BARNES GROUP INC
Form DEF 14A
March 19, 2013

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 x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

BARNES GROUP INC.
(Name of Registrant as Specified In Its Charter)

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

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x No fee required.

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123 Main Street
Bristol, Connecticut 06010

March 21, 2013

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 3, 2013

You are invited to attend the 2013 Annual Meeting of Stockholders of Barnes Group Inc. (the “Company”) which will be held at the Hartford Marriott Downtown Hotel, 200 Columbus Boulevard, Hartford, Connecticut 06103, at 11:00 a.m., Eastern Daylight Time, on Friday, May 3, 2013, for the following purposes:

1. Election of directors;
2. Ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013;
3. Vote on an advisory (non-binding) resolution to approve the Company's executive compensation;
4. Amend the Company’s Amended and Restated By-Laws ("By-Laws") to provide for the annual election of all directors;
5. Amend the Company's Restated Certificate of Incorporation ("Charter") to eliminate certain supermajority voting requirements; and
6. Transact any other business that may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on March 5, 2013 will be entitled to vote at the meeting. The Board of Directors recommends a vote FOR all director nominees and FOR Items 2, 3, 4 and 5.

Your vote is important. Whether or not you plan to attend the meeting, we encourage you to vote as promptly as possible by internet, telephone or mail.

Thomas O. Barnes
Chairman of the Board

2013 Proxy Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Stockholders

• Time and Date	11:00 a.m., Friday, May 3, 2013
• Place	Hartford Marriott Downtown Hotel 200 Columbus Boulevard, Hartford, Connecticut 06103
• Record Date	March 5, 2013
• Voting	Stockholders as of the record date are entitled to vote. Each share of Common Stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

Voting Matters

Item No.		Board Vote Recommendation	Page Reference
1	Election of Directors	FOR EACH DIRECTOR NOMINEE	3
	Management Proposals		
2	Ratify the selection of PricewaterhouseCoopers as the Company's independent registered public accounting firm for 2013	FOR	8
3	Advisory resolution to approve the Company's executive compensation	FOR	8
4	Amend the Company’s By-Laws to provide for the annual election of all directors	FOR	9
5	Amend the Company's Charter to eliminate certain supermajority voting requirements	FOR	10

Board Nominees

• The following table provides summary information about each director nominee. Each director nominee is elected for a three-year term, expiring at the Annual Meeting of Stockholders in 2016. Each director is elected by a plurality of the votes cast.

Name	Age	Director Since	Independent	Committee Memberships: Audit	Compensation and Management Development	Corporate Governance	Executive	Finance
John W. Alden	71	2000	X		X	X		Chair
Francis J. Kramer	63	2012	X					
William J. Morgan	66	2006	X	Chair		X	X	

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All of our director nominees are current directors and attended no fewer than 75% of the Board meetings and committee meetings on which he served during 2012 for the period he served as director.

Management Proposals

- Ratify Auditors (Item 2). As a matter of good corporate governance, we are asking our stockholders to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013. Below is summary information with respect to PricewaterhouseCoopers LLP's fees for services provided in 2012 and 2011.

Type of Fees	2012	2011
Audit Fees	$2,035,782	$2,112,675
Audit-Related Fees	$691,549	$607,265
Tax Fees	$1,312,159	$1,543,357
All Other Fees	$3,636	$3,636
Total Fees	$4,043,126	$4,266,933

- Advisory Resolution to Approve Executive Compensation (Item 3). For the third year, we are asking our stockholders to approve on an advisory basis our named executive officer ("NEO") compensation. Consistent with stockholders' vote on "say on frequency" in 2011, the Board approved that stockholders vote on the compensation of our NEOs every year so that they may annually express their views on our executive compensation program. We were gratified that last year, 98.52% of the votes cast (81.07% of shares outstanding) supported our executive compensation program. The Board recommends a FOR vote because it believes that our compensation policies and practices are effective in achieving the Company's goals of rewarding for financial and operating performance, and aligning our NEOs' interests with those of our stockholders.

- Board Declassification Proposal (Item 4). The Company's By-Laws currently provide that the Board is divided into three classes, with each class elected every three years. After careful consideration, the Board has determined that it would be in the best interests of the Company and its stockholders to declassify the Board to allow stockholders to vote on the election of the entire Board each year, rather than on a staggered basis. As part of this proposal, and consistent with Delaware law for declassified boards, the Company is proposing to amend the By-Laws to eliminate the provision that allows stockholders to remove directors only for cause and reduce the vote for removal to the affirmative vote of holders of a majority of the outstanding shares of stock of the Company entitled to vote in elections of directors. Please see page 9 for more information on this proposal.

- Amend the Charter to Eliminate Certain Supermajority Voting Requirements (Item 5). After careful consideration, the Board is also asking stockholders to approve eliminating supermajority voting requirements in our Charter in order to amend certain By-Laws provisions. Please see page 10 for more information on this proposal.

Corporate Governance Practices

Governance is a continuing focus at the Company. We solicit feedback from stockholders on governance and executive compensation practices. Several of our key governance changes for 2012 – some resulting from this outreach – are summarized below.

Summary of Corporate Governance Changes

- Amended our Corporate Governance Guidelines to include a majority voting policy under which any director who receives more "withhold" than "for" votes in an uncontested election must tender to the Board, for its consideration, an offer to resign
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- Amended our Corporate Governance Guidelines to disclose in detail the responsibilities of the Lead Independent Director when the Chairman of the Board is not an independent director
- Amended our By-Laws to give stockholders holding at least 40% of the outstanding Common Stock the right to call special meetings
- Adopted a Political Activities Statement under which the Company compiles information that we make available on our website, and periodically reports on these activities to the Corporate Governance Committee

- Amended our Securities Law Compliance Policy to (i) prohibit certain members of Company leadership, including all directors and executive officers, from pledging or margin call arrangements involving Company securities that are held to meet the Company's stock ownership requirements, and (ii) place other restrictions on any other pledging or margin call arrangements involving Company stock by these individuals
- In addition, in 2012 our Board decided to recommend that stockholders declassify the Board and eliminate certain supermajority voting standards

Executive Compensation

Key Elements

Type	Form	Terms
Equity	• Stock options	• Time-based vesting; 18, 30, and 42 months from the grant date in equal installments
	• Restricted stock units ("RSUs")	• Time-based vesting; 18, 30, and 42 months from the grant date in equal installments
	• Relative measure performance share awards ("Relative Measure PSAs")	• Performance-based vesting at the end of a 3-year cycle; based on three equally weighted measures separately evaluated based on a comparison of the Company's relative performance against the performance of Russell 2000 Index companies
Cash	• Salary	• Generally eligible for annual salary increase consideration
	• Annual incentive compensation	• Stockholder-approved program with payouts based on accomplishment of targeted financial performance measures
Retirement	• Defined benefit plans	• Qualified defined benefit plan with terms the same as other eligible U.S. based employees; vesting upon attaining 5 years of service
		• Non-qualified defined benefit plan that provides supplemental benefits on earnings in excess of IRS limit on qualified plans to certain eligible salaried employees; vesting upon attaining 5 years of service
		• Non-qualified defined benefit plan that provides supplemental benefits if executive attains both 10 or more years of service and age 55 while an active employee; benefits are in lieu of benefits under the non-qualified defined benefit plan above the IRS limit that applies to other U.S. based employees; applies only to Messrs. Milzcik and Dempsey; plan was closed to new participants in December 2008
	• Deferred compensation plan	• Mr. Stephens and Ms. Edwards participate in a non-qualified deferred compensation program that provides for a deferred employer contribution as a % of base salary and annual incentive amounts earned in excess of the IRS limit for qualified plans
Change in control and severance	• Severance benefits	• Severance payable and benefit continuation upon termination of employment in certain specified circumstances or upon a change in control
		• Severance ranges from a multiple of one times base salary plus pro rata bonus for certain non-change in control events under certain circumstances, to two times base salary plus pro rata bonus and additional benefits for certain change in control events
		• “Double trigger” for accelerated vesting of all equity awards made after 2010 upon a change in control (except for Mr. Milzcik based on the terms of his employment agreement)
		• No 280G gross-ups for a “golden parachute payment”
Perquisites		•

	Financial planning and tax preparation services, annual physicals (for amounts not otherwise covered by health insurance), executive life insurance with tax gross-up benefit (for current participants only), limited personal use of Company-leased aircraft (Mr. Milzcik only)
Other	• Policy that prohibits hedging transactions involving the Company's securities for any of our directors or executive officers • Executive stock ownership requirements • Clawback of incentive compensation under certain circumstances for all NEOs

Summary of Key Executive Compensation Changes for 2012

Program Component	Summary of Changes
Long-term incentive awards	• Increased weighting of Relative Measure program PSAs from $33^{1/3}$% to 50% of long-term incentive compensation. Reduced weighting of RSUs to 30% and stock options to 20% of long-term incentive compensation.
	• Added a condition to Relative Measure PSAs that a participant terminated by the Company "not for cause" before one year from the grant date will fully forfeit any awards.
Retirement programs	• Discontinued the Supplemental Executive Retirement Program ("SERP") except for participants who were retirement eligible or were in payment status. We also closed the Nonqualified Deferred Compensation Plan ("DC Plan") to any new or rehired otherwise eligible executives.
Executive life insurance programs	• Implemented the Executive Group Term Life Insurance Program ("EGTLIP") for employees newly hired or promoted into an eligible position. This program provides premium payments for a term life insurance benefit of up to four times base salary during employment. No tax gross up is provided on this benefit. (This program replaced the Senior Executive Enhanced Life Insurance Program ("SEELIP") which was closed to new participants effective April 1, 2011. Under the SEELIP, the Company pays the premiums for a life insurance policy owned by the participating NEO and pays the participating NEO's income tax liability arising from its payment of the premiums and taxes.) The Company does not provide any premium payments during retirement.
Stock ownership requirements	• Implemented changes to the Company's stock ownership requirements permitting 2/3 of the value of unvested RSUs to count toward achieving ownership requirements. Eliminated the five and/or six year deadline to achieve ownership in favor of a requirement that all net after tax proceeds of Company equity grants, including stock option exercises, be retained until ownership levels are met. Once ownership levels are met, the requirement is converted to a fixed number of shares.

2012 NEO Compensation Summary

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Gregory F. Milzcik President and Chief Executive	2012	$890,000	$—	$2,699,218	$599,937	$744,596	$1,729,195	$260,844	$6,923,790
	2011	886,250	—	2,040,788	904,792	2,002,500	1,802,030	204,408	7,840,768
	2010	856,250	—	2,376,761	929,770	1,619,723	1,185,353	335,628	7,303,485

Officer									
Christopher J. Stephens, Jr. Senior Vice President, Finance and Chief Financial Officer	2012	431,000	—	1,339,261	130,546	240,390	49,038	234,870	2,425,105
	2011	427,250	—	340,131	150,549	646,500	36,337	218,575	1,819,342
	2010	413,250	124,000	370,940	122,080	513,375	27,478	135,112	1,706,235
Patrick J. Dempsey Senior Vice President and Chief Operating Officer	2012	447,783	—	565,484	124,787	250,988	364,266	104,764	1,858,072
	2011	427,250	—	274,901	122,836	646,500	378,554	74,451	1,924,492
	2010	413,250	—	407,576	134,070	213,668	225,597	98,904	1,493,065
Claudia S. Toussaint Senior Vice President, General Counsel and Secretary	2012	289,270	—	830,098	72,734	146,265	81,302	88,214	1,507,883
	2011	356,250	—	270,241	119,840	486,000	33,721	158,106	1,424,158
	2010	236,635	—	407,355	284,906	262,823	17,273	199,363	1,408,355
Dawn N. Edwards Senior Vice President, Human Resources	2012	296,000	—	269,177	60,474	148,585	102,683	133,699	1,010,618
	2011	292,250	—	223,648	101,115	399,600	73,928	117,334	1,207,875

2014 Annual Meeting

- Deadline for stockholder proposals for inclusion in the proxy statement for the 2014 Annual Meeting: November 21, 2013

PROXY STATEMENT FOR 2013 ANNUAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

PROXY STATEMENT FOR 2013 ANNUAL MEETING OF STOCKHOLDERS

MAY 3, 2013

This proxy statement is being used in connection with the solicitation of proxies by Barnes Group Inc., which is referred to in this proxy statement as the “Company”, on behalf of the Board of Directors for the 2013 Annual Meeting of Stockholders (“2013 Annual Meeting”) to be held on May 3, 2013 and at any adjournment thereof. Availability of this proxy statement and accompanying materials to stockholders is scheduled to begin on or about March 21, 2013.

INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with the rules of the Securities and Exchange Commission (the "SEC"), instead of mailing a printed copy of its proxy materials to each stockholder of record or beneficial owner, the Company is furnishing its proxy materials (proxy statement for the 2013 Annual Meeting, the proxy card and the 2012 Annual Report to Stockholders) by providing access to these materials on the internet. Stockholders will not receive printed copies of the proxy materials unless they request this form of delivery. Printed copies will be provided upon request at no charge.

A Notice of Meeting and Internet Availability of Proxy Materials (the “Notice of Internet Availability”) will be mailed to stockholders on or about March 21, 2013. The Company is providing the Notice of Internet Availability in lieu of mailing the printed proxy materials and is instructing stockholders as to how they may: (1) access and review the Company's proxy materials on the internet; (2) submit their proxy; and (3) receive printed proxy materials. Stockholders may request to receive printed proxy materials by mail or electronically by e-mail on an ongoing basis by following the instructions in the Notice of Internet Availability. A request to receive proxy materials in printed form by mail or by e-mail will remain in effect until such time as the submitting stockholder elects to terminate it.

INFORMATION ABOUT VOTING

Who Can Vote

Only stockholders of record at the close of business on March 5, 2013 (the “Record Date”) will be entitled to vote at the 2013 Annual Meeting. As of March 5, 2013, the Company had 54,219,908 outstanding shares of common stock, par value $.01 per share (the “Common Stock”), each of which is entitled to one vote.

Voting Your Shares

You can vote your shares either by proxy or in person at the 2013 Annual Meeting. If you choose to vote by proxy, you can do so in one of three ways:

- By internet. To vote using the internet, go to the website listed on your Notice of Internet Availability or proxy card. You will need to follow these instructions and those on the website.

- By telephone. To vote by telephone, call the toll free number listed on your Notice of Internet Availability or proxy card. You will need to follow these instructions and the prompts from the telephone voting system.

- By mail. If you requested printed proxy materials and wish to vote by mail, simply mark, sign and date the proxy card and return it in the postage-paid envelope provided.

If you vote by internet or telephone, you should not return your proxy card.

If you hold your shares through a broker, bank or other nominee, you will receive separate instructions from the nominee describing how to vote your shares.

Revocation of Proxy

A stockholder who executes and delivers a proxy may revoke it at any time before it is exercised by voting in person at the 2013 Annual Meeting, by delivering a subsequent proxy, by notifying the inspectors of the election in person or in writing or, if previous instructions were given through the internet or by telephone, by providing new instructions by the same means.

Quorum

For the business of the 2013 Annual Meeting to be conducted, a minimum number of shares constituting a quorum must be present. The holders of a majority of the outstanding shares of Common Stock entitled to vote at the 2013 Annual Meeting must be present in person or represented by proxy at the 2013 Annual Meeting to have a quorum. Shares represented at the meeting by proxies including abstentions and broker non-votes are treated as present at the meeting for purposes of determining a quorum.

Broker Non-Votes

A broker non-vote occurs when a stockholder who holds his or her shares through a bank or brokerage firm does not instruct that bank or brokerage firm how to vote the shares and, as a result, the broker is prevented from voting the shares held in the stockholder's account on certain proposals. Under applicable New York Stock Exchange ("NYSE") rules, if you hold your shares through a bank or brokerage firm and your broker delivers the Notice of Internet Availability or the printed proxy materials to you, the broker has discretion to vote on “routine” matters only. The ratification of the selection of the Company's independent registered public accounting firm is considered "routine" and therefore may be voted on by your bank or brokerage firm without instructions from you.

The Effect of Broker Non-Votes and Abstentions

Abstentions and broker non-votes will not have an effect on the outcome of Item 1 (election of directors). In voting on Item 2 (ratifying auditor selection), and Item 3 (approval of executive compensation), abstentions will have the effect of votes against the proposals and broker non-votes will not have an effect on the outcome of the vote. In voting on Item 4 (amending the By-Laws to provide for the annual election of all directors) and Item 5 (amending the Charter to eliminate certain supermajority voting requirements), abstentions and broker non-votes will have the effect of votes against the proposals.

Participants in the Barnes Group Inc. Retirement Savings Plan

You must provide the trustee of the retirement savings plan with your voting instructions in advance of the meeting. You may do so by returning your voting instructions by mail, or submitting them by telephone or electronically, using the internet. You cannot vote your shares in person at the 2013 Annual Meeting; the trustee is the only one who can vote your shares. The trustee will vote your shares as you have instructed. Except as otherwise required by law, if the trustee does not receive your instructions, the trustee will vote your shares in the same proportion on each issue as it votes those shares for which it has received voting instructions. To allow sufficient time for voting by the trustee, your voting instructions must be received by 11:59 p.m. Eastern Daylight Time (EDT) on April 30, 2013.

VOTE REQUIRED AND RECOMMENDATIONS OF THE BOARD FOR EACH PROPOSAL

Item 1, Election of directors.

Vote Required: Directors are elected by a plurality of the votes cast. Proxies may not be voted for more than the number of nominees named by the Board of Directors.

Recommendation: The Board of Directors recommends a vote “FOR” all nominees.

Item 2, Ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2013.

Vote Required: Affirmative vote of a majority of shares of Common Stock represented in person or by proxy and entitled to vote on the matter.

Recommendation: The Board of Directors recommends a vote “FOR” this proposal.

Item 3, Advisory (non-binding) resolution to approve the Company's executive compensation.

Vote Required: Affirmative vote of a majority of shares of Common Stock represented in person or by proxy and entitled to vote on the matter. As noted in the discussion of this proposal, the choice receiving a majority of votes will not be binding on the Board of Directors or its Compensation and Management Development Committee (the “Compensation Committee”) and may neither be construed as overruling a decision by the Board of Directors or the Compensation Committee nor creating or implying any additional fiduciary duty on the Board of Directors. Further, it will not affect any compensation paid or awarded to any named executive officer.

Recommendation: The Board of Directors recommends a vote “FOR” this proposal.

Item 4, Proposal to amend the Company’s By-Laws to provide for the annual election of all directors.

Vote Required: Affirmative vote of not less than two-thirds (2/3) of the shares of Common Stock outstanding as of the Record Date.

Recommendation: The Board of Directors recommends a vote “FOR” this proposal.

Item 5, Proposal to amend the Company’s Charter to eliminate certain supermajority voting requirements.

Vote Required: Affirmative vote of not less than two-thirds (2/3) of the shares of Common Stock outstanding as of the Record Date.

Recommendation: The Board of Directors recommends a vote “FOR” this proposal.

PROXY PROPOSALS

Stockholders who are entitled to vote at the 2013 Annual Meeting are requested to vote on the proposals listed below.

Election of Directors (Item 1)

Three directors are nominated for re-election to the Board of Directors for a three-year term (unless any of them earlier dies, resigns, retires or is removed, as provided in the Company's By-Laws). John W. Alden, Francis J. Kramer and William J. Morgan are nominated for re-election to the Board of Directors for terms expiring at the Annual Meeting of Stockholders in 2016.

Below is pertinent information concerning the nominees for re-election as directors, the seven directors whose terms continue after the meeting, and the one director who will be retiring from the Board as of the date of the 2013 Annual Meeting. Each director has been associated with his or her present organization for at least the past five years unless otherwise noted. None of the organizations listed as business affiliates of the directors is a subsidiary or other affiliate of the Company.

The Board of Directors recommends a vote “FOR” all nominees.

Nominees for Re-election - Three-Year Term - Term to expire in 2016

John W. Alden

Age: 71	Committees:
Director since: 2000	Compensation and Management Development
Current term expires: 2013	Corporate Governance
	Finance (Chair)

Mr. Alden retired in 2000 as Vice Chairman, United Parcel Service of America, Inc. From 1988 until his retirement, he served as a director of United Parcel Service. He is currently, and has been during the past five years, a director of Silgan Holdings Inc., The Dun & Bradstreet Corporation and Arkansas Best Corporation. In addition to his service with United Parcel Service of America, Inc. and on other boards of directors, Mr. Alden's qualifications to be a member of our Board of Directors include his extensive experience as senior manager and vice chairman of a $50 billion company with responsibility for corporate strategic planning, worldwide marketing, sales, communications, public relations and logistics, and a life-long career in industry.

Francis J. Kramer

Age: 63	Committees:
Director since: 2012	None
Current term expires: 2013	

Mr. Kramer is President and Chief Executive Officer and a member of the Board of Directors of II-VI Incorporated, a publicly traded company that is a global leader in engineered materials and optoelectronic components. He has served as a director of II-VI Incorporated since 1989, has been President since 1985, and was Chief Operating Officer from 1985 to 2007. He is a Board Advisor on the University of Pittsburgh's Swanson School of Engineering. Mr. Kramer's qualifications to be a member of our Board of Directors include his current service as a chief executive officer, and extensive experience in the fields of engineering, manufacturing, domestic and international operations, business development, strategic planning and extensive knowledge both domestically and internationally with acquisitions.

William J. Morgan

Age: 66	Committees:
Director since: 2006	Audit (Chair)
Current term expires: 2013	Corporate Governance
	Executive

Mr. Morgan is a retired partner of the accounting firm KPMG LLP ("KPMG") where he served clients in the industrial and consumer market practices. After his retirement in 2006, and until 2010, he was a consultant to KPMG's Leadership Development Group and Dean of KPMG's Chairman's 25 Leadership Development Program. He is the Audit Committee financial expert of our Board of Directors. From 2004 until 2006, Mr. Morgan was the Chairman of KPMG's Audit Quality Council and, from 2002 until 2006, he was a member of its Independence Disciplinary Committee. He previously served as the Managing Partner of KPMG's Stamford, Connecticut office. Mr. Morgan has served as a director of PGT, Inc. since 2007. He previously served as a member of the Boards of Directors for KPMG and KPMG Americas. In addition to his service with KPMG and on other boards of directors, Mr. Morgan's qualifications to be a member of our Board of Directors include his 39 year career and expertise in the accounting and auditing fields as well as his extensive practice as a certified public accountant and experience working with global industrial companies relative to accounting, finance, auditing, controls, risk management, compliance and corporate governance.

Continuing Directors
Term expiring in 2014

William S. Bristow, Jr.

Age: 59	Committees:
Director since: 1978	Executive
Current term expires: 2014	Finance

Mr. Bristow is President of W.S. Bristow & Associates, Inc., which is engaged in small business development. Mr. Bristow's qualifications to be a member of our Board of Directors include his extensive knowledge of our Company with over 30 years of service as a member of our Board of Directors, ownership and direct management of W.S. Bristow & Associates and his expertise in the area of sales.

Hassell H. McClellan

Age: 67	Committees:
Director since: 2010	Audit
Current term expires: 2014	Finance

Dr. McClellan is an Associate Professor of Finance and Policy at Boston College's Wallace E. Carroll School of Management. Dr. McClellan has been a member of the faculty of Boston College since 1984. He specializes in strategic management, global competitiveness and strategic management for boards of directors and financial services. He served as the Associate Dean of Boston College's Wallace E. Carroll School of Management from 1996 to 2000. Dr. McClellan has both an MBA and a Doctor of Business Administration degree. Dr. McClellan is currently a trustee of the Virtus Variable Insurance Trust (formerly Phoenix Edge Series Fund) where he has served since 2008. He is also a trustee of the John Hancock Variable Insurance Trust (formerly John Hancock Trust) where he has served since 2005, John Hancock Funds II where he has served since 2005, and John Hancock Funds and John Hancock Funds III, both of which he has served since 2012. Dr. McClellan's qualifications to be a member of our Board of Directors include his extensive experience and expertise in global competitiveness, strategic planning and finance. In addition to his academic achievements in these areas, he has served as a board member or trustee of more than ten not-for-profit and private organizations.

Gregory F. Milzcik

Age: 53	Committees:
Director since: 2006	Executive (ex officio, non-voting member)
Current term expires: 2014	

Mr. Milzcik has been the President and Chief Executive Officer of the Company since October 2006. He joined the Company in June 1999 as Vice President, Barnes Group Inc. and President, Barnes Aerospace. He was appointed President, Barnes Industrial (formerly Associated Spring) in November 2004 and Executive Vice President and Chief Operating Officer of the Company in February 2006. He is currently, and has been since 2008, a director of IDEX Corporation. In addition, Mr. Milzcik has been named a

Board Leadership Fellow by the National Association of Corporate Directors.
Mr. Milzcik's qualifications to be a member of our Board of Directors include his life-long career and expertise in the aerospace industry as well as his extensive knowledge in the fields of domestic and international operations, engineering, lean management, marketing, and enterprise management systems.

5

Term expiring in 2015

Thomas J. Albani

Age: 70	Committees:
Director since: 2008	Compensation and Management Development
Current term expires: 2015	Corporate Governance
	Finance

Mr. Albani retired in May 1998 from Electrolux Corporation, a North American manufacturer and marketer of premium floor care products, where he served as the Chief Executive Officer for seven years and as a member of the Board of Directors. From 1994 to 2010, Mr. Albani was a director of Select Comfort Corporation. Mr. Albani's qualifications to be a member of our Board of Directors include his experience as the Chief Executive Officer of Electrolux Corporation, as well as his service as the Chief Operating Officer of Allegheny International, a multibillion dollar industrial conglomerate. He also has, through his experience in management consulting and participation in various industrial and consumer associations, strong strategic planning and problem solving skills and knowledge of the financial, environmental, legal and structural issues facing industrial companies.

Thomas O. Barnes

Age: 64	Committees:
Director since: 1978	Executive (ex officio, non-voting member)
Current term expires: 2015	

Mr. Barnes is Chairman of the Board of Directors and an employee of the Company. His role is described on page 48. From 2007 until 2012 he served as a director of New England Bank Shares, Inc. He served as a director of Valley Bank from 2005 to 2007 when it was merged into New England Bank Shares, Inc. Mr. Barnes' qualifications to be a member of our Board of Directors include his experience in the fields of distribution, manufacturing, finance and governance with numerous organizations throughout his career, including the Company's distribution business. In addition, Mr. Barnes has owned and managed several businesses and has experience in the commercial lending field. He has served on the Board of Directors of the Company for over 30 years, has served as Chairman of our Board since 1995, and has served as chairman, trustee or director for over 20 non-profit organizations.

Gary G. Benanav

Age: 67	Committees:
Director since: 1994	Audit
Current term expires: 2015	Compensation and Management Development
	Corporate Governance (Chair)

Mr. Benanav retired in March 2005 from New York Life International, LLC where he was the Chief Executive Officer from December 1997, and the Vice Chairman and a director of New York Life Insurance Company from November 1999. He has served as a director of Express Scripts Holding Company since January 2000, a full-service pharmacy benefit management company. Mr. Benanav's qualifications to be a member of our Board of Directors include having served as the executive officer of two U.S. corporations with assets in excess of $100 billion, extensive international business experience, extensive management responsibility for U.S. and international insurance and financial services companies, experience in dealing with regulators and legislators, extensive knowledge of finance and accounting matters including complex financial statement and accounting issues across various types of businesses, and practice as a business attorney for 15 years including serving as a legal advisor to Boards of Directors for over five years. In addition, Mr. Benanav received a Presidential appointment as U.S. representative to APEC Business Advisory Council (2002 to 2005).

Mylle H. Mangum	
Age: 64	Committees:
Director since: 2002	Audit
Current term expires: 2015	Compensation and Management Development (Chair)
	Finance

Ms. Mangum has served as Chief Executive Officer of IBT Enterprises, LLC, a leading provider of branch banking solutions, since October 2003. Prior to this, she served as the Chief Executive Officer of True Marketing Services, LLC since July 2002, focusing on consolidating marketing services companies. From 1999 to 2002, she was the Chief Executive Officer of MMS Incentives, Inc., a private equity company involved in developing and implementing marketing and loyalty programs in high-tech environments. She is currently a director of PRGX Global, Inc., Haverty Furniture Companies, Inc., and Express, Inc. She has also served as a director of Collective Brands Inc., and its predecessor PaylessShoeSource, Inc., from 1997 to 2012, Scientific-Atlanta, Inc. from 1993 to 2006, Respironics, Inc. from 2004 to 2008, Matria Healthcare, Inc. from 2006 to 2008, and Emageon Inc. from 2004 to 2009. Ms. Mangum's qualifications to be a member of our Board of Directors include her current service as a chief executive officer, and extensive business and management experience including, in addition to that mentioned above, serving as an executive with General Electric, BellSouth and Holiday Inn Worldwide. She has extensive knowledge of marketing, accounting and finance, as well as compliance and internal controls.

Retiring Director

Mr. George T. Carpenter, who has served as a director since 1985, will be retiring from the Board as of the date of the 2013 Annual Meeting.

George T. Carpenter	
Age: 72	Committees:
Director since: 1985	Audit
Current term expires: 2013	Compensation and Management Development
	Corporate Governance
	Executive (Chair)

Mr. Carpenter is President and a director of The S. Carpenter Construction Company, which is involved in general contracting, and The Carpenter Realty Company, which is involved in real estate management. For over nine years until mid-2008, Mr. Carpenter served as a director of Webster Financial Corporation. Mr. Carpenter's qualifications to be a member of our Board of Directors include his direct ownership and hands-on management of two Bristol, Connecticut-based businesses and his knowledge of the banking and financial industries and financing arrangements. Mr. Carpenter has served on our Board of Directors for 27 years.

CEO Change and Impact on Board Members

Gregory F. Milzcik announced his retirement and resigned from the position of President and Chief Executive Officer of the Company, effective March 1, 2013. Mr. Milzcik will remain employed by the Company as Executive Vice Chairman, and will continue to serve as a member of the Board of Directors until the 2013 Annual Meeting. Patrick J. Dempsey was appointed to the position of President and Chief Executive Officer of the Company, effective March 1, 2013. It is expected that the Board of Directors will nominate Mr. Dempsey to become a member of the Board of Directors to fulfill the term of Mr. Milzcik's seat, effective immediately following the Company's 2013 Annual Meeting.

7

Ratify the Selection of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm (Item 2)

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2013. Although not required by the Company's Charter or By-Laws, the Company has determined to ask stockholders to ratify this selection. A representative of PricewaterhouseCoopers LLP is expected to be present at the meeting, have the opportunity to make a statement, if desired, and be available to respond to appropriate questions.

The Board of Directors recommends a vote “FOR” this Proposal.

Advisory (Non-Binding) Resolution to Approve the Company's Executive Compensation (Item 3)

Under SEC rules, we are providing stockholders with an advisory (non-binding) vote to approve the compensation of our named executive officers, which is described in the Compensation Discussion and Analysis ("CD&A"), the compensation tables, and the accompanying required narrative disclosure regarding named executive officer compensation included in this proxy statement. This proposal, commonly known as a “say-on-pay” proposal, gives stockholders the opportunity to vote whether or not to approve the compensation of our named executive officers as described in this proxy statement. At the 2011 Annual Meeting, stockholders voted in favor of holding the advisory vote on an annual basis and, in accordance with stockholder preference, the Board of Directors determined that advisory votes will be held on an annual basis. Stockholders that do not wish to vote may abstain from voting.

The Company's executive compensation programs are designed to attract, engage and retain highly qualified executive officers. The Company has a strong pay-for-performance philosophy and, as a result, the compensation paid to our named executive officers is closely aligned with the Company's performance on both a short-term and a long-term basis. For 2012, our executive compensation program for our named executive officers was designed to reward positive performance with respect to the following financial performance measures: basic earnings per share (EPS), consolidated revenue, and consolidated operating margin, as well as the Company's performance over a three-year period ending December 31, 2014 relative to the performance of companies included in the Russell 2000 Index. These 2012 performance measures were designed to align our executive compensation program with our two key strategic goals for 2012: profitable sales growth and productivity improvements.

Our compensation mix for 2012 continued to provide total target direct compensation for our named executive officers that generally falls at the 50th percentile of the total direct compensation paid to executives holding equivalent positions in a defined peer group of companies and other external sources used to inform the Compensation Committee generally about the external market value of our executive roles. We believe our compensation mix provides sufficient incentives in the form of annual cash incentive awards and long-term incentive awards to drive the Company's performance and enhance stockholder value. Specifically, if the Company's performance meets or exceeds pre-established performance targets, including achieving performance levels at or above the 50th percentile on a relative basis compared to the performance of Russell 2000 Index companies, and/or our stock price increases, the named executive officers have an opportunity to realize significant additional compensation in the form of annual cash incentive awards and long-term equity and cash incentive awards. If the Company's performance does not meet pre-established performance targets, including reaching performance levels below the 50th percentile on a relative basis compared to the performance of Russell 2000 Index companies, and/or our stock price declines, the named executive officers have significant downside financial risk.

We have also implemented certain policies and guidelines regarding our executive compensation program designed to mitigate risk as described in our CD&A and highlighted below:

- We have stock ownership requirements for our named executive officers set at five times base salary for our Chief Executive Officer and three times base salary for all other named executive officers;
- All named executive officers are subject to clawback agreements;
- Our performance targets are tied to multiple financial metrics; and
- We place caps on payouts under our annual and long-term incentive programs.

We encourage stockholders to review the CD&A starting on page 12 which provides a detailed discussion of the executive compensation program in place for our named executive officers.

Accordingly, stockholders are being asked to approve the following resolution:

"RESOLVED, that the stockholders of the Company approve the compensation paid to the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis and the tabular disclosures regarding named executive officer compensation, together with the accompanying narrative disclosure, in this proxy statement for its 2013 Annual Meeting."

This vote will not be binding on the Board of Directors or the Compensation Committee and may not be construed as overruling a decision by the Board of Directors or the Compensation Committee nor create or imply any additional fiduciary duty on the Board of Directors. Further, it will not affect any compensation paid or awarded to any named executive officer. However, the Compensation Committee and the Board of Directors recognize the importance of receiving input from our stockholders on important issues such as executive compensation and expect to continue to take into account the outcome of the "say-on-pay" vote when considering future executive compensation arrangements.

The Board of Directors recommends a vote "FOR" the approval of the advisory resolution to approve the compensation paid to the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the CD&A and the tabular disclosures regarding named executive officer compensation, together with the accompanying narrative disclosure, in this proxy statement for its 2013 Annual Meeting.

Proposal to Amend the Company's By-Laws to Provide for the Annual Election of All Directors (Item 4)

The Company is submitting to stockholders, for their consideration, an amendment to its By-Laws to provide for the annual election of directors (the "Declassification Amendment"). The By-Laws currently provide that the Board is divided into three classes, with each class elected every three years. If the Declassification Amendment is approved, directors elected before the effectiveness of the Declassification Amendment would continue their three-year terms. When these terms expire at the 2014, 2015 and 2016 Annual Meetings of Stockholders, the directors or their successors would be elected for one-year terms. Beginning with the 2016 Annual Meeting, all directors would be elected for one-year terms at each Annual Meeting. In all cases, each director would hold office until his or her successor has been elected and qualified or until the director's earlier resignation or removal, and vacancies that occur during the year would be appointed by the Board to serve until the next annual meeting. This proposal, even if approved, would not affect the three-year terms of directors elected prior to or at the 2013 Annual Meeting. In addition, this proposal would not change the present number of directors or the Board's authority to change the number of directors or to fill vacancies or newly created directorships.

In addition, because the Board is classified, the By-Laws currently provide that directors may be removed only for cause by the affirmative vote of holders of not less than two-thirds of the outstanding shares. While Delaware corporate law provides that directors of classified boards may be removed only for cause unless otherwise provided in the certificate of incorporation, directors of corporations without classified boards may be removed with or without cause by the affirmative vote of holders of a majority of the outstanding common stock. Accordingly, as part of the Declassification Amendment, the Company is proposing to amend the By-Laws to eliminate the provision that allows stockholders to remove directors only for cause and reduce the vote for removal to the affirmative vote of holders of a majority of the outstanding shares of stock of the Company entitled to vote in elections of directors.

In determining to support the Declassification Amendment, the Board, upon recommendation of the Corporate Governance Committee, considered growing investor sentiment in favor of annual elections and believes that the Board would continue to be effective in protecting stockholders' interests under an annual election system. The Board recognizes that many investors believe that the election of directors is the primary means for stockholders to influence corporate governance policies and hold management accountable for implementing those policies. The Board also considered the benefits of classified boards, such as promoting board continuity and stability, encouraging directors to take a long-term perspective, and providing a measure of protection against hostile acquisitions and proxy contests that may not be in the best interests of stockholders.

The Board considered the arguments in favor of and against continuation of the classified board structure and determined that it would be in the best interests of the Company and its stockholders to declassify the Board.

Text of the Declassification Amendment, including regarding the Removal of Directors

Article II, Section 2, Article II, Section 4 and Article II, Section 8 of the By-Laws contain the provisions that will be affected if the Declassification Amendment is approved by stockholders. The text of Article II, Section 2 and Article II, Section 8, as amended by the Declassification Amendment, is set forth on Annex 1 to this proxy statement. Article II, Section 4 of the By-Laws, which is also set forth on Annex 1, will be deleted in its entirety by the Declassification Amendment.

Required Vote

For the this proposal to be approved by stockholders, this proposal must receive the affirmative vote of at least two-thirds of the outstanding shares of Common Stock. If the proposal is approved, it will be immediately effective. If the proposal does not receive this level of stockholder approval, it will not be implemented and the classification of the Company's Board of Directors and the By-Laws provision regarding removal of directors for cause will remain in place.

The Board of Directors recommends a vote “FOR” this proposal.

Proposal to Amend the Company's Charter to Eliminate Certain Supermajority Voting Requirements (Item 5)

The Company's Charter requires a supermajority vote to amend certain provisions contained in the Charter and the By-Laws. Subject to stockholder approval, our Board has approved an amendment to the Charter that would eliminate supermajority voting requirements for certain corporate actions taken by stockholders, and the Company is submitting this amendment to stockholders for their consideration. The amendment would change the stockholder approval requirement from two-thirds of the outstanding shares of Common Stock to a majority of the outstanding shares of Common Stock for amendments to By-Laws provisions related to the number, term of office and qualifications of directors; plurality voting; the removal of directors; and filling of director vacancies and newly created directorships (the “Voting Amendment”).

At the Company's 2011 Annual Meeting of Stockholders, a stockholder submitted a proposal addressing the same topic. At that meeting, holders of 49% of the outstanding shares of Common Stock (62% of the votes cast) voted in favor of a stockholder proposal requesting that the Board take necessary steps to eliminate the supermajority voting requirements of the Company's Charter and By-Laws. While the stockholder proposal failed to receive approval of a majority of outstanding shares of Common Stock, the Board holds a strong commitment to considering the views of stockholders and recognizes that there are differing perspectives on supermajority voting requirements. The Board continues to support proposals to increase its accountability to stockholders and to strengthen the ability of stockholders to participate in corporate governance.

Accordingly, after careful consideration and based upon the recommendation of the Corporate Governance Committee, the Board has determined that it is in the best interests of the Company and its stockholders to submit to a stockholder vote the proposal to eliminate the supermajority voting requirements for amendments to provisions regarding:

- The number, term of office and qualifications of directors;
- Plurality voting;

- The removal of directors; and
- Filling of director vacancies and newly created directorships.

These supermajority voting requirements are contained in Article ELEVENTH of the Charter. In addition, the Voting Amendment provides that any amendment to Article ELEVENTH of the Charter will only require the approval of holders of a majority of the outstanding shares of Common Stock.

The Board continues to believe that supermajority voting requirements for certain measures is appropriate to encourage input from stockholders on these measures. Supermajority voting requirements help ensure that extraordinary corporate actions are taken when there is a clear consensus of stockholders rather than just a simple majority. Supermajority voting requirements are intended to preserve and maximize the value of the Company for all stockholders by protecting against the self-interested actions of a few large stockholders whose goals may conflict with those of other stockholders. Accordingly, the Voting Amendment does not affect certain supermajority voting requirements contained in the Charter that are not included in Article ELEVENTH of the Charter. The following supermajority voting requirements will continue to be in effect even if the Voting Amendment is approved by stockholders:

- A vote of two-thirds (2/3) of the shares of capital stock then issued and outstanding, or that are required for the election of directors, to approve mortgage, sale, lease or exchange of all of the property and assets of the Company;

- The affirmative vote of holders of not less than seventy percent (70%) of the Company's voting stock to approve a business combination with any holder of five percent (5%) or more of the Common Stock under certain circumstances; and

- A vote of two-thirds (2/3) of the shares of capital stock then issued and outstanding to amend the provision in the Charter that prevents stockholder action by written consent.

Text of the Voting Amendment

Article ELEVENTH of the Charter contains the provisions that will be affected if the Voting Amendment is approved by stockholders. The text of Article ELEVENTH, as amended by the Voting Amendment, is set forth on Annex 3 to this proxy statement.

Required Vote

For the Voting Amendment to be approved by stockholders, this proposal must receive the affirmative vote of at least two-thirds of the outstanding shares of Common Stock. If the Voting Amendment is approved, the Board will take the necessary steps to amend the Company's Charter as set forth in Annex 3. If the Voting Amendment does not receive this level of stockholder approval, the Voting Amendment will not be implemented and the Company's current voting requirements will remain in place.

The Board of Directors recommends a vote "FOR" this proposal.

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

The following is a discussion and analysis of our compensation programs as they apply to our Chief Executive Officer, Chief Financial Officer and the three next most highly compensated executive officers who were serving as executive officers of the Company during 2012 (our "NEOs"). Our NEOs for 2012 were Gregory F. Milzcik, Christopher J. Stephens, Jr., Patrick J. Dempsey, Claudia S. Toussaint, and Dawn N. Edwards. Mr. Milzcik announced his retirement and resigned from the position of President and Chief Executive Officer of the Company, effective March 1, 2013. Mr. Milzcik will remain employed by the Company as Executive Vice Chairman, and will continue to serve as a member of the Board of Directors until the 2013 Annual Meeting. Mr. Dempsey was appointed to the position of President and Chief Executive Officer of the Company, effective March 1, 2013. It is expected that the Board of Directors will nominate Mr. Dempsey to become a member of the Board of Directors to fulfill the term of Mr. Milzcik's seat, effective immediately following the Company's 2013 Annual Meeting.

In this Compensation Discussion and Analysis, we discuss our compensation policies and practices as they relate to our NEOs and explain recent changes we have made to our executive compensation program. We also provide details regarding the individual components of our NEO executive compensation program and explain how and why we make decisions to establish executive compensation at particular levels.

Executive Summary

During 2012, the Company focused its efforts on achieving two key strategic objectives - profitable sales growth and productivity improvements. We made significant investments in our worldwide application of Lean principles, the key to increasing efficiency and responding more adeptly to our customers' needs. During 2012, the Company realigned its business units into three reportable business segments - Aerospace, Industrial and Distribution - to better serve its customers and accelerate growth. In addition, in early 2012 we appointed Mr. Dempsey as Senior Vice President and Chief Operating Officer to assume full responsibility and oversight of these three business segments. In August 2012, we completed the largest acquisition in our history. We acquired Synventive Molding Solutions, an industry leader in the hot runner systems and components business.

To drive our two key strategic objectives, profitable sales growth and productivity improvements, the Company built on executive compensation program changes made in 2011 and took a number of additional actions during 2012 to improve alignment. For our annual incentive compensation, the Company continued the use of basic earnings per share ("EPS"), Company-wide consolidated revenue ("Revenue") and Company-wide consolidated operating margin ("Operating Margin") as performance measures. This combination of performance measures is designed to emphasize profitability and productivity, and drive sales growth.

The Company's success in achieving these three performance measures resulted in payouts under our annual incentive compensation program of 112% of target, as detailed in the below table.

Performance Measure	Weighting (%)	2012 Results[1]	Comparison to Target
As Certified Basic EPS[2]	70%	$1.84	At target
As Certified Revenue (in millions)[3]	15%	$1,230	$27 below target
As Certified Operating Margin[4]	15%	11.8%	30 basis points above target

[1] Results are adjusted in accordance with the Barnes Group Inc. Performance-Linked Bonus Plan for Selected Executive Officers ("Performance-Linked Bonus Plan") and the Management Incentive Compensation Plan

("MICP" and, collectively with the Performance-Linked Bonus Plan, the "Annual Incentive Plans") and certified by the Compensation Committee, as described below in the "Annual Cash Incentive Awards" section.

[2] "As Certified Basic EPS" is based on Basic EPS, excluding the effects of discontinued operations, the costs and revenues related to the effects of acquisitions and acquisition expenses and costs related to other strategic initiatives, as directed under the Performance-Linked Bonus Plan.

[3] "As Certified Revenue" is our 2012 reported Revenue.

[4] "As Certified Operating Margin" is based on Operating Margin, excluding costs and revenues related to the effects of acquisitions and acquisition expenses and costs related to other strategic initiatives, as directed under the Performance-Linked Bonus Plan.

Long-term incentive award opportunities are potentially the largest component of our NEOs' annual compensation depending upon our long-term performance. The program continues to consist of relative measure performance share awards ("Relative Measure PSAs"), restricted stock units ("RSUs"), and stock options. But in 2012, we increased the Relative Measure PSA portion of the program from $33^{1/3}$% to 50%, to enhance the program's focus on performance. Below is a comparison of the weighting of the value of each type of award at the time of grant in 2011 and 2012:
The relative measure program compares the Company's relative performance over a three-year period against the performance of Russell 2000 Index companies, based on three equally-weighted and independently measured performance measures: total shareholder return, basic EPS growth and operating income before depreciation and amortization growth. The grants made in 2012 cover the 2012 to 2014 performance period. Payouts, if any, under this program will be made in 2015.

The Company's success in achieving predetermined EPS goals under the EPS-based Performance Unit Awards ("EPS PUPs") and EPS-based Performance Share Awards ("EPS PSAs") made in 2010 resulted in payouts for the 2012 portion of these grants at the 100% of target level.

The Company also made several changes to its retirement programs in alignment with the external marketplace. In 2012, we discontinued the Supplemental Executive Retirement Program ("SERP"), except for participants who were retirement eligible or in payment status. (This plan provides participants with a subsidized joint and survivor annuity.) None of our NEOs were retirement eligible and therefore none of them will receive SERP benefits upon retirement. We closed the Nonqualified Deferred Compensation Plan ("DC Plan") to any new or rehired otherwise eligible executives. (This plan provides enhanced retirement benefits to executives, replacing the enhanced defined benefit plan that was closed in 2008.) Only two of our NEOs remain eligible for the DC Plan - Mr. Stephens and Ms. Edwards. Going forward, non-grandfathered executives will have the same retirement benefits generally available to the Company's U.S. based employees.

Say on Pay Vote

The Compensation Committee believes that our executive compensation programs are consistent with our pay-for-performance philosophy. As part of our corporate governance system, we evaluate our programs in light of market conditions, stockholder views, and governance considerations, and make changes as appropriate for our business. In May 2012, we held a stockholder advisory vote on the compensation of our NEOs, commonly referred to as a say-on-pay vote. We had strong support from our stockholders with respect to the compensation of our NEOs, with over 98% of stockholder votes cast in favor of our say-on-pay resolution. We continue to evaluate our compensation programs by taking into account the stockholder vote and other feedback from our stockholders. We hold the stockholder advisory votes on executive compensation annually. Under the "Say on Pay" Proposal (Item 3) in this proxy statement, we are recommending that stockholders cast their advisory vote in favor of approving the compensation for our NEOs as disclosed in this proxy statement.

Summary of Key Executive Compensation Changes for 2012

Program Component	Summary of Changes
Long-term incentive awards	• Increased weighting of Relative Measure program PSAs from 33 1/3% to 50% of long-term incentive compensation. Reduced weighting of RSUs to 30% and stock options to 20% of long-term incentive compensation.
	• Added a condition to Relative Measure PSAs that a participant terminated by the Company "not for cause" before one year from the grant date will fully forfeit any awards.
Retirement programs	• Discontinued the SERP except for participants who were retirement eligible or were in payment status. We also closed the DC Plan to any new or rehired otherwise eligible executives.
Executive life insurance programs	• Implemented the Executive Group Term Life Insurance Program ("EGTLIP") for employees newly hired or promoted into an eligible position. This program provides premium payments for a term life insurance benefit of up to four times base salary during employment. No tax gross up is provided on this benefit. (This program replaced the Senior Executive Enhanced Life Insurance Program ("SEELIP") which was closed to new participants effective April 1, 2011. Under the SEELIP, the Company pays the premiums for a life insurance policy owned by each participating NEO and pays the participating NEO's income tax liability arising from its payment of the premiums and taxes.) The Company does not provide any premium payments during retirement.
Stock ownership requirements	• Implemented changes to the Company's stock ownership requirements permitting 2/3 of the value of unvested RSUs to count toward achieving ownership requirements. Eliminated the five and/or six year deadline to achieve ownership in favor of a requirement that all net after tax proceeds of Company equity grants, including stock option exercises, be retained until ownership levels are met. Once ownership levels are met, the requirement is converted to a fixed number of shares.

Executive Compensation Philosophy

We believe that executive compensation should support and reinforce a pay-for-performance philosophy. Consequently, our NEO compensation is closely aligned with the Company's performance on both a short-term and a long-term basis by tying a significant portion of the compensation opportunity for our NEOs directly to the Company's stock performance and other objectives that we believe affect stockholder value. As a result, if the Company's performance meets or exceeds pre-established performance targets, including achieving performance levels at or above the 50th percentile on a relative basis compared to the performance of Russell 2000 Index companies, and/or our stock price increases, the NEOs have an opportunity to realize significant additional compensation in the form of annual cash incentive payouts and long-term equity and cash incentive payouts. If the Company's performance does not meet pre-established performance targets, including reaching performance levels below the 50th percentile on a relative basis compared to the performance of Russell 2000 Index companies, and/or our stock price declines, the NEOs have significant downside financial risk.

Further in line with our pay-for-performance philosophy, the Company aims to provide our NEOs with the opportunity to earn total direct compensation that generally falls in the median range of the total direct compensation paid to executives holding equivalent positions in a defined peer group of companies. This is referred to in this proxy statement as the “Peer Group.” Individual executive compensation may be above or below the target range based on the individual's performance, experience, skill set and range of responsibilities. Other external sources such as survey data are used to inform the Compensation Committee generally about the external market value of our executive roles. We believe that targeting the median range provides an opportunity for appropriate compensation levels that will attract high quality executives, provide the proper incentives to our NEOs for achievement of our strategic objectives and retain our NEOs over the long-term.

Total Direct Compensation in 2012

Total direct compensation includes the following three elements: annual base salary; annual cash incentive awards; and long-term incentive awards. These elements provide the Compensation Committee with a platform to reinforce our pay-for-performance philosophy to address our business needs and goals with appropriate flexibility. The Compensation Committee can vary the performance measures from year to year, consistent with the applicable plans described below. As part of our pay-for-performance philosophy, we increased the portion of certain performance based compensation as a percentage of our total compensation. These changes are noted in the "Summary of Key Executive Compensation Changes for 2012" section in this Compensation Discussion and Analysis. In addition, our NEOs are eligible for change in control and severance benefits; pension, retirement and executive life insurance programs; and certain limited perquisites.

Performance-based compensation in the form of annual and long-term incentives constituted over 80% and over 60% of 2012 total direct compensation for our CEO and other NEOs, respectively. The actual mix of compensation for our CEO and other NEOs is shown below.

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[1] Information includes compensation for Ms. Toussaint on an annualized basis. Ms. Toussaint resigned from the Company on March 16, 2012 and rejoined the company on June 19, 2012.

The Summary Compensation Table on page 28 provides details regarding the compensation for each NEO.

Executive Compensation General Objectives and Process

Objectives

The primary objective of the Company's executive compensation philosophy is to support the achievement of our long-term strategic business goals of building lasting stockholder value and achieving profitable sales growth and productivity improvements. To support these goals, our compensation program for our NEOs is designed to:

- Provide appropriate incentives by linking and balancing significant short- and long-term compensation opportunities to Company performance and total shareholder return;
- Reward NEOs who contribute meaningfully to achieving our strategic objectives;
- Require NEOs to hold a significant equity investment in our Company so that they manage the business from the perspective of stockholders;
- Align our compensation polices with stockholders' long-term interests by assigning a significant portion of potential compensation to performance-based pay elements that are dependent upon achieving the Company's goals, but that do not encourage excessive risk-taking;
- Attract, retain and engage highly qualified individuals by offering competitive, balanced compensation arrangements based upon clear goals that vest on continued employment; and
- Maximize the tax effectiveness of the total compensation and benefits package, and minimize potentially adverse tax and accounting consequences, in each case to the extent practicable.

Process of Determining NEO Compensation

15

The Compensation Committee is responsible for determining the types and amounts of compensation paid to our NEOs. The Compensation Committee uses several tools to make these determinations, including external consultants and peer group analysis.

External Consultants

Company management engages Frederic W. Cook & Co. Inc. (“Cook”) to advise management on executive compensation matters. Cook annually compiles competitive compensation data regarding each element of compensation provided by our Company and other companies, and reviews the Company's compensation practices in terms of competitiveness, appropriateness and alignment with our performance, as well as the proportions the Company allocates to each element.

The Compensation Committee directly retains a consulting firm, Meridian Compensation Partners, LLC ("Meridian"), to assist in the Compensation Committee's oversight of the executive compensation program, which includes reviewing and assessing information provided by Cook. The fees for Meridian are negotiated directly by the Compensation Committee and paid by the Company at the Compensation Committee's request. Cook and Meridian did not provide any services to the Company in 2012 other than advice on executive and director compensation.

Meridian regularly participates in Compensation Committee meetings, both with and without Company management, and advises the Compensation Committee on compensation trends and best practices, plan design, pay and performance alignment and the process used to determine the reasonableness of individual compensation awards. The Compensation Committee believes that the use of a separate consultant reporting directly to it supports the objective that the Company's executive compensation programs are reasonable and consistent with Company goals and evolving governance considerations. In addition, the Compensation Committee from time to time directly retains its own outside legal counsel.

The Compensation Committee believes that there was no conflict of interest between Meridian and the Compensation Committee during 2012. In reaching this conclusion, the Compensation Committee considered the factors set forth in the SEC rule effective July 27, 2012 regarding compensation advisor independence, and believes that the compensation consultant is able to independently represent the Compensation Committee.

Peer Group Analysis

A primary data source used in setting the NEO compensation is the information publicly disclosed by our Peer Group. The Peer Group is reviewed periodically by Cook and updated as appropriate to take into account changes in the size, scope, financial performance, ownership structure and business focus of the Company and the peer institutions. With the assistance of Cook, management recommends to the Compensation Committee a preliminary Peer Group. At the last review, the factors considered by Cook in making its recommendations included: revenue levels within an approximate range of one-half to two times the Company's annual revenue; companies that operated in one of the same industries as the Company; and companies that used the same distribution channels as the Company. We removed from consideration all companies with a significant concentration of ownership by one party. The analysis also included a review of statistical data to support comparability with the prior Peer Group. After considering these recommendations, the Compensation Committee approves the Peer Group, including any changes to the Peer Group as a result of its analysis. In addition, the Compensation Committee periodically requests a separate evaluation of the Peer Group by its own consultant. The Compensation Committee last requested such a separate evaluation in 2009 for the 2010 compensation cycle.

The Peer Group used for 2012 was the same as the one established in late 2009 in accordance with the above described process. Since none of the Peer Group companies had sufficient changes in their businesses and the Company's operations also remained essentially the same, no changes to the Peer Group were proposed.

For 2012, our Peer Group was comprised of the following 17 companies:

Ametek Inc.	Graco Inc.
Applied Industrial Technologies Inc.	Hexcel Corp.
BE Aerospace Inc.	Kaman Corp.
Carpenter Technology Corp.	Kaydon Corp.
Circor International Inc.	Moog Inc.
Crane Co.	Triumph Group Inc.
Curtiss-Wright Inc.	Valmont Industries Inc.
Enpro Industries Inc.	Watsco Inc.
Esterline Technologies Corp.	

In addition, in connection with our annual compensation review process, in July 2012 the Compensation Committee reviewed tally sheets for each NEO.

The Role of Executive Officers

Mr. Gregory Milzcik, our President and Chief Executive Officer, provides the Compensation Committee with a performance assessment for each of the other NEOs. The Compensation Committee utilizes these assessments, along with other information, to determine NEO compensation. Mr. Milzcik and Ms. Dawn Edwards, Senior Vice President, Human Resources, regularly attend Compensation Committee meetings at the request of the Compensation Committee but are generally not present for the executive sessions or for any discussion of the individual components of their own compensation. In addition, Mr. Christopher J. Stephens, Jr., Senior Vice President, Finance, and Chief Financial Officer, provides financial information used by the Compensation Committee to make decisions regarding incentive compensation targets and related payouts.

Components of Our Executive Compensation Program

For 2012, the compensation for our NEOs consisted of the following elements:

- Base salary;
- Annual cash incentive awards;
- Long-term incentive awards;
- Change in control and severance benefits;
- Pension, retirement and executive life insurance programs; and
- Limited perquisites.

Only base salary, annual cash incentive awards and long-term incentive awards are taken into account to set the target total direct compensation mix for each NEO. Based on competitive compensation data developed by Cook in December 2011, the 2012 target total direct compensation for all NEOs was at the market median, or approximately the 50^{th} percentile of comparative executives, including those within our Peer Group and/or based on survey data. For Mr. Milzcik, the 2012 target total direct compensation was also at the market median, or approximately the 50^{th} percentile of compensation of CEOs within our Peer Group. The Company defines "median" as within ten percent of the benchmark. In setting the target total direct compensation mix for our NEOs, the Compensation Committee may make decisions that vary from the Peer Group data based on NEO experience, retention considerations, range of responsibilities, and the nature and complexity of each NEO's role. The Compensation Committee also uses individual performance as it considers appropriate to determine whether any adjustments should be made to an NEO's total direct compensation, including the targeted long-term incentive grants.

Base Salary

Base salary increases usually take effect on or around April 1st of each year, but may be made at interim dates within the annual cycle if the Compensation Committee deems it appropriate and necessary based on internal and external considerations. In 2012, the Compensation Committee increased Mr. Dempsey's base salary in connection with his promotion and Ms. Toussaint's base salary in connection with her rehire, as described below. In determining whether to award merit-based salary increases to our NEOs, the Compensation Committee considered a number of factors, including the following:

- Peer Group data and external market information;
- Individual performance;
- The level of responsibility assumed and the nature and complexity of each NEO's role (including the number of years in the position, any recent promotion or change in responsibility or “impact” as a member of management, and the amount, timing and percentage of the last base salary increase);
- The leadership demonstrated to create and promote a day-to-day working environment of unwavering integrity, compliance with applicable laws and the Company's ethics policies, and global responsibility; and
- The desire to retain NEOs capable of driving achievement of the Company's strategic objectives and the marketability and criticality of retention of NEOs.

The chart below details annual base salary levels for each NEO as of April 1, 2011 and December 31, 2012, respectively, with the corresponding percentage changes reflecting the increase, if any, in 2012 base salary for the NEOs.

NEO	Base Salary Effective April 1, 2011	Base Salary Effective December 31, 2012	Change in Annual Base Salary ($)	Change in Annual Base Salary (%)	
G. Milzcik	$890,000	$890,000	$—	—	%
C. Stephens, Jr.	$431,000	$431,000	$—	—	%
P. Dempsey	$431,000	$450,000	$19,000	4.4	%
C. Toussaint	$360,000	$390,000	$30,000	8.3	%
D. Edwards	$296,000	$296,000	$—	—	%

None of the NEOs received a merit increase in 2012. Mr. Dempsey received a base salary increase effective February 13, 2012 in conjunction with his appointment to the role of Senior Vice President and Chief Operating Officer. The salary shown effective April 1, 2011 for Ms. Toussaint was her base salary at the time that she resigned from her position with the Company on March 16, 2012. Upon her rehire and reappointment to Senior Vice President, General Counsel and Secretary on June 19, 2012, her salary was set at the level indicated in the column "Base Salary Effective December 31, 2012."

Annual Cash Incentive Awards

We pay annual cash incentive awards to reward the performance achievements of our NEOs. Except in circumstances of retirement, death, or disability, or certain instances of involuntary termination by the Company on or after November 1st of an award period, an NEO generally must be employed by us on the payment date to receive an annual cash incentive award. For 2012, the NEOs, other than Ms. Toussaint, participated in the Performance-Linked Bonus Plan ("PLBP"). Ms. Toussaint was not a PLBP participant in 2012 since she had announced her resignation before the February 2012 Compensation Committee meeting where the Committee determined the participants in the PLBP for 2012.

We refer to the PLBP and MICP plans as our “Annual Incentive Plans.” The MICP is structured to pay annual cash incentive awards on the same terms and conditions as set forth in the PLBP. The difference between the two plans is that the PLBP is structured to pay amounts that meet the qualified performance-based compensation exception for purposes of Section 162(m) of the Internal Revenue Code. The Annual Incentive Plans generally use the same measures, target levels, threshold levels and maximum payout levels.

Under the Annual Incentive Plans, each NEO is assigned an award opportunity expressed as a percentage of his or her base salary, which varies by the NEO's role. Each NEO's annual cash incentive payout is generally determined based on our achievement of Company performance objectives.

The chart below details the cash incentive award opportunities available to each NEO for 2012 under the Annual Incentive Plans expressed as a percentage of base salary. Where performance falls between the threshold, target or maximum performance levels, the cash incentive award opportunity is calculated using straight-line interpolation.

NEO	% of Salary Threshold Level	Target Level	Maximum Level
G. Milzcik	18.75%	75%	225%
C. Stephens, Jr.	12.5%	50%	150%
P. Dempsey	12.5%	50%	150%
C. Toussaint	11.3%		