CLARCOR INC.
Form DEF 14A
February 19, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

CLARCOR Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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Notice of
Annual Meeting of Shareholders

The Annual Meeting of Shareholders of CLARCOR Inc. (the Company) will be held at the offices of the Company at 840 Crescent Centre Dr., Suite 600, Franklin, TN 37067, on Tuesday, March 29, 2016 at 9:00 A.M., Central Time, for the following purposes:

1. To elect as Directors the four nominees named in the attached Proxy Statement for a term of three years each;

2. To approve, on an advisory and non-binding basis, the Company s executive compensation programs and practices as described in the Proxy Statement;

3. To vote upon a shareholder proposal relating to sustainability reporting, if properly presented at the meeting;

4. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm to audit the Company s financial statements for the fiscal year ending December 3, 2016; and

5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only holders of CLARCOR Common Stock of record at the close of business on Friday, February 5, 2016 are entitled to receive notice of and to vote at the meeting or any adjournment thereof.

Whether or not you plan to attend the meeting, you are requested to vote on these proposals. In the event that you do not attend and vote at the Annual Meeting, you can vote in one of three ways: (i) sign and date the enclosed proxy and return it promptly in the envelope enclosed for that purpose; (ii) vote by internet pursuant to the instructions on the enclosed proxy card; or (iii) vote by telephone pursuant to the instructions on the enclosed proxy card. Your vote is important and very much appreciated.

/s/ RICHARD M. WOLFSON
RICHARD M. WOLFSON
Secretary

PLEASE SIGN AND DATE THE ACCOMPANYING PROXY
AND MAIL IT PROMPTLY.

Franklin, Tennessee
February 19, 2016

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CLARCOR Inc.
840 Crescent Centre Drive, Suite 600
Franklin, Tennessee 37067

PROXY STATEMENT

Annual Meeting of Shareholders

This Proxy Statement and the accompanying proxy are being mailed to shareholders of CLARCOR Inc. (the Company) on February 19, 2016. They are being furnished in connection with the solicitation of proxies by the Company s Board of Directors (the Board) for use at the Annual Meeting of Shareholders to be held at the offices of the Company at 840 Crescent Centre Dr., Suite 600, Franklin, TN 37067, on Tuesday, March 29, 2016 at 9:00 A.M., Central Time, for the purposes set forth in the Notice of Annual Meeting of Shareholders. Directions to the Annual Meeting and information on how to vote in person can be obtained on-line at *www.clarcorproxy.com* or by contacting the Company s Secretary, Richard M. Wolfson, at 840 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067, telephone: (615) 771-3100.

A shareholder may vote by executing the proxy card or vote via the internet or by telephone pursuant to the instructions on the proxy card. A shareholder who gives a proxy may revoke it at any time before it is voted by giving written notice of the termination thereof to the Secretary of the Company, by filing with him another proxy or by attending the Annual Meeting and voting his or her shares in person.

All valid proxies delivered pursuant to this solicitation, if received in time and not revoked, will be voted. If no specifications are given by the shareholder executing the proxy card, valid proxies will be voted (a) for the election of the four individuals nominated for election to the Board named herein, (b) for the approval, on an advisory and non-binding basis, of the compensation of the Company s named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, in this Proxy Statement, (c) against the shareholder proposal relating to sustainability reporting, (d) for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm to audit the books and accounts of the Company for the fiscal year ending December 3, 2016, and (e) in the discretion of the appointed proxies, upon such other matters as may properly come before the meeting.

As of February 5, 2016 (the record date for the Annual Meeting), the Company had outstanding 48,509,450 shares of Common Stock, constituting the only class of voting securities of the Company outstanding, and each outstanding share is entitled to one vote on all matters to be voted upon. Only holders of CLARCOR Common Stock of record at the close of business on February 5, 2016 are entitled to notice of and to vote at the meeting. A majority of the shares of Common Stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, will constitute a quorum for purposes of the Annual Meeting. Proxies received but marked as abstentions and broker non-votes (as defined below under Voting Matters) will be included in the calculation of the number of shares considered to be present at the meeting.

Voting Matters

If a quorum is present at the Annual Meeting, the outcome of the Proposals to be voted on will be determined as follows:

With respect to Proposal 1 (Election of Directors), the four directors receiving the greater number of votes will be elected.

With respect to Proposal 2 (Advisory Vote on the Company s Executive Compensation Programs and Practices); Proposal 3 (Vote on Shareholder Proposal Relating to Sustainability Reporting); and Proposal 4 (Ratification of the Appointment of PricewaterhouseCoopers LLP), these will be approved if they receive the affirmative vote of a majority of the shares of Common Stock of the Company present in person or represented by proxy at the meeting and entitled to vote at the meeting.

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If your shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name. In such case, these proxy materials are being forwarded to you by your bank, brokerage firm or other nominee (the record holder), along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. In addition, as the beneficial holder of shares, you are entitled to attend the Annual Meeting. ***If you are a beneficial owner, however, you may not vote your shares in person at the meeting unless you obtain a legal proxy, executed in your favor, from the record holder of your shares.***

Pursuant to New York Stock Exchange (NYSE) Rule 452, if your shares are held in street name and you do not give voting instructions to the record holder, the record holder will not be permitted to vote your shares with respect to Proposals 1, 2 and 3, and your shares will be considered broker non-votes with respect to these proposals. However, the record holder will be entitled to vote your shares with respect to Proposal 4 even if you do not give voting instructions.

Broker non-votes will be treated as shares present for quorum purposes, but not entitled to vote. Therefore, broker non-votes will not affect the outcome of Proposals 1, 2 or 3.

Abstentions will have no effect on Proposal 1. With respect to Proposals 2, 3 and 4, abstentions will be treated as shares present for quorum purposes and entitled to vote, so they will therefore be equivalent to a vote against such proposals.

We know of no business to be conducted at the Annual Meeting other than Proposals 1, 2, 3 and 4. The Company s bylaws require shareholders to give advance notice of any proposal intended to be presented at the meeting. The deadline for this notice has passed and we did not receive any such notice made in compliance with the Company s bylaws, aside from Proposal 3 made by a shareholder pursuant to Exchange Act Rule 14a-8. If any other matter properly comes before the shareholders for a vote at the Annual Meeting, the proxy holders named in the proxy cards will vote your shares in accordance with their best judgment.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on March 29, 2016:

The following Proxy materials are available for you to review online at: *www.clarcorproxy.com*:

This Proxy Statement;

Form of Proxy card;

The Company s Annual Report for the fiscal year ended November 28, 2015 (which is not deemed to be part of the official proxy soliciting materials); and

Any amendments to the foregoing materials that are required to be furnished to shareholders.

In accordance with Securities and Exchange Commission (SEC) rules, the foregoing website does not use cookies , track user moves or gather any personal information.

In addition, you may request a copy of any of the above materials by calling 1-800-252-7267, pressing 0 and asking to be connected to the Company s Secretary, Richard M. Wolfson, or by sending an e-mail setting forth a valid mailing address to: investor@clarcor.com.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Nominees for Election to the Board

The Company s Certificate of Incorporation provides for a board of directors consisting of not less than nine directors divided into three classes, with each class to be as nearly equal in number as possible. One class of directors is elected at each Annual Meeting of Shareholders. The Board is currently comprised of ten directors, four of whom are up for election or re-election, as applicable, this year.

The four nominees for election at the Annual Meeting are Messrs. Robert H. Burgstahler, Christopher L. Conway, Paul Donovan and Thomas W. Giacomini. All of the nominees are current directors whose terms in office expire this year. Messrs. Burgstahler, Conway and Donovan were previously elected by the shareholders of the Company, while Mr. Giacomini was appointed by the Board on August 10, 2015.

All of the nominees have been recommended by the Director Affairs/Corporate Governance Committee and by the entire Board for election or re-election, as applicable, to our Board, and all of the nominees have consented to serve if elected. In the event any of these nominees is unable to serve as a director, the shares represented by the proxy will not be voted with respect to such individual. The Board has no reason to believe that any of the nominees will be unable to serve.

If elected, Messrs. Burgstahler, Conway, Donovan and Giacomini will hold office for a three-year period ending in 2019, or until their respective successors are duly elected and qualified.

Information Concerning Nominees and Directors

The following are the current directors of the Company (including the nominees), their ages, the year in which each first became a director, their principal occupations or employment during at least the past five years, other directorships held with public companies (where indicated) within the last five years, and other information regarding their respective qualifications to serve as directors of the Company:

Name	Age	Director Since	Year Term as Director Expires
James W. Bradford, Jr.	**68**	**January 20, 2006**	**2018**

Mr. Bradford retired on July 1, 2013 as the Dean of the Owen Graduate School of Management, Vanderbilt University, Nashville, Tennessee (Owen), a position that he held since 2004. From November 2002 until 2004 he was the Associate Dean of Corporate Relations of Owen. From 1999 to 2001 he was the President and Chief Executive Officer of United Glass Corporation (United Glass), a large national fabricator of flat glass. From 1992 until 1999 Mr. Bradford served as President and CEO of AFG Industries, Inc., a leading manufacturer, fabricator and distributor of flat and automotive glass in the Americas. Mr. Bradford is a director of three other publicly traded U.S. corporations: Cracker Barrel Old Country Store, Inc. (Cracker Barrel), Genesco Inc. (Genesco) and Granite Construction Incorporated, and sits on other advisory and academic boards and councils and teaches business classes at Owen. Mr. Bradford is the non-executive Chairman of Cracker Barrel and the lead independent director of Genesco. In June 2015, Mr. Bradford was recognized as the Non-Executive Chairman of the Year by the New York Stock Exchange (NYSE) Governance Services for his service as Cracker Barrel s non-executive chairman.

As the former leader of one of the United States preeminent business schools and a business professor, Mr. Bradford regularly interacts with leading business executives, academicians and practitioners around the globe, which has provided significant benefits to the Company, including in the area of executive recruitment and corporate governance. Mr. Bradford s role as lead independent director and non-executive chairman of other public companies and his demonstrated track record in the area of corporate governance are valuable to both the Board and the Company. Additionally, Mr. Bradford s executive experience in leading a large and acquisitive industrial company provided him with practical and actual experience that is highly relevant to the Company s business and has made Mr. Bradford a resource for the Company s management team.

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Name	Age	Director Since	Year Term as Director Expires
***Robert J. Burgstahler**	**71**	**December 18, 2000**	**2016**

Mr. Burgstahler is a former senior executive of 3M Company (3M), St. Paul, Minnesota. He served as 3M s Senior Vice President, Business Development and Corporate Services from 2002 until 2003, and Vice President, Finance and Administrative Services from 2000 to 2002. Mr. Burgstahler was President and General Manager of 3M Canada from 1998 to 2000 and Staff Vice President Taxes of 3M from 1995 to 1998.

Mr. Burgstahler brings an exceptionally strong finance and management background to the Board. His experience in all aspects of financial reporting and financial management for a large multinational corporation has made him a valuable resource for the Company and its management. In addition, Mr. Burgstahler s executive experience in having led 3M Canada, a large international business unit of 3M, has been valuable to the Company in its efforts to grow outside of the United States.

In recognition of his strength as a director, Mr. Burgstahler serves as the Company s Lead Director, as described further below in this Proxy Statement, under the heading Board Leadership .

Wesley M. Clark	**63**	**March 26, 2013**	**2018**

Mr. Clark served as the Chief Executive Officer of Morton Salt, Inc., North America s leading supplier of consumer, industrial and commercial salt products, from 2007 until 2009. From 2004 until 2007, Mr. Clark was an Operating Partner with Advent International Global Private Equity (Advent), a large international private equity firm, and from 2001 until 2004, he served as President, Chief Operating Officer and a board member of W.W. Grainger, Inc., North America s leading distributor of maintenance, repair and operating supplies.

Mr. Clark currently serves as an Operating Partner with Advent, as the non-executive Chairman of the Board of Patriot Supply Holdings, Inc. and Distribution International, Inc., as a board member of American Builders & Contractors Supply Co., Inc. and Uline Corporation, and as a member of the Supervisory Board of K+S AG, a large publicly traded mining company headquartered in Kassel, Germany.

Mr. Clark s experience at the helm and on the boards of some of the country s largest commercial distribution companies is valuable to the Company as it seeks to expand distribution channels and enter new markets. Mr. Clark also has significant experience in evaluating and structuring significant acquisitions and divestitures and has provided meaningful assistance and advice to Company management in this regard.

***Christopher L. Conway**	**60**	**March 27, 2012**	**2016**

Mr. Conway was appointed Chief Executive Officer of the Company on December 13, 2011, a director on March 27, 2012, and Chairman of the Board effective November 30, 2012. Mr. Conway served as President and Chief Operating Officer of the Company from July 2010 until December 2011, as the President of the Company s PecoFacet division from 2007 until 2010, and as the Vice President of Manufacturing of Baldwin Filters, Inc., the Company s largest subsidiary, from 2006 until 2007. Mr. Conway also serves on the board of Watts Water Technologies, Inc., a publicly traded U.S. corporation.

Mr. Conway has approximately 29 years of experience in the filtration industry, in a variety of operational, strategic and research and development capacities. Mr. Conway has a wealth of operational and management experience in filtration related businesses, for both the Company as well as one of the Company s most significant competitors. Mr. Conway s experience and knowledge with respect to filtration applications, end-markets and technologies, as well as his first-hand knowledge of several of the Company s largest and most strategically important business units, is what led the Board to select him as the Company s Chief Executive Officer. This experience and knowledge, combined with Mr. Conway s tenure with the Company, facilitates his service as Chairman and better enables the Board to set the strategic path for the Company and its operating units.

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Name	Age	Director Since	Year Term as Director Expires
***Paul Donovan**	**68**	**March 24, 2003**	**2016**

Mr. Donovan served as Senior Executive Vice President and Chief Financial Officer of Wisconsin Energy Corporation, a holding company with subsidiaries primarily in utility businesses, from August 1999 until June 2003, and retired as a special advisor to the Chairman of that company in February 2004. Mr. Donovan was the Executive Vice President and Chief Financial Officer of Sundstrand Corporation from December 1988 to June 1999. Mr. Donovan is a director of one other publicly traded U.S. corporation: Woodward, Inc.

Mr. Donovan brings an exceptionally strong finance and management background to the Board. His expertise in all aspects of financial reporting and financial management for large industrial corporations has made him a valuable resource for the Company and its management, and qualifies him as a financial expert for the Audit Committee, which committee he currently chairs. His experience on other public company boards has provided significant benefits to the Company and the Board, including in the areas of corporate governance and executive compensation.

Mark A. Emkes	**62**	**June 25, 2010**	**2017**

For more than five years and until his retirement effective on February 28, 2010, Mr. Emkes was the Chairman and Chief Executive Officer of Bridgestone Americas, Inc. and Bridgestone Americas Holdings, Inc., the world s largest tire and rubber company. He was also President of Bridgestone Americas, Inc. from January 2009 until his retirement. Mr. Emkes served as a director of Bridgestone Corporation from April 1, 2004 through February 28, 2010. Mr. Emkes currently serves as a director of three other publicly traded US corporations: Corrections Corporation of America, Greif, Inc. and First Horizon National Corporation. From 2010 until 2013, Mr. Emkes served as the State of Tennessee s Commissioner of Finance and Administration, a state-level cabinet position.

Mr. Emkes experience as a former chief executive officer of a major multinational industrial firm and the significant time that Mr. Emkes spent living and operating businesses outside of the United States, including the United Arab Emirates, Spain, Mexico and Brazil, make him a valuable director for the Company as it continues its international growth efforts. In addition, Mr. Emkes has significant marketing and distribution experience in aftermarket sales channels that are important to many of the Company s key operating businesses. Finally, his experience on other public company boards provides significant benefits to the Company and the Board.

***Thomas W. Giacomini**	**50**	**August 10, 2015**	**2016**

Mr. Giacomini is the Chairman, President and Chief Executive Officer of John Bean Technologies Corporation, (JBT), a publicly traded global technology solutions provider to the food processing and air transportation industries. For approximately ten years prior to his joining JBT in 2013, Mr. Giacomini served in a variety of executive roles at Dover Corporation and certain of its subsidiaries and operating divisions, including as President and Chief Executive Officer of Dover Engineered Systems, President and Chief Executive Officer of Dover Industrial Products and President of Dover s Material Handling Platform.

Mr. Giacomini s current service as a Chief Executive Officer of a publicly-traded global industrial company and his broad range of operational and management experiences allow Mr. Giacomini to bring current and relevant perspectives to the Board and make Mr. Giacomini a valuable contributor to the Board and resource for management in respect of a variety of important areas, including global expansion, mergers and acquisitions, supply chain management, talent acquisition, research and development and corporate governance.

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Name	Age	Director Since	Year Term as Director Expires
Robert H. Jenkins	**72**	**March 23, 1999**	**2017**

Mr. Jenkins is the retired Chairman of Hamilton Sundstrand Corporation, Rockford, Illinois, an aerospace and industrial company that resulted from a merger with United Technologies Corporation in 1999. He served as Chairman, President and Chief Executive Officer of predecessor Sundstrand Corporation (Sundstrand) from 1997 to 1999 and as President and Chief Executive Officer of Sundstrand from 1995 to 1997. Mr. Jenkins is a director of two other publicly traded U.S. corporations: ACCO Brands Corporation (Acco), and AK Steel Holding Corporation (AK Steel). Mr. Jenkins currently serves as the independent lead director of Acco and formerly held such position at AK Steel. Mr. Jenkins formerly served as a director of Solutia, Inc. from 1997 to 2008 and a director of Jason Industries, Inc. from 2014 until 2015.

Mr. Jenkins experience as the former chief executive officer of a publicly held major industrial firm and his business and operational experience at a number of companies in other industries brings a wealth of relevant experience to the Board and has made Mr. Jenkins a resource for the Company and its management team. In addition, Mr. Jenkins extensive corporate governance experience as an independent lead director for Acco (and previously for AK Steel) has been and continues to be valuable to the Company and the Board.

Philip R. Lochner, Jr.	**72**	**June 17, 1999**	**2017**

Mr. Lochner was the Senior Vice President and Chief Administrative Officer, Time Warner, Inc., New York, NY (Time Warner) from 1991 to 1998, and a Commissioner of the United States Securities and Exchange Commission from 1990 to 1991. Mr. Lochner is currently a director of two other publicly traded U.S. corporations: Crane Co. and CMS Energy Corporation (where he served as the Presiding Director until 2015). In the past ten years, he has also served as the director of Adelphia Communications Corporation (post-Chapter 11 filing); Apria Healthcare Group, Inc.; GTECH Holdings Corporation; Gentiva Health Services, Inc.; Monster Worldwide, Inc. and Solutia Inc., and as a director of the National Association of Securities Dealers and the American Stock Exchange.

At various times during his tenure with Time Warner, Mr. Lochner s duties included oversight of certain shareholder relations, legal, internal audit, executive compensation, real estate, human resources and other functions. As a former SEC Commissioner and a current and former director of public companies, Mr. Lochner has significant experience in the area of corporate governance as well as securities and disclosure matters, and is a valuable resource to the Board and to management in these areas. Additionally, the management and administrative expertise in the functional areas described above that Mr. Lochner gained as a senior executive of Time Warner make him a valuable member of the Board and a resource to the Company and to management.

James L. Packard**	**73**	**June 22, 1998**	**2018**

Mr. Packard is the former Chairman, President and CEO of Regal Beloit Corporation (Regal Beloit), a worldwide manufacturer of mechanical power transmission equipment, electric motors and controls, and electric power generators headquartered in Beloit, Wisconsin. He served as Executive Chairman of Regal Beloit from April 2005 to December 2006, Chairman from 1986 to April 2005, President from 1980 to 2002 and Chief Executive Officer from 1984 to 2005. Mr. Packard is currently a director of one other publicly traded U.S. corporation Douglas Dynamics, Inc., and is also a director of First National Bank and Trust, located in Beloit, Wisconsin, and ABC Supply Co., Inc., located in Beloit, Wisconsin. Mr. Packard previously served on the boards of three other companies that were publicly listed during the time of Mr. Packard s service on their boards: The Manitowoc Company, Inc., Elco Corporation, and Gehl Company.

Mr. Packard served on the Board of Governors of the American Stock Exchange (AMEX) and was a member of the Executive Committee, the Board Oversight Committee on Specialist Unit Structure, and the Listed Company Advisory Committee. He was on the Board of Governors at the time AMEX merged with NASD, and after the merger he served as a member of the Listing and Hearing Review Council of the NASD.

Mr. Packard s experience as a former chief executive officer of a publicly held major industrial firm and his experience on the boards of companies in other industries are highly relevant to his duties on the Board and have made Mr. Packard a resource for the Company and its management team. In addition, Mr. Packard s extensive experience in the area of corporate governance make him an effective member of the Company s Director Affairs/Corporate Governance Committee, which committee he chaired from 2005 until 2014.

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* Nominees for election to terms expiring in 2019.

** Mr. Packard s current term expires in 2018; however, it is anticipated that Mr. Packard will retire from the Board on the date of the Company s 2017 Annual Meeting of Shareholders, in keeping with the Company s current retirement policy, under which non-employee directors retire from the Board on the date of the annual meeting of shareholders immediately following the date on which they reach the age of 74.

Vote Required

A shareholder may mark the accompanying form of proxy to (i) vote for all nominees, (ii) withhold votes from all nominees, or (iii) vote for one or more nominees while withholding votes from one or more specified nominees. If a quorum is present at the Annual Meeting, the four directors receiving the greatest number of votes will be elected. As there are precisely four nominees, any director receiving any votes will be elected.

Pursuant to NYSE Rule 452, the uncontested election of directors may not be voted upon by banks, brokerage firms or other nominees holding shares in street name without instruction from beneficial owners. Consequently, proxies submitted by banks, brokerage firms or other nominees holding shares in street name may not, in the absence of specific instructions from beneficial owners, vote the shares in favor of a nominee or withhold votes from a nominee at the discretion of the bank, brokerage firm or other nominee.

If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote FOR the election of Messrs. Burgstahler, Conway, Donovan and Giacomini as directors of the Company in accordance with the Board s recommendation below. As noted earlier in this Proxy Statement, broker non-votes and abstentions will not affect the outcome of our director elections.

The Board of Directors recommends a vote FOR the election of Messrs. Burgstahler, Conway, Donovan and Giacomini as directors of the Company.

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CORPORATE GOVERNANCE

Independence

NYSE corporate governance rules require that the board of directors of a listed company consists of a majority of independent directors. The Company s Board currently has, and previously has had, a majority of independent directors. Nine of the ten current members of the Board are independent; only Mr. Conway is not.

Pursuant to the NYSE corporate governance rules, the Board has adopted categorical independence standards to provide assistance in the determination of director independence. The categorical standards are set forth below and provide that a director will not qualify as an independent director if:

(i) The director is, or has been within the last three years, an employee of the Company, or an immediate family member of the director is, or has been within the last three years, an executive officer of the Company;

(ii) The director has received, or has an immediate family member who has received, during any twelve month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service)[1];

(iii) The director is a current partner or employee of the Company s external audit firm, or was within the past three years a partner or employee of such firm and personally worked on the Company s audit within that time;

(iv) The director has an immediate family member who (a) is a current partner of a firm that is the Company s external auditor, (b) is a current employee of such firm and participates in the firm s audit, assurance or tax compliance (but not tax planning) practice or (c) was within the past three years a partner or employee of such firm and personally worked on the Company s audit within that time;

(v) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee;

(vi) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of $1 million or 2% of such other company s consolidated gross revenues; or

(vii) The director or an immediate family member is a current officer, director or trustee of a charitable organization where the Company s annual discretionary charitable contributions to the charitable organization are more than the greater of (i) two percent (2%) of that organization s total annual charitable receipts, or (ii) $1,000,000.

For purposes of the categorical standards, immediate family member generally includes a director s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the director s home.

The Board has affirmatively determined, assisted by the categorical independence standards set forth above, that none of the outside Directors has a material relationship with the Company (either directly or as a partner, shareholder, officer, employee or trustee of an organization that has a relationship with the Company). In making its determination with respect to all of the outside directors other than Mr. Donovan (who is separately discussed below), the Board considered (i) affirmative representations made by each director attesting to the lack of any commercial, banking, consulting, legal, accounting, charitable or familial relationships between such director (or persons or organizations with which a

director has an affiliation) and the Company; and (ii) affirmative representations by the Company s management that no such relationships exist to the knowledge of management.

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1 The commentary to the NYSE rules clarify, however, that this categorical standard described in clause (ii) does not apply with respect to a director s immediate family member who is employed by the Company in a capacity other than an executive officer.

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Applying the foregoing, the Board has determined that each of Messrs. Bradford, Burgstahler, Clark, Emkes, Giacomini, Jenkins, Lochner and Packard is independent under the NYSE corporate governance rules.

The Board has also determined that Mr. Donovan is independent under the NYSE corporate governance rules. In January of 2012, the Company hired Mr. Donovan s son-in-law, David Janicek, to serve as the Company s Vice President - Corporate Controller, a position in which Mr. Janicek continues to serve as of the date of this proxy statement. Additionally, on February 7, 2016, the Company s Chief Executive Officer, Mr. Conway, created the position of Vice President of Corporate Strategy and Business Development and assigned Mr. Janicek to this newly created role. In this capacity, Mr. Janicek will report to Mr. Conway and work with the Company s business units and with corporate senior management to identify and pursue growth-related initiatives, engage in strategic planning and work on acquisition activities. Until such time as the Company hires someone to replace Mr. Janicek as the Company s Corporate Controller, Mr. Janicek will serve in both roles. Neither the position of Corporate Controller nor the Vice President of Corporate Strategy and Business Development are executive officer positions, including as such term is defined under the rules of the NYSE and the SEC.

As described in greater detail in the Company s Proxy Statement filed with the SEC on February 17, 2012, an independent third party recruiter identified Mr. Janicek to the Company for the Corporate Controller position with no knowledge, input or suggestion by Mr. Donovan. After the relationship between Mr. Janicek and Mr. Donovan became known, a special committee of the Board, consisting of the chairmen of each of the Board s standing committees, comprehensively evaluated and approved the hiring of Mr. Janicek, and determined that such hiring would not impact Mr. Donovan s independence and would be in the best interest of the Company, before an offer was extended to him. Mr. Donovan currently has no input or oversight into any aspect of Mr. Janicek s employment, and Mr. Donovan played no role in Mr. Conway s decision to appoint Mr. Janicek to the position of Vice President of Corporate Strategy and Business Development.

Each year, the Board (with Mr. Donovan recused) reevaluates Mr. Donovan s independence and any potential conflict of interest, and in doing so considers certifications from Mr. Donovan and input from the Company s General Counsel attesting to the absence of any changes in facts or circumstances arising over the previous 12 months that might change the Board s prior analyses and findings. The Board also solicits input from the Company s CEO, CFO and General Counsel regarding Mr. Janicek s performance, their perception of his relationship with Mr. Donovan, and their confirmation that no conflict of interest has arisen or is foreseen to arise.

In light of this analysis, on January 23, 2016, the Board (with Mr. Donovan recused) unanimously and affirmatively resolved that Mr. Donovan is independent and Mr. Janicek s employment does not present a conflict of interest. On February 8, 2016, following Mr. Conway s appointment of Mr. Janicek as Vice President of Corporate Strategy and Business Development, the Board (with Mr. Donovan recused) reconsidered Mr. Donovan s independence and unanimously reached an identical conclusion.

Meetings and Fees

The Board held seven meetings during fiscal 2015. Each of the Company s directors attended at least 75% of the aggregate of all meetings of (i) the Board and (ii) the Committees of the Board of which he or she served during fiscal 2015.

As disclosed in the Company s proxy statement filed with the SEC on February 23, 2015 (the 2015 Proxy Statement), effective as of the 2015 Annual Meeting of Shareholders (the 2015 Annual Meeting) the Company increased the annual retainer and committee chairmanship fees payable to non-employee directors and eliminated the payment of individual meeting fees except in special circumstances (such as insolvency, corporate combination transactions or other matters where the number and duration of meetings is anticipated to be significantly above historical experience). Consequently, during fiscal 2015 non-employees directors received the following remuneration:

For each Board and Committee meeting held between December 1, 2014 and March 24, 2015 (i.e., prior to the 2015 Annual Meeting, when the revised fee structure took effect) each non-employee director received a fee of $1,500 if he attended the meeting in person, and a fee of $1,000 if he attended by telephone.

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Effective as of the 2015 Annual Meeting, each non-employee director who was a member of the Audit Committee received an annual retainer of $75,000 and each non-employee director who was not a member of the Audit Committee received an annual retainer of $70,000, in each case payable in cash or Company stock at the director s election. These amounts were increased from the previous annual retainer amount of $45,000, which applied to all directors irrespective of whether they served on the Audit Committee. Under the Company s 2014 Incentive Plan (2014 Incentive Plan), non-employee directors may elect to receive a grant of shares of the Company s common stock with an aggregate fair market value equal to and in lieu of the annual retainer. All directors other than Mr. Giacomini elected to take the 2015 annual retainer in cash. Mr. Giacomini, who joined the Board on August 10, 2015, elected to take his pro-rated annual retainer in Company stock.

Effective as of the 2015 Annual Meeting, Lead Director and chairmanship fees, payable in cash, were as follows:

Lead Director - $25,000 (no change from prior year)

Audit Committee Chairman - $15,000 (increased from $10,000 the prior year)

Compensation Committee Chairman - $10,000 (increased from $6,500 the prior year)

Director Affairs/Governance Committee Chairman - $7,500 (increased from $6,500 the prior year)

Each year the Directors Affairs/Corporate Governance Committee (the Governance Committee) reviews the compensation payable to the Company s directors, and in fiscal 2015 the Committee also engaged Frederic W. Cook & Co., Inc. (FWC) as its independent advisor to assist the Committee in evaluating director compensation. The Governance Committee and FWC considered data comparing the Company s director compensation levels with median levels of director compensation derived from a national, general industry survey and also utilized the same peer group that the Company uses for purposes of executive compensation benchmarking (discussed in the Compensation Discussion and Analysis below). This review showed that the Company s overall director compensation levels were generally consistent with the median director compensation levels among the Company s peer group (see Compensation Discussion and Analysis for a description of the Company s peer group), but below median with respect to chairmanship fees.

In determining the increase in the annual retainer and chairmanship fees referenced above, the Governance Committee and the Board considered a number of factors, including the typical number of Board and committee meetings held each year and the level of time commitment and effort required by each committee of its respective members. The Governance Committee and the Board found that the increases were correlated to such considerations, reasonable in amount and in the best interest of the Company.

Under the 2014 Incentive Plan, the Governance Committee each year determines the number and form of equity incentive grants payable to directors. For fiscal 2015, the Governance Committee recommended, and the Board approved, that the Company issue to each non-employee director shares of common stock having an aggregate grant date value of $110,000, the same amount paid in fiscal 2013 and 2014. On January 23, 2016, the Committee once again determined that in respect of their service for fiscal year 2016 all non-employee directors should receive common stock having an aggregate fair market value of $110,000. Consequently, on March 29, 2016 (the date of the Annual Meeting), each non-employee director will receive shares of common stock with a fair market value of $110,000 (rounded up to avoid fractional share issuances), which shares will vest immediately upon issuance. This share award will be made pursuant to the 2014 Incentive Plan.

Pursuant to the Company s Deferred Compensation Plan for Directors, a non-employee director may elect to defer receipt of the cash fees or stock awards to which he is entitled until the date that the participant ceases being a director of the Company, a specific future date selected by the participant or a date on which the participant reaches a specified age. Deferral elections must be made by no later than November 30 of the year prior to the year in respect of which cash fees are paid or stock awards are made, and once made may not be changed, except in the event of death, disability or change of control of the Company. Any deferred cash earns interest at the prime rate announced quarterly by JP Morgan Chase Bank, or its successor.

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The following table sets forth the compensation paid to the Company s non-employee directors (or, if applicable, to their respective deferred compensation accounts) during fiscal year 2015:

DIRECTOR COMPENSATION FOR FISCAL YEAR 2015

Name	Fees Earned or Paid in Cash[(1)] ($)	Stock Awards[(2)] ($)	Option Awards[(3)] ($)	Change in Pension Value & Non-qualified Deferred Compensation Earnings[(4)] ($)	All Other Compensation ($)	Total ($)
JAMES W. BRADFORD, JR	92,000	110,004				202,004
ROBERT J. BURGSTAHLER	115,500	110,004				225,504
WESLEY M. CLARK	82,000	110,004				192,004
PAUL DONOVAN	104,000	110,004		3,000		217,004
MARK A. EMKES	82,000	110,004				192,004
THOMAS W. GIACOMINI[(5)]	44,483	69,962				114,445
ROBERT H. JENKINS	82,000	110,004				192,004
PHILIP R. LOCHNER, JR	96,500	110,004				206,504
JAMES L. PACKARD	88,000	110,004				198,004

(1) Represents the amount of (i) cash compensation earned by each director in fiscal 2015 for Board and Committee service, plus (ii) the value of all stock awards made at the election of any director who opted to receive stock in lieu of cash compensation for his or her annual retainer, in each case before any deferrals under the terms of the Company s Deferred Compensation Plan for Directors.

(2) Represents the aggregate grant date fair value of stock awarded, computed in accordance with FASB ASC Topic 718, using the closing market price of Company stock on the grant date. There were no unvested stock awards held by any non-employee director as of the end of fiscal 2015. The number of shares of stock held by each non-employee director of the Company as of the end of fiscal 2015 is set forth in the column entitled Shares Owned Outright in the table entitled Security Ownership Management under the heading BENEFICIAL OWNERSHIP OF THE COMPANY S COMMON STOCK .

(3) The number of vested stock options held by each non-employee director of the Company as of the end of fiscal 2015 are set forth in the column entitled Vested Stock Options in the table entitled Security Ownership Management under the heading BENEFICIAL OWNERSHIP OF THE COMPANY S COMMON STOCK . No non-employee director had any unvested stock options at the end of fiscal 2015.

(4) Represents interest earned in fiscal 2015 on amounts held in a director s deferred compensation account. Any deferred cash under the Company s Deferred Compensation Plan for Directors earns interest (payable by the Company upon distribution of the account) at the prime rate announced quarterly by JP Morgan Chase Bank, or its successor.

(5) Mr. Giacomini was appointed as a director on August 10, 2015. The fees earned by and the value of stock awarded to Mr. Giacomini were prorated based on his days of service as a director between the 2015 Annual Meeting and the Annual Meeting to be held on March 29, 2016.

Stock Ownership Guidelines

All directors own stock in the Company, and the Company has established stock ownership guidelines for non-employee directors. Under these guidelines, all non-employee directors, after a five-year period from their initial election to the Board, are required to own Company common stock with a market value or original acquisition value of five times the standard (i.e., non-Audit Committee) annual retainer, which is currently $70,000. In each case, shares subject to in-the-money options granted to a director count toward the fulfillment of these guidelines. The Governance Committee oversees these guidelines and reviews each director s standing in respect of the same once per year. In January of 2016, the Governance Committee determined that all of the Company s directors complied with these guidelines based on their respective years as a director of the Company.

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Committees of the Board

During fiscal 2015, the standing committees of the Board were the Governance Committee, the Audit Committee and the Compensation Committee. Each of these Committees is discussed below.

Directors Affairs/Corporate Governance Committee. The Governance Committee currently consists of six directors: Philip R. Lochner, Jr., Chairman, James W. Bradford, Jr., Wesley M. Clark, Mark A. Emkes, Robert H. Jenkins, and James L. Packard. Each of these directors is independent as such term is defined in the NYSE corporate governance rules.

The Board has adopted a Charter for the Governance Committee. A current copy of that Charter is available on the Company s website: *www.clarcor.com*. The Charter provides, among other things, that the Governance Committee will make recommendations to the full Board regarding changes to the size and composition of the Board or any committee thereof; identify individuals that the Governance Committee believes are qualified to become Board members and recommend that the Board select such nominee or nominees to stand for election; and identify individuals for appointment to the Board to fill vacancies on the Board.

Messrs. Burgstahler, Conway, Donovan and Giacomini are the current nominees recommended by the Governance Committee for election to the Board at this Annual Meeting. All of these individuals are standing for election or re-election, as applicable, by the shareholders.

The Governance Committee met four times during fiscal 2015.

Audit Committee. The Audit Committee was established by the Board in accordance with applicable provisions of the Securities Exchange Act of 1934 (the Exchange Act), and applicable NYSE requirements. The Audit Committee currently consists of four directors: Paul Donovan, Chairman, Robert J. Burgstahler, Philip R. Lochner, Jr., and James L. Packard. Each of these individuals is independent and financially literate, as such terms are defined in the NYSE corporate governance rules, and is independent as defined under SEC rules and regulations applicable to audit committees. Mr. Burgstahler and Mr. Donovan have previously served as the chief financial officers of publicly-held corporations. Based on these and other factors, the Board has determined that Mr. Burgstahler and Mr. Donovan is each an audit committee financial expert as such term is defined in applicable rules of the SEC.

The Board has adopted a Charter for the Audit Committee. A current copy of that Charter is available on the Company s website: *www.clarcor.com.*

The purposes of the Audit Committee include assisting Board oversight of the integrity of the Company s financial statements, the Company s compliance with legal, regulatory and filing requirements, the Company s selection of an independent auditor, the Company s determination of the independent auditor s qualifications and independence and the performance of the Company s internal audit function and independent auditors. The Audit Committee discusses with management and the Company s independent auditors the Company s annual audited financial statements, quarterly financial statements, earnings press releases, and management s assessment of internal control over financial reporting.

The Audit Committee met nine times during fiscal 2015.

Compensation Committee. The Compensation Committee currently consists of six directors: Messrs. James W. Bradford, Jr., Chairman, Robert J. Burgstahler, Wesley M. Clark, Paul Donovan, Mark A. Emkes, and Robert H. Jenkins. Each of these individuals is independent as such term is defined in the NYSE corporate governance rules (including the additional independence requirements applicable to compensation committee members set forth therein).

The Board has adopted a written Charter for the Compensation Committee. A current copy of that Charter is available on the Company s website: *www.clarcor.com.*

The purposes of the Compensation Committee include discharging the Board s responsibilities relating to compensation of the Company s executive officers and reviewing and making recommendations to the Board with respect to compensation plans, policies and programs. The Compensation Committee annually reviews and approves corporate goals and objectives relevant to the compensation of the Company s Chief Executive Officer and determines and approves the compensation level of the Chief Executive Officer, other executive officers and certain other members of senior management. The Compensation Committee may receive recommendations from the Company s Chief Executive Officer regarding the amount or form of compensation paid to executive officers

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or other members of senior management (excluding the Chief Executive Officer). The Compensation Committee also reviews and makes recommendations to the full Board regarding the Company s compensation and benefit plans and policies, including with respect to incentive compensation plans and equity-based plans, policies and programs and approves grants and awards of restricted stock units and stock options under the Company s incentive plans, but may delegate to members of management or a management committee the authority to determine the individual amount of grants to employees who are not executive officers. As a matter of practice, the Compensation Committee considers and individually approves equity awards made to approximately 10 to 15 of the Company s most senior executives, including all executive officers of the Company other than the Chief Executive Officer, and then approves a pool of equity-based incentives to be granted to other individuals throughout the Company at the discretion of the Chief Executive Officer. With respect to the compensation of the Chief Executive Officer (including his base salary, bonus, equity grants and other compensation), the chairman of the Compensation Committee and FWC lead a review by the entire Board in executive session, and it is the Board that determines and approves such compensation.

The Compensation Committee also oversees compliance with the Company s stock ownership guidelines for executive officers. From time to time the Compensation Committee consults with outside compensation advisors in exercising its responsibilities and the Company is responsible for determining if any conflicts of interest exist with respect to any such outside compensation advisors pursuant to Item 407(e)(3)(iv) of Regulation S-K. All of the foregoing is described in greater detail in the Compensation Discussion and Analysis below. The Compensation Committee has the authority to delegate any of its responsibilities to one or more subcommittees within certain parameters, but the Compensation Committee rarely exercises this power, and did not do so in fiscal 2015.

The Compensation Committee met five times during fiscal 2015.

Director Qualifications and Diversity

The Governance Committee is responsible for evaluating all potential nominees to serve as a director, irrespective of whether the candidate was identified by the Committee, the Board, a shareholder or other third party. The Company s bylaws (available on the Company s website at *www.clarcor.com*) provide that notice of any proposed nomination by a shareholder for election of a person to the Board shall be delivered to or mailed and received at the principal executive offices of the Company no less than 120 days nor more than 150 days prior to the anniversary of the prior year s Annual Meeting of Shareholders (provided, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the shareholder to be timely must be so received not later than the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first). Section 2.11 of the bylaws specifies the information to be included by a shareholder in such a notice.

In the past, the Governance Committee has reviewed potential candidates for election to the Board recommended primarily by Board members or third party search firms. This was the case in connection with the election of Mr. Giacomini, who was identified to the Company by a third party search firm. When considering potential candidates, the Governance Committee follows a process which includes a review of the candidate s qualifications, background and reference checks and multiple interviews with the candidate. The same process would be applied with respect to nominees recommended by shareholders.

The Company does not currently have a specific or formal policy with regard to the minimum qualifications of director candidates, but the Company desires (and the Governance Committee and the Board look for) individuals who possess significant and long-term experience in more than one of the following areas:

- Executive-level management experience of a company at least as large as the Company
- Industry knowledge and experience
- Specific areas of business expertise (e.g., finance, sales and marketing, engineering, human resources)
- Experience with respect to the technologies, distribution channels and end-markets of the Company and its operating businesses
- International experience
- US public company experience -- both at the management and board level

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Experience and contacts in relevant industries, academia and/or government

Expertise in corporate law, regulatory compliance and/or corporate governance

Additionally, the Governance Committee and the Board consider other factors when evaluating potential candidates, including the candidates ability to dedicate sufficient time to their Board and committee responsibilities, their ability to regularly attend Board and Committee meetings, the experiential makeup of the Board and management at the time they are being considered, the anticipated needs of the Company over the next several years (e.g., the potential entrance into new markets or lines of business), and diversity with respect to race, gender and national origin. While the Company and the Board view a candidate s diversity as a positive attribute, there is no formal diversity policy and no specific weight is assigned to diversity in the consideration process. Rather, the Committee and the Board consider a candidate s diversity as one positive factor in the evaluation process along with the other factors outlined above.

The Board considers its composition, needs, and diversity as part of its annual self-evaluation process.

Board Leadership

Christopher L. Conway currently serves as the Chairman of the Board, and Robert J. Burgstahler currently serves as the Board s Independent Lead Director.

The Board believes it is in the best interests of the Company for Mr. Conway to serve as Chairman for several reasons, including the Company s historic success in having the Chief Executive Officer of the Company also serve as Chairman, Mr. Conway s performance as the Company s Chief Executive Officer, and the Board s belief that the Company s Chief Executive Officer is best positioned to determine the strategic and operational matters that most require Board and Committee attention at any given meeting.

The Board has also decided, however, that the Company is currently best served by having an independent Lead Director to further enhance the Board s role as an independent steward of the Company and its resources. The Board has defined the Lead Director role in such a manner so as to enhance the Board s already significant line of sight into the Company s operations and management, and to enhance communication between the Board and management and amongst directors themselves.

Under the Company s Board leadership structure, the Chairman of the Board is responsible for establishing the agenda for Board meetings in consultation with the Lead Director, and for organizing and overseeing Board meetings (other than executive sessions). The Lead Director is responsible for the following:

Convening and chairing all executive sessions of the Board and any other meetings of the Company s independent directors, and, together with one or more of the Company s other independent directors, providing feedback to the extent appropriate to the Company s Chief Executive Officer with respect to executive sessions and meetings of the Company s independent directors.

Serving as the primary liaison between the Company s independent directors and the Company s Chief Executive Officer, including, in particular, with respect to (i) Board and committee agendas and meeting formats; (ii) the content and frequency of reports to the Board and Board committees; and (iii) the establishment of and reporting on key corporate strategic objectives.

Collaborating with the Compensation Committee and the Board on establishing annual objectives for the Company s Chief Executive Officer and evaluating the performance of the Company s Chief Executive Officer.

Serving as the principle liaison between the Company s independent directors and management.

Communicating with major shareholders, as appropriate.

Serving as a nonexclusive resource to the Company s Chief Executive Officer and other members of management with respect to operational or strategic decision-making.

Overseeing and/or discharging such other duties as the Board may assign to the Lead Director from time to time.

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Compensation Clawback

As described further below in the Compensation Discussion and Analysis, the Company s Three Year Long Term Incentive Program (the Three Year LTI Program), which was implemented at the outset of fiscal 2015 and under which performance-based RSUs were granted to our named executive officers and other senior leaders, has a clawback feature that requires an executive who receives an award under such program to forfeit or pay back some or all of such award if and to the extent that the Company restates its financial results for the relevant time period(s) and the result of such restatement would have caused such award not to have been earned or to have been less than the award that was paid out.

In addition, Section 304 of the Sarbanes-Oxley Act of 2002 requires the recovery of incentive awards in certain circumstances. If we are required to restate our financials due to material noncompliance with any financial reporting requirements as a result of misconduct, our chief executive officer and our chief financial officer will be required under Section 304 of the Sarbanes-Oxley Act to reimburse us for (1) any bonus or other incentive- or equity-based compensation received during the 12 months following the first public issuance of the non-complying document, and (2) any profits realized from the sale of our securities during such 12 month period.

The SEC issued proposed rules in 2015 regarding the adoption of clawback policies by publicly-traded listed companies, in accordance with the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). At such time that the final SEC rules implementing these requirements take effect, a listed company will be required to adopt a clawback policy providing for the recovery of certain incentive-based compensation from its executive officers in the event the company is required to restate its financials as a result of material noncompliance with reporting requirements. In order to ensure full compliance with these final SEC rules, we intend to adopt our own formal clawback policy applicable to our executive officers complying with the requirements of such rules once they have been adopted by the SEC.

Board Role in Risk Oversight

The Company s management is responsible for the Company s day-to-day risk management activities and processes, and the Board oversees and provides direction with respect to these activities and processes, principally through the Audit Committee. The Company has a formal Risk Committee at the management level, chaired by the Company s Corporate and Environmental Risk Manager and comprised of the Company s CFO, General Counsel, Chief Administrative Officer, Director of Supply Chain Management, and Vice President of Internal Audit, to formally identify and evaluate material strategic, operational, financial, competitive, and legal/regulatory risks facing the Company.

Based on the Risk Committee s input, management prepares and delivers a report to the Audit Committee regarding the above risks, as well as the steps that the Company takes to mitigate them. The Audit Committee uses this report as a launching point for discussing the identified risks and the Company s mitigation efforts, and reports the substance of this discussion and any conclusions or concerns to the full Board. As part of this review, the full Board also considers key risks faced by each significant business operating unit of the Company.

In addition, the Audit Committee and the other Committees of the Board are responsible for overseeing risks related to their respective functional areas and reporting to the full Board regarding the same. Thus, the Audit Committee is responsible for overseeing the Company s accounting and financial reporting processes, the integrity of the Company s financial statements, the creation and functioning of the Company s compliance programs, and the risks associated with litigation and the Company s whistleblower hotline. The Compensation Committee is responsible for the oversight of risks associated with the Company s compensation practices. The Governance Committee is responsible for overseeing corporate governance risks, including those related to director independence. Each of these Committees reports regularly to the full Board and any material matter that is identified in such reports typically is considered and discussed, and if necessary resolved upon, at the Board level.

Executive Sessions of the Board; Communications with the Board; Board Attendance at Shareholder Meetings

The Company s Corporate Governance Guidelines (available on the Company s website, *www.clarcor.com*) provide that at each meeting of the Board the independent directors will meet separately from the management of the Company. Neither the Company s CEO nor any other officer attends these executive sessions. Under the Guidelines, these sessions are chaired by the Company s Lead Director, or, in his or her absence, the chairman of one of the other standing committees of the Board.

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The Board has adopted a process for holders of the Company s common stock and other interested parties to send written communications to the Board, the Lead Director, or independent directors as a group. Such communications should be sent to the Corporate Secretary at CLARCOR Inc., 840 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067. The Corporate Secretary will forward all such communications to the Chairman of the Director Affairs/Corporate Governance Committee of the Board, with a copy to the Company s Lead Director. That Committee or the Lead Director will determine whether any such communication will be distributed to the full Board or, if requested by the sender, only to the independent directors. However, if so requested by any interested party in any written communication, the Corporate Secretary will, in lieu of the foregoing process, forward any such written communications to the Lead Director or the independent directors as a group on a confidential basis.

The Company s Corporate Governance Guidelines provide that all directors are expected to attend each annual and special meeting of the shareholders of the Company. At the 2015 Annual Meeting, held on March 24, 2015, all of the Company s directors were in attendance (other than Mr. Giacomini who was appointed to the Board in August 2015).

Compensation Committee Interlocks and Insider Participation

During fiscal 2015, the Compensation Committee of the Board was composed of James W. Bradford, Jr., Robert J. Burgstahler, Wesley M. Clark, Mark A. Emkes, Paul Donovan and Robert H. Jenkins. None of these persons has at any time been an officer or employee of the Company or any of its subsidiaries. In addition, there are no relationships among our executive officers, members of the Compensation Committee or entities whose executives serve on the Board or the Compensation Committee that require disclosure under applicable regulations of the SEC.

Certain Transactions

Item 404 of Regulation S-K under the Exchange Act requires the disclosure of any related party transactions between the Company and any of its directors, director nominees, executive officers, 5% shareholders or their family members since the beginning of the last fiscal year (Item 404 Transactions). Each year, the Company requires its directors and executive officers to complete a formal questionnaire and certification, one of the purposes of which is to disclose any related-party transactions with the Company, including any potential Item 404 Transactions.

The Company does not have a history of engaging in related-party transactions with its directors or executive officers or their respective related persons or affiliates and does not have a formal or other written policy regarding the analysis or approval of such transactions. Even in the absence of a formal policy, any material proposed related-party transaction, including any Item 404 Transaction irrespective of materiality, would be brought before the Board or a specially designated committee thereof (with any interested director recusing him or herself from the proceedings) to be specifically considered and approved before the Company would knowingly engage in any such transaction.

As discussed above under the heading Independence , the Company hired Paul Donovan s son-in-law, David Janicek, as the Company s Vice President Corporate Controller in January 2012. As described above under Independence and in greater detail in the Company s Proxy Statement filed with the SEC on February 17, 2012, the special committee and Board determined that hiring Mr. Janicek would be in the best interest of the Company and did not present a conflict of interest.

The Board reconsiders and reconfirms this determination on an annual basis, and did so on January 23, 2016 and, following Mr. Janicek s appointment as Vice President of Corporate Strategy and Business Development, again on February 8, 2016. Mr. Donovan had no knowledge of Mr. Janicek s appointment to his new position before it was announced to the Company, and he has no input or oversight regarding Mr. Janicek s compensation and other terms or employment, all of which are in line with those of other Company employees of Mr. Janicek s level of responsibility, seniority and performance. Following his appointment as Vice President of Corporate Strategy and Business Development, Mr. Janicek s base salary will be increased by approximately 4% effective April 1, 2016 and, as a Vice President reporting directly to Mr. Conway, Mr. Janicek will be entitled to participate in the Company s automobile leasing program described in the Compensation Discussion and Analysis. Nevertheless, Mr. Janicek s target compensation package in respect of fiscal 2016, including base salary, target bonus, participation in the automobile program and the grant-date value of all equity awards, remains less than $500,000.

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Compensation Consultant Independence

The Compensation Committee and, as described previously under Meetings and Fees , the Governance Committee, engaged the services of FWC as an independent advisor on matters of executive and director compensation, respectively, in respect of and during fiscal 2015 (the Engagement). FWC reports directly to the Compensation Committee and the Governance Committee, as the case may be, and provides no other remunerated services to the Company or any of its affiliates. In accordance with the requirements of Item 407(e)(3)(iv) of Regulation S-K, the Company has affirmatively determined that no conflicts of interest exist between the Company and FWC (or any individuals working on the Company s account on FWC s behalf). In reaching such determination, the Company considered the following enumerated factors, all of which were attested to or affirmed by FWC:

(1) During fiscal 2015, FWC provided no services to and received no fees from the Company other than in connection with the Engagement;

(2) The amount of fees paid or payable by the Company to FWC in respect of the Engagement represented (or are reasonably certain to represent) less than 1% of FWC s total revenue for the 12-month period ended November 28, 2015;

(3) FWC has adopted and put in place adequate policies and procedures designed to prevent conflicts of interest, which policies and procedures were provided to the Company;

(4) There are no business or personal relationships between FWC and any member of either the Compensation Committee or the Governance Committee other than in respect of (i) the Engagement, or (ii) work performed by FWC for another company, board of directors or compensation or governance committee for whom such Committee member also serves as an independent director;

(5) FWC owns no stock of the Company; and

(6) There is no business or personal relationship between FWC and any executive officer of the Company other than in respect of the Engagement.

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BENEFICIAL OWNERSHIP OF THE COMPANY S COMMON STOCK

Certain Beneficial Owners

The following table sets forth the ownership according to the most recent Schedules 13G and 13D, as applicable, and amendments thereto (as described in the footnotes to the table) filed with the SEC on or before February 6, 2016 by beneficial owners of more than 5% of the Company s common stock.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class[1]
Black Rock, Inc.[2] 55 E. 52nd St. New York, NY 10055	4,233,452	8.7%
Neuberger Berman Group LLC[3] Neuberger Berman LLC Neuberger Berman Management LLC Neuberger Berman Equity Funds 605 Third Avenue New York, NY 10158	4,039,775	8.3%
The Vanguard Group, Inc.[4] 100 Vanguard Blvd. Malvern, PA 19355	3,465,989	7.1%
State Street Corporation[5] State Street Financial Center One Lincoln Street Boston, MA 02111	3,225,131	6.6%
Eaton Vance Management[6] 2 International Place Boston, MA 02110	2,977,954	6.1%

(1) Calculated based on 48,513,450 shares outstanding at January 31, 2016.

(2) Based upon a Schedule 13G filed with the SEC on January 26, 2016 reporting sole voting power with respect to 4,124,069 shares and sole dispositive power with respect to 4,233,452 shares.

(3) Based upon a Schedule 13G filed with the SEC on February 12, 2015 reporting (i) Neuberger Berman Group LLC and Neuberger Berman LLC have shared voting power with respect to 4,029,475 shares and shared dispositive power with respect to 4,039,775 shares; (ii) Neuberger Berman Management LLC has shared voting and dispositive power with respect to 3,660,790 shares; and (iii) Neuberger Berman Equity Funds has shared voting and dispositive power with respect to 3,264,388 shares.

(4) Based upon a Schedule 13G filed with the SEC on February 11, 2015 reporting sole voting power with respect to 68,138 shares, sole dispositive power with respect to 3,402,651 shares, and shared dispositive power with respect to 63,338 shares.

(5) Based upon a Schedule 13G filed with the SEC on February 12, 2015 reporting shared voting and dispositive power with respect to 3,225,131 shares.

(6) Based upon a Schedule 13G filed with the SEC on January 13, 2015 reporting sole voting power and dispositive power with respect to 2,977,954 shares.

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Directors and Executive Officers

The following table provides information concerning the shares of Common Stock of the Company beneficially owned as of January 31, 2016 by all directors, by all named executive officers and by all current directors and executive officers of the Company as a group.

SECURITY OWNERSHIP - MANAGEMENT

Class	Name	Shares Owned Outright[1]	Vested Stock Options[2]	Restricted Stock Units[3]	Total	Percent of Class[4]
Common Stock	James W. Bradford Jr.	15,048	15,000		30,048	*
Common Stock	Robert J. Burgstahler	22,374	52,500		74,874	*
Common Stock	Wesley M. Clark	6,446	0		6,446	*
Common Stock	Christopher L. Conway	15,054	306,000	3,623	324,677	*
Common Stock	Paul Donovan	1,799	37,500		39,299	*
Common Stock	Mark A. Emkes	8,943	15,000		23,943	*
Common Stock	David J. Fallon	3,217	105,860	2,231	111,308	*
Common Stock	Sam Ferrise	54,866	234,787		289,653	*
Common Stock	Thomas W. Giacomini	1,909	0		1,909	*
Common Stock	Robert H. Jenkins	43,716	45,000		88,716	*
Common Stock	David J. Lindsay	22,808	132,450		155,258	*
Common Stock	Philip R. Lochner, Jr	29,920	15,000		44,920	*
Common Stock	James L. Packard	63,693	52,500		116,193	*
Common Stock	Keith A. White	846	6,875		7,721	*
Common Stock	Richard M. Wolfson	18,190	98,750	2,204	119,144	*
All Directors and Executive Officers as a Group (16 persons total)					1,434,109	2.96%

* Less than one percent

1 All shares are directly owned except as follows: Mr. Donovan - all 1,799 owned by Mr. Donovan s wife; Mr. Lindsay - includes 11,002 shares held by a family trust.

2 Includes all shares subject to unexercised stock options granted pursuant to the Company s Incentive Plans which have vested by January 31, 2016 or which will vest within 60 days from January 31, 2016.

3 Includes all restricted stock units granted under the Company s Incentive Plans (i) which have vested prior to January 31, 2016 and which have been deferred, or (ii) which will vest (irrespective of any deferral election by the grantee) within 60 days from January 31, 2016.

4 Based on 48,513,450 shares outstanding at January 31, 2016.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company s executive officers and directors and persons who beneficially own more than 10% of the outstanding shares of the Company s common stock to file reports of ownership and changes in ownership with the SEC and the NYSE. Based solely on our review of those forms filed in fiscal 2015 and certain written representations from our executive officers and directors, we believe that all of our executive officers, directors and greater than 10% beneficial owners were in compliance with all applicable filing requirements under Section 16(a).

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COMPENSATION OF EXECUTIVE OFFICERS AND OTHER INFORMATION

Compensation Discussion and Analysis

Executive Summary

Fiscal 2015 Performance

Fiscal 2015 was a disappointing year for many U.S. industrial companies, including the Company, and our financial results were below expectations. After a strong start in the first part of the year, we experienced significant sales declines in the second half of the year due in large part to macro-economic pressures across substantially all of our markets, which accelerated as the year progressed. Our sales results during the year were further harmed by lower foreign-exchange rates. As a result, we fell significantly short of our revenue and earnings forecasts that we publicly announced at the beginning of the year as well as our internal financial goals.

Consistent with our philosophies of pay-for-performance and aligning executive compensation with shareholder performance, our executive officers experienced corresponding significant declines in the value of their respective total direct compensation packages in fiscal 2015 versus fiscal 2014 when measured at respective fiscal year-ends, as well as in the value of their personal holdings. (For purposes of this proxy statement, total direct compensation means the base salary, short-term cash incentive compensation and equity awards payable to any executive officer in any fiscal year, but excludes any change in the officer s pension value and items reflected for the officer in the All Other Compensation column of the Summary Compensation Table.)

In the case of Mr. Conway, his incentive cash compensation decreased by approximately 93%, from approximately $1.4 million for fiscal 2014 to approximately $93,000 for fiscal 2015. Additionally, as discussed below under the heading Three Year LTI Program , as a result of the Company s lower-than-expected 2015 financial results, the Company does not currently believe that any of the performance-based RSUs granted to our named executive officers at the beginning of fiscal 2015 under the Company s Three Year LTI Program will actually vest following the end of the three-year performance period based on probable performance outcomes. Consequently, we believe that it is unlikely that any portion of the grant date fair values of these awards that are included in the Summary Compensation Table in accordance with SEC rules will actually be realized, and the Company is no longer accruing for this liability under applicable accounting procedures.

Finally, in recognition of the Company s disappointing fiscal 2015 financial results and the impact of the previously announced restructuring that the Company implemented in November 2015 which resulted in, among other things, the elimination of approximately 200 jobs, the Committee, at management s own recommendation, decided not to increase base salaries or target total direct compensation levels for any of our executive officers other than Mr. White for fiscal 2016, despite the fact that, in many cases, their respective target total direct compensation levels remain below median in comparison with the Company s peer group.

Notwithstanding the difficult business climate in fiscal 2015 faced by the Company and many companies within its peer group, the Company realized substantial achievements in various areas and continued to make progress on a number of key initiatives.

In June 2015, we successfully completed the divestiture of the Company s packaging business, J.L. Clark, for what we believe was an attractive purchase price, allowing management to better focus on key areas of growth and potential.

We substantially completed the launch of the CLARCOR Innovation Center, a centralized R&D facility, to support and accelerate our technological capabilities in the filtration space.

We attracted significant leadership talent to our Engine/Mobile Group, adding or replacing key leadership positions throughout that division.

We increased our quarterly dividend to $0.22 per share in October 2015, representing an 10% increase over our prior dividend, while continuing to invest in growth-related initiatives.

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Realizable Pay

While many of the required compensation disclosures under SEC rules represent awards that *may be earned*, realizable pay considers pay that is *actually* earned based on performance. The following chart demonstrates how Mr. Conway's realizable total direct compensation at the end of fiscal 2015 was $1,968,000, or less than half of his target total direct compensation of $4,221,000 for this fiscal year, utilizing the assumptions set forth below. We believe that this result demonstrates the Company's pay-for-performance philosophy:

Mr. Conway's Fiscal 2015 Target Total Direct Compensation (TDC) Vs. Realizable TDC at End of Fiscal 2015 ($000s)

In the chart above, Mr. Conway s FY 2015 TDC reflects the following:

- Mr. Conway s base salary for fiscal 2015;
- Mr. Conway s target bonus opportunity for fiscal 2015 performance under the Company s CVA Model;
- The grant date fair value of the 120,000 time-vesting stock options awarded to Mr. Conway at the beginning of fiscal 2015, utilizing the same Black-Scholes model referenced in the Summary Compensation Table;
- The grant date fair value of the 10,000 time-vesting restricted stock units awarded to Mr. Conway at the beginning of fiscal 2015, based on the closing stock price on the grant date, consistent with the amount reflected in the Summary Compensation Table; and

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- The grant date fair value of the 12,121 restricted stock units awarded to Mr. Conway under the Three-Year LTI Program, intended to reward superior performance over a three year period (fiscal 2015-2017), based on target achievement and the closing stock price on the grant date, consistent with the amount reflected in the Summary Compensation Table.

In contrast, Mr. Conway s Realizable TDC for FY 2015 in the above chart reflects the following:

- Mr. Conway s base salary rate for calendar 2015 (which salary is slightly higher than the salary reflected for Mr. Conway in the Summary Compensation Table due to the one month lag before Mr. Conway s 2015 salary actually took effect);
- Mr. Conway s actual bonus paid in fiscal 2016 for 2015 performance under the Company s CVA Model, as reflected in the Summary Compensation Table for 2015;
- The fair value of the 120,000 time-vesting stock options awarded to Mr. Conway at the beginning of fiscal 2015, measured on the last day of fiscal 2015, using the same Black-Scholes model (with updated assumptions) referenced in the Summary Compensation Table;
- The fair value of the 10,000 time-vesting restricted stock units awarded to Mr. Conway at the beginning of fiscal 2015, measured on the last day of fiscal 2015 using the closing stock price on such date, plus the cash dividends paid thereon during fiscal 2015; and
- The fact that the 12,121 restricted stock units awarded to Mr. Conway under the Three-Year LTI Program are unlikely to vest, and will consequently have no value, based on the Company s assessment at the end of fiscal 2015 that the applicable performance thresholds are unlikely to be met, which assessment is consistent with the Company no longer accruing any liability related to these awards under applicable accounting procedures.

Last Year s Say on Pay Vote

At last year s Annual Meeting, the Company s shareholders approved the Company s compensation policies and practices for fiscal 2014 through an advisory say on pay vote. Of the 44,417,154 votes that were cast on this matter, 43,305,387, or 97.5%, were in favor of approval, 975,193, or 2.2%, were against approval, and 136,574, or 0.3%, were abstentions. The Compensation Committee of the Board (the Committee) and the Company viewed these results as a strong indication that the Company s shareholders support the compensation policies and practices of the Company.

This year s say on pay proposal is Proposal 2 in this Proxy Statement, below.

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Fiscal 2015 Summary Chart

The following table sets forth an executive summary of the Company s compensation programs relating to the named executive officers and how they were implemented in fiscal 2015. Each of the points referenced in the table is more fully explained further below in this Compensation Discussion and Analysis:

Compensation Program/Element	General Description/Commentary	Fiscal 2015 Commentary Relating to Named Executive Officers
Annual Base Salary	Base salaries are maintained at or below median for the executives in comparable positions at comparable companies and normally represent less than 50% of an executive s target total compensation.	At the outset of fiscal 2015, as part of the Company s multi-year plan to gradually increase Mr. Conway s overall compensation package to market competitive levels over time, Mr. Conway s 2015 base salary was increased to $800,000. Notwithstanding the increase, Mr. Conway s base salary remained below the median base salary payable to CEOs of the companies in the Company s peer group. Mr. Lindsay s, Mr. Fallon s and Mr. Wolfson s base salaries were increased for 2015 by 9%, 4% and 5%, respectively, over 2014 levels in recognition that such base salaries were below median. Mr. White s base salary was increased 14.5% from $275,000 to $315,000 in recognition of his promotion to division President and executive officer of the Company in June 2014, and his performance as the President of Clarcor Industrial Air. Mr. Ferrise, who retired at the end of fiscal 2015, received a standard merit increase of 3%.

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Compensation Program/Element	General Description/Commentary	Fiscal 2015 Commentary Relating to Named Executive Officers
Cash Incentive Compensation	The Company determines cash-incentive compensation under its CVA Model , which employs an objective, pre-determined formula that measures how well the Company uses certain of its assets. The Company has used the CVA Model for at least the last 15 years. The CVA Model applies to approximately 100 managers throughout the Company and its operating units, and not just executive officers. The CVA Model is directly tied to the Company s annual operating profit, and is objectively performance-based.	Fiscal 2015 payouts were based on the application of the objective CVA Formula and based on targets that were established at the beginning of fiscal 2015. The Company did not meet its target level of CVA performance in fiscal 2015. As a result, fiscal 2015 cash incentive compensation was paid out at levels well below target. At the outset of fiscal 2015, Mr. Fallon s, and Mr. Ferrise s target levels for 2015 as a percentage of base salary were increased by five percentage points to 65% and 55%, respectively, in recognition that their target cash compensation levels were below median. This did not materially impact their payouts in respect of fiscal 2015, however, as the Company and, in the case of Mr. Ferrise, the Company s Engine/Mobile division, failed to achieve target CVA performance. At the outset of fiscal 2015, Mr. White s target level for 2015 as a percentage of base salary was increased from 45% to 55% in recognition of his promotion to division President and executive officer in June 2014. This did not materially impact his payout in respect of fiscal 2015, however, as the Company and the Company s Industrial Air division failed to achieve target CVA performance. Mr. Conway s, Mr. Wolfson s and Mr. Lindsay s target levels for 2015 as a percentage of base salary were unchanged from fiscal 2014 levels, and remained at 100%, 50% and 45%, respectively.

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Compensation Program/Element	General Description/Commentary	Fiscal 2015 Commentary Relating to Named Executive Officers
Performance-Based Long-Term Incentives (Equity Grants)	During fiscal 2015 the Company created the Three Year LTI Program to incentivize responsible growth over a longer-term time horizon. Approximately 75 management-level employees were selected to participate in the Three Year LTI Program. The targets for the awards were based on whether the Company and/or certain of its business units achieved certain sales and operating profit margin targets by the end of fiscal 2017, and were intended to represent exceptional performance and to be difficult to achieve.	Each of the named executive officers received performance-based RSU awards having a grant date fair market value equal to the executive s 2015 base salary. Based on the Company s performance through the end of fiscal 2015, the Company does not expect that the required performance thresholds for these awards will be achieved. Consequently, none of these RSUs are expected to vest, and the Company is no longer accruing for this liability under applicable accounting procedures.
Time-Based Long-Term Incentives (Equity Grants)	The Company awards time vested stock options and RSUs to its executive officers. Vesting schedule for both types of awards is pro rata over four years. These awards represent a significant portion of an executive officer s total compensation. When combined with target cash incentive payments under the CVA Model, more than 50% of each of our executive officer s targeted compensation (i.e., compensation other than changes in pension value and deferred compensation) is at risk .	In fiscal 2015, the Committee modestly increased the weighting of time-vesting RSUs relative to time-vesting stock options compared with fiscal 2014. Grants of time-vesting stock options in 2015 were generally consistent with recent historical practice, with the exception of Mr. White, whose grant was increased over 2014 levels in recognition of his promotion to division President and executive officer in June 2014.

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Compensation Program/Element	General Description/Commentary	Fiscal 2015 Commentary Relating to Named Executive Officers
Perquisites	The Company provides limited perquisites to executive officers: Executive physicals (also provided to certain other senior-level employees) Company cars (also provided to certain other senior-level employees) Financial planning, tax preparation and estate planning services (which most executive officers do not use every year) The Company does not provide tax-gross ups on these perquisites. Recipients are responsible for paying any associated income tax.	No changes from prior year.
Employment Agreements	No named executive officer has an employment agreement with the Company, other than Mr. White. Mr. White s employment agreement was entered into as part of the Company s acquisition of the Air Filtration business from General Electric Company (GE) in December 2013. This agreement (i) guaranteed employment to Mr. White for two years following the closing of the acquisition (which time period has now expired); (ii) provided for a special one-time grant of 1,000 performance-based RSUs based on his business unit s 2014 performance (which performance target was achieved), and (iii) provided that the Company would make three supplemental annual contributions (in each of 2014, 2015 and 2016) to Mr. White s 401(k) account equal to 3% of his base salary, to compensate him for the loss of further benefits under his GE pension.	No employment agreements were entered into or modified with any named executive officer in fiscal 2015.

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Compensation Program/Element	General Description/Commentary	Fiscal 2015 Commentary Relating to Named Executive Officers
Change in Control Agreements	The Company provides executive officers and other executives with Change in Control Agreements. These are double trigger and generally provide for 3 years of cash and benefits and accelerated equity vesting in the event of certain terminations of employment following a Change in Control.	Mr. White s Change in Control agreement was amended during fiscal 2015 to provide him with the same 3 years of cash, benefits and accelerated equity as other executive officers in the event of certain terminations following a Change of Control. (Previously, Mr. White s Change of Control agreement provided for one year of salary, benefits and accelerated equity.) When his agreement was amended, the Company removed the excise tax gross-up provision therefrom. Consequently, if Mr. White s payments would trigger the application of excise tax, Mr. White will either receive a reduced level of payout (such that the excise tax is not triggered) or a full payout, but pay the tax himself, whichever of these results is more beneficial to him.

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Compensation Program/Element	General Description/Commentary	Fiscal 2015 Commentary Relating to Named Executive Officers
Retirement Benefits	The Company provides certain legacy retirement programs above and beyond its 401(k) plan, but only Mr. Lindsay participates in these legacy programs (as did Mr. Ferrise before his retirement at the end of fiscal 2015). The Company s Chief Executive Officer, Mr. Conway, Mr. Fallon, Mr. White and Mr. Wolfson do not. No named executive officer participates in the Company s Executive Retirement Plan. The Company has a restoration program to allow all employees whose cash compensation exceeds certain IRS mandated limits ($265,000 in 2015) to receive a match on certain funds contributed to their deferred compensation accounts. This program is intended to provide approximately 30 or 40 of the Company s senior managers, and not just the named executive officers, the same retirement benefits offered to all Company employees on a percentage of compensation basis.	There were no changes to the terms of any of the Company s retirement plans, or to executives participation in the retirement plans, in fiscal 2015.
Stock Ownership Guidelines	After five years of service as CEO, the Company requires its CEO to own Company stock worth 4 times his base salary. After five years of service as an executive officer, the Company requires other executive officers to own Company stock worth 2 times their respective base salary.	The Compensation Committee has determined that all of the Company s executive officers, including named executive officers, are in compliance with the stock ownership guidelines, based on their respective years of tenure in their current positions.

Compensation Overview and Philosophies

Through its compensation policies, the Company seeks to attract and retain high quality leadership and to assure that the executive officers and senior management of the Company are compensated in a manner consistent with their performance, shareholder interests, competitive practice and the applicable requirements of regulatory bodies. The Committee reviews and approves the compensation policies and practices of the Company, particularly in respect of executive officers and other members of senior management. All of the members of the Committee are independent directors as determined under the NYSE corporate governance rules, and none of them has at any time been an officer or employee of the Company or any of its subsidiaries.

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The key principles listed below are reflected in structuring the compensation packages for the Chief Executive Officer and the other executive officers of the Company. None of these principles is accorded any specific weight or, as a matter of policy, considered as being more important than the others.

Pay for Performance

A significant percentage of an executive s total compensation is linked to Company financial and stock price performance as well as the executive s individual performance in attaining the Company s objectives. This structure is designed to reward both short-term and long-term performance and align the interests of management with the long-term interests of the Company s shareholders.

Competitiveness

Our executives total compensation packages, as well as the individual components thereof, are generally designed to be competitive with the median compensation levels of those of executives occupying comparable positions in comparable companies. Elements of the total compensation package are also designed to allow an opportunity to earn more than median compensation levels when the Company delivers exceptional performance. The Company believes that the opportunity to achieve earnings in excess of median under this framework provides a significant challenge and incentive to the executive officers of the Company.

Executive Ownership

A major component of each executive s compensation is equity-based in the form of stock options and restricted stock units. As a result, our executive officers interests are directly linked with our shareholders interests. The Company believes that equity-based compensation properly balances the rewards for long-term versus short-term results.

Management Development

The compensation packages are also designed to attract and retain quality executives with the skills and other competencies required to meet the Company s objectives and to enhance shareholder value.

Establishing Compensation for Executive Officers

The Committee is responsible for reviewing and overseeing the executive compensation practices and policies of the Company, particularly in respect of executive officers and other members of senior management. To assist it in this endeavor, the Committee has historically engaged independent compensation consulting firms to (i) review on a regular basis relevant market and other data regarding executive compensation and review holistically from time to time the compensation programs for the Company s executive officers, and (ii) otherwise advise the Committee on matters of executive compensation. For several years, the Committee has engaged FWC as its independent advisor on matters of executive compensation. Notwithstanding this engagement, the Committee considers the input of outside consultants such as FWC to be but one of several factors in evaluating and establishing the Company s compensation programs and the compensation paid to senior management. These other factors include but are not limited to the recommendations of the Company s Chief Executive Officer (other than with respect to the compensation of the Chief Executive Officer himself); the performance of the Company, its operating units and their respective executives; market factors such as the health of the economy and of the industries served by the Company; the availability of executive talent generally; executives length of service; internal assessments and recommendations regarding particular executives; and the succession planning initiatives of the Company.

Tally Sheets

Each year, the Company prepares and the Committee receives updated tally sheets on each executive officer and other senior members of management that show each individual s historical, actual and expected levels of total compensation until a projected retirement age of 65. Among other things, these tally sheets detail:

- The actual salary, cash incentives and total compensation paid to each executive over the past 5 years;
- Gains realized by each executive from the exercise of stock options and the vesting of restricted stock units dating back to the start of his employment;

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The expected value of each executive s current and anticipated future stock holdings and stock options under different assumptions regarding the Company s stock price;

Severance benefits payable to each executive in connection with various potential termination scenarios; and

The expected value of each executive s retirement benefits.

These tally sheets are used for two purposes. First, the Company uses the information as part of its retention efforts by communicating the underlying information to each executive officer and other senior members of management and demonstrating to such individuals the value in remaining with the Company until retirement. Second, the Committee uses these tally sheets in order to monitor compensation for each of the executive officers and other members of senior management on a holistic level and to better understand each executive s compensation standing over the expected life of his career, as well as the impact that current pay decisions have on other aspects of compensation, including pension amounts and severance benefits. The Committee generally does not use, and in fiscal 2015 did not use, the tally sheets to make specific compensation decisions with respect to the named executive officers or with respect to the specific design or modification of the Company s compensation programs.

Market Comparisons/Peer Group

In considering the competitiveness of the Company s compensation levels, the Committee refers to outside data, including data in respect of a defined peer group of companies that the Company believes approximate the Company in one or more meaningful ways, which may include such other companies revenues, market capitalization, operational and geographical structure, and industries/markets, as well as third party considerations (e.g., as where members of the financial or business community treat a particular company as being a Company peer). As explained below, peer group data is not the only external data the Company considers for assessing the competitive nature of its compensation programs, and, as explained above, such competitive assessment itself is but one of the factors the Committee considers in establishing executive compensation.

The Company believes that the selection of a peer group to be used for assessing the competitiveness of its executive compensation levels is something that requires reconsideration every year. The Company reviews its peer group on an annual basis and changes certain members of the peer group as the Company refines its comparison criteria and when the Company and members of the peer group change in ways that make comparisons less or more appropriate.

Following a comprehensive review by FWC in June of 2014, the Committee decided to make several changes to the Company s peer group in respect of fiscal 2015 in order to better align the Company s peer group with the Company in terms of similarity of business, median revenue and market capitalization, particularly following the Company s acquisition activity in fiscal 2014, which caused the Company s revenues to significantly increase between 2013 and 2014. In furtherance of these objectives, the Committee added Crane Co., Watts Water Technologies, Inc. and Woodward, Inc. to the Company s 2015 peer group in comparison to its 2014 peer group and eliminated Columbus McKinnon, Kaydon Corporation and ESCO Technologies Inc. from the Company s 2014 peer group.

Following these changes, the peer group used for purposes of fiscal 2015 compensation benchmarking was comprised of the following 18 companies:

2015 Peer Group

Actuant Corporation	CIRCOR International, Inc.	Graco Inc.	Westinghouse Air Brake Technologies Corporation (Wabtec)
Altra Holdings Inc.	Crane Co.	IDEX Corporation	Watts Water Technologies, Inc.
Astec Industries, Inc.	Donaldson Company, Inc.	Nordson Corporation	Woodward, Inc.
Barnes Group Inc.	Dresser-Rand Group Inc.	Pall Corporation	
Chart Industries, Inc.	EnPro Industries, Inc.	The Toro Company	

In addition to the peer group data which is drawn directly from publicly available proxy filings, the Company also uses compensation survey data that is drawn from surveys of thousands of companies in connection with its competitive analysis. This survey data derives from national, general industry surveys and is scoped by FWC to be representative of the revenue responsibility of the Company s executive officers. Generally speaking, the Company uses peer group and survey data to establish benchmarks for levels of base salary, target annual incentive opportunity and equity grants rather than to structure the Company s compensation programs.

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The Company believes that using both peer group and survey data provides a more comprehensive set of data on which to base comparisons of compensation practices and programs among companies. Because the peer group data derives from proxy statements filed with the SEC, the Company believes that such data is more transparent, but comes from a more limited sample size and may be more difficult to correlate to positions other than the Chief Executive Officer and Chief Financial Officer. Survey data, on the other hand, comes from a much larger sample size and may be more easily correlated to certain executive positions, but necessarily includes companies outside of a defined peer group.

Fiscal Year 2015 Compensation Analysis

Using the peer group and survey data described above, the Committee asked FWC to prepare a comprehensive competitive assessment of the annual salary, target total cash compensation and target total direct compensation (which consists of the sum of annual salary, target annual cash incentives and the value of annual long-term incentive awards) for each of the Company s executives, including the named executive officers. The results of this analysis showed that the Company s target total direct compensation levels with respect to its executives were generally below median relative to both the survey data and the peer group data.

The Committee used this assessment as its starting point in making 2015 compensation decisions in respect of the executive officers and also considered various other factors with respect to these individuals, including their respective importance to the Company, their respective expected future contribution to the Company, their respective skill sets and performance to date, competitive pressures (i.e., hire-away risk), tenure, and the difficulty and cost of replacement.

CEO Compensation

As discussed in prior years proxy statements, since appointing Mr. Conway as President and Chief Executive Officer in December 2011, the Board has structured Mr. Conway s compensation package in a conservative manner and with the goal of gradually increasing such compensation to market levels over time, assuming continued strong individual performance. As described further below, the decisions regarding each element of Mr. Conway s target total direct compensation package in respect of fiscal 2015 were consistent with this plan.

Components of Executive Pay

The following is a discussion of each of the individual components of the Company s executive compensation program, including how these components were implemented in respect of fiscal 2015.

Annual Salary The Company believes it is appropriate to provide its executives with a level of base salary commensurate with their respective experience, responsibilities and accomplishments. The Committee generally approves the salaries for the executive officers on an annual basis at a meeting of the Committee held early in the first quarter of the fiscal year.

Annual Salary Decisions for Fiscal 2015

Based on the considerations previously discussed, the Committee approved increases to the annual salaries of the Company s named executive officers at the outset of fiscal 2015.

As part of its plan to gradually increase Mr. Conway s compensation to competitive levels and in recognition of Mr. Conway s performance during fiscal 2014, the Committee increased Mr. Conway s base salary from $700,000 to $800,000 at the outset of fiscal 2015. Despite the increase in his base salary, Mr. Conway s target cash compensation for fiscal 2015 remained slightly below peer group and survey data medians.

With respect to Mr. Fallon, the Committee increased his base salary from $400,000 to $415,000 at the outset of fiscal 2015. The Committee did this in recognition of the fact that Mr. Fallon s base salary and target total direct compensation were below median compared to the Company s peer group and with respect to survey data, and also in recognition of Mr. Fallon s individual performance in his role as Chief Financial Officer.

With respect to Mr. Wolfson, the Committee increased his base salary from $325,000 to $340,000 at the outset of fiscal 2015. The Committee did this in recognition of the fact that Mr. Wolfson s base salary and target total direct compensation were below median, as compared to the Company s peer group and with respect to survey data, and also in recognition of Mr. Wolfson s individual performance in his role as General Counsel.

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With respect to Mr. Lindsay, the Committee increased his base salary from $266,000 to $290,000 at the outset of fiscal 2015. The Committee did this in recognition of the fact that Mr. Lindsay s base salary and target total direct compensation were below median, as compared to the Company s peer group and with respect to survey data, and also in recognition of Mr. Lindsay s individual performance in his role as Chief Administrative Officer.

With respect to Mr. White, the Committee increased his base salary from $275,000 to $315,000 at the outset of fiscal 2015. The Committee did this in recognition of Mr. White s promotion to division President and Company executive officer in June 2014, the fact that Mr. White s base salary and target total direct compensation were below median compared to the Company s peer group and with respect to survey data, and also in recognition of Mr. White s individual performance in his role as President of the Company s Industrial Air division.

The Committee also approved a standard 3% merit increase for Mr. Ferrise at the outset of fiscal 2015, increasing his base salary from $402,000 to $415,000.

As a result of the foregoing determinations, the fiscal 2015 salaries of the named executive officers compared with their fiscal 2014 salaries (rounded to the nearest thousand dollars in each case) were as follows:

Name	Fiscal 2014 Annual Salary	Fiscal 2015 Annual Salary	Percentage Increase
Christopher L. Conway	$700,000	$800,000	14%
David J. Fallon	$400,000	$415,000	4%
Sam Ferrise	$402,000	$415,000	3%
David J. Lindsay	$266,000	$290,000	9%
Keith A. White	$275,000	$315,000	14.5%
Richard M. Wolfson	$325,000	$340,000	5%

Performance-based Cash Incentive Compensation The Company believes that a substantial portion of an executive officer s target cash compensation should be incentive-based. Therefore, the Company has implemented a cash incentive program that provides named executive officers and certain other employees of the Company with the opportunity to earn cash incentive compensation for the achievement of annual goals. Such incentive-based cash compensation is contemplated under the 2014 Incentive Plan, which was approved by the shareholders of the Company at the 2014 Annual Meeting of Shareholders. The aggregate maximum amount of performance-based incentive compensation, including cash, payable under the 2014 Incentive Plan in any fiscal year to any individual is $3,000,000.

The 2014 Incentive Plan allows the Company and the Committee to implement a broad variety of performance-based cash incentive plans and programs. The Company traditionally uses the CLARCOR Value Added Incentive model (CVA Model) to determine annual incentive-based cash compensation. The Company uses the CVA Model for purposes of determining annual cash incentive compensation not only for the named executive officers, but also for approximately 100 senior management employees of the Company and its various subsidiaries.

Pursuant to the CVA Model, annual cash incentive awards are based upon the achievement of specified corporate and operating unit profit goals using an objective formula (the CVA Formula), although the Committee retains discretion to make adjustments as discussed further below. The CVA Formula effectively measures the amount by which the Company s after-tax earnings exceed the Company s cost of capital in relation to certain assets under management s control. As a result, the CVA Model is designed to reward the effective deployment of the Company s capital. Moreover, because the CVA Model is an earnings-based program, compensation paid under the program is by definition self-funding and must pay for itself each year.

As described in the 2015 Proxy Statement, during fiscal 2014 the Company modified the CVA Formula in response to the findings and recommendations of senior financial personnel from all of the Company s principal operating units in order to improve the effectiveness of the CVA Model as an incentivizing compensation tool and to better align it with certain newly articulated corporate goals regarding management of certain key working capital accounts. Specifically, the finance group recommended (i) limiting the CVA Formula to certain working capital accounts (i.e., accounts receivable, accounts payable, inventories and customer deposits), and (ii) updating the tax rate and the deemed cost of capital used in the CVA Formula (which serve as constants in the CVA Formula) to 32% and 12%, respectively.

The Committee considered management s recommendations and discussed the same with the entire Board and with its independent advisor, FWC. As part of its consideration, the Committee reviewed anticipated fiscal 2014 and historical CVA Model payouts at both the consolidated corporate and operating company level and

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considered what the CVA Levels (and associated payouts) would have been if the recommended changes had been in effect historically. This analysis showed that in the majority of past years, including in respect of fiscal 2014 (the year in which the changes were adopted), payouts would have been lower had management s recommendations been adopted and in effect. No comparative calculation was made in respect of fiscal 2015, since the changes already had been introduced.

The CVA Model and CVA Formula (as revised) are conceptually discussed in detail below. Following this discussion, we discuss how the CVA Model and CVA Formula were applied in respect of fiscal year 2015.

The CVA Model and CVA Formula Conceptual Discussion

The CVA Formula is as follows:

(Budgeted Operating Profit x 68%) (Budgeted Net Working Capital Assets x 12%) = Target CVA

In the CVA Formula, the 68% factor represents a deemed 32% tax rate, and the 12% factor represents the Company s deemed cost of capital. These percentages are intended to be held constant from year to year so as to allow for meaningful comparisons across years, and do not necessarily reflect the Company s actual tax rate or cost of capital in any given year. Budgeted Net Working Capital Assets are limited to inventories, accounts receivable, accounts payable, and customer deposits.

For fiscal 2015, the Company s budgeted operating profit and budgeted net working capital assets for compensation purposes were approximately $245.6 million and $477.3 million, respectively, and Target CVA was therefore approximately $109.7 million.

The variable factors in the CVA Formula are the Company s budgeted operating profit and its budgeted net working capital assets. As a general rule, the budgets of each significant operating unit and the Company as a whole contemplate that revenue and profit will grow over prior year levels, although this is not always the case.

The Company s budgeted operating profit and budgeted net working capital assets used for CVA purposes are drawn directly from the Company s annual budget, which is reviewed and approved by the Board. On rare occasions the Committee may set the Company s consolidated budgeted operating profit for CVA purposes at a level different from the consolidated operating profit established under the annual budget, if the Committee believes that the consolidated annual budget is too aggressive or conservative for compensation purposes. This did not occur in fiscal 2015.

Payouts under the CVA Model are divided into Levels of CVA performance. Level 1 represents the entry point i.e., the Level that must be achieved before payouts can occur. Level 6 represents the achievement of target CVA under the CVA Formula and Level 10 represents the achievement of some point in excess of target CVA, as discussed in the next paragraph. The CVA Formula applies equally to all employees whose incentive compensation is subject to the CVA Model; only the target percentage of an individual s salary for a certain level of performance differs among eligible employees. For example, for some members of senior management, the achievement of target CVA may equate to a payout equal to 25% of their salary, while for the named executive officers it ranged between 45% and 100% for fiscal 2015.

The Company establishes, and the Committee approves, the target CVA Level 6 each year by applying the CVA Formula to the Company s budgeted pre-tax operating profit and its budgeted net working capital assets for that year. The Company then establishes Level 1 and Level 10 by applying a particular percentage approved by the Committee to the Company s budgeted pre-tax operating profit (following certain immaterial adjustments related to certain non-operating items), and then running the resulting number through the CVA Formula. In fiscal 2015, Level 1 and Level 10 were established by multiplying the Company s budgeted pre-tax operating profit (following certain immaterial adjustments related to certain non-operating items) by 85% and 110%, respectively (the same percentages as used in the last several fiscal years), and then applying the CVA Formula, as follows:

Level*	Budgeted 2015 Operating Profit**	CVA**
1	$208.7 million	$84.7 million
6	$245.6 million	$109.7 million
10	$270.1 million	$126.4 million

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*

The differences between Levels not shown (e.g., between Levels 1 and 2 and between Levels 8 and 9) are calculated on a straight-line basis.

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** These numbers are the Company s consolidated fiscal 2015 numbers. These consolidated numbers were used in respect of all of the named executive officers other than Mr. Ferrise and Mr. White, whose 2015 CVA performance was based 80% on the performance of the respective operating divisions for which they served as president, and 20% on the consolidated performance of the Company. The budgeted 2015 operating profit and resulting budgeted CVA at Level 6 for the Company s Engine/Mobile division (the business unit for which Mr. Ferrise formerly served as President) was approximately $162.9 million and $85.4 million, respectively. The budgeted 2015 operating profit and resulting budgeted CVA at Level 6 for the Company s Industrial Air division (the business unit for which Mr. White served as President) was approximately $43.9 million and $15.5 million, respectively.

In the event that the Company s actual operating profit (or the applicable business unit s operating profit, in the case of Mr. Ferrise and Mr. White) is greater than the amount established for Level 10 (110% in fiscal 2015), the resulting CVA level is determined on a straight-line basis using the same increments as used in calculating differences between Levels 6 and Level 10. For example, in fiscal 2015, where Level 6 was set at 100% of budgeted operating profit and Level 10 was set at 110% of budgeted operating profit, the differential was 2.5% of budgeted operating profit per Level (i.e., from Level 6 to Level 7, from Level 7 to Level 8, etc.) This means that Level 11 would have been achieved by attaining 112.5% of budgeted operating profit (i.e., the Level 10 operating profit percentage threshold of 110%, plus 2.5%), Level 12 would have been achieved by attaining 115% of budgeted operating profit (i.e., the Level 11 operating profit percentage threshold of 112.5%, plus 2.5%), etc. This was inapplicable in fiscal 2015, however, as neither the Company nor either of the Company s Engine/Mobile or Industrial Air divisions (in the case of Mr. Ferrise and Mr. White, respectively) exceeded Level 10.

The Committee does not have any formal method for establishing the Level 1 and Level 10 percentages, but may consider a variety of factors, including a desire to maintain these percentages generally consistent from year to year, management s recommendations, the economic climate, the Committee s perception of how likely the Company or business unit is to achieve its overall budget, and the prior years performance of the Company and its business units. For fiscal 2015, the Committee based its decision on all of the foregoing factors.

With respect to determining payouts above Level 10, the CVA Model is designed to strike a balance between incentivizing management (including the named executive officers) to continue to achieve as much as possible, while recognizing that at least some portion of such achievement may be due to reasons beyond management s control or influence (e.g., an improvement in general economic conditions or a dramatic demand improvement in a key end-market of a particular subsidiary). This is achieved by calculating the difference between Levels beyond Level 10 (e.g., from Level 10 to Level 11 and from Level 11 to Level 12, etc.) on a straight-line basis, but limiting the amount of extra reward that an employee receives above Level 10 to a fixed additional percentage of his or her payout at Level 10. (This fixed additional percentage was 10% in fiscal 2015.) In other words, the relative benefit to an individual for achieving Level 10 is greater than the benefit of achieving beyond Level 10. The table further below entitled Potential Cash Incentive Payments To Named Executive Officers In Respect Of Fiscal 2015 illustrates this concept. Irrespective of achievement, however, no individual may receive a payout in excess of the $3,000,000 cap on performance-based incentive compensation mandated by the 2014 Incentive Plan.

The fixed additional percentage for moving above Level 10 (10% in fiscal 2015 for each level above Level 10) is established each year by the Committee and is applicable to the named executive officers and all of the approximately 100 senior management employees whose incentive cash compensation is ultimately determined under the CVA Model. The Committee does not have any formal method for establishing this fixed percentage, but may consider a variety of factors, including management s recommendations, the Committee s sense of how much of any incremental operating profit should be shared with management versus the Company s shareholders, the economic climate, the Committee s perception of how likely the Company or a significant subsidiary is to achieve its overall budget, and the prior years performance of the Company and significant subsidiaries. For fiscal 2015, the Committee based its decision on all of the foregoing factors.

At the end of the fiscal year the Company calculates the CVA achievement for that year for each of its business units and for the Company on a consolidated basis, by drawing each of these numbers from the Company s audited financial statements. The Committee retains discretion to modify or eliminate the CVA Model and the CVA Formula or any of the elements thereof in respect of any given fiscal year. For example, the Committee may include or exclude unusual or noteworthy items of revenue, expense, assets or liabilities in determining the final calculations of cash incentive payments and calculations under the CVA Model. Although the Committee

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does not exercise this discretion often, and does not follow any formula or give a pre-determined weight to any individual factor when it does so, the Committee did adjust the CVA Formula in respect of fiscal 2015, as discussed further below.

The Company believes that the historical results of the CVA Model support its view that the budgeted performance numbers are targets which are neither overly aggressive nor easy to achieve, although the unusual economic conditions that prevailed in fiscal 2009, fiscal 2010 and fiscal 2011 made budgeting more difficult than usual and produced larger-than normal swings in CVA results over this period. The following table shows the Company s CVA achievement over the previous ten fiscal years, as well as the averages over the last five and ten fiscal years, respectively:

Fiscal Year	CVA Level
2006	5.7
2007	1.8
2008	5.7
2009	0
2010	16.0
2011	9.4
2012	4.5
2013	4.0
2014	8.8
2015	1.1
Ten Year Average (last ten fiscal years)	**5.7**
Five Year Average (last five fiscal years)	**5.6**

Performance Based Cash Incentives in Respect of Fiscal 2015

As part of its analysis of compensation levels, at the outset of fiscal 2015 the Committee decided to leave the target bonus percentage of all named executive officers other than Mr. Fallon, Mr. Ferrise and Mr. White at their 2014 levels. Consequently, Mr. Conway s target bonus percentage remained at 100%, Mr. Wolfson s at 50%, and Mr. Lindsay s at 45%.

With respect to Mr. Fallon, the Committee increased his target bonus percentage from 60% to 65% at the outset of fiscal 2015 in recognition of the fact that Mr. Fallon s target total direct compensation was below median compared to the Company s peer group and with respect to survey data, and also in recognition of Mr. Fallon s individual performance in his role as Chief Financial Officer.

With respect to Mr. Ferrise, the Committee increased his target bonus percentage from 50% to 55% at the outset of fiscal 2015, in recognition of Mr. Ferrise s individual performance as the President of the Company s Engine/Mobile division.

With respect to Mr. White, the Committee increased his target bonus percentage from 45% to 55% at the outset of fiscal 2015 in recognition of Mr. White s promotion to division President and Company executive officer in June 2014, the fact that Mr. White s target total direct compensation was below median compared to the Company s peer group and with respect to survey data, and in recognition of Mr. White s individual performance in his role as President of the Company s Industrial Air division.

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The range of potential CVA awards payable in respect of fiscal 2015 for each named executive officer is shown in the following table:

POTENTIAL CASH INCENTIVE PAYMENTS TO NAMED EXECUTIVE OFFICERS IN RESPECT OF FISCAL 2015

Attainment of Budgeted Performance[1][2]	Percentage of Annual Salary Payable To Mr. Conway	Percentage of Annual Salary Payable to Mr. Fallon	Percentage of Annual Salary Payable to Mr. Ferrise	Percentage of Annual Salary Payable to Mr. Lindsay	Percentage of Annual Salary Payable to Mr. White	Percentage of Annual Salary Payable to Mr. Wolfson
Less than 85%	0	0	0	0	0	0
85% (Level 1)	10%	10%	10%	10%	10%	10%
100% (Level 6)	100%	65%	55%	45%	55%	50%
110% (Level 10)	250%	162.5%	137.5%	112.5%	137.5%	125%
125% (Level 16)[3]	400%	260%	220%	180%	220%	200%

(1) The budgeted performance percentages specified in this column refer to operating profit while the Levels refer to CVA. Payment of cash incentive awards between the indicated percentages of budgeted performance (i.e., between Levels) is calculated on a straight line basis.

(2) The minimum level of budgeted performance (i.e., the entry point or Level 1) and the excess percentage above target for setting Level 10 are established each year by the Committee. For fiscal 2015, they were 85% and 110%, respectively.

(3) The last row of this table demonstrates what happens when budgeted performance increases beyond Level 10, in this case to a hypothetical Level 16 (the level achieved by the Company on a consolidated basis in fiscal 2010, and the highest in its history). Taking Mr. Conway as an example, the table shows that his payout would increase by approximately an additional 37.5% of salary per Level by moving four Levels above target from Level 6 to Level 10, but would increase only an additional 25.0% of salary per Level for moving an additional six levels from Level 10 to Level 16. As indicated previously, the fixed percentage payable for moving beyond Level 10 (i.e., the 10% of Level 10 payout used in fiscal 2015 and in the example above) is established each year by the Committee.

At the outset of fiscal 2015, the Company intended that any incentive cash compensation paid would satisfy any applicable requirements as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Accordingly, during the first fiscal quarter of 2015 the Company established and the Committee approved target payouts for total cash incentive compensation for the named executive officers that were based on the Company s budgeted fiscal 2015 net earnings. The target payout for Mr. Conway was established at approximately 1.79% of net earnings and for each of the other named executive officers at approximately 0.59% of net earnings.

Recognizing that these target payouts would likely result in the named executive officers receiving cash incentive amounts in excess of what the Committee believes are appropriate levels, the Committee indicated to management that it expected to use its discretion to reduce the cash incentive compensation payable to the executives for fiscal 2015 to levels below the foregoing amounts. The Committee further communicated to the executives to expect that it would set final cash incentive compensation in accordance with historical practice by using the CVA Model and CVA Formula.

In January of 2016, the Committee confirmed the foregoing decisions and analyzed the Company s and (with respect to Mr. Ferrise s and Mr. White s cash incentive compensation) the Company s Engine/Mobile and Industrial Air divisions fiscal 2015 CVA results. The Committee noted that the Company s 2015 results were negatively impacted by two noteworthy items: (i) approximately $1.8 million of unbudgeted expenses associated with the Company s pursuit of a significant Board-supported transaction that was not consummated (the Potential Transaction); and (ii) approximately $5.6 million of unbudgeted charges associated with the significant restructuring announced in November 2015, which the Company fully recognized in fiscal 2015 under applicable accounting rules. The Committee delegated to a special committee consisting of the Chairman of the Committee and the Company s Lead Director to determine whether, in consultation with FWC, these two items should be excluded from the calculation of 2015 CVA results.

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The special committee determined, in consultation with FWC, that both of these items should be excluded from the calculation of 2015 CVA results. With respect to expenses related to the restructuring, the special committee noted that the Company does not have a history of engaging in such restructurings, and the restructuring charges at issue were incurred in the last month of the fiscal year and represented an acceleration of expenses under applicable accounting rules. Moreover, the special committee determined that it is in the Company s best interest to encourage management to take appropriate steps to restructure the Company s cost structure when necessary in furtherance of the Company s long-term strategic priorities, and that excluding these charges from CVA calculations appropriately incentivizes this behavior. With respect to expenses related to the Potential Transaction, the special committee noted that the Company s historical practice has been to exclude significant transactional deal costs from the calculation of CVA results. Moreover, the Potential Transaction was one which the Board encouraged and was fully informed about and actively participated in. The special committee determined that it is in the Company s best interest to encourage management to pursue such strategically important and Board-encouraged opportunities whenever they arise, and that excluding the associated expenses from CVA appropriately incentivizes this behavior.

Following these adjustments, the Company achieved a CVA result of 1.1, or just above threshold, whereas the Engine/Mobile division and the Industrial Air division did not achieve threshold performance. Consequently, the named executive officers received cash incentive compensation payments well below target levels, as set forth in the Summary Compensation Table under the heading Non-Equity Incentive Plan Compensation .

Long-term equity incentive compensation. The Company s equity-based awards program encourages executives to make business decisions that, over the long term, are contemplated to increase the price of the Company s stock, thereby aligning the interests of executives and shareholders. All equity-based awards have been made pursuant to the provisions of incentive plans approved by the Company s shareholders.

The Company has traditionally granted equity-based awards through a combination of time-vesting stock options and restricted stock units (Traditional Awards). In fiscal 2015, however, in addition to granting the Traditional Awards, the Company introduced a supplemental long-term performance-based equity incentive program, the Three-Year LTI Program, in order to incentivize the achievement of superior levels of growth and profitability. Each of these long-term equity incentive programs (i.e., the Traditional Awards and the Three-Year LTI Program) and respective implementation in 2015 are discussed below.

Traditional (i.e. time-vesting) Awards

Each year, the Committee considers and individually approves the grants of Traditional Awards to approximately 10 to 15 of the Company s most senior executives (including the Chief Executive Officer, the Chief Financial Officer and all other executive officers of the Company), and then approves a pool of Traditional Awards to be granted to other individuals throughout the Company at the discretion of the Chief Executive Officer.

The Committee typically approves Traditional Awards to eligible employees (including the named executive officers) only once per year, although the Committee may authorize grants of such awards in the event that a new executive officer is hired or an executive officer receives a promotion. The Committee determines the number of Traditional Awards made to senior management (including the named executive officers) after receiving input from FWC and the recommendations of the Chief Executive Officer (with respect to awards made to members of senior management other than himself), and the entire Board approves Traditional Award grants to the Chief Executive Officer, based on recommendations by the Compensation Committee and with input from FWC, as part of its annual review of the Chief Executive Officer s performance.

The value of Traditional Awards is included in the Company s analysis of the executive officer s target total direct compensation and is considered as part of the Company s benchmarking process. The Company values stock option grants by calculating their Black-Scholes values on the date of grant and the value of restricted stock units included in Traditional Awards by calculating their market value as of the date of grant.

Grants of both stock options and restricted stock units included in Traditional Award grants normally vest annually in equal installments over four years in order to encourage executive officers continued service to the Company, and the vesting of restricted stock units may be deferred at the election of a grantee so long as the election is timely made (approximately one year prior to vesting). Until the restricted stock units included in Traditional Award grants vest, the recipient does not have any rights as a shareholder of the Company other than the right to receive a cash payment equal to the dividends payable on the underlying shares of common stock.

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While the Company has no formal policy in this regard, the Company has historically awarded executive officers approximately 75% of the value of their Traditional Awards in the form of time-based stock options and 25% in the form of time-vested restricted stock units. Beginning in fiscal 2015, however, the Committee decided to alter this mix and award approximately 67% of the total value in the form of stock options and 33% in the form of restricted stock units. The Committee reviewed market data and received input from management and from FWC and concluded that the Company was likely overestimating the perceived value of stock options among its employees and that granting a somewhat higher percentage of equity-based compensation in the form of restricted stock units and a corresponding lower percentage in the form of stock options would serve as a better long-term retention tool, while remaining substantially performance-based and continuing to incentivize senior management and aligning their interests with those of our stockholders. In keeping with this philosophy, during fiscal 2015, the Company also ceased granting Traditional Awards in the form of stock options to employees below the senior management level, and instead began granting Traditional Awards to such employees consisting solely of restricted stock units.

The Company typically awards stock options in Traditional Awards on a fixed-number basis rather than a value basis, with the number of options remaining generally consistent (within a range of 15%) from year to year, except in those cases where an executive officer has been promoted (such as Mr. White) or is otherwise the subject of a structured program to bring his total compensation in line with benchmarking metrics. The Company does this because the Company believes that stock option valuation is a theoretical endeavor and the incentivizing purpose of stock options is better achieved when the number of options remains generally constant from year to year.

Finally, the Committee will occasionally approve one-time grants of Traditional Awards consisting of either stock options or restricted stock units in recognition of a particular accomplishment by an executive officer. This did not occur in fiscal 2015, however.

Traditional Awards for Fiscal 2015

At the outset of fiscal year 2015 (on December 15, 2014), the Committee approved the grant of non-qualified options for the purchase of the Company s common stock and restricted stock units pursuant to the 2014 Incentive Plan, as follows:

Name	Shares Subject to Time-Based Vesting Option Grant	Exercise Price[(1)]	Number of Time-Based Vesting Restricted Stock Units
Christopher L. Conway	120,000	$63.22	10,000
David J. Fallon	37,500	$63.22	3,091
Sam Ferrise	35,000	$63.22	2,515
David J. Lindsay	19,000	$63.22	1,439
Keith A. White	12,500	$63.22	1,030
Richard M. Wolfson	27,500	$63.22	1,939

(1) Each option has an exercise price equal to the fair market value of our common stock at the time of grant, as determined by the closing price of the stock on the date of the grant, or the closing price of the next business day if the market is not open on the grant date. Although approved on December 15, 2014, the grants were not made until January 20, 2015, three business days following the release of the Company s 2014 financial results.

Grants of time vested restricted stock units are not deemed performance based compensation under Section 162(m), as an executive officer will realize at least some value from the grant of such units even if the market value of the Company s common stock declines over the vesting period.

Three Year LTI Program

During fiscal 2014, the Company engaged in a strategic planning process and identified three year sales and operating profit margin goals that, if attained, the Company believed would deliver superior shareholder value over time relative to the Company s peer group. The Committee and the Board reviewed these goals and used them as the basis for creating the Three Year LTI Program to issue performance-based awards under the Company s 2014 Incentive Plan.

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During the first quarter of fiscal 2015, approximately 75 senior leaders of the Company and its business units were granted restricted stock units pursuant to the Three Year LTI Program that will vest only if the Company and/or certain of its business units achieve certain sales and operating profit margin targets by the end of fiscal 2017. The number of restricted stock units granted to participants in the Three Year LTI Program was calculated as a percentage of each participant s 2015 base salary, based on a share price of $66.00 per share (i.e., the average closing price of the Company s stock during the first month of fiscal 2015 rounded to the nearest whole dollar). In the case of executive officers, including the named executive officers, the number of restricted stock units was calculated based on 100% of their respective 2015 base salaries (or 33.3% of their respective 2015 base salaries if annualized over the three-year performance period), as reflected in the following chart.

Performance-Based RSU Grants to Named Executive Officers Under Three Year LTI Program

	Target Restricted Stock Units (#)
Christopher L. Conway	12,121
David J. Fallon	6,288
Sam Ferrise	6,288
David J. Lindsay	4,394
Keith A. White	4,773
Richard M. Wolfson	5,152

The key terms of the Three Year LTI Program are as follows:

The sales and operating profit margin targets for corporate employees, including Messrs. Conway, Fallon, Lindsay and Wolfson, are generally based on the Company s consolidated and audited fiscal 2017 results, subject to certain defined adjustments, whereas the targets for business unit employees, including Mr. Ferrise and Mr. White, are generally based 80% on the audited fiscal 2017 results of the relevant business unit and 20% on the Company s consolidated and audited fiscal 2017 results, subject to certain defined adjustments.

The Committee established minimum thresholds for both sales and operating profit margin at levels that the Committee believed were aggressive and not easy to achieve, and represented performance well above the historical peer group median. The Committee took this approach in recognition of the fact that the Three Year LTI Program represented additional compensation to the eligible employees and should only be paid out if the Company or the relevant business unit, as the case may be, achieved results that the Committee believed were likely to represent superior performance as compared to the Company s peer group over the relevant performance period.

Failure to achieve either the sales or the operating profit margin threshold will result in the loss of the entire award. Thus, if the Company achieves 100% or more of its three-year sales target but fails to achieve the threshold performance for operating profit margin, the entire award will be forfeited.

If both thresholds are achieved, the sales target accounts for 70% of the payout and the operating profit margin target accounts for 30%. Achieving more than the threshold but less than the target for either sales or operating profit margin results in a sliding scale of payout ranging from 75% to 100% in the case of corporate

employees.

The maximum number of shares that can be earned under the award is 100% of target (i.e., the full amount of the grant, which, for the named executive officers, are reflected in the chart above), irrespective of whether both the sales and operating profit margin targets are surpassed.

If a business unit achieves its threshold performance of sales and operating margin profit, but the Company does not achieve both of its thresholds on a consolidated basis, the business unit participants will have a maximum payout of 80%, and corporate employees will receive nothing.

General and administrative expenses increased by $32,000 or 1%, to $3,185,000 for the nine months ended September 30, 2007, from $3,153,000 for the same period in 2006. This increase reflects overall cost controls and not any single line item. We expect legal, accounting and financial expenses to increase during the fourth quarter 2007 as a result of the proposed acquisition of Clarity.

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Liquidity and Capital Resources

As of September 30, 2007, the Company’s cash and cash equivalents were $2.8 million, a decrease of $0.1 million from the balance at December 31, 2006 of $2.9 million.

During the nine months of 2007, the Company utilized approximately $4.2 million in cash from the realization of receivables and inventory, net of additions, and paid out approximately $1.1 million in cash toward the reduction in accrued expenses, net of additions. The remainder was the approximately $3.0 million of business expenses incurred during the period.

The continuing development of, and expansion in, sales of our product lines, the proposed transaction with Clarity and any other potential merger and acquisition activity, as well as any required defense of our intellectual property, will require a commitment of funds to undertake product line development and to market and sell our RF products. The actual amount of our future funding requirements will depend on many factors, including: the amount and timing of future revenues, the level of product marketing and sales efforts to support our commercialization plans, the magnitude of our research and product development programs, our ability to improve or maintain product margins, and the costs involved in protecting our patents or other intellectual property.

To date, we have financed our operations primarily through public and private equity and debt financings. Additional capital will be required as part of the costs anticipated with the proposed acquisition of Clarity, and potentially to support working capital requirements. As a condition to closing the proposed acquisition of Clarity, we will be required to obtain $1.5 million in financing to fund the initial operations of the combined entity, which we expect to obtain through one of our existing lenders and on terms substantially similar to our current debt arrangements. Until recently, more than $11 million had been due in August 2007. However, on June 26, 2007, the Company and its lenders, Manchester Securities Corporation ("Manchester") and Alexander Finance, L.P. ("Alexander" and together with Manchester, the "Lenders"), including their affiliates, entered into a restructuring of the Company’s line of credit arrangements as more fully described in Notes 5 and 6 herein.

Contractual Obligations, Commitments, and Off Balance Sheet Arrangements

The following table lists the contractual obligations and commitments that existed as of September 30, 2007:

Contractual Obligations	**Payments Due by Period**				
Year	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long Term Debt Obligations	$ 17,837,000	$ -	$ 17,837,000	$ -	$ -
Operating Lease Obligations	$ 1,509,000	$ 204,000	$ 417,000	$ 434,000	$ 454,000
Total	$ 19,346,000	$ 204,000	$ 18,254,000	$ 434,000	$ 454,000

Long term debt obligations include the June 2007 restructuring event as described in Note 6.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We do not have any material market risk sensitive instruments.

Item 4. Controls and Procedures.

(a) An evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 30, 2007. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported as specified in Securities and Exchange Commission rules and forms.

(b) There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation of such controls that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors.

We have updated certain risk factors as disclosed in our Form 10-K for the fiscal year ended December 31, 2006. The complete list of risk factors are disclosed in our Form 10-K for the fiscal year ended December 31, 2006.

Risks of future acquisitions

In the future, we may pursue acquisitions to obtain products, services and technologies that we believe would complement or enhance our current product or services offerings. On November 13, 2007, we announced the signing of a definitive merger agreement to acquire Clarity Communication Systems Inc. There is no assurance that the proposed merger will be consummated, and if the proposed merger is consummated, there is no assurance that we will be able to successfully integrate the Clarity business. At the present time, no other definitive agreements or similar arrangements exist with respect to any other acquisition. An acquisition, such as the merger with Clarity, may not produce the revenue, earnings or business synergies as anticipated and may attach significant unforeseen liabilities, and an acquired product, service or technology might not perform as expected. Our management could spend a significant amount of time and effort in identifying and completing the acquisition and may be distracted from the operations of the business. In addition, management would probably have to devote a significant amount of resources toward integrating the acquired business with the existing business, and that integration may not be successful. The process is resource intensive, both in time and financial resources, and thus incorporates a cost to the company.

The merger is subject to conditions to closing that could result in the merger being delayed or not consummated, which could negatively our stock price and future business and operations

The merger is subject to conditions to closing as set forth in the merger agreement, including obtaining the approval of our stockholders. If any of the conditions to the merger are not satisfied or, where permissible, not waived, the merger will not be consummated. Failure to consummate the merger could negatively impact our stock price, future business and operations, and financial condition. Any delay in the consummation of the merger or any uncertainty about the consummation of the merger may adversely affect the future business, growth, revenue and results of operations of our

company or the combined company.
Failure to complete the merger could negatively impact the market price of our common stock and our future business and financial results.
If the merger is not completed for any reason, our ongoing business may be adversely affected and will be subject to a number of risks, including:

- the market price of our common stock might decline to the extent that the current market price reflects a market assumption that the merger will be completed; and

- our unreimbursed costs incurred related to the merger must be paid even if the merger is not completed.

If we fail to obtain necessary funds for our operations, we may be unable to maintain or improve on our technology position and unable to develop and commercialize our products

To date, we have financed our operations primarily through public and private equity and debt financings, and most recently through several financings with affiliates of our two largest shareholders. As a condition to closing the proposed acquisition of Clarity, we will be required to obtain $1.5 million in financing to fund the initial operations of the combined entity, which we expect to obtain through one of our existing lenders and on terms substantially similar to our current debt arrangements. Additionally, we may have additional working capital requirements that may require additional financial resources. As such, we will require additional capital. We intend to look into augmenting our existing capital position by continuing to evaluate potential short-term and long-term sources of capital whether from debt, equity, hybrid, or other methods. The primary covenant in our existing debt arrangement involves the right of the lenders to receive debt repayment from the proceeds of new financing activities. This covenant may restrict our ability to obtain new sources of financing and/or to apply the proceeds of a financing event toward operations until the debt is repaid in full.

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Our continued existence is therefore dependent upon our continued ability to raise funds through the issuance of our equity securities or borrowings. Our plans in this regard are to obtain other debt and equity financing until such time as profitable operation and positive cash flow are achieved and maintained. Although we believe, based on the fact that we have raised funds through sales of common stock and from borrowings over the past several years, that we will be able to secure suitable additional financing for our operations, there can be no guarantee that such financing will continue to be available on reasonable terms, or at all. As a result, there is no assurance that we will be able to continue as a going concern.

The actual amount of future funding requirements will depend on many factors, including: the amount and timing of future revenues, the level of product marketing and sales efforts to support our commercialization plans, the magnitude of research and product development programs, the ability to improve or maintain product margins, the completion of the proposed merger with Clarity, Clarity's successful integration into our business as well as any other merger and acquisition activity, and the costs involved in protecting patents or other intellectual property.

Management of our growth

Growth may cause a significant strain on our management, operational, financial and other resources. The ability to manage growth effectively may require us to implement and improve our operational, financial, manufacturing and management information systems and expand, train, manage and motivate employees. These demands may require the addition of new management personnel and the development of additional expertise by management. Any increase in resources devoted to product development and marketing and sales efforts could have an adverse effect on financial performance in future fiscal quarters. If we were to receive substantial orders, we may have to expand current facilities, which could cause an additional strain on our management personnel and development resources. The failure of the management team to effectively manage growth could have a material adverse effect on our business, operating results and financial condition. In addition, the proposed acquisition of Clarity will require substantial attention and resources in order to integrate Clarity's operations into our business.

Risk of dilution

If stockholders approve the issuances of common stock pursuant to the proposed merger with Clarity and in connection

with our June 2007 debt restructuring, and if we issue the full number of shares issuable pursuant to these two transactions, we will be issuing up to 40 million additional shares of common stock, or approximately 20% of the total number of shares currently outstanding as October 30, 2007. As a result, these issuances will be dilutive to existing stockholders and may have an adverse effect on the market value of our common stock.

Retention of Key Personnel

Our success depends on our ability to attract and retain the appropriate personnel needed to operate our business. We have announced the departure of our CEO during October 2007 and subsequent search process employed for a new CEO, with Mr. Ralph Pini, who had been Chairman of the Board until this change, serving as interim CEO on a temporary basis. Our success depends, in part, on finding an appropriate person to fill this necessary role within our Company.

Additionally, the value of the Clarity acquisition to our shareholders rests in large part on the continuity of the key personnel within the Clarity organization. While we believe we have devised appropriate incentives to retain Clarity’s employees, there can be no guarantee that they will choose to remain with the Company after the merger completes, should it complete, which may have an adverse impact on our operations and financial condition.

Item 5 – Other Information

On June 26, 2007, we filed a Current Report on Form 8-K (the “8-K”) to report the restructuring of our outstanding debt. The amendment to the loan documents, the amended and restated notes, and the registration rights agreement referenced in the 8-K are being filed as exhibits to this Quarterly Report on Form 10-Q.

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Item 6. Exhibits

Exhibits: A list of exhibits is set forth in the Exhibit Index found on page 19 of this report.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	Amendment to Loan Documents dated June 26, 2007 between ISCO International, Inc., Manchester Securities Corporation, Alexander Finance, L.P., ISCO International, Inc. , Spectral Solutions, Inc. and Illinois Superconductor Corporation
10.2	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Manchester Securities Corporation, dated June 26, 2007, in the amount of $2,520,441.39
10.3	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Manchester Securities Corporation, dated June 26, 2007, in the amount of $1,522,687.06
10.4	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Manchester Securities Corporation, dated June 26, 2007, in the amount of $147,240.00
10.5	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Manchester Securities Corporation, dated June 26, 2007, in the amount of $1,121,625.00
10.6	

	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Alexander Finance, LLC, dated June 26, 2007, in the amount of $1,622,405.00
10.7	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Alexander Finance, LLC, dated June 26, 2007, in the amount of $1,314,300.00
10.8	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Alexander Finance, LLC, dated June 26, 2007, in the amount of $1,375,000.00
10.9	Amended and Restated 7% Senior Secured Convertible Note by and between ISCO International, Inc. and Alexander Finance, LLC, dated June 26, 2007, in the amount of $550,000.00
10.10	Registration Rights Agreement dated June 26, 2007, by and among ISCO International, Inc., Manchester Securities Corp. and Alexander Finance, L.P.
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 14th day of November 2007.

ISCO International, Inc.

By: /s/ Ralph Pini

Ralph Pini
Interim Chief Executive Officer
(Principal Executive Officer)

By: /s/ Frank Cesario

Frank Cesario
Chief Financial Officer
(Principal Financial and Accounting Officer)