d) The Board, upon such terms and conditions as it shall deem appropriate, may (but shall not be obligated to) authorize on behalf of the Company the acceptance of the surrender of the right to exercise an Option or a portion thereof (but only to the extent and in the amounts that such Option shall then be exercisable) and the payment by the Company therefor of an amount equal to the excess of the Fair Market Value on the date of surrender of the shares of Common Stock covered by such Option or portion thereof over the aggregate Exercise Price of such shares. Such payment shall be made in shares of Common Stock (valued at such Fair Market Value) or in cash, or partly in cash and partly in shares of Common Stock, as the Board shall determine. The shares of Common Stock covered by any Option or portion thereof, as to which the right to exercise shall have been so surrendered, shall not again be available for the purposes of this Plan.

(e) Each Option granted under this Plan shall not be transferable by the optionee otherwise than by will or the laws of descent and distribution, and shall be exercisable, during the optionee's lifetime, only by the optionee. Notwithstanding the foregoing, Options may be transferable, without payment of consideration, to immediate family members of the optionee or to trusts or partnerships for the benefit of such family members.

(f) The Board, in its sole discretion, shall have the right (but shall not in any case be obligated), exercisable at any time after the date of grant, to (i) permit the exercise of any Option prior to the time such Option would otherwise become exercisable under the terms of the award agreement, or (ii) extend the exercise period of any outstanding Option, provided no Option may be exercised beyond the tenth anniversary of the date of grant of such Option.

6. BOARD AND COMMITTEE RETAINERS, MEETING FEES AND COMMITTEE CHAIR FEES.

(a) Board Retainers.

(i) Each Participant shall receive an annual retainer, in an amount fixed from time to time by the Board (after consideration of the Compensation Committee's recommendations), which amount shall initially be equal to Seventy-Five Thousand Dollars ($75,000). Fifty percent (50%) of each annual retainer shall be payable in cash, and fifty percent (50%) of each retainer shall be delivered in Deferred Stock Units to be credited to the Participant's account established in Section 7, and subject to the terms and conditions set forth in Section 7.

(ii) The annual retainer payments set forth above shall be payable (or credited, as applicable) in substantially equal monthly installments over the twelve (12) month period following the close of the Company's annual stockholders' meeting each year; provided, however, to the extent a Participant is first appointed to the Board as a Non-Employee

Director after the Effective Date, but at a time other than the Company's annual stockholders' meeting, then such Participant shall be entitled to a prorated portion of the annual retainer determined under this Section 6(a), based on the number of days between the date of appointment and the date of the next following annual stockholders' meeting of the Company, and such prorated retainer will be paid (or credited, as applicable) to such Participant in substantially equal monthly installments over the period between the date of appointment and the date of the next following annual stockholders' meeting of the Company.

(iii) Notwithstanding the foregoing, in lieu of receiving the cash portion of the annual retainer as set forth above, each Participant may elect (on forms furnished by the Compensation Committee) to defer all (but not less than all) of the cash portion of the annual retainer in the form of Deferred Stock Units to be credited to the Participant's account established in Section 7, and subject to the terms and conditions set forth in Section 7; provided, however, any such election will only be effective with respect to the annual retainers to which the Participant may be entitled in calendar years following the calendar year in which such election is made and timely delivered to the Compensation Committee. Any change or revocation of an election hereunder shall only be effective for annual retainers to which the Participant may be entitled in calendar years following the calendar year in which the election change or revocation is made and timely delivered to the Compensation Committee; provided, however, any election change with respect to the timing of payment will be subject to the provisions set forth in Section 7(c)(ii).

(b) Meeting Fees.

Each Participant shall receive a cash payment, in an amount fixed from time to time by the Board (after consideration of the Compensation Committee's recommendations), for each Board meeting and Board committee meeting that the Participant attends (in person, or, if approved by the Board, by teleconference), payable in cash within five (5) business days following the end of the month in which such meeting occurred.

(c) Committee Chair Fees and Supplemental Committee Retainers.

(i) In addition to the benefits otherwise set forth in this Section 6, each of the Committee Chairs of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee (and such other committees as the Board may establish from time to time) shall be paid an annual fee for serving as a Committee Chair, in such amounts fixed from time to time by the Board (after consideration of the Compensation Committee's recommendations). The annual Committee Chair fees shall be payable in cash in equal monthly installments over the twelve (12) month period following the close of the Company's annual stockholders' meeting each year; provided, however, to the extent a Participant is first appointed as Committee Chair after the Effective Date, but at a time other than the Company's annual stockholders' meeting, then such Participant shall be entitled to a prorated portion of the annual Committee Chair fee determined under this Section 6(c)(i), based on the number of days between the date of appointment and the date of the next following annual stockholders' meeting of the Company, and such prorated fee will be paid to such Participant in equal monthly installments over the period between the date of appointment and the date of the next following annual stockholders' meeting of the Company.

(ii) In addition to the benefits otherwise set forth in this Section 6, each member of the Executive Committee shall be paid a supplemental retainer fee, in such amount fixed from time to time by the Board (after consideration of the Compensation Committee's recommendations). The supplemental Executive Committee retainer fees shall be payable in cash at the close of the Company's annual stockholders' meeting each year; provided, however, to the extent a Participant is first appointed to the Executive Committee after the Effective Date, but at a time other than the Company's annual stockholders' meeting, then such Participant shall be entitled to a prorated portion of the supplemental Executive Committee retainer fee determined under this Section 6(c)(ii), based on the number of days between the date of appointment and the date of the next following annual stockholders' meeting of the Company, and such prorated fee will be paid to such Participant immediately following the date of appointment.

7. DEFERRED STOCK UNITS.

(a) Accounts. The Company shall establish a bookkeeping account for each Participant. The bookkeeping account for each Participant shall be credited with DSUs in accordance with this Section 7.

(b) Credits. The bookkeeping account of each Participant who serves as an eligible Non-Employee Director at the close of each annual stockholders' meeting of the Company shall be credited with the number of DSUs with an aggregate Fair Market Value as of the date of grant equal to 50% of the annual retainer fee described in Section 6(a)(i), rounded to the nearest number of whole DSUs. In addition, in accordance with and subject to the terms and conditions set forth in Section 6(a)(iii), upon proper and timely election by a Participant, the bookkeeping account of the Participant shall be credited from time to time with the number of DSUs having an aggregate Fair Market Value that equals the dollar amount that the Participant elects to defer into DSUs in accordance with Section 6(a)(iii), rounded to the nearest number of whole DSUs. All such credits shall be deemed to be made (and DSUs granted) on the date of the Company's annual stockholders' meeting each year.

In addition, upon review of the Compensation Committee's recommendations with respect to the compensation of Non-Employee Directors, the Board reserves the right, in its sole discretion, to grant additional DSUs to any Participant from time to time to recognize and reward such Participant for the Participant's contributions to the Company, and any such additional DSUs shall be credited to the Participant's account hereunder upon the date of grant.

Each DSU credit under this Section 7 shall be accounted for separately, and each such credit shall vest in full on the first anniversary of the date of grant, provided, however, all DSUs under this Section 7 shall become fully vested upon the death or Disability of a Participant, or upon a Change in Control. In addition, when a Participant Separates from Service with the Board for any reason or no reason (other than the Participant's death or Disability, or a Change in Control), to the extent any DSUs in the Participant's account hereunder are not fully vested, the Board reserves the right to accelerate the vesting of such DSUs in its sole discretion.

(c) Settlement.

(i) Only to the extent vested under the terms of this Plan at the time of distribution pursuant to this Section 7(c), at the time the Participant Separates from Service with the Board, all the Participant's vested DSUs shall be distributed as shares of Common Stock equal to the number of vested DSUs in the Participant's account hereunder. Distribution of shares under this Section 7(c)(i) shall be made within twenty (20) business days following the date the Participant Separates from Service with the Board, subject to compliance with Section 10(c) hereof. The unvested portion of a Participant's account at the time such Participant Separates from Service with the Board shall be forfeited by the Participant for all purposes.

(ii) Notwithstanding the foregoing, participants may elect to defer settlement of DSUs, but only if the Participant makes such election (on forms furnished by the Compensation Committee) at least twelve (12) months prior to the date the Participant Separates from Service with the Board, and distribution of the Participant's account under this Section 7(c) is deferred for at least five (5) years following the date the Participant would otherwise be entitled to a distribution of the Participant's account hereunder.

(d) Voting and Dividend Rights. Participants shall have no voting rights as stockholders of the Company with respect to DSUs. However, each Participant shall have credited to his or her account under this Plan an additional number of DSUs having an aggregate Fair Market Value equal to the per-share dividend paid to the shareholders of the Company, determined as and when such dividends are otherwise paid, for each DSU held by the Participant, rounded to the nearest one-hundredth of a DSU. Such additional DSUs shall be distributed to the Participant as and when DSUs are settled under Section 7(c) above. Any fractional DSU credited to the Participant's account at the time of settlement shall be paid in cash based on the Fair Market Value of the Common Stock on the settlement date.

8. ADJUSTMENTS TO REFLECT CAPITAL CHANGES.

(a) In the event of any corporate event or transaction (including, but not limited to, a change in the Common Stock or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, a combination or exchange of Common Stock, dividend in kind, or other like change in capital structure, number of outstanding shares of Common Stock, distribution (other than normal cash dividends) to stockholders of the Company, or any similar corporate event or transaction, the Compensation Committee, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall make equitable and appropriate adjustments and substitutions, as applicable, to or of the number and kind of shares subject to outstanding Options or DSUs, the Exercise Price for such shares, the number and kind of shares available for future issuance under the Plan, and other determinations applicable to outstanding awards. The Compensation Committee shall have the power and sole discretion to determine the amount of the adjustment to be made in each case.

(b) In addition, in the event that the Company is a party to a merger, reorganization, consolidation, share exchange, transfer of assets or other transaction having similar effect involving the Company, outstanding Options and DSUs shall be subject to the agreement governing the transaction. Such agreement may provide, without limitation, for the continuation of outstanding awards by the Company (if the Company is a surviving corporation), for their assumption by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such outstanding awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents.

9. AMENDMENT AND TERMINATION.

This Plan may be amended or terminated at any time by the Board except with respect to any awards then outstanding, and any award granted under this Plan may be terminated at any time with the consent of the Participant. The Board may make such changes in and additions to this Plan as it may deem proper and in the best interest of the Company; provided, however, that no such action shall, without the consent of the Participant, materially impair any award theretofore granted under this Plan; and provided, further, that no such action shall be taken without the approval of the stockholders of the Company if such stockholder approval is required under applicable law or the rules of the New York Stock Exchange. Notwithstanding any provision herein to the contrary, the repricing of any Options is prohibited without prior approval of the Company's stockholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (1) changing the terms of an Option to lower its purchase price; (2) any other action that is treated as a "repricing" under generally accepted accounting principles; and (3) repurchasing for cash or canceling an Option at a time when its purchase price is greater than the Fair Market Value of the underlying shares of Common Stock in exchange for another award, unless the cancellation and exchange occurs in connection with a change in capitalization or similar change under Section 8 above. Such cancellation and exchange would be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Participant. Notwithstanding anything contained herein, the Board may amend or revise this Plan to comply with applicable laws or governmental regulations.

10. GENERAL PROVISIONS.

(a) Each award granted under this Plan shall be evidenced by a written award agreement containing such terms and conditions as the Board may require, and no person shall have any rights under any award granted under this Plan unless and until such award agreement has been executed and delivered by the Participant and the Company.

(b) In the event of any conflict between the terms of this Plan and any provision of any award agreement, the terms of this Plan shall be controlling.

(c) Neither this Plan nor any action taken hereunder shall be construed as giving any director any right to serve as a director or in any other capacity for the Company or any of its Affiliates.

(d) The obligation of the Company to sell and deliver shares of Common Stock (whether pursuant to the exercise of an Option or the settlement of DSUs) hereunder shall be subject to, as deemed necessary or appropriate by counsel for the Company, and the Board shall have the sole discretion to impose such conditions, restrictions and limitations (including delaying the settlement date of any DSUs, suspending exercises of Options and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any Option or DSU unless and until the Board determines that such issuance complies with (i) all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of a registration statement under the Securities Act of 1933, and (ii) the condition that such shares shall have been duly listed on such stock exchanges as the Common Stock is then listed.

(e) Anything in this Plan to the contrary notwithstanding, it is expressly agreed and understood that if any one or more provisions of this Plan shall be illegal or invalid such illegality or invalidity shall not invalidate this Plan or any other provisions thereof, but this Plan shall be effective in all respects as though the illegal or invalid provisions had not been included.

(f) All determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of Delaware, other than the conflict of laws provisions thereof, and construed in accordance therewith.

(g) As a condition to receipt of any award under the Plan, a Participant shall agree, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company, to implement the provisions and purposes of the Plan.

(h) Awards under the Plan may be granted to such Participants who are residing in foreign jurisdictions as the Board in its sole discretion may determine from time to time. The Board may adopt such supplements or subplans to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such laws; provided, however, that no award shall be granted under any such supplement with terms or conditions inconsistent with the provision set forth in the Plan.

(i) All notices, elections, requests, demands and all other communications required or permitted by the Compensation Committee, the Company or a Participant under the Plan must be in writing and will be deemed to have been duly given when delivered personally, or received by certified or registered mail, return receipt requested, postage prepaid, or any third party delivery service providing guaranteed delivery service at the address of the receiving party. For purposes of this provision, the Company’s and the Compensation Committee’s address shall be the Company’s principal offices, and all notices, elections, requests, demands and all other communications shall be sent to the attention of the Company’s Chief Financial Officer, and all notices, elections, requests, demands and all other communications sent to a Participant shall be sent to the Participant’s last known address as reflected in the Company’s personnel records from time to time.

(j) If a Participant or any beneficiary entitled to receive a payment under this Plan is, in the judgment of the Compensation Committee, physically, mentally or legally incapable of receiving or acknowledging receipt of the payment, and no legal representative has been appointed for the individual, the Company may (but is not required to) cause the payment to be made to any one or more of the following as may be chosen by the Company: (i) the

Participant's designated beneficiary under Section 10(o) (in the case of the Participant's incapacity); (ii) the institution maintaining the Participant or the beneficiary; (iii) a custodian under the Uniform Transfers to Minors Act of any state (in the case of the incapacity of a beneficiary); or (iv) the Participant's or his or her beneficiary's spouse, children, parents or other relatives by blood or marriage. The Company is not required to ensure the proper application of any payment so made, and any such payment completely discharges all claims under this Plan against the Company to the extent of the payment.

(k) The Plan is intended to comply with the requirements of Section 409A of the Code to the extent an Award is intended to be subject to or otherwise exempt from Section 409A. Consistent with that intent, the Plan shall be interpreted in a manner consistent with Section 409A and in the event that any provision that is necessary for the Plan to comply with Section 409A is determined by the Committee, in its sole discretion, to have been omitted, such omitted provision shall be deemed included herein and is hereby incorporated as part of the Plan. In addition, and notwithstanding any provision of the Plan to the contrary, the Company reserves the right to amend the Plan or any Award granted under the Plan, by action of the Committee, without the consent of any affected Participant, to the extent deemed necessary or appropriate for purposes of maintaining compliance with Section 409A of the Code and the regulations promulgated thereunder.

(l) To the extent that this Plan provides for or otherwise refers to issuance of certificates to reflect the transfer of shares of Common Stock pursuant to the terms of an Award, the transfer of such shares may be effected, in the Company's discretion, on a book entry or such other noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which such shares are listed.

(m) The Company shall not be required to fund or otherwise segregate assets to be used for the benefits payable pursuant to the Plan. All credited amounts hereunder in the form of DSUs shall remain the assets of the Company, subject to the claims of its general creditors. Any distribution hereunder shall be considered payment by the Company and shall discharge the Company of any further liability under the Plan.

(n) Each Participant shall be solely responsible for the payment of all federal, state, local and other taxes that may be imposed on the Participant in connection with the benefits payable under this Plan. The Company makes no warranties regarding the tax treatment to any Participant of any benefits or payments made pursuant to this Plan, including, but not limited to, by operation of Code Section 409A, or any successor statute, regulation and guidance thereto. Each Participant will hold the Company, its Affiliates, and their respective officers, directors, employees, agents and advisors harmless from any liability resulting from any tax position taken by the Company in good faith in connection with this Plan.

(o) A Participant may designate one or more primary beneficiaries or alternative beneficiaries to receive all or a specified part of his or her benefits under the Plan after the Participant's death, and the Participant may change or revoke any such designation from time to time. No such designation, change or revocation is effective unless executed by the Participant and received by the Compensation Committee during the Participant's lifetime. If a Participant (i) fails to designate a beneficiary, (ii) revokes a beneficiary designation without naming another beneficiary, or (iii) designates one or more beneficiaries none of whom survives the Participant, for all or any portion of the benefits under the Plan, such benefits or portion thereof will be payable to the Participant's surviving spouse or, if the Participant is not survived by a spouse, to the representative of the Participant's estate.

(p) All vested DSU awards granted hereunder shall be included by the Company for purposes of determining the extent to which a Participant has met the Company's Common Stock ownership guidelines for directors.

11. SPECIAL PROVISIONS FOR CHAIRMAN OF THE BOARD

Prior to the annual stockholders' meeting of the Company in April 2012, the Non-Employee Director serving as Chairman of the Board did not participate in the Plan, and instead received compensation for services as Chairman of the Board pursuant to a separate agreement. Effective upon the annual stockholders' meeting of the Company in April 2012, any Non-Employee Director serving as Chairman of the Board shall receive fees for such services under the Plan, subject to the following provisions: (i) the amount of the annual retainer for the Chairman under Section 6(a)(i) shall be Two Hundred Twenty-Five Thousand Dollars ($225,000), or such other amount as the Board may determine from time to time; (ii) such annual retainer shall be provided in the form of cash and DSUs in accordance with the provisions of Section 6(a) and Section 7 above; (iii) consistent with the provisions of Code Section 409A, the Chairman may elect, during the thirty (30) day period immediately preceding the annual stockholders' meeting of the Company in April 2012, to defer the cash portion of the annual retainer payable for services rendered after such annual meeting, which such deferrals shall otherwise be subject to the provisions of Section 6(a)(iii) and Section 7 above, and thereafter the Chairman shall be eligible to defer the cash portion of future annual retainers in the form of DSUs as provided in the Plan; and (iv) unless and until the Board determines otherwise, the Chairman shall not be eligible to receive a grant of Options under Section 5 above or cash payments for meeting fees under Section 6(b) above or Committee Chair fees and supplemental retainers under Section 6(c) above.

Exhibit 10.2

AMENDMENT AGREEMENT

THIS AMENDMENT AGREEMENT (the "Amendment") is made as of this 27 th day of February, 2012, by and between Crane Co., a Delaware corporation (the "Company"), and Robert S. Evans ("Mr. Evans").

WHEREAS, Mr. Evans currently serves as non-executive Chairman of the Board of Directors of the Company, and in such capacity receives compensation in accordance with an Agreement with the Company dated January 24, 2011 (the "Agreement"); and

WHEREAS, under the Agreement, Mr. Evans does not currently participate in the Company's 2009 Non-Employee Director Compensation Plan (the "Plan"); and

WHEREAS, in lieu of certain cash compensation otherwise contemplated by the Agreement, the Plan has been amended to provide for an annual retainer for the Chairman of the Board, in the form of cash and "Deferred Stock Units" under the Plan, in an amount established by the Board from time (initially set at $225,000), all effective as of the 2012 annual meeting of stockholders of the Company; and

WHEREAS, the parties desire to amend the Agreement as provided herein to coordinate with the amendment to the Plan described above;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and intending to be legally bound, the parties hereto agree that the Agreement is amended effective as of the date of the 2012 annual meeting of stockholders of the Company as follows:

1. Section 3(a) of the Agreement is amended to read as follows:

> "(a) Fees . For his service as Chairman, Mr. Evans shall receive an annual retainer in the amount and form as provided by Section 11 of the Company's 2009 Non-Employee Director Compensation Plan, as in effect from time to time. Such annual retainer shall be reviewed annually by the Management Organization and Compensation Committee."

2. Except as expressly or by necessary implication amended hereby, the Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by authority of its Board of Directors, and Mr. Evans has hereunto set his hand, on the day and year first above written.

	CRANE CO.
/s/ Robert S. Evans	By: /s/ Augustus I. duPont
Robert S. Evans	Title: Vice President, General Counsel & Secretary

Exhibit 31.1

CERTIFICATION

I, Eric C. Fast, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Crane Co.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Eric C. Fast
President and Chief Executive Officer
May 4, 2012

Exhibit 31.2

CERTIFICATION

I, Andrew L. Krawitt, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Crane Co.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Andrew L. Krawitt
Principal Financial Officer
May 4, 2012

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Crane Co. (the “Registrant”) on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric C. Fast, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, hereby certify to the best of my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

This Certification accompanies this Quarterly Report on Form 10-Q and shall not be treated as having been filed as part of this Quarterly Report on Form 10-Q.

By /s/ Eric C. Fast
Eric C. Fast
President and Chief Executive Officer
May 4, 2012

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Crane Co. (the "Registrant") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew L. Krawitt, Principal Financial Officer of the Registrant, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, hereby certify to the best of my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

This Certification accompanies this Quarterly Report on Form 10-Q and shall not be treated as having been filed as part of this Quarterly Report on Form 10-Q.

By /s/ Andrew L. Krawitt
Andrew L. Krawitt
Principal Financial Officer
May 4, 2012