

**CHARTER OF THE
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF CRANE CO.
ADOPTED AS OF MAY 19, 2003
(Amended on October 27, 2003)**

I. PURPOSE AND AUTHORITY OF THE COMMITTEE

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Crane Co. (the "Company") shall be to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company and its subsidiaries, including, without limitation, (a) assisting the Board's oversight of (i) the integrity of the Company's financial statements, (ii) the Company's independent auditors' qualifications and independence, (iii) the performance of the Company's independent auditors and the Company's internal audit function, and (iv) the Company's compliance with legal and regulatory requirements; (b) discharging the responsibilities of a qualified legal compliance committee ("QLCC"), as provided for under the rules of the Securities and Exchange Commission ("SEC"), as in effect from time to time; and (c) preparing the report required to be prepared by the Committee pursuant to the rules of the SEC for inclusion in the Company's annual proxy statement.

The Committee is to be the Board's principal agent in assuring the independence of the Company's independent auditors, the integrity of management and the adequacy of disclosures to shareholders. The independent auditors are ultimately accountable to the Committee, and the Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors, or to nominate the independent auditors to be proposed for shareholder approval. The Committee also has responsibility for reviewing compliance with the Company's business ethics and conflict of interest policies.

The Committee is to provide a free and open avenue of communication between and among the Board, the independent auditors, internal auditors, management and counsel to the Company as their duties relate to accounting, financial reporting and controls and legal compliance.

The Committee is granted the authority to investigate any matter or activity involving financial reporting, accounting or internal controls of the Company, or any violations of the Company's business ethics or conflict of interest policies, or any report of evidence of (a) a material violation of applicable U.S. federal or state securities laws, (b) a material breach of fiduciary duty arising from any federal or state law or (c) a similar material breach of any such law. All employees shall be directed to cooperate with respect thereto as requested by members of the Committee or its authorized representatives. The Committee is empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.

II. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of three or more directors who qualify as independent directors under the provisions below, and each member of the Committee shall be qualified to serve on the Committee pursuant to the New York Stock Exchange (the "NYSE") and the Sarbanes-Oxley Act of 2002 (the "Act") and the rules and regulations promulgated by the SEC pursuant to the Act. Each Committee member shall be "financially literate", or must become financially literate within a reasonable period of time after his or her appointment to the Committee, and at least one member shall have "accounting or related financial management expertise", as such qualifications are interpreted by the Board in its business judgment.

The members of the Committee shall be appointed annually to one-year terms by majority vote of the Board at the first meeting of the Board following the annual meeting of stockholders. One of the members shall be appointed Committee Chairman by the Board. Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of the Independent Directors then in office.

Director's fees (including any additional amounts paid to chairmen of committees and to members of committees of the Board), including director stock awards and option grants, are the only compensation a member of the Committee may receive from the Company; provided, however, that a member of the Committee may also receive pension or other forms of deferred compensation from the Company for prior service so long as such compensation is not contingent in any way on continued service.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies.

III. MEETINGS AND PROCEDURES OF THE COMMITTEE

The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter, and in aid of its responsibilities as the Company's QLCC, the Committee shall adopt written procedures for the confidential receipt, retention and consideration of any report, provided to it as the Company's QLCC, of a material violation within the meaning of SEC Rule 205 promulgated pursuant to the Act. The Committee is to meet at least four times each year and as many other times as the Committee deems necessary. Members of the Committee will strive to be present at all meetings. As necessary or desirable, the Chairman may request that members of management, the Director of Internal Audit and representatives of the independent auditors be present at meetings of the Committee. The Committee shall meet at least annually in separate executive sessions with management, the Director of Internal Audit and the independent auditors to discuss any matters that the Committee or each of these groups believes should be discussed privately.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate within the scope of the Committee's authority; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Committee at the meeting and highlighting any matters requiring decision-making by the Board. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

IV. DUTIES OF THE COMMITTEE

The Committee shall have the following duties and responsibilities:

(1) Review with the Company's management, independent auditors and Director of Internal Audit, the adequacy and effectiveness of accounting and financial reporting systems and controls and compliance with applicable codes of conduct, laws and regulations. The Committee should have familiarity with the accounting and reporting principles and practices applied by the Company in preparing financial statements.

(2) Select, in its sole discretion, the firm of independent auditors to audit the financial statements of the Company for each fiscal year and otherwise be directly responsible for the appointment, compensation, retention and oversight of the work of independent auditors engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and each such independent auditor must report directly to the Committee. Review and evaluate the performance of the Company's independent auditors, including the lead partner of the independent auditors, and, in its sole discretion (subject, if applicable, to shareholder ratification), make decisions regarding the replacement or termination of the independent auditors when circumstances warrant.

(3) Review, prior to the annual audit, the scope and general extent of the independent auditors' audit engagement. The Committee's review should entail an understanding from the independent auditors of the factors considered in determining the audit scope, including:

- Industry and business risk characteristics of the Company;
- External reporting requirements;
- Materiality of the various segments of the Company's consolidated and non-consolidated activities;
- Quality of internal accounting controls;
- Extent of involvement of internal audit in the audit examination; and
- Other areas to be covered during the audit engagement.

(4) Review and, in its sole discretion, approve in advance the Company's independent auditors' annual engagement letter, including the proposed fees contained therein, as well as all audit and all permitted non-audit engagements and relationships between the Company and such auditors (which approval should be made after receiving input from the Company's management). Approval of audit and permitted non-audit services may also be made by the chairman of the Committee and, if any such approval is granted, the chairman shall report such approval to the Committee at the next scheduled meeting.

(5) Obtain at least annually from the Company's independent auditors and review a report describing:

- (i) the independent auditors' internal quality-control procedures;
- (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and
- (iii) all relationships between the independent auditors and the Company and the letter required by the Independence Standards Board Standard No. 1, as such Standard may be modified or supplemented.

The Committee shall present to the Board its conclusions with respect to the above matters, as well as its review of the lead partner of the independent auditors.

- (6) Oversee the independence of the Company's independent auditors by, among other things:
 - (i) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the

objectivity and independence of the independent auditors, and taking appropriate action to satisfy itself of the auditors' independence;

- (ii) ensuring that the independent auditors are not performing an audit of the Company's financial statements contemporaneously with any non-permitted non-audit service;
 - (iii) ensuring that the lead audit partner and reviewing audit partner responsible for the audit of the Company's financial statements have not performed audit services for the Company for more than the previous five consecutive fiscal years of the Company;
 - (iv) ensuring that the chief executive officer, controller, chief financial officer, chief accounting officer or other person serving in an equivalent position of the Company, was not, within one year prior to the initiation of the audit, an employee of the independent auditors who participated in any capacity in the Company's audit;
 - (v) considering whether there should be a regular rotation of the Company's independent auditors; and
 - (vi) ensuring that the audit partner has not received compensation based directly on selling to the Company services other than audit, review and attest services.
- (7) Discuss with the independent auditors the matters required to be discussed by generally accepted auditing standards, including SAS 61, as modified or supplemented, in order to provide the Committee with additional information regarding the scope and results of the audit that may assist the Committee in overseeing the financial reporting and disclosure process for which management is responsible.
- (8) Evaluate the cooperation received by the independent auditors during their audit engagement, including their access to all requested records, data and information. Also, elicit the comments of management regarding the effectiveness and responsiveness of the independent auditors. Inquire of the independent auditors whether there have been any disagreements with management, which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.
- (9) Discuss with the independent auditors their judgments as to the quality of the accounting principles used in the financial statements and any matters that they or the Committee believe should be discussed including those in their "letter of comments and recommendations."

- (10) Based on the review and discussions referred to in paragraphs (7) through (9), determining whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the most recent fiscal year for filing with the SEC.
- (11) Review and approve the report of the Committee to be included in the Company's proxy statement.
- (12) Review and discuss with management, and the independent auditors, the Company's annual and quarterly financial statements and, with respect to the annual financial statements, the independent auditors' opinion rendered with respect to such financial statements. This review and discussion is to encompass, in either instance, the financial statements and related notes, as well as the related "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- (13) Review the Company's earnings press releases (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and earnings guidance provided by the Company to analysts and rating agencies (which review may be done generally (i.e., discussion of the types of information to be disclosed and type of presentations to be made), and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance).
- (14) Review with the independent auditors their procedures and standards relating to the requirement under the U.S. federal securities laws that their audit include procedures designed to provide reasonable assurance of detecting illegal acts, and their related reporting obligations.
- (15) Review the internal audit function of the Company including its independence, authority and reporting obligations. Meet annually with the Director of Internal Audit and receive a report on the size, organization and work plans of the internal audit department and coordination of such plans with the independent auditors. Review any significant findings resulting from audits completed by the internal auditors. The review should also include a discussion of the responsibilities, budget and staffing of the Company's internal audit function.
- (16) Review on a regular basis with the Company's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work, including management's response with respect thereto, any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management. In connection therewith, the Committee should review with the independent auditors the following:

- (i) any accounting adjustments that were noted or proposed by the independent auditors but were rejected by management (as immaterial or otherwise);
 - (ii) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement; and
 - (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company.
- (17) Review with management, the Company's independent auditors and, if appropriate, the Director of Internal Audit, the following:
 - (i) critical accounting policies and practices to be used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and
 - (iii) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted difference.
- (18) Review periodically the adequacy of the Company's accounting, financial and auditing personnel resources.
- (19) Review any charitable contribution in excess of \$10,000 to a charity or other tax exempt entity of which a director or executive officer of the Company, or his or her spouse, is a trustee or Board member or which under the rules established by the NYSE would cause a director to be deemed not to be independent.
- (20) Establish clear hiring policies by the Company for employees or former employees of the Company's independent auditors.
- (21) Establish procedures for (i) the receipt, retention and treatment of complaints received from employees of the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (22) Consult with management on the establishment and maintenance of an environment that promotes ethical behavior, including the establishment, communication and enforcement of codes of conduct to guard against dishonest,

unethical or illegal activities. Review significant conflicts of interest involving directors or executive officers.

- (23) Review and evaluate periodically the Company's risk management policies in light of the Company's business strategy, capital strength and overall risk tolerance. Evaluate on a periodic basis the Company's investment and derivatives risk management policies, including the internal system to review operational risks, procedures for derivatives investment and trading and safeguards to ensure compliance with procedures.
- (24) Review, with the General Counsel, legal compliance matters and any legal matter that would have a significant impact on the Company's financial statements.
- (25) Review periodically the Company's tax policies and any pending audits or assessments.
- (26) Report regularly to the Board on its activities, as appropriate. In connection therewith, the Committee should review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.
- (27) Review and reassess the adequacy of this Charter on an annual basis and recommend to the Board any appropriate changes in this Charter or the duties of the Committee.
- (28) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

V. DUTIES OF THE COMMITTEE ACTING AS THE COMPANY'S QLCC

Acting as the Company's QLCC, the Committee shall have the following additional authority and responsibilities:

- (1) The Committee shall receive any report of evidence of a material violation within the meaning of SEC Rule 205 and upon receipt of any such report shall so inform the Company's chief executive officer and its general counsel unless it deems such report to be futile.
- (2) Acting with such expert advice and assistance as it may deem appropriate, the Committee shall determine whether an investigation regarding any such report is necessary.

- (3) If it determines that further investigation of any such report is warranted, the Committee shall (a) notify the Board of its determination; (b) initiate such investigation by the Company's general counsel or by such outside counsel as the Committee, in its discretion, may select and engage; and (c) retain such additional expert assistance as the Committee shall deem necessary.
- (4) At the conclusion of any such investigation, the Committee shall (a) recommend that the Company implement an appropriate response to findings of its investigation and (b) inform the Board and the Company's chief executive officer and its general counsel of the results of its investigation and the remedial actions the Committee believes are appropriate under the circumstances.
- (5) The Committee shall take all other actions it deems appropriate in light of its investigation and findings, including action to notify the SEC in the event the Company materially fails to implement any appropriate remedial actions the Committee has recommended.

VI. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

VII. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel, accountants, consultants or other advisers as it deems necessary to facilitate the Committee's performance of its duties hereunder.

VIII. FUNDING

The Company shall provide the necessary funding for the payment of compensation to the independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, fees due to any advisers retained by the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.