BARNES GROUP INC
Form DEF 14A
April 03, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

BARNES GROUP INC.

(Name of Registrant as Specified In Its Charter)

BARNES GROUP INC.

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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April 8, 2009

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 7, 2009

You are invited to attend the Annual Meeting of Stockholders of Barnes Group Inc. which will be held at the Hartford Marriott Downtown Hotel, 200 Columbus Boulevard, Hartford, Connecticut 06103, at 11:00 a.m. on Thursday, May 7, 2009, for the following purposes:

1. To elect four directors for a three-year term;

2. To ratify the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2009; and

3. To transact any other business that lawfully may come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on March 10, 2009 will be entitled to vote at the meeting.

Your vote is important. Please VOTE AS SOON AS POSSIBLE USING THE TELEPHONE OR INTERNET as described in the enclosed proxy card or, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, whether or not you plan to attend the meeting.

Signe S. Gates

Secretary

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

MAY 7, 2009

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Barnes Group Inc., which is referred to in this proxy statement as the Company, of proxies to be voted at the Annual Meeting of Stockholders to be held on May 7, 2009 and at any adjournment thereof. A stockholder who votes by proxy using the telephone or the Internet as described in the proxy card, or signs and returns a proxy card in the accompanying form, may revoke it by notifying the Secretary of the meeting in person or in writing (including by delivery of a later dated proxy) at any time before it is voted. This proxy statement and the enclosed form of proxy are being sent to stockholders on or about April 8, 2009.

ELECTION OF DIRECTORS (Proxy Proposal 1)

The Board of Directors Recommends a Vote For All Nominees.

Four 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). Thomas J. Albani, Thomas O. Barnes, Gary G. Benanav, and Mylle H. Mangum are nominated for re-election to the Board of Directors for terms expiring at the Annual Meeting of Stockholders in 2012. Directors are elected by a plurality of the votes cast. Proxies may be voted only for the number of nominees named by the Board of Directors.

Pertinent information concerning the nominees for re-election as directors and the six directors whose terms continue after the meeting is set forth below. 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.

Nominees for Re-election

Term expiring in 2009

Thomas J Albani

Director since 2008

Current term expires 2009

Mr. Albani, 66, retired from Electrolux Corporation in May 1998 where he served as the Chief Executive Officer for seven years and as a member of the Board of Directors. He is a member of the Finance Committee and the Compensation and Management Development Committee of the Company s Board of Directors. He is a director of Select Comfort Corporation.

Thomas O. Barnes

Director since 1978

Current term expires 2009

Mr. Barnes, 60, is Chairman of the Board of Directors and an employee of the Company. He is an ex officio, non-voting member of the Executive Committee of the Company s Board of Directors. He is a director of New England Bank Shares.

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Gary G. Benanav

Director since 1994

Current term expires 2009

Mr. Benanav, 63, retired in March 2005 from New York Life International, LLC where he was the Chief Executive Officer, and the Vice Chairman and a Director of New York Life Insurance Company. He is Chairperson of the Compensation and Management Development Committee, and a member of the Audit Committee and the Corporate Governance Committee of the Company s Board of Directors. He is a director of Express Scripts, Inc., a full-service pharmacy benefit management company.

Mylle H. Mangum

Director since 2002

Current term expires 2009

Ms. Mangum, 60, is the Chief Executive Officer of IBT Enterprises, LLC, a leading provider of branch banking solutions. She was formerly the Chief Executive Officer of True Marketing Services, focusing on consolidating marketing services companies. She is Chairperson of the Audit Committee, and a member of the Corporate Governance Committee and the Finance Committee of the Company s Board of Directors. From 1999 to 2002, she was the Chief Executive Officer of MMS, a private equity company involved in developing and implementing marketing and loyalty programs in high-tech environments. She is a director of Payless ShoeSource, Inc., Haverty Furniture Companies, Inc., and Emageon Inc.

Continuing Directors

Term expiring in 2010

John W. Alden

Director since 2000

Current term expires 2010

Mr. Alden, 67, retired as Vice Chairman, United Parcel Service of America, Inc. in 2000. He is Chairperson of the Corporate Governance Committee, and a member of the Finance Committee and the Compensation and Management Development Committee of the Company s Board of Directors. From 1988 until his retirement, he served as a director of United Parcel Service. He is a director of Silgan Holdings Inc., The Dun & Bradstreet Corporation and Arkansas Best Corporation.

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George T. Carpenter

Director since 1985

Current term expires 2010

Mr. Carpenter, 68, 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. He is a member of the Finance Committee, the Executive Committee, the Compensation and Management Development Committee, and the Corporate Governance Committee of the Company s Board of Directors.

Frank E. Grzelecki

Director since 1997

Current term expires 2010

Mr. Grzelecki, 71, is retired from Handy & Harman, a diversified industrial manufacturing company, where he last was a Director and Vice Chairman in 1998. He is a member of the Compensation and Management Development Committee, the Executive Committee, and the Audit Committee of the Company s Board of Directors. Mr. Grzelecki is a trustee of The Phoenix Edge Series Fund.

William J. Morgan

Director since 2006

Current term expires 2010

Mr. Morgan, 62, is a retired partner of the accounting firm KPMG LLP where he served clients in the industrial and consumer market practices. He is currently a consultant to KPMG LLP s Leadership Development Group and is Dean of KPMG s Chairman s 25 Leadership Development Program. He is a member of the Audit Committee and the Finance Committee of the Company s Board of Directors. From 2004 until 2006, he was the Chairman of KPMG LLP 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 the Stamford, Connecticut office, and a member of the Board of Directors for KPMG LLP and KPMG Americas. Mr. Morgan is a director of PGT, Inc.

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Term expiring in 2011

William S. Bristow, Jr.

Director since 1978

Current term expires 2011

Mr. Bristow, 55, is President of W.S. Bristow & Associates, Inc., which is engaged in small business development. He is Chairperson of the Executive Committee, and a member of the Finance Committee and the Audit Committee of the Company s Board of Directors.

Gregory F. Milzcik

Director since 2006

Current term expires 2011

Mr. Milzcik, 49, became President and Chief Executive Officer of the Company in October 2006. He is an ex officio, non-voting member of the Executive Committee of the Company s Board of Directors. 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 a director of IDEX Corporation.

RETIRING DIRECTOR

Mr. Donald W. Griffin, who has served as a director since 2001, will be retiring from the Board of Directors as of the date of the 2009 Annual Meeting of Stockholders.

Donald W. Griffin

Director since 2001

Current term expires 2009

Mr. Griffin, 72, retired as Chairman of the Board of Directors of Olin Corporation, a position that he held from 1996 until April 2003. He is Chairperson of the Finance Committee, and a member of the Audit Committee and the Compensation and Management Development Committee of the Company s Board of Directors. He was also President and Chief Executive Officer of Olin from 1996 through 2001.

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EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Objectives

The overarching objective of the Company s executive compensation philosophy is to support the achievement of our strategic business objectives of building lasting value through consistent, sustainable and predictable results that increase stockholder wealth. We have structured our executive compensation program to:

- Provide appropriate incentives for our executive team by linking their significant short- and long-term compensation opportunities to Company performance and total stockholder return;
- Emphasize the performance measures on which our executive officers need to focus to increase stockholder value;
- Build a strong cohesive executive team by basing incentive compensation on achievement of group and enterprise goals;
- Reward executives who contribute meaningfully to achieving our strategic objectives;
- Encourage executives to hold a significant equity investment in our Company throughout their tenure with us so that they manage the business from the perspective of stockholders;
- Attract highly qualified and motivated executives by offering balanced, competitive compensation arrangements;
- Retain valuable executives by setting clear goals, providing meaningful, substantial and multi-faceted rewards and ensuring that total compensation is attractive and competitive;
- Maximize the tax effectiveness of the total compensation and benefits package to the extent practicable; and
- Minimize potentially adverse accounting consequences while ensuring full and uncompromised compliance with generally accepted accounting principles.

This discussion focuses on the compensation paid to the executive officers named in the Summary Compensation Table beginning on page 21. The compensation programs described also apply broadly to other officers and management personnel at the Company, with changes as appropriate at different levels within the organization and different types of positions.

The Company believes that compensation paid to executives should be closely aligned with the Company s performance on both a short-term and a long-term basis. Accordingly, a significant portion of the compensation opportunity under the Company s executive compensation program is directly related to stock performance and other factors that directly or indirectly influence stockholder value. If the Company s results exceed our performance targets, the executives have an opportunity to realize significant additional compensation. If the business results do not meet pre-established threshold performance goals, or if the stock price does not appreciate, the executives have significant downside risk, including the elimination of realized value under certain programs.

Executive Compensation Opportunities, Generally

The Company aims to provide our executives with the opportunity to earn total direct compensation (total annual salary plus short-term incentives plus the fair market value of long-term incentives at date of grant, with a theoretical fair market value for stock options determined using the binomial valuation method applied consistently with the Company s practice) that falls between the market median and,

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upon achieving superior performance, the 75th percentile of the total direct compensation paid to executives holding equivalent positions at a defined peer group of companies, which is referred to in this proxy statement as the Peer Group, and for other companies with which the Company competes for talent.

Management initially recommends the Peer Group to the Board s Compensation and Management Development Committee, which is referred to in this proxy statement as the Compensation Committee. Management creates its recommendation by reviewing for consistency with the Company, the financial performance, ownership structure, and overall compensation philosophy of companies that the Company considers to be competitors in one or more of the Company s businesses. Annually, Frederic W. Cook & Co., Inc., a compensation consulting firm retained by management, reviews the relative size and financial performance of the Peer Group as compared to the Company, and provides its views on the ongoing appropriateness of the group.

As part of making determinations with respect to the Peer Group, the Compensation Committee periodically will request a separate evaluation of the Peer Group by Mercer Consulting, a compensation consulting firm retained directly by, and whose fees are negotiated directly with, the Compensation Committee to assist in its oversight of our executive compensation programs. This second objective review helps ensure the Peer Group s ongoing relevance with respect to compensation decisions.

The following companies comprised the Peer Group used in the comparative review of 2008 and 2007 compensation:

AAR Corp.

Airgas Inc.

Alliant Techsystems Inc.

Ametek Inc.

Applied Industrial Technologies Inc.

BorgWarner Inc.

Carpenter Technology Corp.

Crane Co.

Esterline Technologies Corp.

Hexcel Corp.

Kaman Corp.

Modine Manufacturing Co.

Moog Inc.

Mueller Industries Inc.

Pall Corp.

Stanley Works

Tenneco Inc.

Terex Corp.

Valmont Industries Inc.

Watsco Inc.

WESCO International Inc.

Periodically, management and the Compensation Committee re-examine the Peer Group companies to ensure that the same conditions that resulted in their selection continue to be present and relevant. Management may recommend and the Compensation Committee may supplement the Peer Group with additional peer companies or replace current Peer Group companies with other companies, following significant changes in ownership, size, business structure or strategic business direction of a Peer Group company. Management provides the Compensation Committee and the external

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compensation consultants with the rationale for potentially altering the composition of the Peer Group, and information to understand the potential impact of the changes. The Compensation Committee must approve any changes to the Peer Group.

Individual Executive Compensation Opportunities

Key factors considered in setting an individual executive s compensation opportunities include:

- 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;
- The desire to retain key executives capable of driving achievement of the Company s strategic objectives;
- The nature and complexity of the executive officer s role (including any recent promotion or change in responsibility or impact as a member of management);
- The effectiveness of the strategies being used to increase enduring stockholder value;
- Market conditions or trends related to compensation and executive talent; and
- The legal, accounting and tax implications of awards.

Our Company-wide performance assessment and development program is composed of two components: a self-evaluation and, for each officer other than the Chief Executive Officer, an evaluation by the Chief Executive Officer. The Compensation Committee completes an evaluation of the Chief Executive Officer s performance. The Chairman of the Board of Directors and the Chairman of the Compensation Committee provide the Chief Executive Officer with an oral summary of the evaluation along with certain written comments provided by the members of the Board of Directors. These evaluations involve both objective factors (*e.g.,* financial results) and subjective factors (*e.g.,* leadership qualities). The evaluations are reviewed by the Compensation Committee, along with other factors as it deems appropriate, in making its determinations as to whether an adjustment to the executive s current grade/position is necessary, and what actions or adjustments are appropriate with respect to the individual s total compensation opportunity.

Based on compilations of competitive compensation data by Frederic W. Cook & Co., Inc. in December of 2008, the 2008 projected total direct compensation (2008 salary, 2007 bonus paid in 2008, and 2008 equity awards) for all executives fell, in the aggregate, between the market median and 75th percentile of the total direct compensation provided to executives holding equivalent positions at Peer Group companies and industrial companies of comparable size and complexity. Frederic W. Cook & Co., Inc. found that, consistent with the Company s targeted competitive positioning (i.e., median to 75th percentile of competitive practice), projected total direct compensation for our executives, excluding the Chief Executive Officer, approximated the 75th percentile in the aggregate.

For a discussion of competitive compensation data compiled with respect to Mr. Milzcik and the Compensation Committee s use of such information, see the section entitled Compensation of Our Chief Executive Officer on page 16 of this proxy statement.

Elements of Executive Compensation

Our executive compensation program for our named executive officers is composed of the following elements:

Annual cash salary;

Annual incentives payable in cash;

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- Long-term equity incentive compensation;
- Pension, retirement and life insurance programs;
- Change-in-control and employment termination benefits; and
- Perquisites and other benefits.

Annual Cash Salary

We believe that any compensation program must have a fixed cash component which supports a reasonable standard of living so that executive officers are prepared to have their incentive compensation at risk. Base salary typically constitutes less than half of total potential executive compensation.

Salaries are reviewed on at least an annual basis, as well as at the time of a promotion or other change in responsibility. In determining the annual salaries of our executive officers, the Compensation Committee looks at a number of factors such as the number of years in the position, the amount, timing and percentage of the last increase, the level of responsibility assumed, past and current performance, the annual salaries of executive officers of the Peer Group and of industrial companies of comparable size and complexity, pay equity within the Company, and an assessment of the marketability and criticality of retention of key executives. Increases usually take effect on April 1st of each year, but will be made at interim dates within the annual cycle if the Compensation Committee deems it appropriate and necessary based on internal and external considerations.

Annual Incentives Payable in Cash

A significant percentage of the annual cash compensation paid to the named executive officers is at risk under the Barnes Group Inc. Performance-Linked Bonus Plan For Selected Executive Officers (the Bonus Plan). Award opportunities, determined as a percentage of each executive officer s base salary, are based on the performance against predetermined objective measures of the Company as a whole or the business unit over which the executive has a direct influence, rather than subjective or individual measures. The Bonus Plan has been approved by the stockholders of the Company and is specifically designed and administered to qualify the annual cash incentive amounts as performance-based compensation and therefore deductible in accordance with the provisions of Internal Revenue Code Section 162(m).

We have chosen to base annual incentive targets on financial measures because they are easily understood and not subjective. We believe that the measures used for annual cash incentives are consistent with our goal of increasing stockholder value. We believe that the potential amounts of the annual incentives act as a significant incentive to reach our performance targets. Further, we believe that blending our annual incentives with our long-term equity awards and stock ownership requirements (described below) helps ensure that executives do not simply cut costs to increase short-term profits.

Except as noted below, in each of 2006, 2007 and 2008, 85% of each executive s annual incentive award was based on basic earnings per share of the Company in the case of corporate executives, and performance profit after tax (PPAT) of the applicable business unit in the case of executives of our then existing business units (Barnes Aerospace, Barnes Distribution, and Barnes Industrial).

- Basic earnings per share is used as a measure for the corporate executives because we believe it is a principal driver of stock price appreciation. Basic earnings per share is used rather than diluted earnings per share to overcome a potentially adverse impact from stock price appreciation that could create a disincentive to grow stock price, or increase the earned award if the stock price were to decline.

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For business unit executives, PPAT is calculated by subtracting from operating profit after tax a charge for the capital employed by the applicable business unit. We use this measure because we believe that it encourages these executives to use capital wisely within their units and to work to lower the Company s tax rate.

The balance of 15% of each participant s award was based on corporate revenues for corporate executives and on the applicable business unit revenues for business unit executives.

For 2008, the Compensation Committee used the same bases for annual incentive awards except that it selected operating profit margin as the appropriate metric for executives (and employees) of Barnes Distribution, replacing the metrics of PPAT and revenue on a one-year basis, subject to the attainment of a minimum revenue threshold of $500 million prior to any calculated awards being earned. The Compensation Committee viewed operating profit margin as a key component of 2008 performance, and selected that metric after a review of the business units comprising the Barnes Distribution business unit, and after considering alternative measures.

The award opportunities for 2008 as a percentage of base salary are summarized below.

Position	Performance below the preestablished threshold goal	Performance equal to the preestablished threshold goal*	Performance equal to the preestablished target goal*	Performance equal to or exceeding the preestablished maximum goal
President and Chief Executive Officer	0%	18.75%	75%	225%
Group Presidents and Senior Vice President, Finance and Chief Financial Officer	0%	12.5%	50%	150%
All other Senior Vice Presidents	0%	11.25%	45%	135%
Vice Presidents	0%	8.75%	35%	105%

* Where performance falls between threshold and target or between target and maximum, the annual incentive percentage is calculated using straight-line interpolation.

The performance targets incorporate objective operational goals that are intended to be challenging at all levels but attainable with increasing difficulty at each level upon achievement of the strategic objectives of the business. For 2008, the Compensation Committee established the performance targets in December 2007 based on a review of our short-term and long-term performance compared to the Peer Group (*e.g.,* our relative growth in both earnings per share and revenue, as well as relative total shareholder return). 2008 performance targets were set as follows:

Company revenues:

Threshold: $1.45 billion; Target: $1.52 billion; Maximum: $1.65 billion

Company earnings per share (basic):

Threshold: $2.00; Target: $2.35; Maximum: $2.65

Barnes Aerospace Group Revenue:

Threshold: $399 million; Target: $450 million; Maximum: $490 million

Barnes Aerospace Group PPAT:
Threshold: $20.6 million; Target: $27.4 million; Maximum: $41.9 million

Barnes Industrial Group Revenue:
Threshold: $510 million; Target: $528 million; Maximum: $555 million

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Barnes Industrial Group PPAT:
Threshold: $8.8 million; Target: $13.0 million; Maximum: $18.7 million

Barnes Distribution Group Operating Profit Margin (achieving each target also required at least $500 million in revenue for this Group):
Threshold: 6%; Target: 8%; Maximum: 10%

Once year-end results are determined, under the provisions of the Bonus Plan, and in accordance with the provisions of Internal Revenue Code Section 162(m), results achieved are determined by excluding extraordinary, unusual or non-recurring items, discontinued operations, and other items specified in the Bonus Plan. The Compensation Committee then retains the discretion to reduce but not increase the amount of the calculated awards that would otherwise be produced. The Compensation Committee also retains the discretionary right to reduce awards to plan participants, including the right to reduce the award to zero, for any other reason it considers appropriate.

As finally determined by the Compensation Committee, the awards are generally paid in February. The results determined for 2008 versus the performance targets were as follows:

The Company s revenues were below the performance goals while its adjusted (by $.41) basic earnings per share, as calculated under the Plan as described above, of $2.02, were above the threshold performance goal.

Barnes Aerospace Group revenues of $408.2 million were above the threshold performance goal, and PPAT of $33.2 million was above the target performance goal.

Barnes Industrial Group revenues and its PPAT were below the performance goals. As a result, participants in the Barnes Industrial Group program did not earn an incentive payment.

Barnes Distribution Group s revenues of $504.3 million were above the required threshold minimum level, but operating profit margin was below the performance goals. Participants in the annual incentive program for Barnes Distribution were required to meet the threshold level in both measures in order to earn any payout. As a result, participants in the Barnes Distribution program did not earn an incentive payment. Mr. Dempsey, however, was guaranteed a target award payment when he assumed responsibility for the Distribution unit so that he would not have a disincentive to assume the new role. In addition, Mr. Dempsey was provided with a supplemental annual incentive bonus opportunity for 2008, which was not earned, that consisted of $375,000 payable upon achievement of the target operating profit margin goal and $500,000 upon achievement of the maximum operating profit margin goal.

Accordingly, the amounts shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 21 were paid.

In the fourth quarter of 2008, the Company realigned its organizational structure by aligning its strategic business units into two new reporting segments: Precision Components, and Logistics and Manufacturing Services. This change did not affect the calculation of awards for 2008. For 2009, the annual incentive program is structured as previously except for the change in segments, and, given the importance to the Company to conserve and carefully manage cash in the current difficult economic environment, in place of revenues as a measure for the Company and the two new segments, the Compensation Committee has selected a new performance metric established by the Committee based on the average quarter-end working capital of the Company and the segments in the five-quarter period ending December 31, 2009. For 2009, 80% of each executive s annual incentive award opportunity is based on basic earnings per share of the Company or PPAT of the applicable segment (excluding from the Logistics and Manufacturing Services segment the Company s aftermarket revenue sharing programs with General Electric Company under which the Company receives an

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exclusive right to supply designated aftermarket parts over the life of the related aircraft engine program) and 20% is based on the new working capital metric. These changes to the annual incentive structure will be re-evaluated for 2010 by the Compensation Committee.

Long-Term Equity Incentive Compensation

The long-term incentive opportunities payable in the form of stock options, restricted stock units and performance share awards granted to an executive are potentially the largest component of annual compensation. As noted above, the Company aims to provide our executives with the opportunity to earn total direct compensation (total annual salary plus short-term incentives plus the fair market value of long-term incentives at date of grant, with a theoretical fair market value for stock options determined using the binomial valuation method applied consistently with the Company s practice) that falls between the market median and 75th percentile of the total direct compensation paid to executives at Peer Group companies, and other companies with which the Company competes for talent.

Based on its determinations of total compensation and its prior determinations of cash compensation for each of the named executive officers, the Compensation Committee determines the value of equity awards to be made. In determining how much of the equity portion of total direct compensation should be in stock options and how much in restricted stock units or other equity for executive officers other than Mr. Milzcik, the Committee receives and reviews a recommendation by management on the structure of the equity component. Generally, factors considered in that review included support for a pay for performance culture at the Company, aligning the interests of stockholders and executive officers, past practice, changes in business strategy, competitive practice both generally and within the compensation peer group, and the strategic impact of equity-based compensation (i.e., cost effectiveness, stockholder dilution, executive retention, link to Company performance and total stockholder return). Management s recommendations are provided to the Committee s compensation consultant, providing the Committee with the benefit of objective advice prior to acting on the recommendations. For Mr. Milzcik, the Committee independently developed a mix of equity components of total compensation, using all of the information described above, supplemented with materials and advice from its compensation consultant and other materials they viewed as relevant to their decision-making process.

Performance-based equity compensation that is tied to the market price of the stock and/or that is based on our achieving targeted increases in basic earnings per share results in greater gains to the executive when the stock appreciates for all stockholders, and thus rewards stock performance. Service-based awards provide a strong incentive for recipients to remain with the Company through the vesting periods associated with the awards and to focus on long-term results.

We believe that long-term incentives in the form of equity inherently incorporate a higher level of risk than other forms of executive compensation because they are dependent on stock price or stock price appreciation. When coupled with the ownership guidelines described below, equity incentives help to encourage our executive officers to maintain a continuing stake in our long-term success and provide an effective way to tie a substantial percentage of total compensation directly to any increase or decrease in stockholder value.

The types of long-term equity incentive awards currently being used under the terms of the Amended Barnes Group Inc. Stock and Incentive Award Plan, which is referred to in the proxy statement as the Barnes Group Inc. Stock and Incentive Award Plan, approved by stockholders in 2004, are summarized below.

Stock Options. Stock options give the holder the right to acquire a share of Company stock at a predetermined exercise price. The grant date for options is the date of the Compensation

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Committee meeting. However, in the case of off-cycle grants, the grant date is either the date of approval by the Compensation Committee or in cases where the Chief Executive Officer has been delegated authority to make such award in accordance with the provisions of the plan, the date of his approval which, in the case of new hires or promotions, is generally within a few business days following the next release of the Company s earnings. The exercise price of stock options is set at the mean between the highest and lowest sales price per share at which the common stock is traded on the New York Stock Exchange on the date of grant. Under the plan, the Compensation Committee may not reduce the exercise price of an award after its grant.

Restricted Stock Units. Restricted stock units entitle the recipient to receive one share of Company common stock, provided the executive is employed over the pre-established restriction period. Restricted stock units have been granted annually since 2001. Service-based restricted stock units are awarded, in particular, to individuals subject to the ownership guidelines discussed below but, as indicated below, are not considered owned under that program until the underlying shares are directly held. Restricted stock units are generally regarded as having the greatest ability to maximize the retention capability of long-term incentives.

The restriction periods on grants of restricted stock units had historically been up to five years in length. However, in 2003 and 2004, we increased the restriction period for officers to seven years and six and one half years, respectively, and added a performance-accelerated receipt feature. Under this feature, the right to obtain the shares under the awards would accelerate if the market value of our common stock appreciated substantially to a predetermined level and remained at or above that level for 30 consecutive trading days. We added this acceleration feature in conjunction with the longer vesting periods to tie that incentive component directly to our ability to generate superior total stockholder returns.

The stock price appreciation goal for the 2003 and 2004 performance-accelerated awards was attained in May 2006 and June 2007, respectively, resulting in the vesting and distribution to the executive of 50% of the shares at that time and the right to receive the remaining 50% of the shares in May 2007 and June 2008, respectively, provided the executive remains employed by the Company through the applicable date. Executives are prohibited from selling vested and distributed shares (net of shares sufficient to pay applicable federal, state and local taxes) for two years following the applicable distribution date, except in the event of involuntary termination without cause, death, disability or a change in control.

Since 2005, restricted stock unit grants have not contained the performance-accelerated feature, and for prior awards that did contain that feature, the restriction period was adjusted accordingly (so that 1/3 of the units vest after 2-1/2, 3-1/2 and 4-1/2 years, respectively). We continue to stagger the dates upon which restrictions lapse in comparison to performance share measurement dates and annual incentive payouts to facilitate executive retention.

In 2006, 2007 and 2008**,** all executives officers receiving restricted stock unit awards also received dividend equivalent payments on the same basis as, and in amounts equal to, the quarterly dividend paid on our common stock, except that in 2008, dividend equivalent payments for executives who were also directors were reinvested and paid in cash on the vesting date of the restricted stock units in order to comply with Internal Revenue Code Section 409A. We believe that the dividend equivalents help reinforce the retentive nature of the restricted stock units by reminding holders that these outstanding grants carry the potential to increase their stock ownership.

We use restricted stock units rather than traditional restricted stock because restricted stock units can be more effectively administered by the Company as they are not subject to the provisions of Internal Revenue Code Section 83 until the restrictions have been met.

Performance Share Awards. Performance share awards have been used periodically for over 10 years under the Barnes Group Inc. Stock and Incentive Award Plan and predecessor plans. Actual payouts, if any, are determined by reference to performance goals in each of three consecutive performance years, using basic earnings per share as a measure. The Compensation Committee selected basic earnings per share as the measure because they believe it has the most direct tie at the Company level to increases in stockholder value. Basic earnings per share is used rather than diluted earnings per share to overcome a potentially adverse impact from stock price appreciation that could create a disincentive to grow stock price, or increase the number of shares earned if the stock price were to decline.

The earnings per share goals are derived from objective operational goals that are intended to be challenging at all levels but attainable with increasing difficulty at each level upon achievement of the strategic objectives of the business. The Compensation Committee establishes the target basic earnings per share goal for each one-year performance year within each three-year performance period prior to the start of, or early in, each performance year based on a review of our short-term and long-term performance compared to the Peer Group (*e.g.,* our relative growth in both earnings per share and revenue, as well as relative total stockholder return). The target performance goal for each performance year up through 2008 within each three-year performance period has been equal to the target performance goal for earnings per share ($2.35 for 2008) under the annual cash incentive plan described beginning on page 8. The threshold and maximum goals are established by the Committee each year based on its assessment of various factors, including the economic outlook for the performance year, the estimated performance of competitor companies and the expected degree of difficulty of achieving those goals. For 2008, the threshold was set at 85% of target and the maximum was set at 107.5% of target. The basic earnings per share determined for 2008 were the same as that determined for the annual cash incentive plan (adjusted as indicated) described beginning on page 8, which were above the threshold 2008 goal for performance shares.

Performance share awards accrue dividends which are paid at the same time and rate as the underlying shares, if earned. If any portion of the performance shares is not earned, the underlying accrued dividends applicable to the unearned performance shares are reversed and not distributed.

Performance Unit Awards. In 2009, the Compensation Committee granted executive officers performance unit awards instead of performance share awards. These awards are on substantially similar terms as the performance share awards except that with respect to the unit awards granted in 2009, if the units are earned, a cash amount equal to the fair market value of a share of the common stock multiplied by the number of units earned is paid to the officers. No dividend equivalents are paid with respect to these awards.

Within the categories of long-term compensation, the mix during recent years has progressively moved from 100% stock options to approximately one-third for each of stock options, performance shares and restricted stock units (based on a predetermined, calculated value of the underlying shares that the executive will realize if fully earned) for named executive officers other than Mr. Milzcik and Mr. Dempsey. This change in mix has been implemented in order to provide our officers with a strong incentive to continue their successful tenures with the Company and to focus on long-term share price growth. In 2001, we began to reduce our reliance on stock options in order to minimize concerns about the overhang (i.e., dilution) created by our existing number of stock options. Frederic W. Cook & Co., Inc. annually measures and reports to the Compensation Committee the Company s overhang and burn rate. The specific mix of long-term compensation awards for Mr. Milzcik for 2008 is approximately 29% stock options, 57% performance shares and 15% restricted stock units which differs from the mix of equity awards for other named executive officers as further discussed in the section entitled Compensation of Our Chief Executive Officer on page 16 of this proxy statement. Mr. Dempsey did not receive a long-term compensation award in the 2008 grant cycle because of the decision in 2007 to accelerate the grant of Mr. Dempsey s 2008 long-term incentives by one year (with extended vesting to coincide with that of the 2008 stock grants). This decision was due in part to the direct and significant impact on the operating results of the Company of Mr. Dempsey s role as an operating executive, his relatively short tenure in that role, and his correspondingly low level of overall equity incentives from prior years grants.

The determination as to the vesting of long-term awards is based on the Company s goal of maximizing the retention value of awards. The vesting dates of the various long-term equity awards are staggered over a retention timeline calculated for each executive. Thus, in a year when both options and restricted stock are granted, the vesting dates generally are structured to occur over different periods of time.

Except with respect to the timeline for vesting, the Compensation Committee does not take into account the amounts or terms of existing stock holdings of executive officers in making decisions to award equity compensation 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.

Long-term awards are determined according to the individual executive s position and responsibilities, and based on Peer Group and competitive survey data. Generally, the amounts and types of awards to officers in comparable positions have not been differentiated for individual performance, as the nature of their positions with the Company requires that they be performing and achieving results at a very high level within their positions and in connection with the Company s strong bias for pay for performance. This also aids in the cultivation of teamwork across the officer team, and devalues competitiveness among the officers. Awards are structured to encourage both long-term performance of the Company as well as individual retention.

Except under unusual circumstances, all equity grants to executive officers have for a number of years been made by the Compensation Committee at its February meeting, the date for which is set during the prior year. In recent years, the only off-cycle equity grants made to executive officers have been in the cases of newly hired executives, promotions, such as Mr. Milzcik s promotion to President and Chief Executive Officer, or changes in responsibility, such as Mr. Dempsey s appointment as Group President, Barnes Distribution, in October, 2007, and the grant of restricted stock units and stock options to Mr. Milzcik in July 2008 as discussed further below in the section entitled Compensation of Our Chief Executive Officer on page 16 of this proxy statement. In all cases, such grants have been approved by the Compensation Committee.

Generally, unearned equity grants are forfeited immediately in the event of an executive s termination of employment; the primary exceptions, which can vary across different types of awards, are for (1) terminations of employment due to death, disability or retirement, in which case the awards vest or are forfeited as applicable in accordance with the specific agreements underlying the individual grants, and (2) with respect to Mr. Milzcik, his termination without Cause or for Good Reason (each as defined in his employment agreement), in which case the stock options continue to vest during the severance period and remain exercisable for one year thereafter and awards other than stock options vest at the time of termination to the extent they would have vested had his employment continued during the severance period, with target performance goals deemed to be achieved in the case of performance share awards. The exception for retirement is available only if the executive satisfies specified age and minimum Company service requirements and renders a minimum period of service, typically, up to two years from the date of grant for restricted stock units (one year in the case of units granted in February 2008) and one year from the date of grant for stock options.

Beginning in 2000, we instituted stock ownership guidelines under which our executives are expected to acquire and hold a substantial ownership of our common stock for the duration of the executive s tenure with us. This program extends to executives and key managers who are expected to accumulate an ownership position in Company common stock in a minimum amount equal in value to a specified multiple of their annual salary. Ownership for this purpose is defined to include common stock owned directly and stock held on their behalf within the trust under the Barnes Group Inc. Retirement Savings Plan (our tax-qualified 401(k) retirement plan for eligible employees). Unexercised stock options, and unearned restricted stock unit awards and performance share awards are not counted until the related stock is directly owned.

The current stock ownership guidelines that apply to our executives and key managers (39 persons in 2008) are as follows:

Position	Multiple of Annual Salary
Chief Executive Officer	5x
All Other Executive Officers	3x
Non-Officers (U.S./Non-U.S.)	1x/0.45x

When a participant achieves compliance with an applicable guideline requirement the multiple of salary requirement for that position converts into the number of shares that were then needed to meet the requirement, thereby not subjecting compliance to subsequent variability of the stock price, unless shares are sold and the participant falls out of compliance, which in turn causes the market value for shares held to again be the measurement of compliance by such participant. We have established interim ownership targets that are used to monitor progress toward the five-year targets. We monitor ownership levels, reporting the levels to the Compensation Committee and sending update letters to participants at least annually. Executives and key managers subject to the ownership guidelines are expected to make substantial progress toward the applicable guideline within five years. As of the end of 2008, all of the executives and key managers with five or more years under the program had complied with the guidelines. Mr. Milzcik had attained the higher 5X multiple associated with his role as President and Chief Executive Officer as of December 31, 2006.

The Compensation Committee has discretion to vary the manner of payment of annual incentive awards, for example, to pay an individual s annual incentive in stock instead of cash, or to take other actions as it deems appropriate at that time to encourage compliance with the guidelines; however, the Compensation Committee has not had to utilize that discretion in the seven years the program has been in place.

Pension and Other Retirement Programs

As described on pages 35 through 40 of this proxy statement, the Company provides retirement benefits under the Salaried Retirement Income Plan, Supplemental Senior Officer Retirement Plan, Retirement Benefit Equalization Plan, Supplemental Executive Retirement Plan, and Defined Contribution Plan adopted in 2009. Not all of the named executive officers participate in all of these plans. Pursuant to the Company s Senior Executive Enhanced Life Insurance Program, the Company also pays the premiums for a life insurance policy owned by each officer and pays the officer s income tax liability arising from its payment of the premiums and taxes. The Company continues to make these payments after retirement, if the officer retires after attaining age 55 with at least 10 years of service.

The Company provides these benefits to help recruit and retain executives, with particular emphasis on attracting and retaining mid-career executive talent. Thus, for example, under the Supplemental Senior Officer Retirement Plan, benefit amounts are significantly reduced if an executive leaves the Company

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before attaining age 62 or with less than 15 years of service. Each retirement program is designed to fulfill a specific purpose; the Retirement Benefit Equalization Plan, for example, is intended to provide executives with pensions that represent the same percentage of pay as is provided to lower-paid employees through the Salaried Retirement Income Plan but that cannot be provided through that plan due to limits imposed by the Internal Revenue Code.

In addition to these arrangements, as detailed on page 42 of this proxy statement in the subsection entitled Retirement Arrangements with Mr. Denninger, in July 2008 the Company entered into an agreement providing for the continuation of salary and certain benefits to, and a short-term consulting agreement with, its former chief financial officer upon his retirement. The Compensation Committee believes that the terms of this agreement were reasonable and appropriate given Mr. Denninger s long tenure with the Company and the potential value of his services as a consultant.

Change-in-Control and Employment Termination Benefits

As described on pages 41 through 50 of this proxy statement, we provide executive officers benefits in the event of a change in control or employment termination under employment and severance agreements, stock grant agreements accompanying individual grants, the Executive Separation Pay Plan, and benefit plans available to employees generally. The amount the Company will pay under these arrangements is determined under the terms of the individual arrangements and in some cases varies depending on the executive s age and length of service.

The Company provides change-in-control benefits specifically to retain key executives during potential changes in control, to provide continuity of management and to provide income continuation for employees who are particularly at risk of involuntary termination in the event of a restructuring. We also believe that these benefits are a necessary part of a total compensation package in order to make it competitive in the marketplace so that we can attract and retain key executives.

Perquisites and Other Benefits

Because of the terms of competitive benefits packages available to senior executives in our industry and generally, we believe that a limited amount of executive benefits are a necessary element to attracting and retaining key executives. In 2008 the Compensation Committee determined to limit specific executive benefits to financial planning assistance and an annual physical fitness examination because it wants to ensure that executives avail themselves of these particular benefits. In lieu of any other executive benefits, the Committee also determined in 2008 to provide each of the executives a cash benefits allowance, in the amounts for the named executive officers reflected in the Summary Compensation Table. Executives also receive the same benefits that are provided to substantially all of our salaried employees. The Compensation Committee reviews the nature and amounts of benefits annually to determine appropriateness and to ensure that they continue to be reflective of competitive practice, and retains the right to amend or terminate any such benefits or perquisites.

Compensation of the Chief Executive Officer

The policies and process for decisions regarding the compensation of our Chief Executive Officer are substantially the same as for the other executive officers of the Company except as described below.

Certain of the elements and amounts of compensation payable to the CEO are provided for in the employment agreement between the CEO and the Company, the material terms of which are summarized in this proxy statement beginning on pages 26 and 41 and below under the heading Compensation Recapture. With regard to process, as noted on page 7 of this proxy statement, while Mr. Milzcik provides the Compensation Committee a performance assessment for each of the other

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named executive officers and makes recommendations on behalf of management for executive officer compensation, with regard to his own performance, he provides the Compensation Committee a self-appraisal and every member of the Board of Directors completes an evaluation with regard to Mr. Milzcik, and participates in an executive session discussion regarding his performance.

Based on its compilations of competitive compensation data, in December 2008 Frederic W. Cook & Co., Inc. reported that Mr. Milzcik s projected total direct compensation (2008 salary, 2007 bonus paid in 2008, and 2008 equity awards) approximated the median of competitive practice, with actual salary at the 25th percentile, target annual bonus below the 25th percentile and annualized projected long-term incentives between the median and 75th percentile of the total direct compensation provided to chief executive officers of Peer Group companies. In early 2008, after a review of the Peer Group salaries for the position of chief executive officer from the prior year s analysis prepared by Frederic W. Cook & Co., Inc. and the Compensation Committee s overall understanding of the then current dynamics of the marketplace for talent, the Committee elected to increase Mr. Milzcik s annual base salary from $700,000 to $800,000. On January 26, 2009, given difficult economic conditions, the Company announced that among other business improvement measures, it had frozen salaries for all salaried employees, including Mr. Milzcik.

On July 24, 2008 Mr. Milzcik received a grant of 5,466 restricted stock units and 43,715 stock options. As noted on page 13 of this proxy statement in the section entitled Long-Term Equity Incentive Compensation, the specific mix of long-term compensation awards granted to Mr. Milzcik in 2008, including the additional grants of restricted stock units and stock options to Mr. Milzcik on July 24, 2008, differs from the mix of equity awards generally awarded annually to other executive officers. The additional grants were approved by the Compensation Committee for the purpose of moving Mr. Milzcik s total compensation closer to the Barnes Group targeted competitive positioning (*i.e.*, median to 75th percentile of competitive practice).

Compensation Recapture

The Company s employment agreement with Mr. Milzcik provides for, in certain circumstances, a claw-back of any cash or equity awards earned by Mr. Milzcik that are based on achieving specified financial performance targets if, subsequent to the awards, the Company restates financials (with exceptions for restatements not caused by misconduct or error) to comply with generally accepted accounting principles and financial results are lower than those upon which awards were calculated. The amount to be potentially clawed back is the excess of awards received (net of taxes paid by Mr. Milzcik) over those which would have been earned based on restated financial results. However, the claw-back provision does not apply to amounts received by Mr. Milzcik with regard to equity-based compensation that has a vesting schedule based on the passage of time and the continued performance of services, and not on the achievement of any performance objectives or to any award granted Mr. Milzcik that has or had alternative vesting criteria unrelated to the performance objectives affected by the mandatory restatement that have otherwise been satisfied at the time of the mandatory restatement. In addition, if Mr. Milzcik concludes that the amount to be repaid to the Company in accordance with the claw-back provisions is excessive and inequitable, he may petition the Compensation Committee to review that determination. If the Committee agrees with Mr. Milzcik s conclusion, it shall, in its sole discretion, specify an amount to be repaid to the Company that it concludes is equitable and appropriate under the circumstances. If the Compensation Committee does not agree that the formula produces a result that is excessive and inequitable, no adjustment will be made in the amount to be repaid to the Company. The determination, conclusions and other actions of the Compensation Committee will be conclusive. Our Chief Financial Officer, Christopher J. Stephens, Jr., who joined the Company in January 2009, has also agreed to a compensation recapture agreement with terms substantially the same as those in Mr. Milzcik s employment agreement.

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In addition, the Company s equity award agreements provide that awards may be forfeited if an executive engages in activity that is detrimental to the Company including performing services for a competitor, disclosing confidential information or violating the Company s Code of Business Ethics and Conduct.

Accounting Considerations

Part of the shift in the form of equity from options to restricted stock units and, beginning in 2005, to performance share awards for all executives, has been a response to the requirement that we expense equity awards in accordance with FAS 123(R) beginning in 2006. This requirement has resulted in significantly higher recognized expenses in the equity component of our long-term incentives. As a result, we have taken measures to ensure our equity granting practices remain competitive but also cost effective (*e.g.,* shifting from stock options to a combination of stock options and other vehicles and adjusting both our grant guidelines and participation rates). In determining how to allocate shares available for awards each year, we look at the grant date value of each type of award and the amount that would be expensed in each year over the life of the award.

Tax Considerations

The tax treatment of various forms and amounts of compensation as well as the timing of compensation decisions are affected by the Compensation Committee s intent to make most compensation deductible. 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.

Annual cash incentive compensation, stock option awards, and performance share awards generally are performance-based compensation meeting those requirements and, as such, are fully deductible.

Time-vested restricted stock and restricted stock unit awards are not performance-based and are therefore not deductible to the extent they (along with other non-performance-based pay received by the named executive officer) exceed $1 million.

The Compensation Committee reserves the right to grant forms of compensation that do not qualify as performance-based compensation. This can occur where a non-performance-based form of compensation would serve a different, equally important, corporate goal. Thus, for retention purposes, the Compensation Committee may decide to grant restricted stock or restricted stock units without performance requirements, rather than limiting itself to awards that would be deductible.

In addition, the Company has determined that Section 409A of the Internal Revenue Code applies to certain of the Company s compensation arrangements including without limitation the Supplemental Senior Officer Retirement Plan, Retirement Benefit Equalization Plan, and Supplemental Executive Retirement Plan. The Company intends to administer those arrangements in compliance with Section 409A and believes it has operated in good faith compliance with the statutory provisions which first became effective on January 1, 2005. In 2008, the Company made a series of amendments to these arrangements to comply with current Section 409A regulations. In addition, to comply with Section 409A and due to a change in law relating to Section 162(m), the Company and Mr. Milzcik agreed to amendments to his employment agreement, the terms of which are summarized in this proxy statement beginning on pages 26 and 41.

The Company also periodically reviews the severance agreements entered into between the Company and the named executive officers to assess the impact of Internal Revenue Code Section 280G. The severance agreements do not provide for any gross up to compensate our executives for taxes

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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 Internal Revenue Code Section 280G.

The Role of Consultants and Attorneys

Frederic W. Cook & Co., Inc., a compensation consulting firm retained by management, annually compiles competitive compensation data regarding each element of compensation provided by our Company, by the Peer Group, and from surveys that include compensation data for other industrial companies of comparable size and complexity, 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 information provided by Frederick W. Cook & Co., Inc. is reviewed and assessed by Mercer Consulting, a compensation consulting firm retained directly by, and whose fees are negotiated directly with, the Compensation Committee to assist in its oversight of our executive compensation programs. Under separate engagement, actuaries at a different branch of Mercer Consulting provide computations for certain of the Company s employee benefit plans. In addition, the Compensation Committee has retained its own outside counsel to advise it and to help the Compensation Committee review various compensation and benefit proposals made by management.

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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 the Compensation Discussion and Analysis set forth above with management and, based on such review and discussion, have recommended to the Board of Directors inclusion of the Compensation Discussion and Analysis in this Proxy Statement.

Compensation and Management

Development Committee

Gary G. Benanav, Chairman

Thomas J. Albani

John W. Alden

George T. Carpenter

Donald W. Griffin

Frank E. Grzelecki

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Summary Compensation Table for 2008, 2007 and 2006

The following table sets forth aggregate amounts of compensation paid or accrued by us for the years ended December 31, 2008, 2007 and 2006 for services rendered in all capacities, by our Chief Executive Officer, our former Chief Financial Officer, our Acting Chief Financial Officer, and the three other most highly compensated executive officers, for the fiscal year ended December 31, 2008 (the named executive officers).

Name and Principal Position	Year	Salary	Bonus[1]	Stock Awards[2]	Option Awards[3]	Non-Equity Incentive Plan Compensation[4]	Change in Pension Value and Nonqualified Deferred Compensation Earnings[5]	All Other Compensation[6]	Total
G.F. Milzcik	2008	$ 775,000	$	$ 740,113	$ 604,845	$ 149,430	$ 156,795	$ 229,558	$ 2,655,741
President and Chief	2007	641,667		891,390	507,827	1,477,421	396,567	406,880	4,321,752
Executive Officer	2006	472,173		511,472	171,418	874,876	252,864	313,979	2,596,782
Francis C. Boyle, Jr. Vice President, Controller and Acting Chief Financial Officer	2008	334,500		81,113	35,688	29,419	243,351	93,684	817,755
William C. Denninger	2008	177,083		219,145	349,204		244,782	1,131,589	2,121,803
Former Senior Vice	2007	411,250		493,962	92,314	583,933	512,440	134,925	2,228,824
President, Finance and Chief Financial Officer	2006	392,500		447,844	73,426	569,025	435,704	122,013	2,040,512
John R. Arrington	2008	347,750		335,929	219,406	39,337	499,936	174,658	1,617,016
Senior Vice President,	2007	335,000		526,351	122,820	428,030	451,176	126,551	1,989,928
Human Resources	2006	322,250		454,633	60,711	417,380	428,058	138,755	1,821,787
Scott M. Deakin Senior Vice President, Corporate Development	2008	319,000		130,628	148,339	36,087	21,216	494,577	1,149,847
Patrick J. Dempsey	2008	405,000	202,500	189,058	177,100		107,994	210,657	1,292,309
Vice President,	2007	354,058		310,706	171,410	536,402	103,923	152,709	1,629,208
Barnes Group Inc. and President Logistics and Manufacturing Services	2006	308,750		252,443	64,447	495,000	93,659	56,818	1,271,117

Notes to the above table:

1 The amount listed in Bonus represents a non-equity guaranteed bonus payable to Mr. Dempsey in connection with his appointment as President, Barnes Distribution.

2 Stock Awards represent the portion of the fair value of restricted stock units and performance share units granted to named executive officers under the Barnes Group Inc. Employee Stock and Ownership Program and the Barnes Group Inc. Stock and Incentive Award Plan that was expensed on the Company s financial statements in 2008 in accordance with generally accepted accounting principles. However, unlike the amounts that were expensed on the financial statements, the amounts shown in this column have not been reduced by estimates of restricted stock units and performance share units that may be forfeited in the future on account of a participant s failure to satisfy the continued service requirements of the units. The fair value was determined based on the market value of the Company s common stock, par value $.01 (Common Stock) on the date of grant, as described in Note 2 or 3 (Stock-Based Compensation) of the Notes to the Company s Consolidated Financial Statements included in the each of the Company s Forms 10-K filed for the three fiscal years in the period ended December 31, 2008. Also included in this column for Mr. Denninger is a) the incremental increase of $387,534 in fair value resulting from a change in service condition that was treated as a modification under FAS 123(R) and b) the reversal of $211,950 of expense previously recorded related to awards forfeited in 2008 in connection with Mr. Denninger s retirement.

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3 Option Awards represent the portion of the fair value of stock options granted to named executive officers under the Barnes Group Inc. Employee Stock and Ownership Program and the Barnes Group Inc. Stock and Incentive Award Plan that was expensed on the Company s financial statements in 2008 in accordance with generally accepted accounting principles. However, unlike the amounts that were expensed on the financial statements, the amounts shown in this column have not been reduced by estimates of stock options that may be forfeited in the future on account of a participant s failure to satisfy the continued service requirements of the options. The fair value was determined by using the Black-Scholes option pricing model applied consistently with the Company s practice , as described in Note 2 or 3 (Stock-Based Compensation) of the Notes to the Company s Consolidated Financial Statements included in the each of the Company s Forms 10-K filed for the three fiscal years in the period ended December 31, 2008. Also included in this column for Mr. Denninger is a) the incremental increase of $394,756 in fair value resulting from a change in service condition that was treated as a modification under FAS 123(R) and b) the reversal of $72,430 of expense previously recorded related to options forfeited in 2008 in connection with Mr. Denninger s retirement.

4 Non-Equity Incentive Plan Compensation includes amounts paid under the Company s Performance-Linked Bonus Plan for Selected Executive Officers.

5 The amount listed in Change in Pension Value and Nonqualified Deferred Compensation Earnings represents the annual increase in pension value for all of Barnes Group Inc. s defined benefit retirement programs. All assumptions are as detailed in the notes to the consolidated financial statements for the fiscal years ending December 31, 2008, December 31, 2007 and December 31, 2006, including discount rates of 6.5%, 6.4% and 5.9% , respectively, 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, 2006, or December 31, 2007 or December 31, 2008, as applicable, and no pre-retirement mortality, disability, or termination is assumed.

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
G.F. Milzcik[a]	Qualified	2008	$ 31,785
President and Chief Executive Officer	RBEP	2008	N/A
	SSORP	2008	109,595
	SERP	2008	15,415
	TOTAL	**2008**	**156,795**
	Qualified	2007	$ 13,427
	RBEP	2007	N/A
	SSORP	2007	344,168
	SERP	2007	38,972
	TOTAL	**2007**	**396,567**
	Qualified	2006	$ 23,502
	RBEP	2006	N/A
	SSORP	2006	204,508
	SERP	2006	24,854
	TOTAL	**2006**	**252,864**
F.C. Boyle, Jr.	Qualified	2008	$ 98,520
Vice President, Controller and Acting Chief Financial Officer	RBEP	2008	119,726
	SSORP	2008	N/A
	SERP	2008	25,105
	TOTAL	**2008**	**243,351**

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Name and Principal Position	Plan Name	Year	Amounts
W.C. Denninger	Qualified	2008	$ (32,966)
Former Senior Vice President, Finance and	RBEP	2008	N/A
Chief Financial Officer			
	SSORP	2008	436,517
	SERP	2008	(158,769)
	TOTAL	**2008**	**244,782**
	Qualified	2007	$ 36,883
	RBEP	2007	N/A
	SSORP	2007	416,202
	SERP	2007	59,355
	TOTAL	**2007**	**512,440**
	Qualified	2006	$ 44,604
	RBEP	2006	N/A
	SSORP	2006	340,631
	SERP	2006	50,469
	TOTAL	**2006**	**435,704**
J.R. Arrington	Qualified	2008	$ 71,241
Senior Vice President, Human Resources	RBEP	2008	N/A
	SSORP	2008	224,995
	SERP	2008	203,700
	TOTAL	**2008**	**499,936**
	Qualified	2007	$ 58,079
	RBEP	2007	N/A
	SSORP	2007	393,097
	SERP	2007	N/A
	TOTAL	**2007**	**451,176**
	Qualified	2006	$ 65,308
	RBEP	2006	N/A
	SSORP	2006	362,750
	SERP	2006	N/A
	TOTAL	**2006**	**428,058**
S.M. Deakin	Qualified	2008	$ 13,337
Senior Vice President, Corporate Development	RBEP	2008	5,793
	SSORP	2008	
	SERP	2008	2,086
	TOTAL	**2008**	**21,216**
P.J. Dempsey	Qualified	2008	$ 23,346
Vice President, Barnes Group Inc. and President Logistics	RBEP	2008	N/A
and Manufacturing Services	SSORP	2008	74,474
	SERP	2008	10,174
	TOTAL	**2008**	**107,994**
	Qualified	2007	$ 12,982
	RBEP	2007	N/A
	SSORP	2007	81,144
	SERP	2007	9,797
	TOTAL	**2007**	**103,923**
	Qualified	2006	$ 18,689
	RBEP	2006	N/A
	SSORP	2006	66,151
	SERP	2006	8,819
	TOTAL	**2006**	**93,659**

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Consistent with financial calculations in the notes to the consolidated financial statements for the fiscal years ending December 31, 2008, December 31, 2007 and December 31, 2006, it is assumed that the form of payment is a life annuity for the Salaried Retirement Income Plan (Qualified), and the Supplemental Executive Retirement Plan (SERP). It is assumed that the form of payment as of December 31, 2008 is a 50% Joint and Survivor annuity for the Supplemental Senior Officer Retirement Plan (SSORP) for married participants. The 2008, 2007 and 2006 qualified plan limits of $230,000, $225,000 and $220,000, respectively, have been incorporated.

a The prior plan offset benefit payable on record for Mr. Milzcik represents an estimated benefit. For purposes of these calculations, this amount has been actuarially adjusted to an amount payable as of age 62.

6 The compensation represented by the amounts for 2008 set forth in the All Other Compensation column for the named executive officers is detailed in the following table:

Name and Principal Position	Year	Taxes Paid on All Other Compensation	Personal Usage of Company Aircraft[a]	Company Car Program[b]	Life Insurance Premiums	Relocation[c]	Denninger Agreement[d]	Severance[e]	Other[f]	All Other Perquisites[g]	Total
G.F. Milzcik President and Chief Executive Officer	2008	$ 40,243	$ 95,486	$	$ 50,948	$	$	$	$ 6,750	$ 36,131	$ 229,558
F.C. Boyle, Jr. Vice President, Controller and Acting Chief Financial Officer	2008	22,921			27,428				6,750	36,585	93,684
W.C. Denninger Former Senior Vice President, Finance and Chief Financial Officer	2008	19,071			22,806		1,072,492		5,313	11,907	1,131,589
J.R. Arrington Senior Vice President, Human Resources	2008	48,609		32,345	57,703				6,750	29,251	174,658
S.M. Deakin Senior Vice President, Corporate Development	2008	25,878			23,862			384,956	6,750	53,131	494,577
P.J. Dempsey Vice President, Barnes Group Inc. and President Logistics and Manufacturing Services	2008	31,407		25,399	19,314	105,771			6,750	22,016	210,657

a The value of the personal usage of the Company 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 the named executive officers.

b The value of the Company Car Program is based on the aggregate incremental cost to the Company which is based on actual payments made by the Company for vehicle lease payments and operating expenses. Also included in this column are lease termination payments made in connection with the discontinuation of the Company Car Program for named executives in 2008.

c Mr. Dempsey was reimbursed $105,771 for relocation costs of which $100,556 were in accordance with the Company s general policy and the balance of which was provided in connection with his appointment to the position of President, Barnes Distribution.

d Includes compensation to Mr. Denninger pursuant to his retirement, provided for in an agreement (the Denninger Agreement) dated as of May 30, 2008. See the subsection entitled Retirement Arrangement with Mr. Denninger in the section below entitled Termination Provisions of Employment and Severance Arrangements.

e Includes compensation paid and payable to Mr. Deakin pursuant to his agreement with us dated February 20, 2009 (the Deakin Agreement).

f In 2008, consists of matching contributions made by the Company under the Retirement Savings Plan for Messrs. Milzcik, Boyle, Denninger, Arrington, Deakin and Dempsey.

g In 2008, included in All Other Perquisites are payments made for financial planning services for Messrs. Milzcik, Boyle, Denninger, Arrington, Deakin and Dempsey; the value of personal usage of the Company aircraft and Company-paid travel by his spouse on business trips for Mr. Arrington; club memberships for Messrs. Boyle, Denninger, Arrington, Deakin and Dempsey; executive physical examinations for Mr. Arrington; payments made for the Company Car Program for Messrs. Milzcik, Boyle, Denninger and Deakin; gifts for Messrs. Milzcik, Boyle, Arrington, Deakin and Dempsey; cell phone expenses for Messrs. Milzcik, Boyle, Denninger, Arrington, Deakin and Dempsey; Company-paid office parking for Mr. Dempsey; and payments made for the annual cash perquisite allowance for Messrs. Milzcik, Boyle, Arrington, Deakin and Dempsey. In lieu of the Company Car Program and payments made for club memberships and cell phone expenses, effective October 1, 2008, the Company provided an annual cash perquisite allowance of $25,000 payable in monthly installments.

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Grants of Plan-Based Awards in 2008

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)[3]	Exercise or Base Price of Option Awards ($/Sh)[4]	Closing Market Price on Date of Grant	Grant Date Fair Value of Stock and Option Awards ($)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)					
G.F. Milzcik	2/13/2008								45,500	26.38005	26.98000	295,235
	2/13/2008				21,300	42,600	53,250					1,123,790
	2/13/2008							11,400				300,733
	7/24/2008								43,715	24.39500		262,290
	7/24/2008							5,466				133,343
		150,000	600,000	1,800,000								
F.C. Boyle, Jr.	2/13/2008								7,000	26.38005	26.98000	45,421
	2/13/2008				850	1,700	2,125					44,846
	2/13/2008							1,700				44,846
		29,531	118,125	354,375								
W.C. Denninger[5]	2/13/2008								22,500	26.38005	26.98000	157,389
	2/13/2008				2,500	5,000	6,250					131,900
	2/13/2008							5,000				131,900
		0	0	0								
J.R. Arrington	2/13/2008								20,000	26.38005	26.98000	129,774
	2/13/2008				2,250	4,500	5,625					118,710
	2/13/2008							4,500				118,710
		39,488	157,950	473,850								
S.M. Deakin[6]		36,225	144,900	434,700								
P.J. Dempsey[6]		202,500	202,500	607,500								
			375,000	500,000								

Notes to the above table:

1 These columns set forth the range of the potential amount payable under the Performance- Linked Bonus Plan for Selected Executive Officers.

2 These columns set forth the range of the number of shares of Common Stock that could be issued under performance share awards granted in 2008 under the Barnes Group Inc. Stock and Incentive Award Plan.

3 Stock options granted under the Barnes Group Inc. Stock and Incentive Award Plan are described in the Outstanding Equity Awards At End of 2008 table.

4 Each option has an exercise price equal to the fair market value of Common Stock at the time of grant, as determined by the mean between the highest and lowest stock price of shares of Common Stock on the grant date or the most recent previous fair market value if the market is not open on the grant date.

5 Pursuant to the Denninger Agreement, unvested stock options and restricted stock unit awards were forfeited upon his retirement and eligibility for payments under the Performance- Linked Bonus Plan was ended upon his retirement.

[6] Messrs. Deakin and Dempsey did not received stock options, restricted stock units or performance share awards in 2008. Mr. Dempsey was guaranteed a payout at the target level for 2008 in connection with his appointment as President, Barnes Distribution, which has been restructured into the new business segment Logistics and Manufacturing Services. In addition, Mr. Dempsey was provided with a supplemental annual incentive bonus opportunity for 2008, which was not earned, that consisted of $375,000 payable upon achievement of the Barnes Distribution target operating profit margin goal and $500,000 upon achievement of the Barnes Distribution maximum operating profit margin goal.

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Discussion Concerning Summary Compensation and Grants of Plan-Based Awards Tables

Employment Agreement

Mr. Milzcik s Employment Agreement. We have an employment agreement with Gregory F. Milzcik, our President and Chief Executive Officer. The terms of the agreement that relate to his compensation are described below. The terms that relate to termination and change-in-control are set forth under Termination Provisions of Employment and Severance Arrangements.

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 President and Chief Executive Officer of the Company which was amended as of December 31, 2007, as of December 31, 2008, and January 19, 2009 (collectively, the agreement). The agreement provides for Mr. Milzcik s employment through October 19, 2011, and for automatic annual extensions for successive one-year terms unless either party provides 90 days prior written notice that the agreement will not be extended. In no event will his employment term extend beyond October 19 of the calendar year in which he attains age 65.

The agreement provides for the following compensation and benefits for Mr. Milzcik:

The agreement set forth his annual base salary in his capacity of President and Chief Executive Officer. His initial salary was $600,000. His annual base salary is currently $800,000. Further increases are subject to the discretion of the Compensation Committee.

The agreement provides that he is to receive an annual bonus pursuant to the Performance-Linked Bonus Plan for Selected Executive Officers. With respect to his 2006 annual bonus, the agreement provided that upon the attainment of the target level of the performance goals previously established by the Compensation Committee in accordance with the provisions of the Performance-Linked Bonus Plan for Selected Executive Officers, the Compensation Committee would not use its negative discretion to reduce his 2006 annual bonus below $307,500, which is referred to below as the 2006 Target Amount. The Compensation Committee was to limit its use of negative discretion so that Mr. Milzcik would receive, upon attainment of the maximum level of performance goals, a maximum annual bonus of 300% of the 2006 Target Amount, or a minimum annual bonus of 25% of the 2006 Target Amount upon attainment of the minimum level of performance goals. For 2007, the agreement provided that Mr. Milzcik had the opportunity under the Performance-Linked Bonus Plan for Selected Executive Officers to receive an annual bonus equal to:

75% of his salary upon the attainment of the applicable performance goals established by the Compensation Committee as the target level,

a maximum annual bonus of 225% of his salary upon the attainment of the applicable performance goals established by the Compensation Committee as the maximum level,

18.75% of his salary upon the attainment of the applicable performance goals established by the Compensation Committee as the threshold level, or

$0, if the attainment of the applicable performance goals was at a level below that established by the Compensation Committee as the threshold level.

After 2007, while the Compensation Committee will have the discretion to change the structure and payment terms of Mr. Milzcik s awards under the Performance-Linked Bonus Plan for Selected Executive Officers at threshold, target and maximum levels of performance, provided that Mr. Milzcik s annual bonus opportunity for each calendar year, upon achieving target level performance for such year, shall not be less than 75% of his then current salary.

Pursuant to the agreement, on October 19, 2006, Mr. Milzcik was granted 247,525 options to acquire Common Stock with a ten-year term and an aggregate value of $1 million determined using binomial valuation applied consistently with the Company s practice, that vest ratably on April 19 of 2008, 2009 and 2010; and 24,741 restricted stock units with a value of $500,000 based on the market value of the Common Stock on the date of grant and vesting on October 19, 2010.

Mr. Milzcik participates in our long-term incentive plan, the Stock and Incentive Award Plan, with award levels, performance targets, vesting and other terms as established from time to time by the Compensation Committee. Pursuant to the terms of the agreement, on February 14, 2007, the Compensation Committee granted Mr. Milzcik a long-term incentive grant with an approximate aggregate calculated value equal to 200% of salary ($1.2 million), as follows:

25% ($300,000) of the aggregate calculated value, using the binomial valuation method applied consistently with the Company s practice, in the form of non-qualified Common Stock options with a ten-year term that vest ratably 18, 30 and 42 months after the grant date;

50% ($600,000) of the aggregate calculated value based on the market value of the Common Stock on the date of grant, in the form of a performance share award that vests, subject to achieving earnings per share targets set by the Compensation Committee, over a three-year period beginning January 1, 2007. The number of shares actually earned ranges from 0 to 125% of target, based on actual performance against basic earnings per share targets; and

25% ($300,000) of the aggregate calculated value, using the binomial valuation method applied consistently with the Company s practice, in the form of service-based restricted stock units that will vest ratably 30, 42 and 54 months after the grant date.

Mr. Milzcik participates in all benefit plans and perquisites which we make available to senior executives from time to time, on a basis commensurate with his position. His agreement provides that we may, at any time or from time to time, amend or terminate any of our employee benefit plans, programs or policies, in which event such amendments and terminations may be applied to Mr. Milzcik in the same manner as to our other executive officers. Subject to the foregoing, his agreement provides that benefits for Mr. Milzcik shall include, without limitation, the following:

Life Insurance. Pursuant to Mr. Milzcik s participation in our Senior Executive Enhanced Life Insurance Program, we will pay premiums for a life insurance policy on the life of Mr. Milzcik. The insurance policy is owned by Mr. Milzcik and will have a death benefit equal to four times his salary. We will gross up Mr. Milzcik for any income tax attributable to the premiums paid by us in accordance with the Senior Executive Enhanced Life Insurance Program.

Financial Planning. We will reimburse Mr. Milzcik in an amount up to $5,000 for financial planning assistance and related services for each program year during his term of employment (for the 2006-2007 program year, the agreement provided that such amount would be up to $20,000 and would take into account amounts reimbursed in respect of financial planning and assistance and related services for the portion of the program year prior to October 19, 2006), in each case grossed-up for income taxes.

Leased Automobile and Club Membership. We will provide Mr. Milzcik with either (a)(i) the use of a leased car with a monthly leasing cost to the Company not to exceed $1,131 per month, (ii) reimbursement for other expenses associated with the use of such leased car, in either case, in accordance with the Company s automobile policy as from time to time in effect, and (iii) reimbursement (not grossed-up for taxes) in accordance with Company policy as in effect from time to time for membership in one club, or (b) provide an annual cash allowance of $25,000, payable in monthly installments, in lieu of providing the prior referenced benefits.

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Under certain circumstances, as further detailed in the subsection entitled Compensation Recapture on page 17 of this proxy statement, the agreement provides for a claw-back of any cash or equity awards earned by Mr. Milzcik that are based on achieving specified financial performance targets.

The agreement provides that Mr. Milzcik will be entitled to indemnification for liabilities and expenses to the fullest extent permitted under Delaware law, to the extent consistent with our Certificate of Incorporation and By-laws.

His agreement provides that we will reimburse Mr. Milzcik for reasonable legal fees and expenses incurred by him in connection with (a) any good faith action brought by Mr. Milzcik to enforce his rights under the agreement (or to respond to any action commenced by us) but only those fees and expenses attributable to claims with respect to which there was a substantial likelihood that Mr. Milzcik would prevail on the merits, and (b) the negotiation and documentation of the agreement and the other agreements referenced therein.

Other Agreements

Mr. Boyle s Agreement. Mr. Boyle served as our Acting Chief Financial Officer following Mr. Denninger s retirement until our current Chief Financial Officer was hired on January 12, 2009 at which time Mr. Boyle became our Vice President, Finance and Chief Accounting Officer. Effective as of January 12, 2009, we entered into an agreement with Mr. Boyle (the Boyle Agreement) in his role as Vice President, Finance and Chief Accounting Officer which sets forth certain compensation arrangements and post-retirement payments. The compensation provisions are described below. The post-retirement provisions are set forth under Termination Provisions of Employment and Severance Arrangements.

The Boyle Agreement provides that until May 1, 2009 his annual salary will be $400,000. After May 1, 2009 his salary will revert to an annual rate of $250,000 until his retirement on February 28, 2010. His target bonus for 2009 will be 35% of salary with a maximum bonus of 105% of salary. Any annual incentive award for 2009 will be based on his annual salary amounts during 2009, prorated.

Plans

Performance-Linked Bonus Plan for Selected Executive Officers. Each of the named executive officers participated in the Performance-Linked Bonus Plan for Selected Executive Officers in 2008. Under the Performance-Linked Bonus Plan for Selected Executive Officers, participants receive specified payments after the close of each award period if specified target performance objectives are attained during the award period. For 2008, the award period was the 2008 fiscal year. The Compensation Committee determines the percentage of salary that will be earned at a given level of performance and also determines the level of performance that must be achieved. Performance at less than the target level of performance may result in a lesser percentage of salary than the target being earned, and performance in excess of the target performance objective may result in a higher percentage of salary than the target being earned. Under no circumstances may the award for a participant s service in any year exceed $7,000,000. Payment of any award is contingent upon the Compensation Committee s certifying in writing that the performance level applicable to such award was in fact satisfied. The Compensation Committee may not increase the amount of an award upon satisfaction of the performance level. Except for Performance-Linked Bonus Plan for Selected Executive Officers participants who retire, die or become permanently disabled during the year, whose award will be prorated to the date of such retirement, death, or permanent disability, and except for participants whose employment is involuntarily terminated in 2008 by the Company other than for cause on or after October 1, and for years after 2008 on or after November 1, whose awards will be prorated to the date of such termination, a participant must be employed by the Company on the date

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of payment of an award. Unless the Compensation Committee determines otherwise, all payments pursuant to the Performance-Linked Bonus Plan for Selected Executive Officers are to be made in cash.

Under the Performance-Linked Bonus Plan for Selected Executive Officers, the performance goals for any award period may be based on any of the following criteria, either alone or in any combination, and on either a consolidated Company, consolidated group, business unit or divisional level, as the Compensation Committee may determine: earnings per share, net income, operating income, performance profit (operating income minus an allocated charge approximating the Company s cost of capital, before or after tax), gross margin, revenue, working capital, total assets, net assets, stockholders equity, or cash flow. The foregoing criteria are to be determined in accordance with generally accepted accounting principles, except to the extent the Compensation Committee directs otherwise and may include or exclude any or all of the following items, as the Compensation Committee may specify: extraordinary, unusual or non-recurring items; discontinued operations; effects of accounting changes; effects of currency fluctuations; effects of financing activities (by way of example, without limitation, effect on earnings per share of issuing convertible debt securities); expenses for restructuring or productivity initiatives; non-operating items; effects of acquisitions and acquisition expenses; and effects of divestitures and divestiture expenses (the Items). Any such performance criterion or combination of such criteria may apply to the participant s award opportunity in its entirety or to any designated portion or portions of the award opportunity, as the Compensation Committee may specify. Unless the Compensation Committee determines otherwise at any time prior to payment of a participant s award for an award period and subject to the Compensation Committee s right to reduce an award prior to payment, the Items, any of which affect any performance criterion applicable to the award (including but not limited to the criterion of earnings per share), shall be automatically excluded or included in determining the extent to which the performance level has been achieved, whichever will produce the higher award. This provision is included in the Performance-Linked Bonus Plan for Selected Executive Officers because awards may qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code if the Compensation Committee has discretion to reduce an award, but not if the Compensation Committee has discretion to increase an award.

For a discussion regarding 2008 annual incentive performance goals and awards, please see the Compensation Discussion and Analysis.

Restricted Stock Units, Performance Share Awards and Option Awards. Restricted stock units and stock options vest if the participant s employment by us continues until specified vesting dates. Performance share awards vest if specified performance goals are achieved and if the participant s employment by us continues until specified vesting dates. Performance-accelerated restricted stock unit awards were granted in 2003 and 2004 that provided that they would vest if the participant s employment by us continues until February 12, 2010 and August 11, 2010, respectively. However, if the performance goal applicable to those awards is attained before such date, 50% of the awards vest at the time when the performance goal is attained and 50% vest one year later, provided the participant is employed by us at those times. The performance goal applicable to the awards granted in 2003 was attained in 2006 and therefore 50% of those awards vested in 2006 and the balance vested in 2007. The performance goal applicable to the awards granted in 2004 was attained in 2007 and therefore 50% of those awards vested in 2007 and the balance vested in 2008. The vesting schedule for outstanding awards is set forth in the notes to the table for Outstanding Equity Awards at End of 2008. Treatment upon termination or a change in control is set forth under Termination Provisions of Employment and Severance Arrangements.

Each restricted stock unit award entitles the holder to receive, without payment to the Company, the number of shares of Common Stock equal to the number of restricted stock units that become vested and to receive dividend equivalents on the restricted stock units determined by multiplying the total number of restricted stock units by the dividend per share paid on the Common Stock on each date on which a dividend is paid to the holders of Common Stock during the period from the date of grant of the award to the date on which the award is paid or forfeited. Dividend equivalents for executive officers are paid in cash on the dividend payment dates for the Common Stock. However, effective December 31, 2007, and for calendar 2008 only, based on interpretive guidance regarding the administration of Internal Revenue Code Section 409A, dividend equivalents on grants made in 2005, 2006 and 2007 to executive officers who were directors were deferred in the form of additional stock units which were to be paid in cash on the vesting dates of the grant. In December 2008 the payment date of the remaining deferred dividend equivalents was changed in accordance with Internal Revenue Code Section 409A and payment was made in February 2009.

On or about March 1 of each year following the year in which the performance share awards are earned, the number of shares of Common Stock equal to the number of earned awards is to be delivered to the holders. Dividend equivalents are paid only on performance share awards that are earned. Dividend equivalents on all earned performance share awards are paid based upon dividends paid on outstanding shares of Common Stock during the period from the date of grant of the award to the date on which the awards are paid.

Senior Executive Enhanced Life Insurance Program

Under the Senior Executive Enhanced Life Insurance Program, which applies to officers and selected other employees, the Company pays for individual life insurance policies that are owned by the participants, with the life insurance coverage equal to four times salary. Participants are grossed up for the associated income taxes, so that they incur no out-of-pocket expense for the policies. The Company generally ceases to pay policy premiums on termination of employment, unless the participant has attained age 55 and 10 years of service, in which case the Company continues to pay premiums and tax gross-ups until the policy is fully paid up through age 100. The Company may modify or terminate the program at any time.

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Outstanding Equity Awards at End of 2008

			Option Awards				Stock Awards			
Name	**Notes**	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Options (#) Unexercisable**	**Option Exercise Price ($)[1]**	**Option Expiration Date[23]**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[2]**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
G.F. Milzcik	6	7/24/2008		43,715	24.39500	7/24/2018				
	10	2/13/2008		45,500	26.38005	2/13/2018				
	8	2/14/2007	18,201	36,399	22.33500	2/14/2017				
	6	10/19/2006	82,525	164,999	20.21000	10/19/2016				
	6	2/15/2006	21,336	10,664	18.62750	2/15/2016				
	7	11/10/2005	858		17.45000	2/10/2010				
	7	11/10/2005	3,050		17.45000	2/6/2011				
	7	11/10/2005	3,246		17.45000	2/10/2010				
	7	11/10/2005	4,534		17.45000	2/6/2011				
	7	11/10/2005	10,470		17.45000	2/5/2012				
	7	11/10/2005	20,556		17.45000	2/10/2010				
	7	11/10/2005	25,298		17.45000	2/5/2012				
	7	5/10/2005	2,568		15.19250	2/10/2010				
	7	5/10/2005	10,174		15.19250	2/5/2012				
	7	5/10/2005	10,424		15.19250	2/6/2011				
	7	5/10/2005	13,890		15.19250	2/5/2012				
	7	5/10/2005	41,880		15.19250	2/6/2011				
	6	2/16/2005	24,000		12.61500	2/16/2015				
	3	12/8/2004	20,002	9,998	13.28500	12/8/2014				
	7	4/27/2004	7,784		14.13750	2/13/2013				
	5	2/11/2004	26,000		14.77000	2/11/2014				
	4	2/13/2003	10,000		9.56000	2/13/2013				
	19	7/24/2008					5,466	79,257		
	18	2/13/2008					11,400	165,300		
	22	2/13/2008							28,400	$ 411,800
	15	2/14/2007					13,600	197,200		
	21	2/14/2007					9,100	131,950		
	20	10/19/2006					24,741	358,745		
	13	2/15/2006					11,333	164,329		
	16	2/16/2005					4,500	65,250		
F. C. Boyle, Jr.		2/13/2008		7,000	26.38005	2/13/2018				
	8	2/14/2007	2,301	4,599	22.33500	2/14/2017				
	6	2/15/2006	2,667	2,666	18.62750	2/15/2016				
	6	2/16/2005	1,998		12.61500	2/16/2015				
	5	2/11/2004	2,066		14.77000	2/11/2014				
	4	2/13/2003	3,334		9.56000	2/13/2013				
	18	2/13/2008					1,700	24,650		
	22	2/13/2008							1,133	$ 16,429
	21	2/14/2007					700	10,150		
	15	2/14/2007					2,100	30,450		
	13	2/15/2006					2,266	32,857		

	16	2/16/2005					1,500	21,750	
W.C. Denninger[24]	8	2/14/2007	8,334		22.33500	2/14/2017			
	6	2/15/2006	16,002		18.62750	2/15/2016			
	7	11/25/2005	634		17.35250	4/11/2010			

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Name	Notes	Grant Date	Option Awards Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Options (#) Unexercisable	Option Exercise Price ($)[1]	Stock Awards