

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. )

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 o Preliminary Proxy Statement  o Confidential, for Use of the Commission Only  
 x Definitive Proxy Statement (as permitted by Rule 14a-6(e)(2))  
 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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(4) Date Filed:

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

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## 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	<u>3</u>
	Management Proposals		
2	Ratify the selection of PricewaterhouseCoopers as the Company's independent registered public accounting firm for 2013	FOR	<u>8</u>
3	Advisory resolution to approve the Company's executive compensation	FOR	<u>8</u>
4	Amend the Company's By-Laws to provide for the annual election of all directors	FOR	<u>9</u>
5	Amend the Company's Charter to eliminate certain supermajority voting requirements	FOR	<u>10</u>

## 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				Finance
				Audit	Compensation and Management Development	Corporate Governance	Executive	
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
Perquisites		• "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"
		•

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

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## Summary of Key Executive Compensation Changes for 2012

Program Component	Summary of Changes
Long-term incentive awards	<ul style="list-style-type: none"> <li>• Increased weighting of Relative Measure program PSAs from 33<sup>1/3</sup>% to 50% of long-term incentive compensation. Reduced weighting of RSUs to 30% and stock options to 20% of long-term incentive compensation.</li> <li>• 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.</li> </ul>
Retirement programs	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Executive life insurance programs	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Stock ownership requirements	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

## 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	2012	\$ 890,000	\$—	\$ 2,699,218	\$ 599,937	\$ 744,596	\$ 1,729,195	\$ 260,844	\$ 6,923,790
President and Chief Executive	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

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Officer									
Christopher J. Stephens, Jr.	2012	431,000	—	1,339,261	130,546	240,390	49,038	234,870	2,425,105
Senior Vice President, Finance and Chief Financial Officer	2011	427,250	—	340,131	150,549	646,500	36,337	218,575	1,819,342
	2010	413,250	124,000	70,940	122,080	513,375	27,478	135,112	1,706,235
Patrick J. Dempsey	2012	447,783	—	565,484	124,787	250,988	364,266	104,764	1,858,072
Senior Vice President and Chief Operating Officer	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	2012	289,270	—	830,098	72,734	146,265	81,302	88,214	1,507,883
Senior Vice President, General Counsel and Secretary	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	2012	296,000	—	269,177	60,474	148,585	102,683	133,699	1,010,618
Senior Vice President, Human Resources	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

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## 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

Director since: 2000

Current term expires: 2013

Committees:

Compensation and Management Development

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

Director since: 2012

Current term expires: 2013

Committees:

None

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

Director since: 2006

Current term expires: 2013

Committees:

Audit (Chair)

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

Director since: 1978

Current term expires: 2014

Committees:

Executive

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

Director since: 2010

Current term expires: 2014

Committees:

Audit

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

Director since: 2006

Current term expires: 2014

Committees:

Executive (ex officio, non-voting member)

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.

Term expiring in 2015

Thomas J. Albani

Age: 70

Director since: 2008

Current term expires: 2015

Committees:

Compensation and Management Development

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

Director since: 1978

Current term expires: 2015

Committees:

Executive (ex officio, non-voting member)

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

Director since: 1994

Current term expires: 2015

Committees:

Audit

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

Director since: 2002

Current term expires: 2015

Committees:

Audit

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, Respiroics, 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

Director since: 1985

Current term expires: 2013

Committees:

Audit

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.

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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 50<sup>th</sup> 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 50<sup>th</sup> 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 50<sup>th</sup> 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

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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 <sup>1</sup>	Comparison to Target
As Certified Basic EPS <sup>2</sup>	70%	\$1.84	At target
As Certified Revenue (in millions) <sup>3</sup>	15%	\$1,230	\$27 below target
As Certified Operating Margin <sup>4</sup>	15%	11.8%	30 basis points above target

<sup>1</sup> 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.

<sup>2</sup> "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.

<sup>3</sup> "As Certified Revenue" is our 2012 reported Revenue.

<sup>4</sup> "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<sup>1/3</sup>% 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	<p>Increased weighting of Relative Measure program PSAs from 33<sup>1/3</sup>% to 50% of long-term incentive compensation. Reduced weighting of RSUs to 30% and stock options to 20% of long-term incentive compensation.</p> <p>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.</p>
Retirement programs	<p>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.</p>
Executive life insurance programs	<p>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.</p>
Stock ownership requirements	<p>Implemented changes to the Company's stock ownership requirements permitting 2/3 of the value of unvested RSUs to count toward achieving ownership requirements.</p> <p>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.</p>

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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<sup>1</sup> 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 policies 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



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:

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Ametek Inc.  
Applied Industrial Technologies Inc.  
BE Aerospace Inc.  
Carpenter Technology Corp.  
Circor International Inc.  
Crane Co.  
Curtiss-Wright Inc.  
Enpro Industries Inc.  
Esterline Technologies Corp.

Graco Inc.  
Hexcel Corp.  
Kaman Corp.  
Kaydon Corp.  
Moog Inc.  
Triumph Group Inc.  
Valmont Industries Inc.  
Watsco Inc.

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<sup>th</sup> 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<sup>th</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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%	45%	135%
D. Edwards	11.3%	45%	135%

The targets for the Annual Incentive Plans are intended to be challenging but attainable. The Compensation Committee generally establishes the target for each financial performance measure in December of each year based on review and approval of the Company's annual business plan and budget. We use financial performance objectives as performance measures under the Annual Incentive Plans because they are consistent with our focus of driving strong business performance and increasing long-term stockholder value. For fiscal year 2012, the performance measures for the Annual Incentive Plans were basic EPS, Revenue and Operating Margin. Basic EPS is used as a measure because we believe it is a principal driver of our stock price. Basic EPS is used rather than diluted EPS to overcome a potentially adverse impact from stock price appreciation that could decrease the earned award. Revenue is used as a measure to drive growth in the size of our business. Operating Margin is used as a measure to drive our sales to meet expected levels of profitability.

For fiscal year 2012, all NEOs were evaluated on corporate measures. We evaluate all of the NEOs 100% on corporate measures in recognition of the key role that each NEO plays in the overall management of the Company and in recognition of the impact of overall corporate strategies on segment results.

The chart below sets forth the Annual Incentive Plans' performance measures and the weighting of each measure for the NEOs for 2012:

Achievement of the financial performance measures under the Annual Incentive Plans are first determined according to GAAP, but then adjusted under the terms of the PLBP and the MICP to include or exclude certain extraordinary, unusual or non-recurring items, discontinued operations and other items, all in accordance with Section 162(m) of the Internal Revenue Code. The Compensation Committee also retains negative discretion in accordance with Section 162(m) of the Internal Revenue Code to further reduce, but not increase, actual awards paid to the NEOs under the Annual Incentive Plans. The adjusted financial performance results certified by the Compensation Committee under the Annual Incentive Plans are non-GAAP financial measures.

The chart below details results certified by the Compensation Committee compared to the goals:

Corporate Goal	Threshold	Target	Maximum	2012 Results	Comparison to Target as a %
As Certified Basic EPS <sup>1</sup>	\$1.63	\$1.84	\$2.11	\$1.84	100.0%
As Certified Revenue (in millions) <sup>2</sup>	\$1,169	\$1,257	\$1,304	\$1,230	97.9%
As Certified Operating Margin <sup>3</sup>	10.9	% 11.5	% 12.1	% 11.8%	102.6%

"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.

<sup>2</sup> "As Certified Revenue" is our 2012 reported Revenue.

<sup>3</sup> "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.

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The annual cash incentive awards are generally paid in February of the following calendar year, after the results are certified by the Compensation Committee. The following cash incentive awards were paid to NEOs for 2012 performance based on the performance results certified by the Compensation Committee:

NEO	Annual Incentive Earned (\$)	Annual Incentive Earned as % of Base Salary
G. Milzcik	\$744,596	84%
C. Stephens, Jr.	\$240,390	56%
P. Dempsey	\$250,988	56%
C. Toussaint <sup>1</sup>	\$146,265	50%
D. Edwards	\$148,585	50%

<sup>1</sup> Ms. Toussaint's cash incentive award and base salary were prorated for the number of days that she was employed by the Company in 2012.

### Long-Term Incentive Compensation

Long-term incentive award opportunities are potentially the largest component of our NEOs' annual compensation depending upon our long-term performance. We believe that long-term performance is enhanced through the use of awards denominated in share value that reward our NEOs for maximizing stockholder value over time, thereby aligning the interests of our employees and management with those of our stockholders. When coupled with the ownership requirements described below, our long-term incentive awards help to encourage our NEOs to maintain a continuing stake in our long-term success and provide an effective way to tie a substantial percentage of total direct compensation to any increase or decrease in stockholder value.

In 2012, the Company used a combination of time-based equity awards and performance-based equity awards. The Company revised the mix of the three types of equity awards to place greater emphasis on performance-based equity grants. Particular emphasis was placed on the Relative Measure PSAs, which now comprise 50% of the value of the equity awards at the time of grant. The following types of long-term incentive awards are currently used under the terms of the Barnes Group Inc. Amended Stock and Incentive Award Plan (the "Stock and Incentive Award Plan"), which was approved by stockholders in 2010:

Vehicle	Target Portion of Total Long-Term Incentive Compensation	Vesting <sup>1</sup>	Comments
Stock options	20%	<ul style="list-style-type: none"> <li>Time-based vesting; 18, 30, and 42 months from the grant date in equal installments</li> </ul>	Grants are priced at the fair market value on the grant date
RSUs	30%	<ul style="list-style-type: none"> <li>Time-based vesting; 18, 30, and 42 months from the grant date in equal installments</li> </ul>	Settled in shares of Common Stock Pays out dividend equivalents in cash during vesting periods
Relative Measure PSAs	50%	<ul style="list-style-type: none"> <li>Performance-based vesting at the end of a 3-year cycle</li> </ul>	<ul style="list-style-type: none"> <li>Settled in shares of Common Stock</li> <li>Accrued dividends are paid out in cash at the end of the 3-year cycle, adjusted for the number of shares actually earned</li> <li>Based on three equally weighted performance measures - total shareholder return, basic EPS growth, and operating</li> </ul>



income before depreciation and amortization growth - with each measure separately evaluated based on a comparison of the Company's performance against that of Russell 2000 Index companies

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<sup>1</sup> Assumes continued employment by the NEOs.

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Stock options and RSUs are subject to time-based vesting with staggered vesting dates to encourage NEO retention. In addition to the time-vesting requirements, stock options only have value if the Common Stock price at the time of exercise exceeds the fair market value on the grant date.

For 2012, the Compensation Committee continued the relative measure program established in 2011. The relative measure program is designed to increase long-term focus, but also to provide a better link to shareholder returns and reward NEOs based on performance compared to alternative investment opportunities. The program has three equally weighted and independently measured performance measures: total shareholder return, basic EPS growth, and operating income before depreciation and amortization growth. Each measure is compared separately to the Company's relative performance against that of the Russell 2000 Index over the three-year term of the program ending December 31, 2014. Based on the relative performance, following the end of the three-year cycle, a payout, if any, in the form of shares of Common Stock and accrued dividends will be made. A payout may range between zero for performance below the threshold level, to 250% of target for exceptional relative performance at the maximum level or above. The chart below illustrates potential payouts at various levels of performance. The first payout, if any, under this program, for the 2011 grant of Relative Measure PSAs, is scheduled to occur in 2014 for the period ending December 31, 2013. The payout, if any, for the 2012 grant of Relative Measure PSAs, is scheduled to occur in 2015.

Performance Level <sup>1,2</sup>	2012 Relative Measure Program Payout Level	
	Measure	Category
Performance below 33 <sup>rd</sup> percentile	0%	Below Threshold
Performance at 33 <sup>rd</sup> percentile	33%	Threshold
Performance at 50 <sup>th</sup> percentile	100%	Target
Performance at 60 <sup>th</sup> percentile	150%	Above Target - 60 <sup>th</sup>
Performance at 75 <sup>th</sup> percentile	200%	Above Target - 75 <sup>th</sup>
Performance at or above 85 <sup>th</sup> percentile	250%	Maximum

<sup>1</sup> Each of the three performance measures, total shareholder return, basic EPS growth, and operating income before depreciation and amortization growth, is evaluated separately as compared to performance of companies in the Russell 2000 Index.

<sup>2</sup> Results between Performance Levels will result in interpolated payouts.

In 2012, the Company amended the form of PSA agreement for grants under the Stock and Incentive Award Plan to provide for a complete forfeiture of Relative Measure PSAs if the participant's employment is involuntarily terminated by the Company without cause before the first anniversary of the Relative Measure PSA grant date. This change applies to Relative Measure PSA grants made in 2012 and later years. Before this amendment, if a participant's employment was involuntarily terminated by the Company without cause before the first anniversary of the grant date, then a pro-rata portion of the award based on the number of days the participant was employed during the applicable performance period would have been paid based on the Company's actual performance for that performance period.

In addition, the 2012 long-term incentive awards require a "double trigger" for accelerated vesting in the event of a change in control of the Company. Except for Mr. Milzcik who is covered by the terms of his employment agreement (see below section titled "Employment Agreement with Mr. Milzcik" for details), in the event of a change in control as defined in the Stock and Incentive Award Plan, stock options, RSUs and performance vesting stock units under the relative measure program will vest and accelerate only if an NEO's employment is terminated by the Company without cause, or if the NEO resigns for good reason (as defined in the severance agreements) on or within two years

following a change in control.

Before the adoption of the Relative Measure PSAs in 2011 and the continued use of these types of PSAs in 2012, the Company granted EPS PSAs and EPS PUPs. The Company last granted EPS PSAs and EPS PUPs in 2010 and the last tranche of the 2010 EPS PSAs and EPS PUPs vested at the end of 2012. EPS PSAs and EPS PUPs are subject to performance-based vesting. EPS PSAs pay out in shares of Common Stock and accrued dividends which are paid at the same time and rate as the underlying shares that are issued based on actual performance. EPS PUPs pay out in cash and do not accrue dividend equivalents. Both EPS PSAs and EPS PUPs vest ratably over a three-year time period based on attainment of three annual basic EPS targets.

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The basic EPS target used for our EPS PSAs and EPS PUPs is identical to the basic EPS target used under our Annual Incentive Plans. The performance result also is determined according to our Annual Incentive Plans and is certified by the Compensation Committee. The threshold, below target and maximum levels are derived from the basic EPS target. The 2012 basic EPS target applies to the third and last tranche of the 2010 EPS PUP and EPS PSA awards made to our NEOs. The basic EPS target is designed to be challenging but attainable.

Below are the 2012 target performance levels for EPS PSAs and EPS PUPs. The Compensation Committee certified 2012 basic EPS of \$1.84, which resulted in a payout under the applicable EPS PUP and EPS PSA awards at the 100% payout level. "As Certified Basic EPS" is a non-GAAP financial measure because it excludes certain items from net income, including discontinued operations, the effects of acquisitions and acquisition expenses and other costs of strategic initiatives in 2012. Basic EPS from continuing operations as reported in 2012 in accordance with GAAP was \$1.74. As a result, the Payout Level would have been 75%.

Basic EPS	Payout Level	Category
Less than \$1.63	0%	Below Target
\$1.63 to \$1.73	50%	Threshold
\$1.74 to \$1.83	75%	Below Target, but Above Threshold
\$1.84 to \$2.11	100%	Target
\$2.11 or higher	125%	Maximum

Long-term incentive award opportunities are established by the Compensation Committee according to the NEO's position and responsibilities, and based on a comparison to our Peer Group and competitive compensation data. In 2012, the Compensation Committee differentiated target awards based on individual NEO performance, experience and market positioning.

Except with respect to the timeline for vesting, the Compensation Committee does not take into account existing NEO Common Stock holdings because it believes that doing so would have the effect of penalizing success (to the extent that compensation might be reduced based on the appreciation of past awards) or rewarding underperformance (to the extent that compensation might be awarded to make up for lack of appreciation in stock price).

The Company's practice is to make all equity awards at the first regularly scheduled meeting of the Compensation Committee, which is scheduled well in advance, and typically occurs early in February. The Company makes "off-cycle" equity grants to NEOs in limited circumstances, generally for newly hired executives or promotions. During 2012, "off-cycle" equity grants were made to Ms. Toussaint to provide an incentive to her to rejoin the Company and to provide retention incentives tied to her long-term future employment. Ms. Toussaint did not participate in the annual equity award program in February 2012, but did receive grants in conjunction with her rehire as set forth in the below table. All unvested equity awards granted to Ms. Toussaint before her re-employment by the Company were forfeited by Ms. Toussaint in connection with her resignation.

In determining the mix of equity grants (e.g., stock options, RSUs, or Relative Measure PSAs), the Compensation Committee receives and reviews recommendations from management, based on analysis prepared by Cook. Generally, the factors considered support the pay-for-performance philosophy at the Company, aligning the interests of stockholders and NEOs, past practice, changes in business strategy, competitive practice (both generally and within the Peer Group), and the strategic impact of equity-based compensation (i.e., cost effectiveness, stockholder dilution, executive retention, a link to Company performance and total stockholder return). All of management's recommendations are reviewed by Cook and Meridian.

As reflected in the above table on page 20, in 2012 the Compensation Committee established a target mix for all NEOs that was designed to create a weighting on types of equity that were more heavily influenced by performance. The weight of the Relative Measure PSAs was 50%, RSUs was 30% and stock options was 20%. The target mix does not take into potential account "off-cycle" grants or supplemental awards, if any. This mix is intended to provide our NEOs with a strong incentive to continue their successful tenures with the Company and to focus on long-term stockholder value.

	Target Values	Annual Stock Option Grants	Annual RSU Grants	Relative Measure PSAs
G. Milzcik	\$3,000,000	62,500	33,800	56,400
C. Stephens, Jr. <sup>2</sup>	\$653,500	13,600	7,400	12,300
P. Dempsey	\$625,000	13,000	7,100	11,800
C. Toussaint <sup>1, 2</sup>	\$360,000	8,200	4,400	7,400
D. Edwards	\$292,800	6,300	3,400	5,600

<sup>1</sup> Unvested grants made to Ms. Toussaint before her resignation on March 16, 2012 were forfeited at the time of her resignation. The grants shown in the chart above were made in conjunction with her re-employment on June 19, 2012.

<sup>2</sup> In addition to the grants indicated in the table above, Mr. Stephens received a retention grant of 28,200 RSUs and Ms. Toussaint received a retention grant of 20,500 RSUs upon her rehire on June 19, 2012.

#### NEO Stock Ownership Requirements

All of our NEOs, as well as certain other members of Company leadership, are subject to the following stock ownership requirements:

Position	Multiple of Annual Salary
Chief Executive Officer	5x
All Other NEOs	3x

In July 2012, the Compensation Committee changed the stock ownership requirements so that 2/3 of the value of unvested RSUs count toward achieving ownership requirements. The Compensation Committee also eliminated the five and/or six year deadline to achieve ownership in favor of a requirement that all net after-tax proceeds from 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. As of the end of 2012, Messrs. Milzcik, Dempsey, and Stephens fully met their ownership requirements. All NEOs are in compliance with our new hold requirement.

#### Clawback Agreements, Hedging and Pledging

**Clawback Agreements:** Beginning in late 2008, we implemented a practice whereby executives hired or promoted into corporate officer positions are required to enter into clawback agreements that permit the Company to recoup or “clawback” certain annual incentive compensation and performance based vesting equity awards paid to those officers in situations where the awards earned by these NEOs are based on the achievement of certain financial performance targets that are later restated and would therefore result in lower awards paid. The Company has entered into agreements with all NEOs, and select other key employees. In addition, all of the Company's equity award agreements provide that awards may be forfeited if an employee engages in activity that is detrimental to the Company, including performing services for a competitor, disclosing confidential information, or otherwise violating the Company's Code of Business Ethics and Conduct. With respect to the NEOs, the Compensation Committee has the discretion to make certain exceptions to the clawback requirements and ultimately determine whether any adjustment will be made.

**Hedging:** The Company prohibits hedging transactions involving the Company's securities for certain members of Company leadership, including all directors and executive officers (which includes our NEOs).

Pledging and Margin Accounts: In 2013, the Corporate Governance Committee adopted a new policy that prohibits certain members of Company leadership, including all directors and executive officers, from pledging or margin call arrangements involving the Company's securities that are held to meet the Company's stock ownership requirements. The new policy also places other restrictions on any other pledging or margin call arrangements involving Company securities by such individuals. In addition, the ability of these individuals to engage in such transactions requires pre-approval from the Corporate Governance Committee, and an annual certification to the Corporate Governance Committee that the individual is in compliance with the policy. None of our NEOs have pledged Company securities or have Company securities subject to a margin call arrangement.

## Risk

We believe our executive compensation program is designed to motivate and reward our NEOs for their performance during the fiscal year and over the long-term and for taking appropriate business risks consistent with our strategic objectives. The following characteristics of our executive compensation program are designed to mitigate the likelihood that our NEOs would make business decisions that present undue risk:

The stock options and RSU components of our long-term incentive award program vest ratably over three or more years. Our Relative Measure PSAs vest based on performance at the end of the three-year performance period.

- Performance targets are tied to several financial metrics, including basic EPS, Revenue and Operating Margin, that are quantitative and measurable.

The performance periods and vesting schedules for long-term incentives overlap and, therefore, reduce the motivation to maximize performance in any one period.

Our stock ownership requirements require our NEOs to own equity representing a significant multiple of their base salary, and to retain this equity throughout their tenures.

All NEOs have entered into clawback agreements that allow us to recoup incentive compensation in situations where the awards earned by NEOs are based on the achievement of certain financial performance targets that are later restated and would therefore result in lower awards paid.

Payouts under our annual and long-term incentive programs are subject to a cap. Specifically, under our current practices for NEOs, our annual cash incentive award payments are capped (at not greater than 2.25 times base salary for the Chief Executive Officer and less for other NEOs). Performance based payouts under the relative measure program are capped at 2.5 times the target level Relative Measure PSA grant.

## Pension and Other Retirement Programs

In addition to our 401(k) plan, our NEOs have the opportunity to participate in one or more of the following additional retirement plans:

Plan	Summary of Features
Salaried Retirement Income Plan ("Qualified Plan")	<ul style="list-style-type: none"> <li>• A broad-based tax-qualified defined benefit pension plan; vesting upon attaining 5 years of service. Effective December 31, 2012, this plan was closed to employees hired on or after January 1, 2013. In lieu of this benefit, eligible new employees will receive an annual retirement contribution under the 401(k) Plan of 4% of actual eligible earnings.</li> </ul>
Retirement Benefit Equalization Plan ("RBEP")	<ul style="list-style-type: none"> <li>• Provides benefits on base salary earnings in excess of Internal Revenue Service ("IRS") limit on qualified plans to eligible salaried employees, officers and NEOs who do not meet MSSORP/DC Plan vesting requirements; vesting upon attaining 5 years of service.</li> </ul>
Modified Supplemental Senior Officer Retirement Plan ("MSSORP")	<ul style="list-style-type: none"> <li>• Provides a 55% average final pay benefit (base salary and annual incentive); benefit is reduced for offsets from prior employer retirement benefits and other Company retirement</li> </ul>



benefits; vesting upon attaining age 55 and 10 years of service. This program was closed to new or rehired entrants in 2008. Only Messrs. Milzcik and Dempsey participate in the MSSORP.

Plan	Summary of Features
Nonqualified Deferred Compensation Plan ("DC Plan")	<p>Provides an annual Company contribution based on a percent of base salary and annual incentive in excess of IRS limit on qualified plans; for 2012, the contribution was based on 20% of base salary and annual incentive pay; vesting upon attaining 10 years of service. The Company modified the DC Plan to close participation to any employee hired, rehired or promoted into an eligible position on or after April 1, 2012. Mr. Stephens and Ms. Edwards are the only NEOs that participate in the DC Plan.</p>

The Qualified Plan is a broad-based tax-qualified defined benefit pension plan. The RBEP, the MSSORP and the DC Plan are non-tax-qualified supplemental executive retirement plans that provide a higher level of benefits than are available under the Qualified Plan to certain designated employees and senior level officers, including all NEOs. We believe these more generous benefits are an important part of the overall compensation provided to our NEOs and serve as a strong retention incentive.

The chart below summarizes which NEOs participate in each of the qualified and non-qualified pension and retirement plans. A more detailed discussion of the pension benefits payable to our NEOs is described in the "Pension Benefits Table" and the narrative following the table.

NEO	Qualified Plan	RBEP	MSSORP	DC Plan
G. Milzcik	X	X	X	
C. Stephens, Jr.	X	X		X
P. Dempsey	X	X	X	
C. Toussaint	X	X		1
D. Edwards	X	X		X

Prior to her resignation of employment, Ms. Toussaint had been a participant in the DC Plan. She forfeited all Company contributions to this program upon her resignation. Since the Company modified the DC Plan to close participation to any employee hired, rehired or promoted into an eligible position on or after April 1, 2012, Ms. Toussaint was not permitted to re-enter this program upon her rehire by the Company.

#### Change in Control and Employment Termination Benefits

The Company provides change in control benefits specifically to retain key executives, including NEOs, during a potential change in control, to provide continuity of management and to provide income continuation for NEOs who are particularly at risk of involuntary termination in the event of a restructuring in connection with a change in control. These benefits were designed to be part of a competitive compensation package and keep our executive officers focused on our business goals and objectives and we believe that these benefits are a necessary part of any total compensation package to attract and retain key executives. In some instances these agreements provide for payments and other benefits if we terminate an NEO's employment without "cause," or if an NEO terminates employment for "good reason," either before or after a change in control.

None of the agreements for our NEOs include a gross-up for any taxes as a result of golden parachute payments under Section 280G of the Internal Revenue Code. For more detail on Section 280G of the Internal Revenue Code see the discussion below under "Tax and Accounting Considerations." In addition, we generally do not provide change in control cash compensation benefits in excess of severance compensation equal to two times the executive's base salary

plus payments under the annual cash incentive program. Our agreements with our NEOs also provide for continuation of group health, life insurance and other benefits for twenty-four months following the executive's termination and for certain other benefits. The terms of the change in control and incremental termination benefits payable to our NEOs are described in more detail below under "Potential Payments Upon Termination or Change in Control."

#### Perquisites

In 2012, the Company provided certain limited perquisites to our NEOs. The perquisites are fully described in the footnotes to the Summary Compensation Table and generally fall into the following categories: financial planning

assistance, annual physical examination, and personal use of the company-leased aircraft (for the Chief Executive Officer only and capped at \$100,000). None of these perquisites are grossed up for taxes.

#### Additional Benefits

All current NEOs other than Ms. Toussaint are eligible to participate in the Company's Senior Executive Enhanced Life Insurance Program ("SEELIP"), under which the Company pays the premiums for a life insurance policy owned by each NEO and pays the NEO's income tax liability arising from its payment of the premiums and taxes. As previously disclosed, the Company closed participation to any employee hired or promoted into an eligible position after April 1, 2011 and eliminated the Company-paid premium and related tax gross-up payments following retirement after April 1, 2011, except that the current program would be maintained during retirement for current employees who have attained or will attain age 62 with 10 years of service on or before December 31, 2011. None of our NEOs meet this criteria.

When the SEELIP was closed to new or rehired executives, the Company established the EGTLP for new NEOs and other eligible executives. The EGTLP provides premium payments for a term insurance policy with a benefit of four times the employee's base salary. The NEO owns the policy and is responsible for any tax liability (no tax gross-up) resulting from this program. The Company does not provide any premium payment during retirement.

Each of our NEOs participates in other employee benefit plans generally available to all U.S. based employees (e.g., health insurance, 401(k) Plan) on the same terms as all other employees.

#### Summary of Executive Changes for 2012

On February 13, 2012, Mr. Dempsey was promoted to Senior Vice President and Chief Operating Officer. Concurrent with his promotion, his base salary was increased from \$431,000 to \$450,000 and his annual incentive target remained at 50% of base salary. Mr. Dempsey's long-term compensation target was increased from \$367,200 to \$625,000, and he was awarded long-term incentive compensation grants in February 2012, at the same time as other NEOs that were consistent with this target level.

On March 16, 2012, Ms. Toussaint resigned from her position with the Company. Concurrent with her resignation, she forfeited all unvested stock options, RSUs, and Relative Measure PSAs. In addition, she forfeited Company-provided contributions to the DC Plan and the 401(k) Plan. Upon her rehire on June 19, 2012, Ms. Toussaint was granted Relative Measure PSAs, stock options, and RSUs as indicated in the table on page 23, as well as a cash signing bonus in the amount of \$100,000. None of her prior grants were reinstated and she was precluded from re-entry into the DC Plan and the SEELIP. Ms. Toussaint participates in the EGTLP. Ms. Toussaint resumed participation in the Company's Qualified Plan that is generally provided to other U.S.-based employees as well as the RBEP that is provided to employees with eligible compensation above the IRS qualified levels. For 2012, Ms. Toussaint participated in the MICP, prorated for the time when she was an active employee during 2012.

#### Tax and Accounting Considerations

##### Internal Revenue Code Section 162(m)

As discussed above, our Compensation Committee considers the tax and accounting treatment associated with cash and equity awards it makes, although these considerations are not the overriding factor that the Compensation Committee uses in making its decisions. Section 162(m) of the Internal Revenue Code places a limit of \$1 million on the compensation that the Company may deduct in any one year with respect to each of its most highly compensated executive officers, unless certain conditions are met. There is an exception to the \$1 million limitation for

performance-based compensation meeting certain requirements. The Company currently grants awards intended to meet this exception including annual cash incentive awards, stock option awards, and PSAs. Grants of restricted stock or stock units that vest solely on the basis of service do not qualify for the exception. To maintain flexibility in compensating NEOs in a manner designed to promote varying Company goals, our Compensation Committee has not adopted a policy requiring all compensation to be deductible. Our Compensation Committee may approve compensation or changes to plans, programs or awards that may cause the compensation or awards to exceed the limitation under Section 162(m) if it determines that action is appropriate and in our best interests.

Internal Revenue Code Section 280G

The Company also periodically reviews the severance agreements entered into between the Company and the NEOs to assess the impact of Section 280G of the Internal Revenue Code. Currently, the severance agreements do not provide for any gross-up to compensate our NEOs for taxes incurred under Section 4999 of the Internal Revenue Code as a consequence of “golden parachute” payments upon a change-in-control. Nor do they preclude the possibility that, in certain circumstances, the compensation payable in the event of a change in control under the agreements or other plans and arrangements may be non-deductible by the Company under Section 280G of the Internal Revenue Code.

#### Accounting for Equity Compensation

The Company accounts for its stock-based employee compensation plans at fair value on the grant date and recognizes the related cost in its consolidated statement of income in accordance with accounting standards related to share-based payments. The fair values of stock options are estimated using the Black-Scholes option-pricing model based on certain assumptions. The fair values of RSU awards, EPS PSA awards and Relative Measure PSA awards with a performance condition are estimated based on the fair market value of the Company's stock price on the grant date. The fair values of Relative Measure PSA awards with a market condition are estimated using a Monte Carlo valuation model based on certain assumptions.

#### Compensation Committee Report

To Our Fellow Stockholders at Barnes Group Inc.

We, the Compensation and Management Development Committee of the Board of Directors of Barnes Group Inc., have reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement and, based on such review and discussion, have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee

Mylle H. Mangum, Chair  
Thomas J. Albani  
John W. Alden  
Gary G. Benanav  
George T. Carpenter

#### Risk Oversight and Assessment Policies and Practices

Our Audit Committee is ultimately responsible for overall risk oversight for the Company generally. See “Board Role in Risk Oversight” on page 56. The Compensation Committee evaluates and reviews our incentive compensation arrangements annually based on an inventory of all relevant compensation programs prepared by the Human Resources department which includes details of the principal features of the programs, including any key risk mitigation factors such as (i) the mix of equity award instruments used under our long-term incentive program; (ii) the multi-year vesting of our equity awards; (iii) our stock ownership requirements; and (iv) the clawback agreements in place for certain executives. These findings are discussed with the Company's Enterprise Risk Management steering committee. The Compensation Committee also consults with, and makes certain recommendations to, the Board of Directors regarding the Company's compensation programs as necessary. Based on its evaluation, the Compensation Committee has concluded that the overall structure of the compensation programs for NEOs and company-wide employees are designed with the appropriate balance of risk and reward in relation to the Company's overall business strategy and are not reasonably likely to have a material adverse effect on the Company.



## Summary Compensation Table for 2012, 2011 and 2010

The following table sets forth the compensation earned by our NEOs for the fiscal years ended December 31, 2012, 2011 and 2010:

Name and Principal Position	Year	Salary	Bonus <sup>1</sup>	Stock Awards <sup>2</sup>	Option Awards <sup>3</sup>	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>5,6</sup>	All Other Compensation <sup>7</sup>	Total
Gregory F. Milzcik President and Chief Executive Officer	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
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	770,940	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

<sup>1</sup> The amount listed for Mr. Stephens for 2010 represents a \$124,000 cash bonus payable upon his completion of one year of satisfactory service with the Company. As noted in the CD&A, upon her rehire on June 19, 2012, Ms.



Toussaint received a cash signing bonus in the amount of \$100,000. Because this amount is fully reimbursable if Ms. Toussaint voluntarily terminates employment with the Company within twelve months of the signing bonus payment date, it is not considered earned in 2012.

Stock Awards represent the aggregate grant date fair value of RSUs, Relative Measure PSAs, EPS PSAs and EPS PUPs granted to NEOs under the Barnes Group Inc. Stock and Incentive Award Plan. EPS PUP awards are denominated in units with each unit being equivalent in value to one share of Common Stock and are payable in cash. Both EPS PUP awards and EPS PSA awards vest upon satisfying established performance goals. Relative Measure PSA awards vest upon satisfying established performance and market goals. In addition to the RSU value, the value disclosed in this column for the Relative Measure PSA awards for Messrs. Milzcik, Stephens, and Dempsey and Meses. Toussaint and Edwards represents the amount of compensation if target goals are met. The maximum grant date fair value of the Relative Measure PSA awards granted in 2012 was \$3,300,152 for <sup>2</sup> Mr. Milzcik, \$719,714 for Mr. Stephens, \$690,457 for Mr. Dempsey, \$400,147 for Ms. Toussaint and \$327,675 for Ms. Edwards. All three measures of the Relative Measure PSA awards allow an NEO to receive up to 250% of the target amount, however, only the basic EPS growth and operating income before depreciation and amortization growth measures would increase the compensation awarded under ASC 718 if the award paid out at maximum. The fair value of the performance based portion of the awards was determined based on the market value of Common Stock on the date of grant and the fair value of the market based portion of awards was determined based on a Monte Carlo valuation method; as described in the note on Stock-Based Compensation in the notes to the Company's consolidated financial statements filed with the Annual Report on Form 10-K for the respective year-end.

Option Awards represent the aggregate grant date fair value of stock options granted to NEOs under the Barnes Group Inc. Stock and Incentive Award Plan. The fair value was determined by using the Black-Scholes option <sup>3</sup> pricing model applied consistently with the Company's practice, as described in the note on Stock-Based Compensation in the notes to the Company's consolidated financial statements filed with the Annual Report on Form 10-K for the respective year-end.

Non-Equity Incentive Plan Compensation includes amounts earned under the Performance-Linked Bonus Plan for <sup>4</sup> Messrs. Milzcik, Stephens, Dempsey, and Meses. Toussaint (in 2011) and Edwards, and the amounts earned in 2012 and 2010 under the MICP for Ms. Toussaint.

The amount listed in Change in Pension Value and Nonqualified Deferred Compensation Earnings represents the annual increase in pension value for all of the Company's defined benefit retirement programs. All assumptions are as detailed in the notes to the Company's consolidated financial statements filed with the Annual Report on Form <sup>5</sup> 10-K for the respective year-end, with the exception of the following: retirement age for all plans is assumed to be the older of the unreduced retirement age, as defined by each plan, or age as of December 31, 2012, December 31, 2011 or December 31, 2010, as applicable, and no pre-retirement mortality, disability, or termination is assumed. The U.S. discount rates of 4.25%, 5.05% and 5.65%, respectively, are detailed in the Management's Discussion & Analysis filed with the Annual Report on Form 10-K for the respective year-end.

6 The Change in Pension Value and Nonqualified Deferred Compensation Earnings is segregated by plan in the following table:

Name and Principal Position	Plan Name	Year	Amounts
	Qualified	2012	\$152,862
	RBEP	2012	N/A
	MSSORP	2012	1,852,268
	SERP	2012	(275,935 )
	TOTAL	2012	1,729,195
	Qualified	2011	\$113,672
	RBEP	2011	N/A
	MSSORP	2011	1,692,920
	SERP	2011	(4,562 )
	TOTAL	2011	1,802,030
	Qualified	2010	\$85,922
	RBEP	2010	N/A
	MSSORP	2010	982,928
	SERP	2010	116,503
	TOTAL	2010	1,185,353
	Qualified	2012	\$53,596
	RBEP	2012	N/A
	MSSORP	2012	N/A
	SERP	2012	(4,558 )
	TOTAL	2012	49,038
	Qualified	2011	\$36,069
	RBEP	2011	N/A
	MSSORP	2011	N/A
	SERP	2011	268
	TOTAL	2011	36,337
	Qualified	2010	\$24,883
	RBEP	2010	N/A
	MSSORP	2010	N/A
	SERP	2010	2,595
	TOTAL	2010	27,478
	Qualified	2012	\$113,309
	RBEP	2012	N/A
	MSSORP	2012	314,096
	SERP	2012	(63,139 )
	TOTAL	2012	364,266

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Qualified	2011	\$79,898	
RBEP	2011	N/A	
MSSORP	2011	306,626	
SERP	2011	(7,970	)
TOTAL	2011	378,554	
Qualified	2010	\$58,092	
RBEP	2010	N/A	
MSSORP	2010	146,244	
SERP	2010	21,261	
TOTAL	2010	225,597	

Name and Principal Position	Plan Name	Year	Amounts
	Qualified	2012	\$37,743
	RBEP	2012	44,951
	MSSORP	2012	N/A
	SERP	2012	(1,392 )
	TOTAL	2012	81,302
	Qualified	2011	\$33,243
	RBEP	2011	N/A
	MSSORP	2011	N/A
	SERP	2011	478
	TOTAL	2011	33,721
	Qualified	2010	\$16,359
	RBEP	2010	N/A
	MSSORP	2010	N/A
	SERP	2010	914
	TOTAL	2010	17,273
	Qualified	2012	\$120,010
	RBEP	2012	N/A
	MSSORP	2012	N/A
	SERP	2012	(17,327 )
	TOTAL	2012	102,683
	Qualified	2011	\$77,050
	RBEP	2011	N/A
	MSSORP	2011	N/A
	SERP	2011	(3,122 )
	TOTAL	2011	\$73,928

Consistent with financial calculations in the notes to the Company's consolidated financial statements filed with the Annual Report on Form 10-K for the fiscal years ending December 31, 2012, December 31, 2011 and December 31, 2010, it is assumed that the form of payment is a life annuity for the Salaried Retirement Income Plan (Qualified), the RBEP, and the SERP. It is assumed that the form of payment as of December 31, 2012 is 5 year installments (which are actuarially equivalent to the life annuity) for the NEO MSSORP participants. The 2012, 2011 and 2010 qualified plan limits of \$250,000, \$245,000 and \$245,000, respectively, have been incorporated.

The amount listed in this column for Mr. Stephens and Ms. Edwards assumes that they will vest under the Barnes Group 2009 Deferred Compensation Plan and therefore would not be eligible to receive benefits under the RBEP.<sup>a</sup> The amount listed in this column for Messrs. Milzcik and Dempsey assumes that they will vest under the MSSORP and therefore would not be eligible to receive benefits under the RBEP.

<sup>b</sup> The net reduction in value for the SERP plan benefits in 2011 is a result of changes in qualified plan provisions that updated adjustment factors used to determine optional forms of payment. The optional form factors used now provide a lesser reduction. The overall value to the participant remains unchanged should the participant elect the 50% joint and survivor optional form of payment. The decrease in SERP is directly offset by the increase in the

Qualified Plan. The net reduction in value for the SERP plan benefits in 2012 is a result of the elimination of plan eligibility for all participants not age 55 with 10 years of service as of April 1, 2012.

<sup>7</sup> The compensation represented by the amounts for 2012 set forth in the All Other Compensation column for the NEOs is detailed in the following table:

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Name and Principal Position	Year	Taxes Paid on All Other Compensation <sup>a</sup>	Personal Usage of Company Aircraft <sup>b</sup>	Life Insurance Premiums <sup>c,d</sup>	Deferred Compensation Plan <sup>e</sup>	Relocation <sup>f</sup>	Other <sup>g</sup>	All Other Perquisites <sup>h</sup>	Total
Gregory F. Milzcik President and Chief Executive Officer	2012	\$ 64,090	\$ 100,000	\$ 84,957	\$ —	\$ —	\$ 7,350	\$ 4,447	\$ 260,844
Christopher J. Stephens, Jr. Senior Vice President, Finance and Chief Financial Officer	2012	25,731	—	34,109	165,500	—	7,350	2,180	234,870
Patrick J. Dempsey Senior Vice President and Chief Operating Officer	2012	30,626	—	29,276	—	31,157	7,350	6,355	104,764
Claudia S. Toussaint Senior Vice President, General Counsel and Secretary	2012	6,524	—	9,317	62,523	—	7,350	2,500	88,214
Dawn N. Edwards Senior Vice President, Human Resources	2012	13,757	—	18,236	89,120	—	7,350	5,236	133,699

<sup>a</sup> This column represents the reimbursement of taxes paid on eligible compensation included in the All Other Compensation table for the NEOs in accordance with the Company's policies and practices.

<sup>b</sup> The value of the personal usage of the Company leased aircraft is based on the aggregate incremental cost to the Company which is based on actual payments made by the Company for the use of the aircraft for Mr. Milzcik.

<sup>c</sup> Payments made under the SEELIP for Messrs. Milzcik, Dempsey, Stephens and Meses. Toussaint and Edwards. Upon Ms. Toussaint's rehire on June 19, 2012, she was precluded from re-entry into the SEELIP, and now participates in the EGTLP. Under the SEELIP, the Company pays the premiums for the individual life insurance

policies that are owned by the participants, with the life insurance coverage equal to four times base salary, and the Company pays the participating NEO's income tax liability arising from its payment of the premiums and taxes, therefore, incurring no out-of-pocket expense for the policies. The Company generally ceases to pay policy premiums on termination of employment, unless the NEO has attained age 62 and 10 years of service, in which case the Company continues to pay premiums and tax gross-ups in retirement.

Payments made under the EGTLP for Ms. Toussaint. The SEELIP was closed to new or rehired executives effective April 1, 2011, and the Company established the EGTLP for new NEOs and other eligible executives.

<sup>d</sup> Under the EGTLP, the Company pays the premiums for individual life insurance policies that are owned by the participants, with the life insurance coverage equal to four times base salary. The employee owns the policy and is responsible for any tax liability (no tax gross-up) resulting from this program. The Company ceases to pay policy premiums on termination of employment.

<sup>e</sup> The amount listed as deferred compensation for Mr. Stephens and Ms. Toussaint and Edwards includes employer contributions to the Barnes Group 2009 Deferred Compensation Plan. Ms. Toussaint forfeited her nonqualified deferred compensation balance on March 16, 2012 upon her resignation in accordance with the plan. Refer to the "Nonqualified Deferred Compensation Table" for further details of the plan.

<sup>f</sup> Mr. Dempsey received relocation benefits consistent with Company policy and practices. The relocation costs included an allowance for incidentals, certain costs for the sale and purchase of his residences, and costs for the moving of household goods. In addition, Mr. Dempsey received a tax gross-up on all items considered to be taxable, which are reflected in the Taxes Paid on All Other Compensation column.

<sup>g</sup> Consists of matching contributions made by the Company under the Retirement Savings Plan which is a plan generally available to most U.S. based employees, including the NEOs.

<sup>h</sup> Included in All Other Perquisites are payments made for financial planning and tax preparation services for Messrs. Milzcik, Stephens, and Dempsey, and Ms. Toussaint; executive physical examinations for Messrs. Milzcik and Dempsey, and Ms. Edwards; spousal travel to a Company event for Mr. Stephens; and Company-paid office parking for Mr. Dempsey.

## Grants of Plan-Based Awards in 2012

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards or Units (#)	All Other Option Awards or Options (#) <sup>3</sup>	Exercise Price of Option Awards (\$/Sh) <sup>4</sup>	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
G. Milzcik	2/8/2012										599,937
	2/8/2012							33,800			898,742
	2/8/2012 <sup>2</sup>				18,612	56,400	141,000				1,800,476
	<sup>1</sup>	166,875	667,500	2,002,500							
C. Stephens, Jr.	2/8/2012								13,600	26.59000	130,546
	2/8/2012 <sup>5</sup>							28,200			749,838
	2/8/2012							7,400			196,766
	2/8/2012 <sup>2</sup>				4,059	12,300	30,750				392,657
<sup>1</sup>	53,875	215,500	646,500								
P. Dempsey	2/8/2012								13,000	26.59000	124,787
	2/8/2012							7,100			188,789
	2/8/2012 <sup>2</sup>				3,894	11,800	29,500				376,695
<sup>1</sup>	56,250	225,000	675,000								
C. Toussaint <sup>6</sup>	6/19/2012								8,200	24.57000	72,734
	6/19/2012							20,500			503,685
	6/19/2012							4,400			108,108
	6/19/2012 <sup>2</sup>				2,442	7,400	18,500				218,275
<sup>1</sup>	32,780	131,121	393,362								
D. Edwards	2/8/2012								6,300	26.59000	60,474
	2/8/2012							3,400			90,406
	2/8/2012 <sup>2</sup>				1,848	5,600	14,000				178,771
<sup>1</sup>	33,300	133,200	399,600								

<sup>1</sup> This row sets forth the range of the potential amounts payable under the Performance-Linked Bonus Plan. For 2012, Ms. Toussaint was paid under the MICP. As part of her rehire and reappointment to Senior Vice President, General Counsel and Secretary on June 19, 2012, Ms. Toussaint's cash incentive award was prorated for the number of days that she was employed by the Company in 2012.

<sup>2</sup> This row set forth the range of the number of shares of Common Stock that could be issued under Relative Measure PSAs granted in 2012 under the Stock and Incentive Award Plan.

<sup>3</sup> Stock options granted under the Stock and Incentive Award Plan are described in the "Outstanding Equity Awards at Fiscal-Year End" table.



Each option has an exercise price equal to the fair market value of Common Stock at the time of grant, as  
<sup>4</sup> determined by the last trading price per share of Common Stock during regular trading hours on the grant date of the option.

<sup>5</sup> Mr. Stephens received supplemental RSUs in 2012.

Ms. Toussaint's unvested stock options, Relative Measure PSAs, RSUs and performance share awards were  
<sup>6</sup> forfeited upon her resignation from the Company on March 16, 2012. Ms. Toussaint was re-hired and reappointed Senior Vice President, General Counsel and Secretary on June 19, 2012 and received stock options, Relative Measure PSAs and RSUs at that time.

#### Discussion Concerning Grants of Plan-Based Awards Table

For a discussion regarding the Performance-Linked Bonus Plan and the Stock and Incentive Award Plan, please see the "Compensation Discussion and Analysis." The vesting schedule for outstanding Relative Measure PSAs, RSUs, performance share awards and stock option awards are set forth in the footnotes to the table for "Outstanding Equity Awards at Fiscal Year-End."

## Outstanding Equity Awards at Fiscal Year End

The following table summarizes equity awards granted to the Company's NEOs that remain outstanding as of December 31, 2012:

Name	Notes	Grant Date	Option Awards			Option Expiration Date <sup>(16)</sup>	Stock Awards		Equity Incentive Plan Awards:	
			Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercisable Options (#)	Option Exercise Price (\$) <sup>(1)</sup>		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Number of Shares, Units or Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
G. Milzcik	3	2/8/2012		62,500	\$26.59000	2/8/2022				
	3	2/9/2011	40,268	80,532	\$20.69000	2/9/2021				
	3	2/8/2010	113,734	56,866	\$15.26500	2/8/2020				
	3	2/10/2009	227,900		\$11.45000	2/10/2019				
	3	7/24/2008	43,715		\$24.39500	7/24/2018				
	3	2/13/2008	45,500		\$26.38005	2/13/2018				
	3	2/14/2007	54,600		\$22.33500	2/14/2017				
	3	10/19/2006	247,524		\$20.21000	10/19/2016				
	7	2/8/2012					33,800	\$759,148		
	6	2/8/2012							56,400	\$1,266,744
	9	2/9/2011					43,800	\$983,748		
	6	2/9/2011							43,800	\$983,748
	10	2/8/2010					31,268	\$702,279		
11	2/10/2009					18,981	\$426,313			
12	7/24/2008					1,821	\$40,900			
C. Stephens, Jr.	3	2/8/2012		13,600	\$26.59000	2/8/2022				
	3	2/9/2011	6,701	13,399	\$20.69000	2/9/2021				
	3	2/8/2010	14,934	7,466	\$15.26500	2/8/2020				
	3	2/10/2009	25,000		\$11.45000	2/10/2019				
	7	2/8/2012					7,400	\$166,204		
	8	2/8/2012					28,200	\$633,372		
	6	2/8/2012							12,300	\$276,258
	9	2/9/2011					7,300	\$163,958		
6	2/9/2011							7,300	\$163,958	

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	10	2/8/2010			5,394	\$ 121,149		
	11	2/10/2009			2,097	\$ 47,099		
P. Dempsey	3	2/8/2012	13,000	\$ 26.59000	2/8/2022			
	3	2/9/2011	5,467	10,933	\$ 20.69000	2/9/2021		
	3	2/8/2010	16,401	8,199	\$ 15.26500	2/8/2020		
	3	2/10/2009	28,466		\$ 11.45000	2/10/2019		
	4	2/14/2007	73,000		\$ 22.33500	2/14/2017		
	3	2/14/2007	25,000		\$ 22.33500	2/14/2017		
	3	2/15/2006	15,000		\$ 18.62750	2/15/2016		
	7	2/8/2012			7,100	\$ 159,466		
	6	2/8/2012					11,800	\$ 265,028
	9	2/9/2011			5,900	\$ 132,514		
	6	2/9/2011					5,900	\$ 132,514
	10	2/8/2010			5,927	\$ 133,120		
	11	2/10/2009			3,563	\$ 80,025		
	13	2/10/2009			17,440	\$ 391,702		
C. Toussaint	3	6/19/2012	8,200	\$ 24.57000	6/19/2022			
	14	6/19/2012			4,400	\$ 98,824		
	15	6/19/2012			20,500	\$ 460,430		
	6	6/19/2012					7,400	\$ 166,204

Name	Notes	Grant Date	Option Awards				Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
			Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date <sup>(16)</sup>	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Units of Stock That Have Not Vested (\$) <sup>(2)</sup>		
D. Edwards	3	2/8/2012		6,300	\$26.59000	2/8/2022				
	3	2/9/2011	4,501	8,999	\$20.69000	2/9/2021				
	3	2/8/2010	10,467	5,233	\$15.26500	2/8/2020				
	5	8/3/2009	10,700		\$15.02000	8/3/2019				
	3	2/10/2009	4,733		\$11.45000	2/10/2019				
	3	2/13/2008	6,150		\$26.38005	2/13/2018				
	3	2/14/2007	5,700		\$22.33500	2/14/2017				
	7	2/8/2012					3,400	\$76,364		
	6	2/8/2012							5,600	\$125,776
	9	2/9/2011					4,800	\$107,808		
	6	2/9/2011							4,800	\$107,808
	10	2/8/2010					3,796	\$85,258		
	11	8/3/2009					899	\$20,192		

<sup>1</sup> Stock option grants awarded from 2006 to 2010 represents the mean between the highest and the lowest stock price of a share of Common Stock on the grant date of the option. Stock option grants awarded in 2011 represents the last trading price during regular trading hours per share of Common Stock during regular trading hours on the grant date.

<sup>2</sup> On December 31, 2012, the last trading day of fiscal year, the closing market value of the Common Stock was \$22.46.

<sup>3</sup> The option vests at 33.34% on the eighteenth month and 33.33% on each of the thirtieth and forty-second month anniversaries of the grant date.

<sup>4</sup> The option vests at 33.334% on August 14, 2009 and 33.333% on August 14, 2010 and August 14, 2011.

<sup>5</sup> The option vests at 33.334% on August 10, 2010 and 33.333% on August 10, 2011 and August 10, 2012.

<sup>6</sup> The Relative Measure PSA vests on the third anniversary of the grant date subject to the achievement of performance goals.

<sup>7</sup> The RSU vests one-third on August 8, 2013, August 8, 2014 and August 8, 2015.

<sup>8</sup> The RSU vests one-third on February 8, 2014, February 8, 2015 and February 8, 2016.

<sup>9</sup> The RSU vests one-third on August 9, 2013, August 9, 2014 and August 9, 2015.

<sup>10</sup> The RSU vests at 33.4% on February 8, 2011 and 33.3% on February 8, 2012 and February 8, 2013.

<sup>11</sup> The RSU vests at 33.4% on August 10, 2011 and 33.3% on August 10, 2012 and August 10, 2013.

<sup>12</sup> The RSU vests at 33.34% on January 24, 2011 and 33.33% on January 24, 2012 and January 24, 2013.

<sup>13</sup> The RSU vests at 20% on February 10, 2012 and February 10, 2013 and 60% on February 10, 2014.

<sup>14</sup> The RSU vests at 33.4% on December 19, 2013 and 33.3% on December 19, 2014 and December 19, 2015.

<sup>15</sup> The RSU vests at 25% on June 19, 2014 and June 19, 2015 and 50% on June 19, 2016.

<sup>16</sup> The options terminate 10 years after the grant date.

#### Option Exercises and Stock Vested

The following table provides information on the value realized by each of the NEOs as a result of the exercise of stock options and stock awards that vested during fiscal year 2012:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>1</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>2</sup>
G. Milzcik	0	\$ —	55,868	\$ 1,417,716
C. Stephens, Jr.	25,000	284,975	7,493	193,343
P. Dempsey	35,392	476,976	14,866	383,584
C. Toussaint	12,734	86,888	4,498	121,827
D. Edwards	9,467	154,663	4,695	122,314

<sup>1</sup> Amount reflects the difference between the exercise price of the option and the market value at the time of exercise.

<sup>2</sup> Amount reflects the market value of the stock on the day the stock vested.

#### Pension Benefits

The following table sets forth pension or other benefits providing for payment at, following, or in connection with retirement granted or accrued to the Company's NEOs in 2012:

#### Pension Benefits Table

Name and Principal Position	Plan Name	Number of Years of Credited Service (12/31/2012)	Present Value of Payments During Accumulated Benefit (\$)	Last Fiscal Year
Gregory F. Milzcik President and Chief Executive Officer	Qualified	13.500	\$ 624,534	\$ —
	RBEP	13.500	N/A	\$ —
	MSSORP	13.500	\$ 5,760,582	\$ —
	SERP	13.500	N/A	\$ —
Christopher J. Stephens, Jr. Senior Vice President, Finance and Chief Financial Officer	Qualified	3.917	\$ 130,861	\$ —
	RBEP	3.917	N/A	\$ —
	MSSORP	3.917	N/A	\$ —
	SERP	3.917	N/A	\$ —
Patrick J. Dempsey Senior Vice President and Chief Operating Officer	Qualified	12.167	\$ 410,118	\$ —
	RBEP	12.167	N/A	\$ —
	MSSORP	12.167	\$ 1,087,500	\$ —
	SERP	12.167	N/A	\$ —
Claudia S. Toussaint Senior Vice President, General Counsel and Secretary	Qualified	2.333	\$ 87,387	\$ —
	RBEP	2.333	44,951	\$ —
	MSSORP	2.333	N/A	\$ —
	SERP	2.333	N/A	\$ —
Dawn N. Edwards Senior Vice President, Human Resources	Qualified	14.250	\$ 367,507	\$ —
	RBEP	14.250	N/A	\$ —
	MSSORP	14.250	N/A	\$ —
	SERP	14.250	N/A	\$ —

<sup>1</sup> All assumptions are as detailed in the notes to the consolidated financial statements for the fiscal year ended December 31, 2012, including a discount rate of 4.25% with the exception of the following:

• Retirement age for all plans is assumed to be the later of unreduced retirement age, as defined by each plan, or age as of December 31, 2012.

• No pre-retirement mortality, disability, or termination is assumed.

• Consistent with financial disclosure calculations, it is assumed that the form of payment is a life annuity for the Salaried Retirement Income Plan ("Qualified"), the RBEP and the SERP. It is assumed that the form of payment for NEO MSSORP participants is 5-year installments (which are actuarially equivalent to the life annuity).

• The 2012 qualified plan compensation limit of \$250,000 has been incorporated.

• The terms of the RBEP plan document, as amended and restated effective February 8, 2010, the terms of the MSSORP plan document, as amended and restated effective January 1, 2009, and the terms of the SERP plan document, as restated effective February 8, 2010 and as amended and restated effective April 1, 2012, have been reflected in the December 31, 2012 SEC disclosure tables. Subsequent amendments as of December 30, 2009 to the MSSORP plan document are likewise reflected in the December 31, 2012 SEC disclosure tables.

<sup>5</sup> Internal Revenue Code Section 415 limits are not reflected for these calculations. Note that the limits would only affect the distribution of amounts between the qualified and non-qualified plans.

#### Discussion Concerning Pension Benefits Table

We provide benefits to our NEOs under the following four pension plans:

• Salaried Retirement Income Plan ("Qualified Plan");

• Supplemental Executive Retirement Plan ("SERP");

• Retirement Benefit Equalization Plan ("RBEP"); and

• Modified Supplemental Senior Officer Retirement Plan ("MSSORP").

The Qualified Plan is a broad-based tax-qualified defined benefit pension plan. The SERP, the RBEP and the MSSORP are non-tax-qualified supplemental executive retirement plans that provide more generous benefits than are available under the Qualified Plan to certain designated employees and senior level officers, including our NEOs.

#### Salaried Retirement Income Plan

The Qualified Plan is a defined benefit pension plan designed to provide income after retirement to eligible employees and their beneficiaries. All NEOs participate in the Qualified Plan.

Under the Qualified Plan, each eligible employee receives credit for benefit accrual and vesting purposes equal to the number of full months elapsed from the date the employee becomes a participant until the date the participant is no longer employed by the Company. The formula for benefit purposes ranges from 0.5% to 2.5% of a participant's highest 5 consecutive years of covered compensation (which generally includes base salary). A participant is 100% vested after 5 years of service. Benefits are generally structured to be paid upon retirement.

The normal retirement date under the Qualified Plan is the first day of the month following (1) a participant's 65<sup>th</sup> birthday or (2) if hired after age 60, the month the participant achieves 5 years of service. Participants are eligible for early retirement if they have completed 10 years of vesting service and have reached age 55. A participant whose employment terminates before he or she is eligible to retire on account of normal or early retirement but who has otherwise met the vesting requirements of the Qualified Plan is entitled to a deferred vested retirement benefit.

In 2006, the benefit formula for calculating benefits under the Qualified Plan was changed for credited service earned on and after January 1, 2007. The following table shows the calculation of the basic retirement benefit for credited service earned as of December 31, 2006 under the prior formula, and for credited service earned on and after January 1, 2007:

	Benefit Accrual Rate	
	For Credited Service Earned as of 12/31/2006	For Credited Service Earned on and after 1/1/2007
Final Average Earnings up to Covered Compensation times Credited Service up to 25 years times	1.85%	1.5%



Plus		
Final Average Earnings above Covered Compensation times Credited Service up to 25 years times	2.45%	2.0%
Plus		
Final Average Earnings times Credited Service over 25 years times	0.5%	0.5%

“Final Average Earnings” is the average of a participant's highest 5 consecutive years' compensation within the 10 years before retirement or termination of employment with the Company. Compensation includes all earnings paid to the participant as reported to the IRS on the participant's Form W-2, but excludes overtime pay, bonuses, director's fees, reimbursed expenses and any other additional form of earnings, including contributions made to or under any other form of benefit plan (e.g., a 401(k) or profit sharing plan). The 2012 qualified plan compensation limit is \$250,000.

“Covered Compensation” is the average annual earnings used to calculate a participant's Social Security benefit. Covered Compensation is based on the year in which a participant reaches his or her Social Security retirement age. It assumes that the participant will earn the maximum amount taxable by Social Security up to that time. Covered Compensation for a participant who reached age 65 and retired in 2012 was \$66,000.

“Credited Service” is the total time a participant spends working at the Company that counts toward his or her pension benefit. Credited Service most often is the number of months the participant works for the Company.

The basic retirement benefit is reduced by the monthly amount of income payable to the participant attributable to employer contributions under any other tax-qualified defined benefit pension plan under which the participant receives credit for service which also constitutes credited service under the Qualified Plan.

The normal retirement benefit of a participant will be his or her basic retirement benefit as determined above multiplied by 100% (minus any percentage attributable to the cost of a pre-retirement survivor annuity, if applicable) and multiplied by (a) the actuarial equivalent factor of the normal form of benefit for the participant or (b) the actuarial equivalent factor of any optional form of retirement benefit provided for under the Qualified Plan that the participant elects to receive instead of the normal form. Optional forms of benefit include Contingent Annuity of 25%, 50%, 75% or 100%, 120 Months Certain and Life Option, Level Income Option, and Level Income and Contingent Annuity Option.

#### Supplemental Executive Retirement Plan

The SERP provides supplemental pension benefits to select employees and certain officers of the Company. Participants must have both attained age 55 and completed 10 years of credited service to be vested in the SERP. The SERP was amended to terminate participation for all individuals who are not receiving benefits under the SERP or vested thereunder as of April 1, 2012. None of our NEOs were retirement eligible as of April 1, 2012 and therefore none of them will receive SERP benefits upon retirement.

The benefit payable under the SERP is a monthly supplemental annuity equal to (a) minus (b), where:

equals the sum of: (i) the monthly retirement income payable to the participant if he or she elected a straight life annuity under the Qualified Plan, and (ii) if the participant is also a participant in the MSSORP, the monthly (a) retirement income payable to the participant if he or she elected a straight life annuity under the MSSORP; or if the participant is also a participant in the RBEP, the monthly retirement income payable to the participant if he or she elected a straight life annuity under the RBEP; and

equals the sum of: (i) the monthly pension benefits to which the participant is entitled pursuant to the Qualified Plan were he or she to elect the 50% contingent pensioner form of annuity, naming such spouse or former spouse as contingent pensioner, and irrespective of whether or not the participant in fact elects the 50% contingent (b) pensioner form of annuity under the Qualified Plan, and (ii) if the participant is also a participant in the MSSORP or RBEP, the monthly pension benefits to which the participant is entitled pursuant to the MSSORP or RBEP, as applicable, were he or she to elect the 50% contingent pensioner form of annuity, naming such spouse or former spouse as contingent pensioner, and irrespective of whether or not the participant in fact elects the 50% contingent pensioner form of annuity under the MSSORP or RBEP.

The SERP takes into account base salary for purposes of determining the benefits accrued under the plan. For purposes of the SERP, a contingent pensioner is a person who will receive annuity payments under the Qualified Plan

after the death of the applicable participant.

#### Retirement Benefit Equalization Plan

The RBEP provides supplemental benefits for participants in the Qualified Plan whose benefits are limited by statute or the Internal Revenue Code. For example, the Internal Revenue Code Section 415 limit (i.e. the annual contribution limit to a defined contribution plan (\$50,000 through December 31, 2012) and the annual benefits payable from defined benefit plans (\$200,000 through December 31, 2012)) and the Internal Revenue Code Section 401(a)(17) limit (i.e., earnings taken into account for tax-qualified plan purposes (\$250,000 through December 31, 2012)). All NEOs are eligible to participate in the RBEP. Generally, the RBEP is structured to pay

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the participants the difference between the benefits paid under the Qualified Plan and what the participant would have received but for the statutory limitations described in the Qualified Plan. The RBEP takes into account base salary for purposes of determining the benefits accrued under the plan.

#### Modified Supplemental Senior Officer Retirement Plan

The MSSORP provides supplemental retirement benefits to selected employees of the Company including the following NEOs: Messrs. Milzick and Dempsey. The MSSORP was closed to new participants on December 31, 2008 and replaced by the DC Plan.

The MSSORP provides certain early or normal retirement benefits to participants as follows. The normal retirement benefits under the MSSORP are equal to (a) minus the sum of (b), (c) and (d), where:

- (a) equals 55% of the participant's final average compensation multiplied by the ratio (not to exceed 1.0) of his or her credited service to 15;
- (b) equals the participant's Qualified Plan benefit;
- (c) equals the participant's Social Security benefit; and
- (d) equals the participant's prior employer benefit.

The early retirement benefits under the MSSORP are equal to (a) minus the sum of (b), (c) and (d), where:

- (a) equals 55% of the participant's final average compensation (which generally includes base salary and annual incentive compensation) multiplied by the ratio (not to exceed 1.0) of his or her credited service to the greater of 15 years or the credited service the participant would have completed had credited service continued to age 62 multiplied by a percentage factor (less than 100%) based on the participant's age at the time that benefits commence;
- (b) equals the participant's Qualified Plan benefit as of such date;
- (c) equals the participant's Social Security benefit; and
- (d) equals the participant's prior employer benefit multiplied by the same percentage factor based on the participant's age used in the calculation of (a).

The MSSORP is structured to cover any gaps of coverage under the Qualified Plan, SERP and RBEP up to 55% of a participant's final average compensation. This is because when an individual becomes eligible for the MSSORP, a portion of the benefits are based on amounts earned and vested under the Qualified Plan, SERP and RBEP, which all vest prior to the MSSORP benefits.

“Final average compensation” has the same meaning as Final Average Earnings under the Qualified Plan except that “final average compensation” is not subject to the IRS qualified plan compensation limits. In addition, “final average compensation” includes bonuses. The “Qualified Plan benefit” is the annual pension benefit payable as a single life annuity upon the participant's actual retirement date, excluding any portion of such annual pension benefit attributable to any period after, or any compensation earned after, the participant has a “separation from service” within the meaning of Internal Revenue Code Section 409A. “Social Security benefit” means the participant's annual Social Security benefit.

“Prior employer benefit” means any benefit paid or payable by any prior employer of the participant.

For participants who had attained age 55 as of January 1, 2009, distributions are made in the form of an annuity. For participants who had not attained age 55 as of January 1, 2009 (currently, all NEOs that participate in the plan), distributions generally are made in 5 installments over a 4-year period following retirement; provided, however, that if the participant terminates employment before attaining age 55, the participant is instead entitled to benefits under the RBEP.

#### Nonqualified Deferred Compensation

The following table sets forth information with regard to defined contribution or other plans that provide for the deferral of compensation on a basis that is not tax qualified by the Company's NEOs in 2012:

## Nonqualified Deferred Compensation Table for 2012

Name	Aggregate Beginning Balance in Last Fiscal Year	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals / Distributions	Aggregate Balance at Last Fiscal Year-End <sup>1</sup>
Gregory F. Milzcik President and Chief Executive Officer	\$—	\$ —	\$ —	\$—	\$—	\$—
Christopher J. Stephens, Jr. Senior Vice President, Finance and Chief Financial Officer	212,453	—	165,500	30,552	—	408,505
Patrick J. Dempsey Senior Vice President and Chief Operating Officer	—	—	—	—	—	—
Claudia S. Toussaint Senior Vice President, General Counsel and Secretary	72,467	—	62,523	7,338	—	—
Dawn N. Edwards Senior Vice President, Human Resources	81,525	—	89,120	13,799	—	184,444

<sup>1</sup> Ms. Toussaint forfeited her nonqualified deferred compensation balance on March 16, 2012 upon her resignation in accordance with the plan.

The Barnes Group 2009 Deferred Compensation Plan (“DC Plan”) was authorized by the Company's Board of Directors in July 2009 effective September 1, 2009. Officers of the Company who were elected or appointed on or after January 1, 2009 until April 1, 2012 when the DC Plan was closed to any new or rehired otherwise eligible executive, were at the Board of Directors' discretion, eligible to participate in the DC Plan. The DC Plan replaced the MSSORP which was closed to new participants as of December 31, 2008. Mr. Stephens and Ms. Edwards are the only NEOs that participate in the DC Plan.

There are no participant contributions to the DC Plan; rather, for each DC Plan participant, the Company credits an annual hypothetical contribution equal to 20% of the compensation above the Internal Revenue Code Section 401(a)(17) limit (i.e., earnings taken into account for tax-qualified plan purposes, currently \$250,000) or such other amount determined by the Compensation Committee. The hypothetical contributions credited are adjusted according to the performance of investment options provided under the DC Plan. Each participant in the DC Plan determines from the investment options available how his or her fund will be invested. The DC Plan provides most of the same investment options as the Barnes Group Retirement Savings Plan. Subject to the Company's amendment and termination rights and other DC Plan and trust provisions, participants generally vest upon attaining the age of 55 and

10 years of service; provided that the Board of Directors may reduce the required years of service to five years for any given participant; and provided further that, for death and defined disabilities, vesting occurs if a participant is at least 55 with five years of service. Distributions under the DC Plan generally are made in five installments over a four-year period. If, at separation from service or death, a participant has satisfied the age and service conditions for the payment of a benefit under the DC Plan, a benefit under the RBEP will not be paid to the participant. As of December 31, 2012 if Mr. Stephens was not a participant in the DC Plan, the present value of his accumulated benefit under the RBEP would be \$102,635. As of December 31, 2012 if Ms. Edwards was not a participant in the DC Plan, the present value of her accumulated benefit under the RBEP would be \$3,736. The amount that the Company contributes under the DC Plan is also included in the "All Other Compensation" column of the Summary Compensation Table for Mr. Stephens and Mses. Toussaint and Edwards.

#### Termination Provisions of Employment and Severance Arrangements

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to the NEOs in the event of a termination of employment or a change in control of the

Company. The key provisions of those arrangements are described below, and then the values of potential payments that would be due if termination of employment or a change in control occurred on December 31, 2012 are set forth in the tables following the description.

#### Employment Agreement with Mr. Milzcik

On December 13, 2006, we entered into an employment agreement with Mr. Milzcik which was effective as of October 19, 2006, the date he became the Company's President and Chief Executive Officer, which was subsequently amended as of December 31, 2007, as of December 31, 2008 and as of January 19, 2009 (collectively, the "employment agreement"). The employment agreement provides for Mr. Milzcik's employment through October 19, 2013 and for automatic annual extensions and successive three-year terms unless either party provides 90 days prior written notice that the employment agreement will not be extended. In no event will his employment term automatically extend beyond October 19 of the calendar year in which he attains age 65. The terms of the employment agreement that relate to termination and change in control are described below.

If Mr. Milzcik's employment is terminated by us other than for cause, death or disability, or by Mr. Milzcik for good reason, he will receive:

• Two-year continuation of his salary as of the date of termination;

• Two-year continuation of then provided welfare benefits (to the extent continuation is permitted under the Company's plans);

• All benefits, if any, he is entitled to under all of the Company's programs (excluding severance pay or salary continuation programs) providing benefits after termination ("Accrued Post-Employment Benefits");

• The annual bonus for the prior completed fiscal year, if as of the termination date such annual bonus has not yet been paid;

• The prorata portion of any annual bonus for the calendar year in which the termination occurs that would have been paid had his employment continued; provided that the Compensation Committee maintains its rights under the bonus plan to exercise negative discretion in determining the amount of the bonus; and

• Annual payment for two years following termination of an amount equal to his target bonus in effect for the year of termination.

In addition, (a) all outstanding options to purchase Common Stock held by Mr. Milzcik and granted on or after October 19, 2006 will continue to vest during the two-year period and will remain exercisable for the lesser of the term of the option and one year following the expiration of the two-year period, and (b) outstanding RSUs or performance shares or performance unit awards granted on or after October 19, 2006 will vest as of the termination date to the extent such awards would have vested in accordance with their regular vesting schedule if his employment had continued for the two-year period and, in the case of performance shares or units with performance periods beginning on or before January 1, 2009, as if the applicable performance goal had been achieved at the target; performance shares or performance unit awards with performance periods beginning after January 1, 2009 will vest if and when they would otherwise vest in accordance with the performance goals, based on actual performance, prorated through the second anniversary of Mr. Milzcik's termination date.

In the event of a change in control, all outstanding stock options, RSUs and performance share or performance unit awards then held by Mr. Milzcik that were granted on or after October 19, 2006 that are not then vested will



immediately become vested and, in the case of performance shares or performance units, as if the applicable performance goals were achieved at the target level of performance.

Termination by us without cause or by Mr. Milzcik for good reason within two years after a change in control entitles him to the same severance arrangements as a normal severance without cause, except his severance payments will be paid in a lump sum on the first day of the seventh month after the termination date, he will receive a prorated bonus for the year of severance, and the bonus component of his severance benefit will be based on the higher of (i) the target bonus in the year of termination, or (ii) the average of the last three bonuses paid to him. Any termination or change in control payments to be made under the employment agreement may be delayed or deferred by us to comply with applicable laws, regulations and stock exchange rules, including Internal Revenue Code Section 409A. Any amounts deferred to comply with Section 409A shall bear interest for the period

of the deferral at the applicable federal rate. In the event of a change in control transaction, the actual change in control of the Company is the triggering event.

For purposes of Mr. Milzcik's employment agreement, "good reason" termination generally includes a termination by Mr. Milzcik for: (i) a material, adverse change in title, position, duties, responsibilities or reporting relationships, (ii) a reduction in salary or failure to pay compensation, (iii) greater than a 50-mile change in the location of Company executive offices, (iv) the assignment of duties inconsistent with status as CEO, (v) the failure to follow procedures in a termination for "cause", (vi) a notice by the Company that the employment term will not be extended, (vii) the Company does not nominate or use best efforts to have the CEO re-elected to the Board of Directors, or (viii) another material breach of the employment agreement.

If his employment is terminated by us for cause or by Mr. Milzcik other than for good reason, we will pay him his earned and unpaid salary and any Accrued Post-Employment Benefits as of the termination date.

In the event of termination due to death or disability, we will pay Mr. Milzcik's earned and unpaid salary and any Accrued Post-Employment Benefits as of the termination date and provide him or his beneficiary, as applicable, the compensation and benefits made available generally to our executive officers in the event of death or disability under the terms and conditions of our plans, policies, programs or arrangements applicable to executive officers.

Following termination of employment, Mr. Milzcik has agreed not to compete with the Company for two years, or solicit our customers for two years or our employees for three years, and to abide by confidentiality, non-disparagement and trade secrets covenants in perpetuity.

The multiples of salary and other benefits payable to Mr. Milzcik upon a termination event or a change in control as specified in his employment agreement are the result of negotiation between the Compensation Committee and Mr. Milzcik. In connection with the negotiations, the Compensation Committee was advised by its compensation consultant as to such terms provided to chief executive officers of similar ability and experience at comparable companies. In addition, the termination multiples of the components of compensation were generally the same as those contained in the employment agreement of the previous Chief Executive Officer of the Company. In agreeing to such terms on behalf of the Company, the Compensation Committee believed that such terms were in line with those provided to other such executives at comparable companies, and were consistent with the best interests of the Company's stockholders as such terms constitute an appropriate and meaningful inducement for Mr. Milzcik to devote himself for the foreseeable future to the success of the Company. The Compensation Committee also believes that the Company's change in control arrangements for Mr. Milzcik help assure that he will act in the best interest of the stockholders in any proposed merger or acquisition transaction, even if he might face possible termination of employment as a result of such a transaction.

To the extent that any payment or distribution to Mr. Milzcik is or will be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, his employment agreement provides that total payments to Mr. Milzcik will be reduced (but not below zero) if and to the extent that a reduction in the total payments would result in Mr. Milzcik retaining a larger amount, on an after-tax basis, than if he received the entire amount of such payments. Mr. Milzcik does not receive a tax gross-up for any taxes as a result of golden parachute payments.

#### Severance Agreement

Other than Mr. Milzcik who is covered by his employment agreement, all of our NEOs are eligible for certain severance benefits in connection with a change in control or a separation from service following a change in control under the terms of a severance agreement. Generally, our severance agreements are based on the same form

agreement. The term of each severance agreement is one year with an automatic annual extension commencing on each January 1, unless the Company or the NEO provides written notice not later than September 30 of the preceding year of a determination not to extend the severance agreement. However, if a change in control occurs during the term of the severance agreement, the term will expire no earlier than 24 months after the month in which the change in control occurs. The Compensation Committee believes that the Company's severance agreements for its NEOs help assure that the NEOs will act in the best interest of the stockholders in any proposed merger or acquisition transaction, even if they might face possible termination of employment as a result of such a transaction.

All rights of Mr. Milzcik upon a change in control are governed exclusively by his employment agreement (and not his severance agreement).

The severance agreements provide, among other things, that upon the occurrence of a change in control, NEOs are entitled to a cash payment equal to a prorated target annual bonus for the year in which the change in control occurs which will be credited against any annual bonus or incentive award that each NEO is otherwise entitled to receive with respect to such year. Also, upon the occurrence of a change in control, each NEO will become fully vested in all options and other stock-based awards granted up through the 2010 fiscal year.

In addition, if, following a change in control and during the applicable term of the severance agreement, an NEO's employment is involuntarily terminated other than for cause or if the NEO voluntarily terminates employment for good reason, then each NEO is entitled to certain severance payments and benefits conditioned upon executing a release. These payments and benefits generally consist of the following:

An amount equal to two times the most recent base salary and two times the highest of (i) the annualized average bonus for up to three years prior (or such annualized year if applicable) to the (a) separation from service; or (b) change in control; or (ii) the target bonus for the year in which the separation from service occurs;

• Cash payment equal to a prorated target bonus for the year in which the separation from service occurs (less any prorata bonus previously paid for the same period);

• Twenty-four months of additional age credit, benefit accruals and vesting credit under the Company's non-qualified and qualified retirement plans, with the resulting benefits payable either at the times provided by such plans or in an actuarially equivalent lump sum on March 1 of the year following the year in which the date of termination occurs;

• Twenty-four months of continued financial planning assistance at the Company's expense;

• Twenty-four months continued participation in any welfare plans of the Company (including medical, dental, death, disability, and the Company's SEELIP, if applicable) in which the NEO was participating at the time of termination of employment or change in control; and

• An additional payment each month during the 24 month period to gross-up the NEO for all taxes due on the medical and dental benefits payable under the severance agreement.

For purposes of the severance agreements, "good reason" generally includes a termination by an NEO, subject to an applicable cure period, for: (i) the assignment of any duties materially inconsistent with the NEO's status as an executive officer or a material adverse alteration in the nature or status of the NEO's responsibilities from such responsibilities in effect prior to the change in control, (ii) a reduction in the annual base salary of more than 5% or \$20,000, (iii) greater than a 50-mile change in the location of Company executive offices, and (iv) the failure to follow procedures in a termination for "cause."

If, during the term of the severance agreement following a change in control, the Company disputes that an NEO's employment has been involuntarily terminated other than for cause or that the NEO terminated employment for good reason, the Company may be obligated under the severance agreement to continue to pay the executive salary, bonus, benefits and perquisites as described above for the balance of the term of the severance agreement, in addition to the payments and benefits described above.

If an NEO becomes entitled to health, welfare, pension and other benefits of the same type as referred to above during the 24-month period following employment termination, the Company will stop providing these benefits and the NEO may be obligated to repay a portion of any benefits that were previously paid as described above in a lump sum.

The severance agreement also provides that, if any payment or benefit would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, the severance payments and benefits to the executive will be reduced if and to the extent that reducing the payments and benefits would result in the executive's retaining a larger amount, on an after-tax basis, than if he or she received the entire amount of such payments and benefits and paid the applicable excise tax (i.e. the Company does not provide a tax gross-up for any excise taxes as a result of change in control benefits).

Except in the case of Mr. Milzcik, whose rights in the event of a change in control are generally governed by his employment agreement, the severance (change in control) agreement supersedes any other agreements and

plans that apply in the event that the executive's employment with us is terminated following a change in control without cause or by the executive for good reason. The superseded agreements include the Barnes Group Inc. Executive Separation Pay Plan described below.

#### Barnes Group Inc. Executive Separation Pay Plan

During 2012, Messrs. Dempsey and Stephens and Ms. Toussaint and Edwards were each covered by the Executive Separation Pay Plan. Mr. Milzcik's employment agreement, which is summarized above, supersedes the Executive Separation Pay Plan with respect to the payments and benefits he would be entitled to receive upon termination from the Company. The Executive Separation Pay Plan provides for severance payments and benefits to an eligible executive who experiences an involuntary separation from service without cause provided that, after December 31, 2008, such separation is not covered by a severance agreement. No payments or benefits are made to an executive whose employment is terminated due to misconduct of any type, including, but not limited to, violation of Company rules or policies or any activity which results in conviction of a felony or if the employment termination is a result of the sale of a business unit of the Company and the employee is offered employment by the purchaser within 30 days after the closing of the sale, in a comparable position and for substantially equivalent compensation and benefits as before the sale.

Under the Executive Separation Pay Plan, a terminated eligible NEO is entitled to minimum severance of one month's base salary or the amount of accrued vacation pay, whichever is greater. In order to receive the higher severance benefit of 12 months' salary continuation plus accrued vacation pay, the eligible NEO must execute a release of claims acceptable to us. The salary portion is to be paid on regular payroll dates but payments may be delayed until six months after separation from service if necessary to comply with Internal Revenue Code Section 409A. The vacation pay portion is to be paid in a lump sum. During the severance period, benefits will continue to be provided pursuant to medical, dental, flexible benefit and premium payments and benefits under the SEELIP, Enhanced Life Insurance Program or EGTLIP will be continued for NEOs.

#### Retirement Plans

The amount and form of pension benefits that would be paid upon a qualifying retirement under our Qualified Plan, the SERP, the RBEP and the MSSORP are disclosed in the Pension Table above and the accompanying discussion. Any additional retirement benefits that would be payable in the event of termination of employment or a change in control are shown in the "Potential Payments Upon Termination or Change in Control" table below.

#### Stock Options

The following is a discussion of the standard terms of stock options with respect to various types of termination of employment and in the event of a change in control, although these terms do vary by agreement and by person. Special provisions that apply to Mr. Milzcik's stock options are described above under "Employment Agreement with Mr. Milzcik."

If the holder's employment terminates other than by reason of death, disability or retirement or for cause, (i) the portion of the stock options that are exercisable as of the termination date will terminate; provided, however, if the employee is terminated by the Company without cause, the stock options that were exercisable as of the termination date will remain exercisable for one year from the date of termination and (ii) the portion of the stock options that have not become exercisable will be forfeited. If the holder's employment terminates due to death or disability, the portion of the stock options that are not exercisable will immediately become exercisable and the stock options will be exercisable for a year after the termination date. If the holder's employment terminates by reason of retirement at the age of 62 or later with a minimum of five years of service, the portion of the stock options that are not yet exercisable

on the retirement date will continue to become exercisable for up to one year after the retirement date so long as the holder executes a covenant not to compete, and up to five years if the holder also executes a release of claims. If the holder's employment is terminated for cause, all outstanding stock options will terminate. Upon a change in control, all stock options granted through 2012 will vest.

#### Restricted Stock Unit Awards

The following is a discussion of the standard terms of RSUs with respect to various types of termination of employment and in the event of a change in control, although these terms do vary by agreement and by person. Special provisions that apply to Mr. Milzcik's RSUs are described above under "Employment Agreement with Mr. Milzcik."

If the holder's employment terminates, other than due to death or disability or retirement, the unvested portion of the award terminates. If the holder's employment is terminated due to death or disability, the unvested portion of the award vests in full. For RSUs granted prior to 2011, if the holder's employment terminates by reason of retirement, the unvested portion of the award may continue to vest if the holder executes a covenant not to compete and release of claims. For RSUs granted in 2011 or later, if the holder's employment terminates by reason of retirement (so long as there is no cause), and if at least two years have passed since the grant date, then the portion of any RSUs that did not become non-forfeitable before the date of separation from service by retirement will become non-forfeitable on that date. If the holder's employment is terminated for cause, the unvested portion of the award terminates. If there is a change in control, any unvested RSUs granted through 2010 will accelerate and become vested. For any grants made in 2011 or later, if termination occurs within two years of the change in control and, in addition, there is a termination by the Company without cause, termination by the employee with good reason, or termination on account of death, disability or retirement, then any unvested RSUs will become vested.

#### Performance Share Awards

The following is a discussion of the standard terms of performance share awards with respect to the various types of termination of employment and in the event of a change in control, although these terms may vary by agreement and by person. Special provisions that apply to Mr. Milzcik's performance share awards are described above under "Employment Agreement with Mr. Milzcik."

For EPS PSAs, if a holder's employment terminates due to death or disability prior to the end of the performance year, then the holder earns for the performance year in which the termination occurs the number of awards that would have been earned in the year as if the holder were employed through the end of the performance year, except if there is a change in control in that year in which case the maximum number that could be earned in that year will be earned. If a holder's employment terminates for any other reason, then all awards not earned as of the termination date terminate. If there is a change in control before the last day of the award period, the target number of EPS PSAs granted through 2010 will be deemed earned immediately. No EPS PSAs were granted after 2010.

For Relative Measure PSAs, if a holder's employment terminates due to death or disability before the completion of a three-year performance cycle, a prorated payout will be made at the target level as soon as administratively feasible. In the event of involuntary termination not for cause, for grants made during 2011, a prorated number of shares earned on the basis of plan performance will be made at the end of the three-year cycle. In the event of involuntary termination not for cause, for grants made during 2012, a prorated number of shares earned on the basis of plan performance will be made at the end of the three-year cycle only if at least one-year of employment has occurred from the grant date until the termination date. If a holder's employment terminates for any other reason, then all Relative Measure PSAs not earned as of the termination date terminate.

If there is a change in control during the three year performance cycle, vesting of Relative Measure PSAs based on actual performance will occur for full years that have been completed. Payout will be at target for any remaining period. Payout in advance of the normally scheduled interval would be accelerated after a change in control only if a loss of employment not for cause or good reason termination occurred subsequent to the change in control.

#### EPS Performance Unit Awards

In the event of a change in control of the Company, EPS PUPs will immediately become vested as if the applicable performance goals were achieved and the holder will be paid cash in settlement of the awards on the date on which the change in control occurs. In the event of a voluntary termination, involuntary termination with or without cause or a qualified retirement prior to the end of the year, the holder forfeits all unearned EPS PUPs. In the event of termination



due to death or disability prior to the end of the year, any EPS PUPs earned in the year of such termination shall be paid and the remainder shall be forfeited. No EPS PUPs were granted after 2010.

#### Annual Incentive Plans

Participants in the PLBP for any year whose employment is involuntarily terminated by the Company other than for cause on or after November 1 and before awards are paid for such year are eligible to receive prorated awards for such year based on actual performance, as are participants who retire, die or become permanently disabled

before awards are paid for such year. A participant whose employment terminates for any other reason before awards are paid for a year is not eligible to receive an award. The MICP is structured on the same terms and conditions as set forth in the PLBP.

#### Potential Payments Upon Termination or Change in Control<sup>1</sup>

The amount of compensation payable to each NEO if termination of employment or a change in control occurs, assuming a December 31, 2012 triggering event, is listed in the table below.

	Voluntary Termination(\$) <sup>7</sup>	For Cause Termination(\$) <sup>8</sup>	Without Cause/Good Reason Termination(\$) <sup>9</sup>	Death(\$) <sup>10</sup>	Disability(\$) <sup>10, 11</sup>	Change in Control(\$) <sup>12</sup>	Change in Control With Termination <sup>12</sup>
G. Milzciik							
Cash			\$3,859,596	\$744,596	\$744,596	—	\$5,040,211
Compensation/Severance	—	—					
Additional Retirement							
Benefits <sup>2</sup>	—	—	—	—	—	—	—
Continuation of Other							
Benefits <sup>3</sup>	—	—	\$304,510	—	—	—	\$309,508
Stock Options <sup>4</sup>	—	—	\$551,693	\$551,693	\$551,693	\$551,693	\$551,693
Restricted Stock Units <sup>5</sup>	—	—	\$2,331,775	\$2,912,388	\$2,912,388	\$2,912,388	\$2,912,388
Performance Share							
Awards <sup>6</sup>	—	—	\$2,250,492	\$1,078,080	\$1,078,080	\$2,250,492	\$2,250,492
Performance Unit Award							
<sup>6</sup>	—	—	—	—	—	—	—
TOTAL	\$—	\$—	\$9,298,066	\$5,286,757	\$5,286,757	\$5,714,573	\$11,064,211
C. Stephens, Jr.							
Cash			\$671,390	\$240,390	\$240,390	—	\$1,735,560
Compensation/Severance	—	—					
Additional Retirement							
Benefits <sup>2</sup>	—	—	—	—	—	—	\$82,714
Continuation of Other							
Benefits <sup>3</sup>	—	—	\$85,715	—	—	—	\$156,430
Stock Options <sup>4</sup>	—	—	—	\$77,434	\$77,434	\$53,718	\$77,434
Restricted Stock Units <sup>5</sup>	—	—	—	\$1,131,782	\$1,131,782	\$168,248	\$1,131,782
Performance Share							
Awards <sup>6</sup>	—	—	\$109,305	\$201,391	\$201,391	—	\$440,216
Performance Unit							
Award <sup>6</sup>	—	—	—	—	—	—	—
TOTAL	\$—	\$—	\$866,410	\$1,650,997	\$1,650,997	\$221,966	\$3,624,130
P. Dempsey							
	Voluntary Termination(\$) <sup>7</sup>	For Cause Termination(\$) <sup>8</sup>	Without Cause/Good Reason	Death(\$) <sup>10</sup>	Disability(\$) <sup>10, 11</sup>	Change in Control(\$) <sup>12</sup>	Change in Control With

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			Termination(\$) <sup>9</sup>				Termination(\$) <sup>12</sup>
Cash Compensation/Severance	—	—	\$700,988	\$250,988	\$250,988	—	\$1,758,18
Additional Retirement Benefits <sup>2</sup>	—	—	—	—	—	—	\$95,862
Continuation of Other Benefits <sup>3</sup>	—	—	\$76,877	—	—	—	\$138,754
Stock Options <sup>4</sup>	—	—	—	\$78,343	\$78,343	\$58,992	\$78,343
Restricted Stock Units <sup>5</sup>	—	—	—	\$896,828	\$896,828	\$604,848	\$896,828
Performance Share Awards <sup>6</sup>	—	—	\$88,343	\$176,685	47,416	\$176,685	—
Performance Unit Award <sup>6</sup>	—	—	—	—	—	—	—
TOTAL	\$—	\$—	\$866,208	\$1,402,844	\$1,402,844	\$663,840	\$3,365,51

	Voluntary Termination(\$) <sup>7</sup>	For Cause Termination(\$) <sup>8</sup>	Without Cause/Good Reason Termination(\$) <sup>9</sup>	Death(\$) <sup>10</sup>	Disability(\$) <sup>10, 11</sup>	Change in Control(\$) <sup>12</sup>	Change in Control With Termination(\$) <sup>12</sup>
C. Toussaint							
Cash Compensation/Severance	—	—	\$536,265	\$146,265	\$146,265	—	\$1,425,48
Additional Retirement Benefits <sup>2</sup>	—	—	—	—	—	—	—
Continuation of Other Benefits <sup>3</sup>	—	—	\$25,863	—	—	—	\$26,318
Stock Options <sup>4</sup>	—	—	—	—	—	—	—
Restricted Stock Units <sup>5</sup>	—	—	—	\$559,254	\$559,254	—	\$559,254
Performance Share Awards <sup>6</sup>	—	—	—	\$35,038	46,613	\$35,038	—