

KEMET CORP
Form PRE 14A
June 20, 2011

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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KEMET CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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 - (4) Date Filed:
-

KEMET Corporation
P.O. Box 5928
Greenville, South Carolina 29606

June , 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders (the "Annual Meeting") which will be held on Wednesday, July 27, 2011, at 10:30 a.m., local time, at the Westin Poinsett Hotel, 120 South Main Street, Greenville, South Carolina.

The notice of meeting, proxy statement and proxy are included with this letter. The matters listed in the notice of meeting are more fully described in the proxy statement.

It is important that your shares are represented and voted at the Annual Meeting, regardless of the size of your holdings. Accordingly, please mark, sign and date the enclosed proxy and return it promptly in the enclosed envelope. If you attend the Annual Meeting, you may withdraw your proxy should you wish to vote in person.

Sincerely,

Frank G. Brandenburg
Chairman of the Board of Directors

KEMET Corporation

P.O. Box 5928
Greenville, South Carolina 29606

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2011 Annual Meeting of Stockholders (the "Annual Meeting") of KEMET Corporation (the "Corporation") will be held on Wednesday, July 27, 2011, at 10:30 a.m., local time, at the Westin Poinsett Hotel, 120 South Main Street, Greenville, South Carolina, to consider and take action with respect to the following matters:

- 1) The election of three directors, each for a three-year term or until his successor is duly elected and qualified.
- 2) The ratification of the appointment of Ernst & Young LLP as the Corporation's independent registered public accounting firm for the fiscal year ending March 31, 2012.
- 3) The approval of the Corporation's 2011 Omnibus Equity Incentive Plan.
- 4) The approval of an amendment to the Corporation's Restated Certificate of Incorporation to reduce the number of authorized shares of Common Stock from 300,000,000 to 175,000,000.
- 5) The approval of the Corporation's Second Restated Certificate of Incorporation.
- 6) The advisory approval of the compensation paid to the Corporation's Named Executive Officers.
- 7) The advisory vote on the frequency by which stockholders should have the opportunity to provide an advisory approval of the compensation paid to our Named Executive Officers.
- 8) The transaction of such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Holders of record of the Corporation's Common Stock at the close of business on June 9, 2011, are entitled to receive notice of and to vote on all matters presented at the meeting and at any adjournments or postponements thereof.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on July 27, 2011:

The Proxy Statement and Annual Report are available at <http://www.kemet.com/proxymaterials>.

By order of the Board of Directors,

R. James Assaf
Secretary

June , 2011

Whether or not you plan to attend the meeting in person and regardless of the number of shares you own, please mark, sign and date the enclosed proxy and mail it promptly in the envelope provided to ensure that your shares will be represented. You may nevertheless vote in person if you attend the Annual Meeting. In addition, your proxy is revocable at any time before it is voted by

written notice to the Secretary of the Corporation or by delivery of a later-dated proxy.

KEMET Corporation

**P.O. Box 5928
Greenville, South Carolina 29606**

PROXY STATEMENT

**2011 Annual Meeting of Stockholders
July 27, 2011**

This proxy statement is being furnished to the holders of common stock, par value \$0.01 per share (the "Common Stock"), of KEMET Corporation (the "Corporation") in connection with the solicitation of proxies on behalf of the Board of Directors of the Corporation (the "Board of Directors" or "Board") for the 2011 Annual Meeting of Stockholders (the "Annual Meeting") to be held on July 27, 2011, at the Westin Poinsett Hotel, 120 South Main Street, Greenville, South Carolina, and at any adjournments or postponements thereof.

This proxy statement, the enclosed proxy and the Corporation's 2011 Annual Report to Stockholders ("Annual Report") will be mailed on or about June , 2011 to holders of record of Common Stock as of the close of business on June 9, 2011.

When you sign and return the enclosed proxy, the individuals identified as proxies thereon will vote the shares represented by the proxy in accordance with the directions noted thereon. If no direction is indicated, the proxies will vote the shares represented thereby **FOR** the election of each of the directors described herein, **FOR** the ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm for the fiscal year ending March 31, 2012, **FOR** the approval of the Corporation's 2011 Omnibus Equity Incentive Plan, **FOR** the approval of an amendment to the Corporation's Restated Certificate of Incorporation to reduce the number of authorized shares of Common Stock from 300,000,000 to 175,000,000, **FOR** the approval of the Corporation's Second Restated Certificate of Incorporation, **FOR** the advisory approval of the compensation paid to the Corporation's Named Executive Officers, **FOR** the advisory approval of an opportunity for stockholders to provide an advisory approval of the compensation paid to our Named Executive Officers every year and, as to any other business as may properly be brought before the Annual Meeting and any adjournments or postponements thereof, in accordance with the recommendation of the Corporation's management.

Returning your completed proxy will not prevent you from voting in person at the Annual Meeting should you be present and wish to do so. In addition, you may revoke your proxy any time before it is voted by written notice to the Secretary of the Corporation prior to the Annual Meeting or by submission of a later-dated proxy.

Each outstanding share of Common Stock entitles the holder thereof to one vote. On June 9, 2011, the record date, there were 44,147,037 shares of Common Stock outstanding. The presence in person or by proxy of a majority of such shares of Common Stock shall constitute a quorum. Pursuant to Delaware law, abstentions are treated as present and entitled to vote, and therefore are counted in determining the existence of a quorum. Under Delaware law, broker "non-votes" are considered present but not entitled to vote, and thus will be counted in determining the existence of a quorum but will not be counted in determining whether a matter requiring approval of a majority of the shares present and entitled to vote has been approved.

Each director nominee shall be elected to the Board of Directors by vote of the majority of the votes cast with respect to that director nominee's election at any meeting for the election of directors at which a quorum is present. The Amended and Restated By-laws of the Corporation provide that a majority of the votes cast means the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that director nominee. The affirmative vote of the majority of the votes

present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending March 31, 2012, to approve the Corporation's 2011 Omnibus Equity Incentive Plan and to approve on an advisory basis the compensation paid to the Corporation's Named Executive Officers. The frequency choice for the advisory approval of the compensation paid to the Corporation's Named Executive Officers receiving the most stockholder votes will be deemed the choice of the stockholders. The affirmative vote, either in person or by proxy, of a majority of the votes entitled to be cast by the holders of the Corporation's outstanding Common Stock is required to approve the amendment to the Corporation's Restated Certificate of Incorporation and to approve the Corporation's Second Restated Certificate of Incorporation.

Abstentions will have no effect on the election of directors, ratification of Ernst & Young LLP as the independent registered public accounting firm, the approval of the Corporation's 2011 Omnibus Equity Incentive Plan or the advisory approval of the compensation paid to the Named Executive Officers since only votes "For" or "Against" each such proposal will be counted. Abstentions will have the same effect as a vote against the approval of the amendment to the Corporation's Restated Certificate of Incorporation and the approval of the Corporation's Second Restated Certificate of Incorporation.

On the other hand, shares resulting in broker "non-votes," if any, while present at the meeting are not entitled to vote for such matter and will have no effect on the outcome of the vote. When a matter is not routine and the brokerage firm has not received voting instructions from the stockholder, the brokerage firm cannot vote the shares on that matter. This is called a broker "non-vote." The ratification of the selection of independent auditors is considered a routine matter. The election of directors, the approval of the Corporation's 2011 Omnibus Equity Incentive Plan, the approval of an amendment to the Corporation's Restated Certificate of Incorporation, the approval of the Corporation's Second Restated Certificate of Incorporation, the advisory approval of the compensation paid to the Named Executive Officers and the advisory vote on the frequency by which stockholders should have the opportunity to provide an advisory approval of the compensation paid to our Named Executive Officers are not considered routine.

PROPOSAL TO ELECT THREE DIRECTORS

The Corporation's Restated Certificate of Incorporation provides that the Board of Directors will consist of not more than nine nor fewer than three directors with the number of directors to be established by the Board of Directors by resolution.

The Board of Directors is currently comprised of eight directors divided into three classes (Messrs. Brandenburg, Borruso and Maddrey 2011; Dr. Backes, Messrs. Bedi and Loof 2012; and Messrs. Paul and Swann 2013). The term of each class expires in different years. The nominees for election to the Board of Directors this year are Frank G. Brandenburg, Joseph V. Borruso and E. Erwin Maddrey, each of whom are currently directors of the Corporation, and each of whom has been nominated to serve for a three-year term or until his successor is duly elected and qualified. The Board of Directors expects the nominees named above to be available for election. In case the nominees are not available, the proxy holders may vote for a substitute, unless the Board of Directors reduces the number of directors.

Provided that a quorum is present, each director nominee will be elected at the Annual Meeting by a majority of the votes cast with respect to that director nominee's election. The Amended and Restated By-laws of the Corporation provide that a majority of the votes cast means the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that director nominee. There is no right to cumulative voting as to any matter, including the election of directors.

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The following sets forth, among other matters, information as to each continuing director and each nominee for director: (i) their age, as of June 9, 2011; (ii) all positions and offices with the Corporation; (iii) principal occupation and employment during the past five years; (iv) current directorships of publicly-held companies or registered investment companies; (v) other previous directorships of publicly-held companies or registered investment companies during the past five years; (vi) period of service as a director of the Corporation; and (vii) particular experience, qualifications, attributes or skills, beyond those described above, which led to the Corporation's Board of Directors to conclude that such director or nominee for director should serve as a director of the Corporation.

The Board of Directors recommends a vote "FOR" the re-election of each of Messrs. Brandenburg, Borruso and Maddrey to the Board of Directors, each to serve for a three-year term or until his successor is duly elected and qualified.

Nominees for Board of Directors

Frank G. Brandenburg, 64, Chairman and Director, was named such in October 2003. Before his retirement in 2003, Mr. Brandenburg was a Corporate Vice President and Sector President of Northrop Grumman Corporation from July 2001 to December 2003. Prior to joining Northrop, he previously spent 28 years at Unisys where his last position was Corporate Vice President and President, Client/Server Systems, and then later served as the President and Chief Executive Officer of EA Industries, Inc. Mr. Brandenburg served as Senior Vice President and Group Executive with Litton Industries, Inc. from November 1999 until its acquisition by Northrop in April 2001. Mr. Brandenburg served as a director of American Mold Guard, Inc. from April 2006 to April 2008. Mr. Brandenburg is the majority owner and serves as the Chief Executive Officer of Auto-Lab Franchise Management Corporation, d/b/a Auto-Lab Complete Care Car Centers, a private company and franchiser of automotive repair and maintenance facilities. He received a Bachelor of Science degree in Industrial Engineering and a Masters of Science degree in Operations Research from Wayne State University and completed the Program for Management Development at the Harvard Business School. The Corporation's Board of Directors believes that it benefits from Mr. Brandenburg's experience in high-tech component businesses as well with leading companies in the military/aerospace and computer-related industries, significant market segments into which the Corporation sells its products. The Corporation also benefits from Mr. Brandenburg's previous public company board experience.

Joseph V. Borruso, 71, Director, was named such in March 2008. Mr. Borruso is currently the President of AOEM Consultants, LLC, a business consulting firm for automotive suppliers, and has served in such capacity since July 2005. He served as President and Chief Executive Officer of Hella North America, a manufacturer of automotive lighting and electronics, from 1999 through his retirement in May 2005. Prior thereto, Mr. Borruso served in various senior management positions, most recently as Executive Vice President of Sales, for the Bosch Automotive Group N.A. from 1983 to 1999. The Corporation's Board of Directors believes that it benefits from Mr. Borruso's extensive experience in the automotive supplier industry, a key market segment into which the Corporation sells its products. In addition, Mr. Borruso's international experience while at Bosch Automotive Group N.A. and Hella North America provides value from a global business perspective.

E. Erwin Maddrey, II, 70, Director, was named such in May 1992. Mr. Maddrey is President of Maddrey and Associates, a personal investments vehicle, and has served in such capacity since July 2000. Mr. Maddrey was President, Chief Executive Officer, and a Director of Delta Woodside Industries, a textile manufacturer, from 1984 through June 2000. Prior thereto, Mr. Maddrey served as President, Chief Operating Officer, and Director of Riegel Textile Corporation. Mr. Maddrey also serves on the board of directors for Blue Cross/Blue Shield of South Carolina and Delta Apparel Company. The Corporation's Board of Directors believes that it benefits from the broad expertise acquired by Mr. Maddrey as an officer and director in a variety of for-profit and not-for-profit organizations, including extensive financial experience which allows Mr. Maddrey to serve effectively as

the Chairman of the Corporation's Audit Committee. The Corporation also benefits from Mr. Maddrey's previous public company board experience.

Continuing Directors

Dr. Wilfried Backes, 68, Director, was named such in March 2008. Dr. Backes served as Executive Vice President and Chief Financial Officer of EPCOS AG, a major publicly traded passive electronic components company headquartered in Germany, from 2002 through his retirement in 2006. Dr. Backes previously served as Executive Vice President, Chief Financial Officer and Treasurer of Osram Sylvania, Inc. from 1992 to 2002. Prior to that time, Dr. Backes held various senior management positions with Siemens AG including the position of President and Chief Executive Officer of Siemens Components, Inc. from 1989 to 1992. He received Diplom-Volkswirt and Dr. rer. pol. Degrees from Rheinische Friedrich-Wilhelms-Universität in Bonn, Germany. The Corporation's Board of Directors believes that it benefits from Dr. Backes' fifteen years of international experience within the electronic passive components industry, as well as his experience in the industrial/lighting industry, the Corporation's largest market segment into which it sells its products. In addition, Dr. Backes' strong financial background adds accounting expertise to both the Corporation's Board of Directors and its Audit Committee.

Gurminder S. Bedi, 63, Director, was named such in May 2006. Mr. Bedi served as Vice President of Ford Motor Company from October 1998 through his retirement in December 2001. Mr. Bedi served in a variety of other managerial positions at Ford Motor Company for more than thirty years. He currently serves on the board of directors of Compuware Corporation and Actuant Corporation, and is the Managing Partner of Compass Acquisitions, LLC, a private equity firm specializing in acquisitions of small and mid-sized automotive companies. He earned a Bachelor of Science degree in Mechanical Engineering from George Washington University and a Masters of Business Administration degree from the University of Detroit. The Corporation's Board of Directors believes that it benefits from Mr. Bedi's strong technical background, as well as his extensive experience with Ford Motor Company, a global leader in the automotive industry, a key market segment into which the Corporation sells its products. The Corporation also benefits from Mr. Bedi's previous public company board experience.

Robert G. Paul, 69, Director, was named such in July 2006. Mr. Paul is the former President of the Base Station Subsystems Unit of Andrew Corporation, a global designer, manufacturer, and supplier of communications equipment, services, and systems, from which he retired in March 2004. From 1991 through July 2003, he was President and Chief Executive Officer of Allen Telecom Inc. which was acquired by Andrew Corporation during 2003. Mr. Paul joined Allen Telecom in 1970 where he built a career holding various positions of increasing responsibility including Chief Financial Officer. Mr. Paul also serves on the board of directors and audit committees for Rogers Corporation and Comtech Telecommunications Corp. He earned a Bachelor of Science degree in Mechanical Engineering from the University of Wisconsin-Madison and a Masters of Business Administration degree from Stanford University. The Corporation's Board of Directors believes that it benefits from Mr. Paul's extensive experience in the communications industry, one of the primary market segments into which the Corporation sells its products. Mr. Paul's strong financial background adds accounting expertise to both the Corporation's Board of Directors and its Audit Committee. In addition, Mr. Paul's experience running a public company with markets throughout the world and manufacturing plants in Europe, Asia and the Americas provides a strong fit with the Corporation's global markets and operations. The Corporation also benefits from Mr. Paul's previous public company board experience.

Joseph D. Swann, 69, Director, was named such in October 2003. Mr. Swann is the retired President of Rockwell Automation Power Systems, where he also served in a dual capacity as Senior Vice President of Rockwell Automation (the parent corporation of Rockwell Automation Power Systems) from 2000 to January 2007. Mr. Swann serves as non-executive Chairman of Integrated Power

Services, LLC, a private company, and has been a member of the Clemson University Board of Trustees since 1990, where he serves on the Executive and Audit, Student Affairs, Research and Economic Development committees and is Chair of the University's Compensation Committee. He earned a Bachelor of Science degree in Ceramic Engineering from Clemson University and a Masters of Business Administration degree from Case Western Reserve University. The Corporation's Board of Directors believes that it benefits from Mr. Swann's extensive experience in international manufacturing, marketing and sales, which has included positions in materials management, production control, quality, manufacturing and manufacturing engineering involving facilities in the United States, Mexico, China and Germany, as well as the position of plant controller for three plants at various times, culminating in his executive positions with Rockwell Automation.

Per-Olof Loof, 60, Chief Executive Officer and Director, was named such in April 2005. Mr. Loof was previously the Managing Partner of QuanStar Group, LLC, a management consulting firm and had served in such capacity since December 2003. Prior thereto, he served as Chief Executive Officer of Sensormatic Electronics Corporation and in various management roles with Andersen Consulting, Digital Equipment Corporation, AT&T and NCR. Mr. Loof serves as a board member of Global Options, Inc. Mr. Loof also serves on several charity boards including Boca Raton Regional Hospital and the International Centre for Missing & Exploited Children. He received a "civilekonom examen" degree in economics and business administration from the Stockholm School of Economics. The Corporation's Board of Directors believes that it benefits from Mr. Loof's successful management experience with leading global companies, including his leadership of Sensormatic Electronics Corporation, a New York Stock Exchange company until its acquisition by Tyco International Ltd. in 2001. Mr. Loof's ongoing interaction with the Corporation's customers and suppliers provide the Board of Directors industry expertise and a deep understanding of the Corporation's business and operations and the economic environment in which it operates.

There are no family relationships among the Corporation's directors or executive officers.

Information about the Board of Directors

The Board of Directors held eight meetings (exclusive of committee meetings) during the fiscal year ended March 31, 2011. Each current director attended at least 75% of the number of meetings that they were eligible to attend during the fiscal year ended March 31, 2011 of the Board of Directors and all committees on which such director served. The Board of Directors has not adopted a formal policy with respect to directors' attendance at annual meetings of the stockholders of the Corporation. All of the Corporation's directors were in attendance at the 2010 Annual Meeting of Stockholders. In accordance with the Corporation's Corporate Governance Guidelines, Frank G. Brandenburg, as Chairman of the Board, presided over all regularly scheduled executive sessions of the non-management directors of the Corporation. The Board of Directors has established the following permanent committees, the functions and current members of which are noted below. All of the committees of the Board of Directors operate under charters, current copies of which can be found on our website at <http://www.kemet.com> under "Investor Relations" where you can click on the "Corporate Governance" link for each of the committee charters.

Audit Committee. The Audit Committee of the Board of Directors currently consists of: Mr. Maddrey (Chairman of the Audit Committee), Dr. Backes and Messrs. Borruso and Swann. All members of the Audit Committee are independent as defined in the Securities Exchange Act of 1934 and the rules and regulations thereunder, as amended ("Exchange Act"), and the listing rules of the New York Stock Exchange ("NYSE"). Mr. Maddrey is the Corporation's "audit committee financial expert" serving on the Audit Committee within the meaning of the Securities and Exchange Commission (the "SEC") rules and regulations. In addition, Dr. Backes and Messrs. Borruso and Swann also have prior financial statement experience: Dr. Backes has served at various times as president, chief executive officer, chief financial officer and treasurer in prior companies; Mr. Borruso

has served as president and chief executive officer in current and prior companies; and Mr. Swann has served as president and plant controller in prior companies. Mr. Maddrey has served on audit committees with other companies. The Audit Committee, among other duties, employs the independent auditors, pre-approves all services performed by the independent auditors, reviews the internal and external financial reporting of the Corporation, reviews the scope of the independent audit, considers comments by the auditors regarding internal controls and accounting procedures and management's response to those comments, and reviews services provided by the independent auditors and other disclosed relationships as they bear on the independence of the independent auditors. The Audit Committee met six times during the fiscal year ended March 31, 2011.

Compensation Committee. The Compensation Committee of the Board of Directors currently consists of Mr. Paul (Chairman of the Compensation Committee), Dr. Backes and Messrs. Bedi and Borruso. All members of the Compensation Committee are independent within the meaning of the listing rules of the NYSE. The Compensation Committee reviews and makes recommendations to the Board of Directors regarding salaries, compensation and benefits of executive officers and key employees of the Corporation and grants all options to purchase Common Stock of the Corporation. The Compensation Committee met seven times during the fiscal year ended March 31, 2011.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee currently consists of Messrs. Bedi (Chairman of the Nominating and Corporate Governance Committee), Maddrey, Paul and Swann, all of whom are independent within the meaning of the listing rules of the NYSE. The Nominating and Corporate Governance Committee is authorized to review the Corporation's governance practices, including the composition of the Board, and to make recommendations to the Board concerning nominees for election as directors, including nominees recommended by stockholders. The Nominating and Corporate Governance Committee met three times during the fiscal year ended March 31, 2011.

A stockholder who wishes to recommend a prospective nominee for the Board should notify the Corporation's Corporate Secretary in writing with supporting material that the stockholder considers appropriate. The Nominating and Corporate Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of the Corporation's By-laws relating to stockholder nominations. Once the Nominating and Corporate Governance Committee has identified a prospective nominee, it makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the Nominating and Corporate Governance Committee with the recommendation of the prospective candidate, as well as the Nominating and Corporate Governance Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. If the Nominating and Corporate Governance Committee determines that additional consideration is warranted, it will engage a third-party search firm to gather additional information about the prospective nominee's background and experience and to report its findings to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee then evaluates the prospective nominee against certain standards and qualifications. The Nominating and Corporate Governance Committee selects individuals as director nominees who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who will be most effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of the Corporation's stockholders. In addition, pursuant to the Nominating and Corporate Governance Committee Charter, the Nominating and Corporate Governance Committee evaluates the prospective nominee against a set of criteria for Board membership which includes factors relating to business experience, diversity, occupation, and personal skills in technology, finance, marketing, international business, financial

reporting and other areas that are expected to contribute to an effective Board. The Nominating and Corporate Governance Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. In connection with this evaluation, the Nominating and Corporate Governance Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the Nominating and Corporate Governance Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Nominating and Corporate Governance Committee determines the nominees who it will recommend to the Board.

Pursuant to the Nominating and Corporate Governance Committee Charter, the Nominating and Corporate Governance Committee periodically reviews the director recruitment and selection process to insure that diversity remains a component of any director search. The Nominating and Corporate Governance Committee conducts an annual assessment of its performance pursuant to the Nominating and Corporate Governance Committee Charter's responsibilities and objectives.

The Board undertook its annual review of director independence in May 2011. During this review, the Board inquired about transactions and relationships between each director or any member of his or her immediate family and the Corporation and its subsidiaries and affiliates. The Board also inquired about transactions and relationships between directors or their affiliates and members of the Corporation's senior management or their affiliates. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent. Based upon the inquiries, there were no transactions to evaluate for inconsistency with independence.

As a result of this review, the Board affirmatively determined that all of the directors, including the Chairman, Frank G. Brandenburg, are independent of the Corporation and its management within the meaning of the SEC's rules and regulations and the NYSE rules and regulations, with the exception of Mr. Per-Olof Loof, who is considered to be a non-independent director because he is a member of the Corporation's management.

Board Leadership Structure. Currently, the positions of Chairman of the Board and Chief Executive Officer of the Corporation are held by separate individuals, with Mr. Loof serving as CEO and Mr. Brandenburg serving as Chairman of the Board. The Board believes that at the current time this structure is best for the Corporation, as it allows Mr. Loof to focus on the Corporation's strategy, business and operations, while enabling Mr. Brandenburg to assist with Board matters and serve as a liaison between the Board and the Corporation's management.

Role in Risk Oversight. As the Corporation's principal governing body, the Board of Directors has the ultimate responsibility for overseeing the Corporation's risk management practices. According to the Corporation's Corporate Governance Guidelines, the Board of Directors' risk responsibilities include monitoring ethical behavior; monitoring compliance with laws and regulations, the Corporation's Global Code of Conduct ("Code of Conduct"), auditing and accounting principles and the Corporation's own governing documents; assessing its own effectiveness in fulfilling these and other Board responsibilities; and overseeing the procedures in place to ensure the integrity of the Corporation's financial statements. The Board of Directors believes it has in place effective processes to identify and oversee the material risks facing the Corporation and that these processes are consistent with, and provide additional support for, the current leadership structure of the Board of Directors. Certain risk management functions have been delegated to committees of the Board of Directors.

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Pursuant to the Audit Committee Charter, one of the primary roles and responsibilities of the Audit Committee is to monitor the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting and associated legal compliance. Under the Audit Committee Charter, the Audit Committee will, among other responsibilities and duties:

Consider and review with management, the internal audit group and the independent public accountants the effectiveness or weakness of the Corporation's internal controls. Develop in consultation with management a timetable for implementing recommendations to correct identified weaknesses.

Review the coordination between the independent public accountants and internal auditors; review the risk assessment processes, scopes and procedures of the Corporation's internal audit work and whether such risk assessment process, scopes and procedures are adequate to attain the internal audit objectives as determined by the Corporation's management and approved by the committee; and review the quality and composition of the Corporation's internal audit staff.

Review management's monitoring of the Corporation's compliance with laws and the Corporation's Code of Conduct and ensure that management has proper review systems in place to ensure that the Corporation's financial statements, reports and other information disseminated to governmental organizations and the public satisfy legal requirements.

The Corporation's Chief Compliance Officer provides reports to the Audit Committee concerning activities related to the Corporation's whistleblower hotline and other compliance issues.

The Compensation Committee reviews the Corporation's compensation policies and practices to ensure that no such practices or policies create a reasonable likelihood of a material adverse effect on the Corporation. Additional information on the process and procedures for executive compensation determinations, including the role of management and compensation consultants, is contained in "Compensation Discussion and Analysis" below. For the fiscal year ended March 31, 2011, the Compensation Committee determined that none of the Corporation's compensation policies or practices were reasonably likely to have a material adverse effect on the Corporation. In addition, pursuant to the Compensation Committee Charter, the Compensation Committee provides oversight of the Corporation's safety, health and environmental programs, including a periodic review of accident frequency and severity statistics, programs to promote safe work habits, serious statutory violations or resulting citations, and any potential legal and/or financial liabilities in excess of \$100,000 that may exist due to non-compliance with any safety, health or environmental law or regulation.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is or has been an officer or employee of the Corporation, and no executive officer of the Corporation served on the Compensation Committee or board of directors of any entity that employed any member of the Corporation's Compensation Committee or Board of Directors. In addition, no other "compensation committee interlocks" existed during the fiscal year ended March 31, 2011.

Compensation of Directors

In March 2010, the Board of Directors undertook a review of director compensation. Director compensation had not been adjusted since July 2006, except for the fourteen month period commencing August 2008 in which, to facilitate the Corporation's cost reduction measures, the Board assumed a 10% reduction in director and committee retainer fees and a 25% reduction in meeting attendance fees. Among other factors, the Board considered director compensation in connection with a market analysis of compensation of other public company and peer group corporate boards. As a result of its review, the Board of Directors unanimously approved the following compensation for the

non-employee directors. Effective April 1, 2010, each director (other than the Chairman and any employee director) was paid a director's fee at the annual rate of \$40,000. The Chairman was paid a director's fee at the annual rate of \$65,000. No director who is a full-time employee of the Corporation was paid an annual director's fee. The Chairman of the Audit Committee of the Board received an annual retainer of \$12,500, and each member of the Audit Committee received an annual retainer of \$8,000. The Chairman of the Compensation Committee received an annual retainer of \$8,000, and each member of the Compensation Committee received an annual retainer of \$5,000. The Chairman of the Nominating and Corporate Governance Committee received an annual retainer of \$7,000, and each member of the Nominating and Corporate Governance Committee received an annual retainer of \$4,000. All directors were reimbursed for out-of-pocket expenses incurred in connection with attending meetings. Each director (other than any employee director) received as additional compensation a fee of \$1,500 per meeting for personal attendance at each meeting of the Board and a committee of the Board, and a fee of \$750 per meeting for telephonic attendance at each meeting of the Board and a committee of the Board.

In addition, in March 2010, the Board of Directors approved an annual equity grant of 20,000 shares of restricted Common Stock to each non-employee director, which vest one year from the date of grant and cannot be sold until 90 days after the director resigns from his position as a member of the Board ("Restricted Shares"). For the fiscal year ended March 31, 2011, the Restricted Shares were granted on September 24, 2010 and will vest on September 24, 2011. As a result of the November 5, 2010 one-for-three reverse split of the Common Stock (the "Reverse Stock Split"), the amount of Restricted Shares authorized by the Board of Directors for the annual equity grant to non-employee directors for future fiscal years is reduced to 6,667. All prior periods presented in this proxy statement have been adjusted to reflect the Reverse Stock Split.

DIRECTOR COMPENSATION TABLE

The table below provides information concerning the compensation of the Corporation's directors for the fiscal year ended March 31, 2011. The table below does not include information with respect to the Corporation's Chief Executive Officer, Mr. Loof, as he is also a Named Executive Officer of the Corporation. Mr. Loof is not compensated for his service as a director of the Corporation.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred Compensation				All Other Compensation (\$)	Total (\$)
			Option Award (\$)	Plan Compensation (\$)	Earnings (\$)	(\$)		
Wilfried Backes	73,000	66,403(2)					139,403	
Gurminder S. Bedi	75,000	66,403(3)					141,403	
Joseph V. Borruso	74,250	66,403(4)					140,653	
Frank G. Brandenberg	94,250	66,403(5)					160,653	
E. Erwin Maddrey, II	79,500	66,403(6)					145,903	
Robert G. Paul	76,500	66,403(7)					142,903	
Joseph D. Swann	73,000	66,403(8)					139,403	

- (1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the following restricted stock grants: 6,667 Restricted Shares of Common Stock with a grant date fair value of \$66,403 granted on September 24, 2010 to each of Dr. Backes and Messrs. Bedi, Borruso, Brandenberg, Maddrey, Paul and Swann.
- (2) The aggregate number of unvested stock awards held by Dr. Backes as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.

- (3) The aggregate number of unvested stock awards held by Mr. Bedi as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.
- (4) The aggregate number of unvested stock awards held by Mr. Borruso as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.
- (5) The aggregate number of stock awards held by Mr. Brandenburg as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.
- (6) The aggregate number of unvested stock awards held by Mr. Maddrey as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.
- (7) The aggregate number of unvested stock awards held by Mr. Paul as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.
- (8) The aggregate number of unvested stock awards held by Mr. Swann as of March 31, 2011 was 6,667 shares of the Corporation's restricted stock.

The Corporation uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board of Directors. In setting director compensation, the Corporation considers the significant amount of time that directors expend in fulfilling their duties to the Corporation as well as the skill-level required by the Corporation of members of the Board of Directors. The Committee also examined compensation of directors at manufacturing companies with revenues comparable to the Corporation. None of the non-employee directors participate in a defined benefit plan or non-qualified deferred compensation plan sponsored or contributed to by the Corporation.

Stock Ownership Guidelines

To directly align the interests of the directors with the interests of the stockholders, the Compensation Committee established guidelines stipulating whereby each director should maintain a minimum ownership interest in the Corporation. Mr. Loof has a target to own and retain a minimum number of shares totaling in value five times his annual base salary. Non-management directors have a target to own and retain a minimum number of shares totaling in value three times their annual retainer. The time period during which such minimum number of shares is to be acquired and retained is targeted five years from the later of (i) April 1, 2006 or (ii) the year in which such director was first elected.

As persons with access to material non-public information regarding the Corporation, our directors are restricted in their ability to trade our securities in accordance with applicable law and the guidelines contained in our Code of Conduct.

Stockholder Communication with the Board of Directors

Stockholders and other parties interested in communicating directly with the Chairman or with the non-management directors as a group may do so by writing to Chairman of the Board of Directors, KEMET Corporation, P.O. Box 5928, Greenville, South Carolina 29606.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Corporation's officers, directors and persons who beneficially own more than 10% of a registered class of the Corporation's equity securities to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten-percent beneficial owners also are required by rules promulgated by the SEC to furnish the Corporation with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to the Corporation, or written representations that no Form 5 filings were required, the Corporation believes that during the period from April 1, 2010 through March 31, 2011, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten-percent beneficial owners were complied with, with the following exception: a Form 4 relating to a May 24, 2010 purchase of 5,000 shares of Common Stock by Dr. Daniel F. Persico, Vice President, Strategic Marketing and Business Development of the Corporation, was filed after the two business day filing requirement.

Review, Approval or Ratification of Transactions with Related Persons

Our directors and executive officers (and other employees) are expected to adhere to the Corporation's Code of Conduct. Our Code of Conduct is available free of charge on the Corporation's website at <http://www.kemet.com> under "Investor Relations" where you can click on the link to "Corporate Governance," then "Highlights" and "Global Code of Conduct." In the event that any action arises or is proposed that would require a waiver of or a deviation from our Code of Conduct, or in the event that any actual or potential conflict of interest arises involving any of our directors or executive officers, our policy requires that the matter be reported to the Corporation's management. In the event of such conflicts, the director(s) or officer(s) involved, if any, shall recuse themselves from any decision affecting their personal interests.

On May 5, 2009, the Corporation entered into a credit facility with K Financing, LLC (the "Amended and Restated Platinum Credit Facility"), an affiliate of Platinum Equity Capital Partners II, L.P. The Amended and Restated Platinum Credit Facility consists of a term loan (the "Platinum Term Loan"), a line of credit loan (the "Platinum Line of Credit Loan") and a working capital loan ("Platinum Working Capital Loan") among K Financing, LLC ("K Financing"), the Corporation and certain of the Corporation's subsidiaries.

In connection with the Amended and Restated Platinum Credit Facility, the Corporation granted K Financing a warrant to purchase up to 26,848,484 shares of the Corporation's Common Stock, representing up to 49.9% of the Corporation's outstanding Common Stock; the Warrant was subsequently transferred to K Equity, LLC ("K Equity"), an affiliate of K Financing. As a result, K Equity and certain of its affiliates are deemed to be beneficial owners of the Corporation's securities as well as "related persons" as holders of securities covered by Item 403(a) of Regulation S-K.

In connection with the Amended and Restated Platinum Credit Facility, the Corporation entered into a Corporate Advisory Services Agreement with Platinum Equity Advisors, LLC ("Platinum Advisors"), an affiliate of K Equity, for a term of the later of (i) June 30, 2013 and (ii) the termination of the Amended and Restated Platinum Credit Facility, pursuant to which the Corporation will pay an annual fee of \$1.5 million to Platinum Advisors for certain advisory services. On May 5, 2010, the Platinum Term Loan, the Platinum Line of Credit Loan, and the Platinum Working Capital Loan were extinguished.

On December 20, 2010, in connection with a secondary offering in which K Equity was the selling security holder, K Equity sold a portion of the Warrant representing the right to purchase 10.9 million shares of Common Stock to the underwriters of the secondary offering, who exercised their full portion of the warrant at a price of \$12.80 per share in a cashless exercise and received a net settlement of 10.0 million shares of Common Stock. These shares were sold as part of a secondary offering and KEMET did not receive any of the proceeds from the transaction. On May 31, 2011, K Equity sold a portion of the Closing Warrant to Deutsche Bank Securities Inc., in connection with the offering of a total of 7 million shares of the Corporation's Common Stock, at a public offering price of \$14.60 per share. K Equity retained the unsold portion of the Warrant, representing the right to purchase 8.4 million shares of Common Stock.

**PROPOSAL TO RATIFY APPOINTMENT
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors, upon recommendation by the Audit Committee, has appointed Ernst & Young LLP as the independent registered public accounting firm to examine the financial statements of the Corporation for the fiscal year ending March 31, 2012 and to perform other appropriate accounting services.

A proposal will be presented at the Annual Meeting to ratify the appointment of Ernst & Young LLP as the Corporation's independent registered public accounting firm. One or more members of that firm are expected to be present at the Annual Meeting to respond to questions and to make a statement if they desire to do so. As discussed below, prior to the Audit Committee's appointment of Ernst & Young LLP as the Corporation's independent registered public accounting firm, KPMG LLP ("KPMG") served as the Corporation's independent public accountants. During the fiscal years ended March 31, 2011 and 2010, Ernst & Young LLP served as the Corporation's independent registered public accounting firm and also provided certain tax and other audit-related services. See "Audit and Non-Audit Fees" on page 59. If the stockholders do not ratify this appointment by the affirmative vote of a majority of the shares represented in person or by proxy at the meeting, other independent registered public accounting firms will be considered by the Board of Directors upon recommendation by the Audit Committee. Even if the appointment of Ernst & Young LLP is ratified, the Audit Committee may in its sole discretion terminate the engagement of the firm and direct the appointment of another independent auditor at any time during the year if it determines that such an appointment would be in the best interests of the Corporation and its stockholders.

The Board of Directors recommends a vote "FOR" ratification of the appointment of Ernst & Young LLP as the Corporation's independent registered public accounting firm for the fiscal year ending March 31, 2012.

Change in Accountants

As previously disclosed, effective August 21, 2009, the Corporation dismissed KPMG as the independent registered public accounting firm of the Corporation and certain of its subsidiaries, and Deloitte & Touche S.p.A. ("Deloitte") as the independent registered public accounting firm of Arcotronics Italia S.p.A. (which has since changed its legal name to Kemet Electronics S.p.A) and its direct subsidiaries. (Kemet Electronics S.p.A. is a wholly-owned subsidiary of KEMET Electronics Corporation, which is a wholly-owned subsidiary of the Corporation.) Following such dismissal, the Corporation engaged Ernst & Young LLP as the independent registered public accounting firm for the Corporation and all of its subsidiaries, including Kemet Electronics S.p.A and its direct subsidiaries, for the fiscal year ending March 31, 2010. The decision to dismiss KPMG and Deloitte was made by the Audit Committee of the Board of Directors, in accordance with the Charter of the Audit Committee. The Board of Directors of the Corporation also approved the changes in independent registered public accounting firms.

The audit report of KPMG on the Corporation's consolidated financial statements as of and for the year ended March 31, 2009 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG's report on the consolidated financial statements of the Corporation and subsidiaries as of and for the year ended March 31, 2009, contained a separate paragraph stating that "the Company has experienced a decline in net sales, profitability and liquidity during the year ended March 31, 2009. As discussed further in Note 2a, the Company currently forecasts that it will meet the financial covenants required by its debt agreements with lenders at each of the measurement dates during fiscal year 2010. Given the degree of uncertainty with respect to the near-term outlook for the global economy and the possible effects on the Company's operations, there is significant uncertainty as to whether the

Company's forecasts will be achieved. Furthermore, the Company currently anticipates that it will continue to experience severe pressure on its liquidity during fiscal year 2010. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2a to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty."

KPMG's audit report for the fiscal years ended March 31, 2009 excluded the audit of Kemet Electronics S.p.A. Kemet Electronics S.p.A.'s total assets constituted approximately 20 percent in fiscal years 2009, of the related consolidated total assets. The total net sales of Kemet Electronics S.p.A.'s constituted approximately 19 percent in fiscal years 2009 of the related consolidated net sales.

The audit report of KPMG on the effectiveness of internal control over financial reporting as of March 31, 2009 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During fiscal year ended March 31, 2009, and the subsequent interim period through August 21, 2009, there were no (1) disagreements with KPMG on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the subject matter of the disagreement in connection with their opinion or (2) reportable events.

The Corporation provided KPMG with the above disclosure and requested KPMG to furnish it a letter addressed to the SEC stating whether it agrees with the above statements. A copy of that letter, dated August 26, 2009, was filed as Exhibit 16.1 to the Corporation's Form 8-K dated August 21, 2009.

Subsequently, the Corporation initiated a number of changes in its internal controls to remediate this material weakness. Based on the implementation of the additional internal controls and the subsequent testing of those internal controls for a sufficient period of time, management concluded that as of March 31, 2009 the material weakness has been remediated and that the Corporation's internal control over financial reporting is now effective.

The report of Deloitte on Kemet Electronics S.p.A.'s financial statements for fiscal year 2009 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that Deloitte's report on Kemet Electronics S.p.A.'s financial statements for the year ended March 31, 2009 contained an explanatory paragraph indicating that substantial doubt exists about Kemet Electronics S.p.A.'s ability to continue as a going concern.

In connection with the audits of Kemet Electronics S.p.A.'s financial statements for the fiscal year ended March 31, 2009, and in the subsequent interim period through August 21, 2009, there were no disagreements with Deloitte on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of Deloitte would have caused Deloitte to make reference to the matter in their report. The Corporation has provided Deloitte with a copy of the above disclosure and requested Deloitte to furnish it a letter addressed to the SEC stating whether it agrees with the above statements. A copy of that letter, dated August 26, 2009 was filed as Exhibit 16.2 to the Corporation's Form 8-K dated August 21, 2009.

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During the year ended March 31, 2009 and through August 21, 2009, neither the Corporation nor Kemet Electronics S.p.A nor anyone acting on their behalf consulted Ernst & Young LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed or the type of audit opinion that might be rendered on the Corporation's or Kemet Electronics S.p.A's consolidated financial statements, or any other matters or reportable events listed in Items 304(a)(1)(iv) and (v) of Regulation S-K.

PROPOSAL TO APPROVE THE KEMET CORPORATION 2011 OMNIBUS EQUITY INCENTIVE PLAN

Overview

On May 2, 2011, the Board unanimously approved and adopted the KEMET Corporation 2011 Omnibus Equity Incentive Plan (the "2011 Incentive Plan"), subject to the approval of our stockholders. The 2011 Incentive Plan affords the Board the ability to design compensatory awards that are responsive to the Corporation's needs, and includes authorization for a variety of awards designed to advance the Corporation's interests and long-term success by encouraging stock ownership among the Corporation's officers and other key executives, employees, nonemployee directors and consultants and other advisors and otherwise linking the compensation of such persons to share price performance or the achievement of specified corporate objectives. These awards include equity and cash awards intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The Corporation has historically granted equity awards under various plans, including most recently the Corporation's 2004 Long-Term Equity Incentive Plan, the 1992 Key Employee Stock Option Plan and the 1995 Executive Stock Option Plan (collectively, the "Prior Plans"). If the 2011 Incentive Plan is approved by the Corporation's stockholders as proposed, no further awards will be made under the Prior Plans. As of March 31, 2011, under the Prior Plans, stock options with respect to 1.5 million shares of the Corporation's Common Stock were outstanding with a weighted average exercise price of \$14.54 and a weighted average remaining term of 7.6 years. As of March 31, 2011, under the 2004 Long-Term Equity Incentive Plan, 0.13 million non-vested shares of restricted Common Stock were outstanding, with a weighted average fair value on grant date of \$6.34 per share. Under the Prior Plans, there were 0.6 million shares available for grant as of March 31, 2011. The closing price of the Common Stock on June 14, 2011 was \$13.94 per share.

The following table summarizes the number of stock options and restricted shares of Common Stock issued under the Prior Plans for fiscal years 2009 through 2011, adjusted to reflect the effect of the Reverse Stock Split:

	2011	2010	2009
Stock Options	194,000	556,000	217,000
Restricted Stock Granted	47,000	106,000	80,000
Total Granted	241,000	662,000	297,000
Weighted-average common stock outstanding (Basic)	29,847,000	26,971,000	26,857,000
Annual burn rate(1):	0.81%	2.45%	1.11%

(1) Equal to sum of options granted plus restricted stock granted divided by basic weighted average shares outstanding.

The summary of the 2011 Incentive Plan which follows is qualified in its entirety by reference to the complete text of the 2011 Incentive Plan as set forth in *Annex A* to this proxy statement. You

should read the complete text of the 2011 Incentive Plan for more details regarding the operation of the 2011 Incentive Plan.

Summary of the 2011 Incentive Plan

The Board and the Compensation Committee of the Board (the "Committee") recommend that the stockholders approve the 2011 Incentive Plan. If the holders of a majority of the shares of Common Stock which are represented and actually voted at the annual meeting, and which constitute a majority in interest of all of the shares of Common Stock entitled to vote thereon, vote **FOR** the 2011 Incentive Plan, it will immediately become effective. Upon the effectiveness of the 2011 Incentive Plan, no further grants will be made under the Prior Plans. If the Corporation's stockholders do not approve the 2011 Incentive Plan, the 2011 Incentive Plan will not become effective, and the Prior Plans, as they presently exist, will continue in effect. The results of the vote will not affect any awards outstanding under the Prior Plans at the time of the annual meeting.

Purpose

The Board believes that the 2011 Incentive Plan fosters and promotes the long-term financial success of the Corporation and materially increases stockholder value by:

strengthening the Corporation's capability to develop, maintain, and direct an outstanding management team;

motivating superior performance by means of long-term performance related incentives;

encouraging and providing for obtaining an ownership interest in the Corporation;

attracting and retaining outstanding executive and director talent by providing compensation opportunities competitive with other major companies; and

enabling executives and directors to participate in the long-term growth and financial success of the Corporation.

Plan Term

The 2011 Incentive Plan will be effective upon stockholder approval at the annual meeting. No new awards may be granted under the 2011 Incentive Plan after the tenth anniversary of the date that the stockholders approve the 2011 Incentive Plan. However, the term and exercise of awards granted before then may extend beyond that date. The Board may terminate the 2011 Incentive Plan at any time with respect to all awards that have not been granted.

Eligibility

The officers, executives, and other employees of the Corporation or its subsidiaries and the Corporation's nonemployee directors may be selected by the Committee to receive awards under the 2011 Incentive Plan. In addition, the Committee may select certain consultants, contract employees and advisors providing services to the Corporation or its subsidiaries to receive awards under the 2011 Incentive Plan. The Committee determines which eligible persons will receive awards and the size, terms, conditions and restrictions of such awards. The Corporation refers to eligible persons who have been approved to receive awards under the 2011 Incentive Plan as participants. The number of persons eligible to participate in the 2011 Incentive Plan is approximately 11,000 people.

Administration

The 2011 Incentive Plan is to be administered by the Committee. The Committee may grant awards to eligible persons and, to the extent permitted by applicable law, may delegate to (1) a committee of one or more directors of the Corporation any of the authority of the Committee under

the 2011 Incentive Plan or (2) one or more executive officers, or a committee of executive officers, the right to grant awards to employees who asserted that Steel Partners might be able to offer additional value to the Company's shareholders through the issuance of a contingent note, the value of which would be tied to future earnings of the Company. Mr. Fichthorn reviewed the idea of a contingent note with the Board and Lazard and for several reasons, including in particular the difficulty of controlling and monitoring the Company's performance following its sale to Steel Partners, structuring a transaction in this manner was rejected. During these and other conversations, Mr. Lichtenstein requested that Mr. Fichthorn ask the Board to redeem the Company's Rights Plan and opt out of Section 203 of the DGCL. Because it was the Board's view that its responsibility was to protect the Company's stockholders from inadequate or coercive offers, such as the Offer, and because the very purpose of the Rights Plan and Section 203 of the DGCL was to give the Board the tools to satisfy its responsibility, Mr. Fichthorn refused this request. He indicated to Mr. Lichtenstein that he and the Board took their fiduciary duties seriously and Steel Partners was in no way prohibited from asking the Company's stockholders, through the proxy process, to replace the current Board with directors more amenable to Steel Partners Offer.

On October 27, 2006, Steel Partners extended the expiration date of the Offer to 5:00 P.M., New York City time, on November 27, 2006.

On October 31, 2006, Steel Partners and the Company entered into a confidentiality agreement allowing Steel Partners to conduct a due diligence review of the Company over a 30-day period, which was subsequently extended to December 15, 2006. The terms of the confidentiality agreement also enabled Steel Partners, in the event the parties did not agree to pursue a negotiated transaction, to publicly disclose certain evaluation materials received from the Company if such materials are reasonably necessary under applicable securities laws to allow Steel Partners to continue or consummate the Offer.

Beginning on November 13, 2006, Steel Partners conducted a review of the Company's business and historical and projected financial results, including discussions with representatives of the Company and its financial advisors.

On November 28, 2006, Steel Partners extended the expiration date of the Offer to 5:00 P.M., New York City time, on December 29, 2006.

On December 6 and December 7, 2006, representatives of Steel Partners visited the Company's executive offices in Lake Mary, Florida. During this visit, Steel Partners' representatives met with Mr. Fichthorn, Kenneth L. Bayne, the Company's Chief Financial Officer, and Lawrence C. Maingot, the Company's Corporate Controller, to discuss, among other things, the assumptions underlying the Company's 2007 financial projections

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and various concerns expressed by Steel Partners relating to some of the Company's facilities, including the Arlon Coated Materials San Antonio facility and the Kasco facility in St. Louis.

During this due diligence period, due to the Company's concerns about the high level of turnover in June and July of 2006 as a result of the initiation of the Offer, the Company denied Steel Partners' requests to visit the Company's Arlon Coated Material San Antonio facility.

On December 20, 2006, representatives of Steel Partners told Mr. Fichthorn that, as a result of Steel Partners' due diligence findings and its concerns about the Company's ability to meet its projected financial results, Steel Partners was willing to increase the Offer price to a maximum of \$12.50 per share in cash but only if the Company was willing to enter into a mutually acceptable merger agreement with Steel Partners. Steel Partners was not willing to pay the same amount if the Company did not support the transaction. Mr. Fichthorn said that he would present Steel Partners' proposal to the Company's Board.

On December 21, 2006, representatives of Steel Partners had a telephone conversation with a representative of Lazard regarding Steel Partners' proposed increase in the Offer price to \$12.50 per share in cash in a negotiated transaction.

On December 27, 2006, the Board met to discuss Steel Partners' revised offer. After discussing a financial presentation by the Company's financial advisers, and after further discussions with its financial and legal advisers, the Board determined that Steel Partners' \$12.50 offer was inadequate and not in the interests of all of the Company's stockholders, and authorized Mr. Fichthorn to reject the offer. Among the reasons for the Board's determination was the substantially improved performance and projected performance of the Company since the Board, based in part on the Lazard Opinion, unanimously made the determination and recommendation that the Offer was inadequate and not in the best interests of the Company's stockholders (other than Steel Partners and its affiliates) on July 6, 2006. This was due in part to the accretive acquisition of Atlanta SharpTech in October of 2006. The Board also noted that the Company's 2006 diluted earnings per share were expected to fall in the upper half of the guidance range of \$0.56-\$0.64 (excluding offer fees and tax benefit), first given in July, 2006, and that on October 19, 2006, the Company raised its diluted earnings per share guidance for 2007 to \$1.05-\$1.20 (excluding the impact of professional fees related to the Offer and the Steel Partners' consent solicitation and certain related matters).

Later in the day on December 27, 2006, Mr. Fichthorn telephoned a representative of Steel Partners and informed him that the Company's Board had rejected Steel Partners' proposal to pursue a negotiated transaction with the Company at an increased Offer price of \$12.50 per share in cash.

On December 28, 2006, Dolphin Limited Partnership, III sent a letter to Mr. Fichthorn. In the letter, Dolphin, which indicated it was a holder of approximately 3.2% of the Company's shares, commended Mr. Fichthorn and management for the operational turnaround of the Company. Dolphin noted the momentum built by the opening of the China facility and the synergistic Atlanta SharpTech acquisition, but expressed concern that the Company's share price did not fully reflect the Company's actual and forecasted performance improvement. Dolphin urged the Company to take additional steps, such as raising the dividend (which the Company did on January 19, 2007). Dolphin also indicated that it would support a sale of the Company at a price that reflected not only the elimination of public company costs but also the operational improvements.

On December 29, 2006, Steel Partners announced its intention to commence a consent solicitation with respect to the Company and that it had extended the expiration date of the Offer to 5:00 p.m., New York City time, on January 29, 2007. Steel Partners filed a preliminary consent statement on Schedule 14A soliciting the Company's stockholders to consent to the following actions without a stockholders meeting: (i) remove each member of the Company's Board of Directors, (ii) amend Section 2 of Article III of the Bylaws to fix the number of directors serving on the Board of Directors at five, (iii) amend Section 2 of Article III of the Company's Bylaws to provide that any vacancies on the

Board of Directors resulting from the removal of directors by the stockholders of the Company may not be filled by the Company's directors and shall only be filled by the Company's stockholders and (iv) elect certain handpicked nominees of Steel Partners to serve as directors of the Company.

Later in the day on December 29, 2006, the Company filed a press release reiterating its belief that the Offer is not in the best interests of the Company's stockholders and that implementing the Company's current strategic plan

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provides the best opportunity to enhance stockholder value over the long term and urging the Company's stockholders to take no action until they have received further information from the Company regarding Steel Partners' proposed consent solicitation.

On January 16, 2007, the Company distributed a letter to its stockholders urging them to wait to take action with respect to Steel Partners' consent solicitation until they had received the Company's proxy materials and the Company had announced its year-end 2006 financial performance so that they might carefully consider all of the facts and relevant financial information before making any decision.

On January 16, 2007, Mr. Warren Lichtenstein delivered to the Company his consent to Steel Partners' proposals.

On January 19, 2007, the Company reported improved operating results for the fourth quarter and full year 2006, tightened earnings per share guidance for 2007 to a range of \$1.10 to \$1.20 and announced an increase of 43% in the Company's quarterly cash dividend to \$0.10 per share, from \$0.07 per share.

On January 20, 2007, the Board met and set a record date of January 30, 2007 in connection with Steel Partners' consent solicitation. Only stockholders of record as of the close of business on that date will be entitled to execute, withhold, or revoke consents.

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QUESTIONS AND ANSWERS ABOUT THIS CONSENT REVOCATION SOLICITATION

Q: Who is making this solicitation?

A: Your Board of Directors.

Q: What are we asking you to do?

A: You are being asked to revoke any consent that you may have delivered in favor of the four proposals described in Steel Partners' consent solicitation statement and, by doing so, preserve your current Board of Directors, which will continue to act in your best interests.

Q: If I have already delivered a consent, is it too late for me to change my mind?

A: No. Until the requisite number of duly executed, unrevoked consents are delivered to the Company in accordance with Delaware law and the Company's organizational documents, the consents will not be effective. At any time prior to the consents becoming effective, you have the right to revoke your consent by delivering a **WHITE** Consent Revocation Card, as discussed in the following question.

Q: What is the effect of delivering a consent revocation card?

A: By marking the **REVOKE CONSENT** boxes on the enclosed **WHITE** Consent Revocation Card and signing, dating and mailing the card in the postage-paid envelope provided, you will revoke any earlier dated consent that you may have delivered to Steel Partners. Even if you have not submitted a consent card, you may submit a consent revocation as described above. Although submitting a consent revocation will not have any legal effect if you have not previously submitted a consent card, it will help us keep track of the progress of the consent process.

Q: If I deliver a consent revocation card, does that mean that the Company will not consummate a transaction with Steel Partners?

A: No. If you deliver your **WHITE** Consent Revocation Card, you will only be deciding to preserve the current composition of the Company's Board of Directors and the existing Bylaws. In other words, by returning the **WHITE** Consent Revocation Card, you will ensure that the Company's alternatives are evaluated fully and fairly by your existing directors instead of by directors who are handpicked by Steel Partners.

Q: What should I do to revoke my consent?

A: Mark the **REVOKE CONSENT** boxes next to each proposal listed on the **WHITE** Consent Revocation Card. Then, sign, *date* and return the enclosed **WHITE** Consent Revocation Card *today* in the envelope provided. It is important that you *date* the **WHITE** Consent Revocation Card when you sign it.

Q: What is your Board's position with respect to Steel Partners' Offer?

A: Your Board of Directors has unanimously determined that Steel Partners' Offer is not in the best interests of the Company's stockholders and that stockholders should reject the Offer. Your Board's reasons and recommendations are contained in the Company's solicitation/recommendation statement on Schedule 14D-9 initially filed with the

SEC on July 6, 2006 and delivered to the Company's stockholders shortly thereafter. You should read the Schedule 14D-9 (including any amendments or supplements thereto) because these documents contain important information relating to the Offer.

Q: What does your Board of Directors recommend?

A: Your Board of Directors strongly believes that the solicitation being undertaken by Steel Partners is not in the best interests of all of the Company's stockholders. Your Board of Directors unanimously opposes the solicitation by Steel Partners and urges stockholders to reject the solicitation and revoke any consent previously submitted.

Q: Who is entitled to consent, withhold consent or revoke a previously given consent with respect to Steel Partners proposals?

A: Only the stockholders of record of the Company's Common Stock on the record date are entitled to consent, withhold consent or revoke a previously given consent with respect to Steel Partners proposals. In accordance with Delaware law and the Bylaws, the Board has set January 30, 2007 as the record date for the determination

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of stockholders who are entitled to execute, withhold or revoke previously given consents relating to Steel Partners' proposals. The Company will be soliciting consent revocations from stockholders of record as of January 30, 2007 and only holders of record as of the close of business on January 30, 2007 may execute, withhold or revoke consents with respect to Steel Partners' consent solicitation. You may execute, withhold or revoke consents at any time before or after the Record Date, provided that any such consent or revocation will be valid only if you were a stockholder of the Company of record on the Record Date and the consent or revocation was otherwise valid.

Q: Who should I call if I have questions about the solicitation?

A: Please call Geogeson Inc. toll free at 1-866-695-6077.

THE CONSENT PROCEDURE

Voting Securities and Record Date

In accordance with Delaware law and the Company's organizational documents, the Board has set January 30, 2007 (the Record Date) as the record date for the determination of stockholders who are entitled to execute, withhold or revoke consents relating to Steel Partners' proposals. As of January 22, 2007 there were 7,291,853 shares of the Company's Common Stock outstanding, each entitled to one consent per share.

Only stockholders of record as of the Record Date are eligible to execute, withhold and revoke consents in connection with Steel Partners' proposals. Persons beneficially owning shares of the Company's Common Stock (but not holders of record), such as persons whose ownership of the Company's Common Stock is through a broker, bank or other financial institution, should contact such broker, bank or financial institution and instruct such person to execute the **WHITE** Consent Revocation Card on their behalf. You may execute, withhold or revoke consents at any time before or after the Record Date, provided that any such consent or revocation will be valid only if you were a stockholder of the Company of record on the Record Date and the consent or revocation was otherwise valid.

Effectiveness of Consents

Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, stockholders may act without a meeting, without prior notice and without a vote, if consents in writing setting forth the action to be taken are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. The Company's certificate of incorporation does not prohibit stockholder action by written consent. Under Section 228 of the Delaware General Corporation Law, Steel Partners' proposals will become effective if valid, unrevoked consents signed by the holders of a majority of the shares of the Company's Common Stock outstanding as of the Record Date are delivered to the Company within 60 days of the earliest-dated consent delivered to the Company. On January 16, 2007, Mr. Warren Lichtenstein delivered to the Company his consent to Steel Partners' proposals. If his consent is determined to be valid and effective, the 60-day period will expire on Saturday, March 17, 2007.

Because Steel Partners' proposals could become effective before the expiration of the 60-day period, we urge you to act promptly to return the **WHITE** Consent Revocation Card.

Effect of WHITE Consent Revocation Card

A stockholder may revoke any previously signed consent by signing, dating and returning to the Company a **WHITE** Consent Revocation Card. A consent may also be revoked by delivery of a written revocation of your consent to Steel Partners. Stockholders are urged, however, to return all consent revocations in the envelope provided. The Company requests that if a revocation is instead delivered to Steel Partners, a copy of the revocation also be returned in the envelope provided so that the Company will be aware of all revocations.

Unless you specify otherwise, by signing and delivering the **WHITE** Consent Revocation Card, you will be deemed to have revoked consent to all of Steel Partners' proposals.

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Any consent revocation may itself be revoked by marking, signing, dating and delivering a written revocation of your Consent Revocation Card to the Company or to Steel Partners or by delivering to Steel Partners a subsequently dated gold consent card that Steel Partners sent to you.

The Company has retained Georgeson to assist in communicating with stockholders in connection with Steel Partners consent solicitation and to assist in our efforts to obtain consent revocations. If you have any questions about how to complete or submit your **WHITE** Consent Revocation Card or any other questions, Georgeson will be pleased to assist you. Banks and brokers may call Georgeson at 212-440-9800, and all others may call Georgeson toll free at 1-866-695-6077.

You should carefully review this Consent Revocation Statement. YOUR TIMELY RESPONSE IS IMPORTANT. You are urged not to sign any gold consent cards. Instead, reject the solicitation efforts of Steel Partners by promptly completing, signing, dating and returning the enclosed WHITE Consent Revocation Card in the envelope provided. Please be aware that if you sign a gold card but do not check any of the boxes on the card, you will be deemed to have consented to all of Steel Partners proposals.

Results of Consent Revocation Statement

The Company will retain an independent inspector of elections in connection with Steel Partners solicitation. The Company intends to notify stockholders of the results of the consent solicitation by issuing a press release, which it will also file with the SEC as an exhibit to a Current Report on Form 8-K.

SOLICITATION OF REVOCATIONS

Cost and Method

The cost of the solicitation of revocations of consent will be borne by the Company. The Company estimates that the total expenditures relating to the Company's current revocation solicitation (other than salaries and wages of officers and employees, but including costs of litigation related to the solicitation) will be approximately \$500,000, of which approximately \$100,000 has been incurred as of the date hereof. In addition to solicitation by mail, directors, officers and other employees of the Company may, without additional compensation, solicit revocations by mail, in person or by telephone or other forms of telecommunication.

The Company has retained Georgeson as proxy solicitors, at an estimated fee of \$85,000 plus reasonable out-of-pocket expenses, to assist in the solicitation of revocations. The Company will reimburse brokerage houses, banks, custodians and other nominees and fiduciaries for out-of-pocket expenses incurred in forwarding the Company's consent revocation materials to, and obtaining instructions relating to such materials from, beneficial owners of the Company's Common Stock. Georgeson has advised the Company that approximately fifteen to twenty of its employees will be involved in the solicitation of revocations by Georgeson on behalf of the Company. In addition, Georgeson and certain related persons will be indemnified against certain liabilities arising out of or in connection with the engagement.

Participants in the Company's Solicitation

Under applicable regulations of the SEC, each director and certain executive officers of the Company are deemed a participant in the Company's solicitation of revocations of consent. Please refer to the section entitled Common Stock Ownership of Certain Beneficial Owners and Management and to Annex I, Certain Information Regarding Participants in this Consent Revocation Solicitation, for information about our directors and officers who may be deemed a participant in the solicitation.

PROFESSIONAL ADVISORS

The Company has retained Lazard as its financial adviser in connection with Steel Partners Offer and with respect to any transaction involving the direct or indirect sale of the Company. The Board has agreed to pay Lazard customary fees for such services; to reimburse Lazard for all expenses, including fees and disbursements of legal

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counsel; and to indemnify Lazard and certain related persons against certain liabilities related to, arising out of, or in connection with its engagement.

Lazard and its affiliates may in the future provide financial advisory services to the Company for which they would be expected to receive compensation.

The Company has retained Georgeson to act as proxy solicitor in its consent revocation solicitation with and to assist it in connection with the Company's communications with its stockholders with respect to the Offer and such other advisory services as may be requested from time to time by the Company. The Company has agreed to pay Georgeson compensation for its services and reimbursement of out-of-pocket expenses in connection therewith. The Company has also agreed to indemnify Georgeson against certain liabilities arising out of or in connection with the engagement.

The Company has retained CSV as its public relations adviser in connection with the Offer. The Company has agreed to pay customary compensation for such services and to reimburse CSV for its out-of-pocket expenses arising out of or in connection with the engagement. The Company has also agreed to indemnify CSV against certain liabilities arising out of or in connection with the engagement.

Except as set forth above, neither the Company nor any person acting on its behalf has employed, retained or agreed to compensate any person to make solicitations or recommendations to stockholders of the Company concerning the Offer.

APPRAISAL RIGHTS

Holders of shares of Common Stock do not have appraisal rights under Delaware law in connection with this solicitation of revocations.

GAAP RECONCILIATION

The Company defines EBITDA as income from continuing operations plus (i) interest expense, (ii) income taxes, and (iii) depreciation and amortization expense. The Company has historically used EBITDA to assess performance. The Company believes that the use of certain adjusted, non-GAAP financial measures such as EBITDA, allows management and investors to evaluate and compare core operating results from ongoing operations from period to period in a more meaningful and consistent manner. In addition, the Company believes that excluding the unusual professional fees related to the Offer and Steel Partners' consent solicitation and certain related matters (the Offer Fees) and a tax benefit from an increased basis for income tax accounting purposes in certain real property and related improvements booked during the third quarter of 2006 (the Property Tax Benefit) more clearly reflects the performance of the Company and permits a consistent comparison of financial statistics across periods. EBITDA as calculated by the Company is not necessarily comparable to similarly titled measures reported by other companies. In addition, EBITDA is not prepared in accordance with GAAP, and should not be considered as an alternative to income from continuing operations, operating profit, net cash provided by continuing operations or the Company's other financial information determined under GAAP, and should not be considered as a measure of profitability or liquidity of the Company.

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The following table reconciles income from continuing operations to adjusted EBITDA and income from continuing operations to adjusted income from continuing operations for each of the respective periods:

	Historical				Forecast	
	2003A	2004A	2005A	2006A	2007F	
Income from Continuing Operations	\$ 2.6	\$ 5.1	\$ 3.6	\$ 5.0	\$ 7.4	\$ 8.2
Interest Expense (Income)	0.8	0.6	0.1	0.7	1.6	1.5
Income Taxes	1.2	2.4	1.9	0.4	4.3	4.7
Depreciation & Amortization	7.8	7.7	7.5	7.4	8.7	8.7
EBITDA	\$ 12.4	\$ 15.8	\$ 13.1	13.5	22	23.1
Offer Fees				2.2	1.0	1.0
Adjusted EBITDA	\$ 12.4	\$ 15.8	\$ 13.1	\$ 15.7	\$ 23.0	\$ 24.1
Income from Continuing Operations	\$ 2.6	\$ 5.1	\$ 3.6	\$ 5.0	\$ 7.4	\$ 8.2
Offer Fees, net of tax benefit				1.4	0.7	0.7
Property Tax Benefit				(1.6)		
Adjusted Income from Continuing Operations	\$ 3.8	\$ 5.2	\$ 3.6	\$ 4.8	\$ 8.1	\$ 8.9
Weighted average diluted common shares outstanding	7,391	7,569	7,613	7,387	7,400	7,400
Adjusted diluted earnings per share from continuing operations	\$ 0.51	\$ 0.69	\$ 0.47	\$ 0.65	\$ 1.10	\$ 1.20

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CURRENT DIRECTORS OF BAIRNCO CORPORATION

The names of the current members of the Board and certain information about them are set forth below:

Names and Ages of Directors

Data Pertaining to Directors

Luke E. Fichthorn III (65)

Since May 23, 1990, Mr. Fichthorn has served as the Chairman and on December 18, 1991, Mr. Fichthorn became Chief Executive Officer of the Company. For over thirty years, Mr. Fichthorn has been a private investment banker and partner of Twain Associates, a private investment banking and consulting firm. Mr. Fichthorn became a director of the Company in January, 1981. Mr. Fichthorn is also a director of Florida Rock Industries, Inc., and Patriot Transportation Holding, Inc.

Gerald L. DeGood (64)

Mr. DeGood was elected to the Board in December of 2002. Mr. DeGood was responsible for the Central Florida Accounting Practice of Arthur Anderson LLP for more than 20 years. He joined Arthur Anderson LLP in 1964 and became partner in 1974. He subsequently retired from the firm in 1999. Mr. DeGood is currently an independent business consultant. Mr. DeGood is Chairman of the Audit Committee and a member of the Compensation and Corporate Governance and Nominating Committees. He is also a member of the Board of Directors and Chairman of the Audit Committee of Consolidated Tomoka Land Co.

Charles T. Foley (68)

For 30 years, Mr. Foley was President, Chief Investment Officer and a director of Estabrook Capital Management, Inc., an investment advisory firm providing asset management services for individuals and institutions. In September 2003, Mr. Foley became President of Grove Creek Asset Management as well as a consultant to Dialectic Capital Management, LLC. Mr. Foley is a member of the Audit, Compensation, and Corporate Governance and Nominating Committees. Mr. Foley has been a director of Bairnco since May 1990.

James A. Wolf (64)

Mr. Wolf was with the international management consulting firm, Booz, Allen and Hamilton, from June 1967 to March 1989, where he was partner and vice president for eleven years and also led the firm's industrial marketing consulting practice. From 1989 to present, he has been an independent consultant, providing business and marketing counsel to industrial and commercial clients. In April 1997, he also founded and became President of Marketwolf, Inc., which performs strategic business and organization planning for privately held industrial products companies. Mr. Wolf has served as a Bairnco director since 2001. He is Chairman of the Corporate Governance and Nominating Committee and a member of the Audit and Compensation Committees.

William F. Yelverton (65)

Currently, Mr. Yelverton is an independent business consultant. From January 2000 until November 2000, Mr. Yelverton served as CEO of LiveInsurance.com, an online insurance brokerage agency. From July 1997 until January 2000, Mr. Yelverton was an independent consultant. From September 1995 through June 1997, Mr. Yelverton was Executive Vice

President of Prudential Insurance Company of America. From September 1989 until September 1995, he was Chairman and CEO of New York Life Worldwide Holding, Inc., an insurance holding company. Mr. Yelverton was elected as a director in August 1991. Mr. Yelverton is Chairman of the Compensation Committee and is a member of the Audit and Corporate Governance and Nominating Committees.

The complete mailing address of each director of the Company is c/o Bairnco Corporation, 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

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Each director holds office until the next annual meeting of stockholders or until his or her successor has been elected and qualified. Officers are appointed by and serve at the discretion of the Board.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company is not aware of any related party transactions that have occurred or are occurring at this time.

The Company's Directors and Officers Questionnaire is the primary vehicle used for determining whether or not related party transactions have occurred. A Directors and Officers Questionnaire is completed annually by each Director and each Named Executive. The Questionnaire includes a variety of questions which specifically address related party transactions.

DIRECTOR INDEPENDENCE

The Board has adopted Director Independence Standards to assist in the evaluation of each of the Company's directors. The Board has affirmatively determined, by resolution of the Board as a whole, that the following directors satisfy the requirements to be considered independent under the Company's Standards of Board Independence and the New York Stock Exchange Listing Standards: Mr. DeGood, Mr. Foley, Mr. Wolf, and Mr. Yelverton.

MEETINGS OF THE BOARD OF DIRECTORS

During 2006, the Company's Board met six times for regular meetings and had four regular telephonic meetings. The Board also met for two special meetings and had ten special telephonic meetings. Each director attended 100% of the meetings of the Board and the committees of the Board on which he served. All of the Company's directors attended the 2006 Annual Meeting of the Shareholders.

DIRECTOR COMPENSATION

Director compensation levels are reviewed and any changes are approved by the Board.

Periodically, management prepares an internally-developed survey of Director compensation for publicly-traded industrial companies of a similar size to the Company. This survey is used by the Board to insure that the compensation structure for the Board is competitive with similar organizations.

Name	Fees Earned or Paid in Cash	Option Awards	Change in Pension Value (\$)(3)	Total
(a)	\$(1) (b)	\$(2) (d)	(e)	\$((g)
Gerald L. DeGood	\$ 42,000	\$ 1,025	\$ 16,000	\$ 43,025
Charles T. Foley	\$ 39,000	\$ 1,025	\$ 16,000	\$ 40,025
James A. Wolf	\$ 39,000	\$ 1,025	\$ 16,000	\$ 40,025
William F. Yelverton	\$ 39,000	\$ 1,025	\$ 16,000	\$ 40,025

(1) Each non-employee director received an annual retainer of \$16,000 payable in four quarterly installments and a fee of \$2,000 for each regular or special meeting attended in person. Under this policy, attendance fees for all

regular meetings, special meetings and committee meetings held on a single day and attended in person are limited to \$2,000. No fees are paid for regular meetings conducted via telephone. However, due to the frequency and complexity of telephone meetings related to the Steel Partners Tender Offer, directors received \$1,000 for each Special Telephonic Meeting relating to Steel Partners.

In addition, each director and former director of the Company, who is not at the time an employee of the Company or any of its subsidiaries, is entitled to \$2,000 per day when called upon by the Company to perform extraordinary services (not incidental to attendance at directors' meetings) on its behalf. No such payments were made during 2006.

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Effective January 1, 2003, the Board authorized an annual retainer of \$3,000 for each Audit Committee member and \$6,000 for the Audit Committee Chairman, payable in four quarterly installments, in recognition of the increased education, time and workload commitment placed upon the committee as a result of the Sarbanes-Oxley Act, changes in New York Stock Exchange regulations, and Securities and Exchange Commission requirements.

- (2) It is also the Company's policy to grant to each non-employee director an option to purchase 5,000 shares of Company Common Stock when they are initially elected to the Board and an option to purchase 1,500 shares of Company Common Stock annually thereafter provided they remain a Board member. (Prior to 2006, the Company granted an option to purchase 1,000 shares of Company Common Stock annually provided they remain a Board member.) The exercise price of the option is set at the fair market value of the common stock on the date of grant. One third of the options vest in each of the succeeding three years on the anniversary date of the grant. The options remain exercisable for ten years from the date of vesting.

The amount shown in column (d) is the dollar amount that would have been required to be recognized in 2006 in accordance with FASB 123R under the modified prospective transition method with respect to stock options granted prior to 2006 that were not vested at the time that the Company transitioned to FAS 123R. All of the options that are taken into account for purposes of column (d) were granted under the 2000 Bairnco Stock Option Plan. The fair value of the options awarded in 2006, which was \$1,342 for each director, was determined using the Black-Scholes model with the following assumptions: Expected Life = 6.64 years; Volatility = 26.9%; Interest Rate = 4.7%; and Dividend Yield = 2.2%. The amounts included in respect of awards granted prior to 2006 are based on the modified prospective transition method of compliance with FASB 123R and the fair value of these awards was also determined using the Black-Scholes model with the following assumptions: Expected Life = 6.64 years; Volatility = 29.9%; Interest Rate = 4.7%; and Dividend Yield = 2.2%.

For each of the options that are taken into account in setting forth the option value in column (d) of the above table, the following are the grant date values in respect of each such option, as determined in accordance with the provisions of FAS 123R, and the Black-Scholes model with the following assumptions: Expected Life = 6.64 years; Volatility = 29.9%; Interest Rate = 4.7%; and Dividend Yield = 2.2%. Each of the grants listed below vests ratably over three years on the first three anniversaries of the date of grant.

Name	Grant Date	Number of Shares	Exercise Price	Grant Date Fair Value
Gerald L. DeGood	April 21, 2005	1,000	\$ 10.75	\$ 1,832
	April 22, 2004	1,000	\$ 8.47	\$ 1,319
	April 24, 2003	1,000	\$ 5.10	\$ 789
	January 14, 2003	5,000	\$ 5.06	\$ 3,919
Charles T. Foley	April 21, 2005	1,000	\$ 10.75	\$ 1,832
	April 22, 2004	1,000	\$ 8.47	\$ 1,319
	April 24, 2003	1,000	\$ 5.10	\$ 789
James A. Wolf	April 21, 2005	1,000	\$ 10.75	\$ 1,832
	April 22, 2004	1,000	\$ 8.47	\$ 1,319
	April 24, 2003	1,000	\$ 5.10	\$ 789
William F. Yelverton	April 21, 2005	1,000	\$ 10.75	\$ 1,832
	April 22, 2004	1,000	\$ 8.47	\$ 1,319
	April 24, 2003	1,000	\$ 5.10	\$ 789

- (3) Pursuant to the Bairnco Corporation Non-Employee Director Retirement Plan, outside directors, upon retirement from the Board, shall receive annually for the number of years equal to the number of years he or she has served on the Board as a non-employee director, an amount equal to the non-employee director annual retainer in effect at the time of his or her retirement. Such amount shall be payable in quarterly installments. If the retired non-employee director should die prior to receiving payments equal to the number of years served on the Board, the director's beneficiary will either continue to receive the remaining payments on a quarterly basis, or receive in a lump sum the net present value of the remaining payments discounted at the then current thirty year U.S. Government bond yield, based on whichever option was previously selected by such director.

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COMMITTEES OF THE BOARD OF DIRECTORS

The Company has standing Audit, Compensation, and Corporate Governance and Nominating Committees of the Board. During 2006, the Audit Committee met six times, the Compensation Committee met seven times, and the Corporate Governance and Nominating Committee met two times. The non-employee directors who are members of the Audit, Compensation, and Corporate Governance and Nominating Committees of the Company were entitled to receive a fee for each meeting attended in person on a day during which the Board did not meet. During 2006, each of the Committees met only on days on which the Board met and, accordingly, no additional fees were paid with respect to such meetings.

Audit Committee

On January 29, 2004, the Board adopted a revised charter for the Audit Committee (the Audit Committee Charter). The Audit Committee Charter contains the Audit Committee's mandate, membership requirements, and duties and obligations and is posted on the Company's Internet site: www.bairnco.com. The Audit Committee Charter complies with requirements established by the Sarbanes-Oxley Act and requirements of the New York Stock Exchange. The Audit Committee reviews the Audit Committee Charter annually and, if appropriate, recommends revisions to the Board. Under the Audit Committee Charter, the Audit Committee reviews and is responsible, among other tasks, for the appointment, compensation, retention and oversight of the independent auditors, reviewing with management and the independent auditors the Company's operating results and resolving any disagreements between management and the Auditors, establishing procedures to handle complaints regarding the Company or its accounting, considering the adequacy of the internal accounting and control procedures of the Company, and authorizing in advance the audit and non-audit services to be performed by the independent auditors.

No member of the Company's Audit Committee serves on the audit committees of more than three public companies including the Company. All members of the Audit Committee meet the independence and experience requirements of the listing standards of the New York Stock Exchange and rules of the Securities and Exchange Commission. The Board has determined that Mr. DeGood is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission. The Board has also determined that each of the members of the Audit Committee satisfies the financial literacy requirements of the listing standards of the New York Stock Exchange.

The Audit Committee Charter will be provided to any shareholder without charge upon request; any such request should be made in writing to the Company's Secretary at 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

Compensation Committee

On January 29, 2004, the Board adopted a charter for the Compensation Committee (the Compensation Committee Charter). The Compensation Committee Charter contains the Compensation Committee's purpose, membership requirements, and duties and responsibilities and is posted on the Company's Internet site: www.bairnco.com. The Compensation Committee reviews the Compensation Committee Charter annually and, if appropriate, recommends revisions to the Board. Under the Compensation Committee Charter, the Compensation Committee reviews and recommends to the Board the base salaries proposed to be paid to officers of the Company, presidents of its subsidiaries, presidents of divisions of its subsidiaries, and other employees whose base salaries exceed \$150,000. The Compensation Committee also reviews and approves incentive compensation programs, reviews and administers the Stock Incentive Plan, and reviews management development and succession plans. All members of the Compensation Committee meet the independent director requirements of the listing standards of the New York Stock Exchange.

The Compensation Committee Charter will be provided to any shareholder without charge upon request; any such request should be made in writing to the Company's Secretary at 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

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Compensation Committee Interlocks and Insider Participation

The Compensation Committee consisted of the following members during all of 2006: Messrs. Gerald DeGood, Charles Foley, James Wolf, and William Yelverton. During 2006, none of the members of the Compensation Committee were officers or employees of the Company, no member was formerly an employee of the Company, and no member engaged in any transaction with the Company.

Corporate Governance and Nominating Committee

On January 29, 2004, the Board adopted a charter for the Corporate Governance and Nominating Committee (the Corporate Governance and Nominating Committee Charter). The Corporate Governance and Nominating Committee Charter contains the Corporate Governance and Nominating Committee's purpose, membership requirements and duties and responsibilities and is posted on the Company's Internet site: www.bairnco.com. The Corporate Governance and Nominating Committee reviews the Corporate Governance and Nominating Committee Charter annually and, if appropriate, recommends revisions to the Board. Each member of the Corporate Governance and Nominating Committee is independent within the meaning of the listing standards of the New York Stock Exchange. Under the Corporate Governance and Nominating Committee Charter, the Corporate Governance and Nominating Committee is responsible for recommending to the Board the appropriate size and composition of the Board, the appropriate criteria for the selection of new directors, identifying and recommending candidates qualified and suitable to become members of the Board, overseeing the system of corporate governance, and developing and recommending corporate governance principles, which will be reviewed on an annual basis.

The Corporate Governance and Nominating Committee Charter will be provided to any shareholder without charge upon request; any such request should be made in writing to the Company's Secretary at 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

Nomination Process

The Corporate Governance and Nominating Committee has not established any minimum qualification for candidates for election as directors. In identifying and evaluating candidates for election as directors, the Corporate Governance and Nominating Committee will identify and select candidates who can add value to the Company's Board and advance the interests of the Company. The Corporate Governance and Nominating Committee will not consider recommendations from shareholders; the Board believes the Committee has sufficient resources and contacts to fulfill its obligations. Neither the Board nor the Corporate Governance and Nominating Committee employ any third party to identify or assist it in identifying or evaluating potential candidates for election as directors but may choose to do so in the future as circumstances warrant.

Executive Sessions of Independent Directors

In accordance with recent corporate governance reforms, the independent directors meet at regularly scheduled executive sessions without management. The responsibility for presiding at each meeting of independent directors is rotated among all independent members of the Board on an alphabetical basis. Interested parties who wish to make their concerns known by communicating directly with the presiding independent director or with the independent directors as a group may do so by sending an email to auditcommittee@bairnco.com or by writing to the Presiding Non-Management Director in care of the Company's Secretary.

Communication with the Board of Directors

A shareholder may communicate directly with the Board by sending an email to board@bairnco.com or by writing to the Board of Directors at c/o Bairnco Corporation, 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines in accordance with the listing standards of the New York Stock Exchange. The Corporate Governance Guidelines are posted on the Company's Internet site:

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www.bairnco.com. The Corporate Governance Guidelines will be provided to any shareholder without charge upon request; any such request should be made in writing to the Company's Secretary at 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

Code of Business Conduct and Ethics

The Board has adopted the Bairnco Corporation Code of Business Conduct and Ethics in accordance with the listing standards of the New York Stock Exchange. The Code of Business Conduct and Ethics is posted on the Company's Internet site: www.bairnco.com. The Code of Business Conduct and Ethics will be provided to any shareholder without charge upon request; any such request should be made in writing to the Company's Secretary at 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

Policy Regarding Attendance of Directors at Annual Meeting of Shareholders

Directors are encouraged to attend the Company's Annual Meeting of the Shareholders. All of the Company's directors attended the 2006 Annual Meeting of the Shareholders.

**COMMON STOCK OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of January 1, 2007, regarding the beneficial ownership of the Company Common Stock by the only persons known to the Company to be the beneficial owners of more than 5% of the Company's issued and outstanding Common Stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percentage of Issued and Outstanding Common Stock on January 1, 2007
Steel Partners II, L.P. 590 Madison Avenue, 32nd Floor New York, NY 10022	1,110,200(1)	15.23%
Marvin Schwartz 605 Third Avenue New York, NY 10158	754,000	10.34%
FMR Corp. 82 Devonshire Street Boston, MA 02109	423,876(2)	5.81%

(1) Based on Schedule 13D filed on 12/29/06.

(2) Based on Schedule 13F filed on 9/30/06.

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The following table presents information regarding beneficial ownership of the Company Common Stock by each member of the Board, each nominee for election as a director, each of the executive officers of the Company named in the summary compensation table below and by all directors and executive officers of the Company as a group, as of January 1, 2007.

Name of Individual or Group	Amount and Nature of Beneficial Ownership of Common Stock	Percentage of Issued and Outstanding Common Stock on January 1, 2007
Luke E. Fichthorn III	435,498(1)	5.97%
Kenneth L. Bayne	20,000(2)	(10)
Gerald L. DeGood	7,501(3)	(10)
Charles T. Foley	256,102(4)	3.51%
Lawrence C. Maingot	18,707(5)	(10)
Larry D. Smith	39,752(6)	(10)
James A. Wolf	9,001(7)	(10)
William F. Yelverton	52,635(8)	(10)
All executive officers and directors as a group (8 persons)	839,196(9)	11.51%

- (1) Includes 2,000 shares owned by Mrs. Fichthorn and 1,500 shares owned by two trusts of which Mr. Fichthorn is a co-trustee. Mr. Fichthorn disclaims beneficial ownership of these shares. Also includes shares that would be issued upon exercise of 83,334 vested unexercised stock options granted under the 1990 Bairnco Stock Option Plan, 37,500 vested unexercised stock options granted under the 2000 Bairnco Stock Option Plan, and 42,000 restricted shares granted under the 2000 Bairnco Stock Option Plan.
- (2) Includes 20,000 restricted shares under the 2000 Bairnco Stock Option Plan.
- (3) Includes shares that would be issued upon the exercise of 7,001 vested unexercised stock options granted under the 2000 Bairnco Stock Option Plan.
- (4) Includes shares that would be issued upon the exercise of 5,001 vested unexercised stock options granted under the 1990 Bairnco Stock Option Plan and 5,001 vested unexercised stock options granted under the 2000 Bairnco Stock Option Plan.
- (5) Mr. Maingot indirectly owns 1,657 shares through ownership in trust under the Bairnco Corporation 401(k) Savings Plan and 550 shares in a personal Individual Retirement Account (IRA). Also includes shares that would be issued upon the exercise of 2,750 vested unexercised stock options granted under the 1990 Bairnco Stock Option Plan, and 1,750 vested unexercised stock options and 12,000 restricted shares under the 2000 Bairnco Stock Option Plan.
- (6) Mr. Smith indirectly owns 2,752 shares through ownership in trust under the Bairnco Corporation 401(k) Savings Plan. Also includes shares that would be issued upon exercise of 20,000 vested unexercised stock options granted under the 1990 Bairnco Stock Option Plan and 17,000 restricted shares granted under the

2000 Bairnco Stock Option Plan.

- (7) Includes shares that would be issued upon the exercise of 8,001 vested unexercised stock options under the 2000 Bairnco Stock Option Plan.
- (8) Includes shares that would be issued upon the exercise of 5,001 vested unexercised stock options granted under the 1990 Bairnco Stock Option Plan and 5,001 vested unexercised stock options granted under the 2000 Bairnco Stock Option Plan.
- (9) Includes a total of 3,500 shares owned by the wives, children or in trusts or custodial accounts for relatives of executive officers or directors but as to which each executive officer or director, respectively, disclaims beneficial ownership. Also includes shares that would be issued upon the exercise of 116,086 vested unexercised stock options granted under the 1990 Bairnco Stock Option Plan and 84,254 vested unexercised stock options and 91,000 restricted shares granted under the 2000 Bairnco Stock Option Plan.

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- (10) The percentage of shares owned by such executive officer or director does not exceed 1% of the issued and outstanding Bairnco Common Stock.

Please refer to Annex I, Certain Information Regarding Participants in this Consent Revocation Solicitation, for additional information regarding our directors and officers ownership of the Company's Common Stock.

ADDITIONAL INFORMATION REGARDING THE COMPANY'S MANAGEMENT

The following table sets forth certain information about the executive officers of the Company as of January 1, 2007.

Names and Ages of Executive Officers

Data Pertaining to Executive Officers

Luke E. Fichthorn III (65)

Since May 23, 1990, Mr. Fichthorn has served as the Chairman and on December 18, 1991, Mr. Fichthorn became Chief Executive Officer of the Company. For over thirty years, Mr. Fichthorn has been a private investment banker and partner of Twain Associates, a private investment banking and consulting firm. Mr. Fichthorn became a director of the Company in January, 1981. Mr. Fichthorn is also a director of Florida Rock Industries, Inc., and Patriot Transportation Holding, Inc.

Kenneth L. Bayne (37)

Mr. Bayne joined the Company in August 2005 as Vice President of Finance and Chief Financial Officer. Mr. Bayne was previously with Guidant Corporation where he served for nine years in a series of increasingly responsible positions, culminating in his most recent position as assistant treasurer. Prior to that, he served for three years as a senior associate design engineer with Thiokol Corporation.

Larry D. Smith (56)

Mr. Smith was elected Vice President Administration and Secretary of the Company in April 1999. Prior to joining the Company, Mr. Smith was employed for over 14 years with Emerson Electric Company in various human resource managerial capacities. Most recently, Mr. Smith was Vice President Human Resources for Emerson's Therm-O-Disc, Inc. division in Mansfield, Ohio.

Lawrence C. Maingot (46)

Mr. Maingot was appointed Corporate Controller of the Company in December 1999. From May 1997 to December 1999, Mr. Maingot was the Company's Assistant Controller. From April 1992 to May 1997, Mr. Maingot was the Company's Accounting Manager. Prior to joining the Company, Mr. Maingot was employed with Arthur Andersen LLP.

COMPENSATION COMMITTEE MATTERS

The Compensation Committee has responsibility for the compensation of the Company's executive officers, including the chief executive officer, and the administration of the Company's executive compensation and benefit plans. The Compensation Committee also has sole authority to retain or replace outside counsel, compensation and benefits consultants or other experts to provide it with independent advice, including the authority to approve the fees payable and any other terms of retention. All actions regarding executive officer compensation require Compensation Committee approval. The Compensation Committee completes a comprehensive review of all elements of compensation annually. If it is determined that any changes to any executive officer's total compensation are necessary or appropriate, the Compensation Committee obtains such input from internal management as

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it determines to be necessary or appropriate. All compensation decisions with respect to executives other than the chief executive officer are determined in discussion with, and frequently based upon the recommendation of, the chief executive officer. The Compensation Committee makes all determinations with respect to the compensation of the chief executive officer, including, but not limited to, establishing any performance objectives and criteria related to the payment of his compensation, and determining the extent to which such objectives have been established, obtaining such input from independent advisors as it deems necessary or appropriate.

As part of its responsibility to administer the Company's executive compensation plans and programs, it annually, usually at its first meeting of the calendar year, establishes the parameters of the annual compensation awards, including establishing the performance goals relative to the Company's performance that will be applicable to such awards and the similar awards for the Company's other senior executives. It also reviews the Company's performance against the objectives established for awards payable in respect of the prior calendar year, and certifies the extent, if any, to which such objectives have been obtained, and the amounts payable to each of the Company's executive officers in respect of such achievement.

It also determines the appropriate level and type of awards, if any, to be granted to each of the Company's executive officers pursuant to the Company's equity compensation plan, and approves the total annual grants to other key employees, to be granted in accordance with a delegation of authority to the appropriate members of the Company's corporate human resources function.

The Compensation Committee also reviews, and has the authority to recommend to the Board for adoption, any new executive compensation or benefit plans that are determined to be appropriate for adoption by the Company, including those that are not otherwise subject to the approval of the Company's shareholders. It reviews, and has the authority to approve, any contracts or other transactions with current or former elected officers of the corporation subject, in the case of the chief executive officer, to ratification by the independent directors of the Board. In connection with the review of any such proposed plan or contract, the Compensation Committee may seek from independent advisors such advice, counsel and information as it shall determine to be appropriate in the conduct of such review. The Compensation Committee will direct such outside advisors as to the information it requires in connection with any such review, including data regarding competitive practices among the companies which the Company generally compares itself for compensation purposes. The Compensation Committee does not presently retain the services of a compensation consultant.

In addition, the Compensation Committee reviews annually with the Chairman of the Board and the CEO the succession plans for senior executive officers and make recommendations to the Board regarding the selection of individuals to occupy these positions.

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors has reviewed and discussed with management the immediately following Compensation Discussion and Analysis. Based on that review and discussion, the members of the Compensation Committee identified below recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,
The Compensation Committee

William F. Yelverton, Chairman
Gerald L. DeGood
Charles T. Foley

James A. Wolf

The above report of the Committee will not be deemed to be incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates the same by reference.

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COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

The executive compensation program of the Company has been designed to motivate, reward, attract, and retain the management deemed essential to ensure the success of the Company. The program seeks to align executive compensation with Company objectives, business strategy, and financial performance. In applying these principles, the Company seeks to:

Reward executives for the enhancement of stockholder value;

Support an environment that rewards performance with respect to Company goals, as well as Company performance relative to industry competitors;

Integrate compensation programs with the short and long-term strategic plans of the Company;

Attract and retain key executives critical to the long-term success of the Company; and

Align the interests of executives with the long-term interests of stockholders through award opportunities that can result in ownership of stock.

Compensation Program Components

The compensation programs of the Company for its executive officers and key employees are generally administered by or under the direction of the Compensation Committee and are reviewed on an annual basis to ensure that remuneration levels and benefits are competitive and reasonable using the guidelines described above. The particular elements of the compensation programs for such persons are set forth in more detail below.

The Committee utilizes publicly available professional compensation surveys and labor market studies, including those prepared by Hewitt and Mercer, to make informed decisions regarding pay and benefit practices. Surveys prepared by management are also used to periodically ensure that the Company is maintaining its labor market competitiveness. These internally-developed surveys compare the Company's compensation program to the compensation programs of similar sized industrial companies. The Company does not retain compensation consultants to advise the Company on compensation matters. While the Company does not set compensation at set percentage levels compared to the market, the Committee does seek to provide salary, incentive compensation opportunity and employee benefits that fall within the average practice of the Company's competitors and the labor markets in which it participates.

Base Salary. Base salary levels are primarily determined by the Committee at levels the Committee deems necessary or appropriate to attract the level of competence needed for the position. The Committee reviews base salary levels annually based on individual performance from prior years, current industry conditions and current market considerations to ensure that base salary levels for the Company's executive officers and key employees are competitive within a range that the Committee considers to be reasonable and necessary.

Performance Bonus. The Company provides incentive compensation to its executive officers and key employees in the form of annual cash bonuses relating to financial and operational achievements during the prior year through the Company's Management Incentive Compensation (MIC) Program.

The MIC bonus pool contains 1,000 points which are allocated to executives and key employees at the beginning of each performance year, in the Compensation Committee's discretion, based on responsibilities and contributions to the success of the business. The bonus pool is funded based on meeting and exceeding financial targets in two areas: return on net worth and earnings per share. The Company chose return on net worth and earnings per share because it believed that Executives should be rewarded for increasing shareholder value.

The bonus pool is funded as follows:

Return on Net Worth (RONW) over 10.0 percent. The bonus pool contribution is 2.0% of Net Income above the 10.0% RONW level, scaling up by two percentage points for each one point increase in RONW to a maximum of 20% of Net Income at 20% or higher RONW.

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Earnings Per Share. The EPS target was established in 2001 when EPS was \$0.42 per share and is increased by 5.0% each year. \$200,000 is contributed to the pool for achieving the EPS target, with increases or decreases of \$20,000 for each \$0.01 above or below that target.

At the end of the year, the bonus pool is divided by 1,000 points to determine the value per point.

MIC participants work throughout the year against an established set of goals and objectives. At the end of the year, they receive a grade that judges the percentage of completion against those goals and objectives.

The annual incentive award payable to an executive officer cannot exceed the maximum amount allocable to him from the bonus pool. In the case of corporate administrative and financial officers, incentive compensation decisions are made primarily on the basis of the assistance and performance of the officer in implementing corporate objectives within the scope of his or her responsibilities. In the case of operational officers, incentive compensation decisions are made primarily on the basis of operational results of the business operations for which the officer is responsible. Although the achievement of certain financial objectives as measured by a business segment's earnings are considered in determining incentive compensation, other subjective and less quantifiable criteria are also considered. In this regard, the Committee takes into account specific achievements that are expected to affect future earnings and results or that had an identifiable impact on the prior year's results. Placing an emphasis on incentive compensation is consistent with our philosophy of rewarding executives for meeting and exceeding the Company's goals and exceptional individual performance.

MIC payouts are determined by multiplying (i) the points assigned to the executive at the beginning of the performance year times (ii) the personal performance grade earned by the executive for the performance year times (iii) the point value. The Company has not yet determined MIC payouts for 2006.

Stock Incentive Plan. The Company also provides long-term incentive compensation to its executive officers and key employees through stock options and restricted shares. The 2000 Bairnco Stock Incentive Plan (the Stock Incentive Plan) was approved by shareholders at the 2000 Annual Meeting of Shareholders. As originally established, the Stock Incentive Plan provided for stock option awards. In April 2003, the Board of directors amended the Stock Incentive Plan to add a restricted stock award program. The restricted stock award program permits the committee to grant to an employee an award consisting of shares of Bairnco stock that are subject to specified forfeiture and transfer restrictions. Upon the lapse of these restrictions, the restricted stock award becomes vested. Generally, a restricted stock award under the Stock Incentive Plan becomes vested if the recipient remains employed until the fifth anniversary of the date of the award. The restricted stock award recipient receives dividends and voting rights during the vesting period. Under the terms of the Stock Incentive Plan, the Committee has complete discretion in determining eligibility for participation and the number of stock options or restricted stock shares, if any, to be granted to a participant. Stock option and restricted stock awards may be made from the shares of the Company's Common Stock originally approved by the shareholders for issuance under the Stock Incentive Plan. The Committee has established and follows guidelines with respect to the granting of options and restricted stock awards under the Stock Incentive Plan to employees. The use of these instruments is intended to provide incentives to the Company's executive officers and key employees to work toward the long-term growth of the Company by providing them with a benefit that will increase only to the extent the value of the Common Stock increases. Options and restricted shares are not granted by the Committee as a matter of course as part of the regular compensation of any executive or key employee. The decision to grant options or restricted shares is based on the perceived incentive that the grant will provide and the benefits that the grant may have on long-term stockholder value. The determination of the number of shares granted is based on the level and contribution of the employee. Consideration is also given to the anticipated contribution of the business operations for which the optionee has responsibility to overall stockholder value.

The Compensation Committee has only granted two equity awards to named executive officers since 2003, when it granted 50,000 stock options (vesting over three years) to the Chief Executive Officer and restricted stock awards to certain of the Company's executive officers, including the named executive officers. All of the restricted stock grants vest on the fifth anniversary of the grant date in 2008. The Company believes that these equity awards appropriately align the interests of the executives with the interests of the Company's shareholders.

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Bairnco Retirement Plan

The Company maintains the Bairnco Corporation Retirement Plan (the Bairnco Plan), a non-contributory defined benefit pension plan, for certain of the Company's and its U.S. subsidiaries' salaried and hourly employees. The Bairnco Plan was frozen effective as of March 31, 2006, and as a result, no new participants will enter the plan and the benefits of current participants were being frozen as of that date.

Pension benefits payable under the frozen plan are based on a formula that considers the participant's years of service with the Company and final average compensation levels. The Company froze the Bairnco Plan because the Company believes that, on a going forward basis, the Company's 401(k) will provide a better retirement compensation vehicle for its employees and will be more cost efficient for the Company. For further discussion of the pension plan, see the Pension Benefits table below and accompanying narrative.

Pursuant to his employment agreement, Mr. Fichthorn will receive a special retirement supplement that is intended to provide him a retirement benefit comparable to what he would have received under the Bairnco Plan (described above) if his combined past service as a director of Bairnco's former subsidiary, Keene Corporation, and Bairnco were treated as years of service under that plan.

401(K) Plan

Effective April 1, 2006, Bairnco began making contributions to its existing 401(k) Retirement Savings Plan to compensate for the loss of continuing participation in the Company's pension plan. Those contributions take two forms:

The Company contributes 1.0% of an employee's pre-tax earnings on a quarterly basis, whether or not the employee makes contributions into his/her account.

The Company also provides a 50% match on all employee contributions up to 4.0% of pay (a 2.0% match by the Company).

Employment Agreement

In 1990, the Company entered into an employment agreement with Mr. Luke Fichthorn III that will expire December 31, 2007. The agreement provides that if Mr. Fichthorn dies while an employee, his surviving spouse or estate will receive a death benefit equal to three times the sum of (i) his base salary, and (ii) the highest bonus paid to him during the prior three years or the current year. If Mr. Fichthorn's employment terminates due to disability, he will receive 75% of his base salary for two years and 55% of such salary thereafter until the disability ends or his supplemental retirement benefits commence. If the Company terminates Mr. Fichthorn's employment without cause or breaches the agreement in a material fashion leading Mr. Fichthorn to terminate his employment, the Company will pay Mr. Fichthorn a lump sum benefit equal to the sum of (i) four times his then base salary, and (ii) the highest bonus paid or payable to him during the prior three years or the current year. The agreement also provides that regardless of the reason for his termination, Mr. Fichthorn and his spouse would have been entitled to receive medical, health and hospitalization benefits following his termination until he attains age 65 (or, in the event of his death, until his spouse attains age 65). Mr. Fichthorn is age 65 and therefore is no longer eligible for such continued welfare benefits.

For more information regarding the severance protections provided by these agreements, see Employment Agreement with Mr. Fichthorn below.

Change of Control Agreements

Change of control agreements protect income for key executives who would likely be involved in decisions regarding and/or successful implementation of merger/acquisition activity and at risk for job loss if a take-over occurs. The Board believed it was important to adopt such agreements in order to provide an incentive for executives to remain employed with the Company throughout the turmoil and uncertainty that an unsolicited tender offer such as Steel Partners Offer can cause. Prior to adopting the Change in Control agreements, the Board consulted with a human resources consulting firm and determined that the terms and amounts payable under the

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Change of Control Agreement were reasonable and consistent with severance arrangements for executives of companies similar to the Company.

The Company has entered into change in control agreements with eight senior executives (including three executive officers) including Kenneth L. Bayne, Lawrence C. Maingot, Larry D. Smith, Daniel T. Holverson, Elmer G. Pruum, Robert M. Carini, Brian E. Turner and Morgan Ebin. Pursuant to these agreements, the Company will provide severance benefits to such executive officers if their employment is terminated within 24 months of a change in control of the Company, unless such termination is (i) due to death or retirement, (ii) by the Company for cause or due to disability or (iii) by the executive without good reason. The amount of severance will be equal to the sum of (a) the highest annual rate of salary in the twelve months preceding the executive officer's termination date and (b) the higher of the executive officer's average annual bonus for the past two completed fiscal years or the executive officer's target bonus for the fiscal year in which the termination occurs. In addition to these severance amounts, the executive officers will be entitled to a pro rata annual bonus for the year in which their termination of employment occurs and to continue participating in the Company's welfare benefit programs for up to one year following termination of their employment. If the executive officers become entitled to severance under the Change in Control Agreements, they will not be entitled to severance pay under any other agreement with the Company. These provisions enable the executive to make decisions that are in the best interest of shareholders without being distracted or influenced in the exercise of his or her business judgment by personal concerns. Change of control agreements are typically offered to executives in the marketplace and thus are necessary to attract and retain executives as well as protect shareholders interests. For more information regarding the change of control protections provided by these agreements, see Change of Control Agreements, below.

Compensation Earned by the Chief Executive Officer

In considering the CEO's base salary, the Committee reviewed the Company's general financial performance and the progress in improving operating performance. The Committee also reviewed the CEO's base salary against an internally developed salary survey of equivalent positions in public companies of a similar size. This information showed Mr. Fichthorn's salary to be in the average range for industrial companies the size of the Company. The Committee also considered the time period elapsed from Mr. Fichthorn's date of last increase in May of 2005. On May 1, 2006, he received a salary increase of 2.5% resulting in a current salary for Mr. Fichthorn of \$471,500. In accordance with his contract, Mr. Fichthorn is eligible for 25% of an MIC pool generated by a formula in his contract. However, since 2001, Mr. Fichthorn has voluntarily waived this portion of his contract on a year-to-year basis and has agreed to participate in the MIC pool that covers the Company's officers.

162(m) Disclosure

Based on current levels of compensation, no executive officer is expected to receive compensation for 2006 services that would be non-deductible under Section 162(m) of the Internal Revenue Code. Accordingly, the Compensation Committee has not considered any revisions to its policies and programs in response to this provision of law.

Table of Contents**COMPENSATION OF MANAGEMENT****General**

The following table sets forth information regarding the compensation paid, distributed, or accrued for services rendered during 2006 to the Chief Executive Officer, the Chief Financial Officer and each of the two other most highly compensated executive officers of Bairnco (collectively the Named Executives).

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Change Non-Equity Incentive				Total (\$) (j)
			Option Awards (1) (\$) (f)	Plan Compensation (2) (\$) (g)	Pension Value (3) (\$) (h)	All Other Compensation (4) (\$) (i)	
Luke E. Fichthorn III Chairman of the Board and Chief Executive Officer	2006	\$ 467,667	\$ 3,200		\$ 52,520	\$ 13,622	\$ 484,489
Kenneth L. Bayne Vice President/CFO	2006	\$ 172,292	N/A		N/A	\$ 9,160	\$ 181,452
Larry D. Smith Vice President Administration	2006	\$ 181,167	N/A		\$ 17,163	\$ 8,625	\$ 189,792
Lawrence C. Maingot Corporate Control	2006	\$ 128,917	\$ 711		\$ 8,813	\$ 6,058	\$ 135,686

(1) As disclosed in the Company's prior proxy statements, Mr. Fichthorn was granted an option in 2003 to purchase 50,000 shares of the Company's stock. The option vested in annual installments on each of the first four anniversaries of the grant date. The number of options that vested during 2006 was 12,500. The amount shown in column (f) is the dollar amount that would have been required to be recognized in 2006 in accordance with FASB 123R under the modified prospective transition method with respect to stock options granted prior to 2006 that were not vested at the time that the Company transitioned to FAS 123R.

The amount shown for Mr. Maingot is the dollar amount that would have been required to be recognized in 2006 in accordance with FASB 123R under the modified prospective transition method with respect to stock options granted prior to 2006 that were not vested at the time that the Company transitioned to FAS 123R.

(2) Non-equity incentive plan awards are made under the Company's Management Incentive Compensation (MIC) Program which is described in detail in the Compensation Discussion and Analysis, above. At the time of the mailing of this proxy statement, the non-equity incentive plan awards for named executive officers had not yet been determined for fiscal year 2006.

(3)

For a more in-depth discussion of the amounts related to the change in pension value in 2006, see the Pension Benefits table below and accompanying text.

(4) Set forth below are each item reported in column (i) that was provided to the executive in 2006.

Name	Dividends on Restricted Stock		Savings Plan Allocations*	
Luke E. Fichthorn III	\$	10,920	\$	2,702
Kenneth L. Bayne	\$	5,200	\$	3,960
Larry D. Smith	\$	4,420	\$	4,205
Lawrence C. Maingot	\$	3,120	\$	2,938

* Includes matching contributions related to contributions made by the Named Officers to the 401(k) Savings Plan. Additional true up contributions for 2006 may be made in January 2007. If so, they will be reported in a supplemental filing.

Table of Contents**GRANT OF PLAN-BASED AWARDS**

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)	
		Threshold (\$) (c)	Target (\$) (d)
Luke E. Fichthorn III	January 26, 2006	\$ 50,000	\$ 150,000
Kenneth L. Bayne	January 26, 2006	\$ 20,000	\$ 60,000
Larry D. Smith	January 26, 2006	\$ 20,000	\$ 60,000
Lawrence C. Maingot	January 26, 2006	\$ 18,000	\$ 54,000

(1) These awards were granted pursuant to the terms of the Company's Management Incentive Compensation (MIC) Program, an annual non-equity incentive plan. The MIC Program is described in detail in the Compensation Discussion and Analysis, above. The grant date shown above is the date that the Board determined the named executive's percentage interest in the bonus pool. The threshold is the executive's share of the amount that would be allocated to the bonus pool if the Company achieved at least \$0.53 earnings per share but failed to achieve its Return on Net Worth goal. The target is the amount the executive would receive assuming his entire award at budgeted levels becomes payable and is not reduced based on personal performance against established objectives. The plan does not have a maximum limit on the amount of the award that may be paid under the plan. At the time of the mailing of this proxy statement, the non-equity incentive plan awards for named executive officers had not yet been determined for fiscal year 2006.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards				Stock Awards	
	Number of Securities Underlying	Number of Securities Underlying	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units that have not Vested (#)	Market Value of Shares or Units that have not Vested (\$)
	Unexercised Options (#) Exercisable	Unexercised Options (#) Unexercisable				
Luke E. Fichthorn III	83,334	-0-	\$ 5.94	5/31/10	42,000(3)	\$ 535,500
	12,500	-0-	\$ 5.05	2/3/14		
	12,500	-0-	\$ 5.05	2/3/15		

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	12,500	-0-	\$ 5.05	2/3/16		
	-0-	12,500(1)	\$ 5.05	2/3/17		
Kenneth L. Bayne	-0-	-0-			20,000(4)	\$ 255,000
Larry D. Smith	5,000	-0-	\$ 6.375	5/21/10	17,000(3)	\$ 216,750
	5,000	-0-	\$ 6.375	5/21/11		
	5,000	-0-	\$ 6.375	5/21/12		
	5,000	-0-	\$ 6.375	5/21/13		

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Name	Option Awards				Stock Awards	
	Number of Securities Underlying	Number of Securities Underlying	Option		Number of Shares or Units that have not Vested (#)	Market Value of Shares or Units that have not Vested (\$)
	Unexercised	Unexercised	Exercise	Option		
	Options	Options	Price	Expiration		
(#)	(#)	(\$)	Date			
Lawrence C. Maingot	125	-0-	\$ 7.50	3/18/07	12,000(3)	\$ 153,000
	125	-0-	\$ 7.50	3/18/08		
	125	-0-	\$ 7.875	6/13/08		
	125	-0-	\$ 7.875	6/13/09		
	125	-0-	\$ 7.875	6/13/10		
	125	-0-	\$ 7.875	6/13/11		
	500	-0-	\$ 6.875	12/9/10		
	500	-0-	\$ 6.875	12/9/11		
	500	-0-	\$ 6.875	12/9/12		
	500	-0-	\$ 6.875	12/9/13		
	375	-0-	\$ 5.55	4/18/13		
	375	-0-	\$ 5.55	4/18/14		
	375	-0-	\$ 5.55	4/18/15		
	375	-0-	\$ 5.55	4/18/16		
	250	-0-	\$ 10.75	4/21/16		
	0	250(2)	\$ 10.75	4/21/17		
	0	250(2)	\$ 10.75	4/21/18		
	0	250(2)	\$ 10.75	4/21/19		

(1) These options will vest on February 3, 2007.

(2) These options will vest on April 21, 2007, 2008 and 2009, respectively.

(3) These shares will vest on April 24, 2008, the fifth anniversary of the grant date (which was April 24, 2003).

(4) These shares will vest on August 18, 2010, the fifth anniversary of the grant date (which was August 18, 2005).

OPTION EXERCISES AND STOCK VESTED

The following table shows the options that were exercised by the named executive officers during the last fiscal year. No stock awards vested in 2006.

Option Awards

Name	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise(1) (\$) (c)
Luke E. Fichthorn III	83,333	\$ 239,166

(1) The value is equal to (i) the excess of \$8.81, the closing price of the Company's stock on January 23, 2006, the day that the option was exercised over \$5.94, the exercise price multiplied by (ii) 83,333 options.

PENSION BENEFITS

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit (\$)
Luke E. Fichthorn III	Bairnco Plan (1)	16	\$ 603,337
Luke E. Fichthorn III	Supplemental Benefit (2)	9	\$ 329,321
Larry D. Smith	Bairnco Plan (1)	7	\$ 125,431
Lawrence C. Maingot	Bairnco Plan (1)	14	\$ 73,455

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- (1) *Bairnco Retirement Plan*. The benefits payable to the Named Executive Officers under the Bairnco Plan are initially determined as a life annuity payable commencing at age 65. Mr. Bayne does not participate in the Bairnco Plan. The present values shown above were calculated based on each officer's accrued benefit through December 31, 2006 payable at age 65. The present values were determined using the assumptions used in the Company's financial statements for purposes of determining the Company's liabilities in respect of its defined benefit plans for the same period (5.70% for 2006, and 5.78% for 2005). The difference between the amounts determined as of December 31, 2006 and December 31, 2005 equal the value of the benefit earned under the plan for the year, as disclosed in the Summary Compensation Table.

The annual life annuity amount is determined based on the following formula: 1.3% of Final Average Remuneration + $.65\%$ x (Final Average Remuneration less Covered Compensation) x Years of Credited Service = annual benefit. *

- * Final Average Remuneration is the average of the participant's pensionable pay during the 5 highest paid consecutive years, or final 60 months, if greater. Participants earn one year of Credited Service for each year that they complete at least 1,000 hours of service, up to a maximum of 25 Years of Credit Service. Covered Compensation is the average (without indexing) of the taxable social security wage bases in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the employee attains (or will attain) social security retirement age.

Remuneration covered by the Bairnco Plan in a particular year includes that year's base salary, overtime pay, commissions, stock purchase plan payments, other incentive compensation and amounts that are deferred under a 401(k) plan that is at any time maintained by the Company, but excludes, among other items, compensation received in that year under the Management Incentive Compensation Plan in excess of 50% of the participant's basic pay rate as of the December 31 preceding the date of payment. The 2006 remuneration covered by the Bairnco Plan for each participant therefore includes management incentive compensation (up to such 50% ceiling) paid during 2006 with respect to 2005 awards.

In accordance with IRS regulation, the maximum allowable compensation permitted in computing a benefit is \$220,000 for 2006. However, employees will receive the greater of the benefit outlined above or the accrued benefit as of December 31, 1993, which was based on compensation limited to \$235,840 plus a benefit based on service after December 31, 1993 and final average compensation based on the \$220,000 limit.

On February 8, 2006, the Company announced that it would freeze the Bairnco Corporation Retirement Plan effective March 31, 2006. As a result, no new participants will enter the plan and the benefits of current participants will be frozen as of that date, based on service and final average earnings through that date. Effective April 1, 2006, the Company will begin making Company contributions to the 401(k) accounts of all current and future employees who were affected by the freezing of this plan.

Normal retirement age under the plan is age 65. Participants may commence benefits at age 55 or later with at least 10 years of service. Benefits are reduced for early commencement in accordance with the following table:

Age at Commencement	Percentage of Normal Retirement Benefit Payable
65	100%

64	92.3%
63	84.6%
62	76.9%
61	73.1%
60	69.2%
59	65.7%
58	61.5%
57	57.7%
56	52.9%
55	48.6%

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Upon retirement, participants will receive retirement benefits from the Bairnco Plan. Benefits from the plan are made in the form of monthly annuity payments. The annuity payment options include single life, joint and 50%, 75%, or 100% survivor, and 10 years certain and continuous, as elected by the participant.

- (2) *Supplemental Retirement Benefit.* Pursuant to his employment agreement, Mr. Fichthorn will receive a special retirement supplement that is intended to provide him a retirement benefit comparable to what he would have received under the Bairnco Plan (described above) if his combined past service as a director of Bairnco's former subsidiary, Keene Corporation, and Bairnco were treated as years of service under that plan.

Executive Contracts

Employment Agreement with Mr. Fichthorn. On May 23, 1990, Bairnco entered into an agreement with Mr. Fichthorn, Chairman of Bairnco, under which Mr. Fichthorn became an employee. The initial term of the agreement was for four years, but the agreement generally automatically renewed so that at no time was the term of the agreement less than four years. The agreement, however, will expire on December 31, 2007. Under the agreement, Mr. Fichthorn presently receives a base salary of \$471,500 and is entitled to participate in the Bairnco Headquarters Management Incentive Compensation program, where he is entitled to receive 25% of an annual pool that is generated at the rate of \$15,000 for each \$.01 per share of net income of Bairnco and its consolidated subsidiaries as reported to shareholders in excess of \$.30 per share after reflecting the management incentive compensation annual pool as a cost in arriving at pre-tax income.

In accordance with the agreement, Mr. Fichthorn received, on the date when he became an employee of Bairnco, stock options for 350,000 shares of Bairnco Common Stock at an exercise price equal to the book value of a share of stock determined on the last day of the month in which he became an employee (\$5.94 per share). One hundred thousand of the option shares became exercisable on the first anniversary of the date of grant and were exercised during 2001. Of the remaining 250,000 shares, 83,333 shares became exercisable on January 28, 1993 for earnings of \$.70 per share for the calendar year 1992 and expired in 2003 without being exercised; an additional 83,333 shares became exercisable on January 26, 1996 for earnings at \$.75 per share for the calendar year 1995 and were exercised in 2006; and the remaining 83,334 became exercisable on May 31, 2000, the tenth anniversary of the date of grant.

All options remain exercisable for ten years from the first date they become exercisable. Except in the case of a voluntary termination or a termination for cause, as defined in the agreement, exercisable options will generally remain exercisable for three years following termination. The exercisability of all of the options granted to Mr. Fichthorn generally will accelerate in the event of a change of control. Each option share is to be accompanied by a limited stock appreciation right that will become exercisable for six months following a change of control. Upon exercise of such right, Mr. Fichthorn will receive the excess of the fair market value per share (or, if greater, \$10 per share) over the exercise price per share for the underlying option. In the event that the payments received by Mr. Fichthorn with respect to his options and under any other provision of the agreement by reason of a change of control are subject to the excise tax on excess parachute payments, Bairnco will pay Mr. Fichthorn such amounts as are necessary to place him in the same position as he would have been in if no excise tax had been payable.

Mr. Fichthorn will also receive a special retirement supplement that is intended to provide him a retirement benefit comparable to what he would have received under the Bairnco Plan (described above) if his combined past service as a director of Bairnco's former subsidiary, Keene Corporation, and Bairnco (25 years) were treated as years of service under that plan. The supplemental, non-qualified benefit (as described above) is fully vested.

The Agreement provides that if Mr. Fichthorn dies while an employee, his surviving spouse or estate will receive a death benefit equal to three times the sum of (i) his base salary, and (ii) the highest bonus paid to him during the prior three years or the current year. If Mr. Fichthorn's employment terminates due to disability, he will receive 75% of his

base salary for two years and will participate in the Company's benefit plans for two years. If Bairnco terminates Mr. Fichthorn's employment without cause or breaches the agreement in a material fashion leading Mr. Fichthorn to terminate his employment, Bairnco will pay Mr. Fichthorn a lump sum benefit equal to the sum of (i) four times his then base salary, and (ii) the highest bonus paid or payable to him during the prior three years or the current year. The agreement also provides that regardless of the reason for his termination, Mr. Fichthorn and his spouse would have been entitled to receive medical, health and hospitalization benefits following his

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termination until he attains age 65 (or, in the event of his death, until his spouse attains age 65). Mr. Fichthorn is age 65 and therefore is no longer eligible for such continued welfare benefits. The table set forth below illustrates the amount of termination benefits that would have been payable to Mr. Fichthorn if his employment had been terminated under any of the circumstances described in this paragraph on December 31, 2006.

By the Company without Cause or by Him for Good Reason	Death	Disability
\$2,041,000	1,879,500	\$ 353,625 annually for 2 years

In addition to the amount shown in the above chart, Mr. Fichthorn will qualify for the retirement benefits shown in the Pension Benefits table above.

The amounts listed in the above table are only estimates of the amounts that would have been payable in the event that the employment of Mr. Fichthorn was terminated on December 31, 2006 under circumstances which would have entitled him to receive termination benefits under his agreement. The actual amounts payable in the event that Mr. Fichthorn does incur such a qualifying termination will likely be different from the amounts shown below, depending on his then current compensation at the date of such termination.

Change in Control Agreements. The Company has entered into change in control agreements with eight senior executives (including three executive officers) including Kenneth L. Bayne, Larry C. Maingot, Larry D. Smith, Daniel T. Holverson, Elmer G. Pruiem, Robert M. Carini, Brian E. Turner and Morgan Ebin (the Change in Control Agreements). Pursuant to the Change in Control Agreements, the Company will provide severance benefits to such executive officers if their employment is terminated within 24 months of a change in control of the Company, unless such termination is (i) due to death or retirement, (ii) by the Company for cause or due to disability or (iii) by the executive without good reason. The amount of severance will be equal to the sum of (a) the highest annual rate of salary in the twelve months preceding the executive officer's termination date and (b) the higher of the executive officer's average annual bonus for the past two completed fiscal years or the executive officer's target bonus for the fiscal year in which the termination occurs. In addition to these severance amounts, the executive officers will be entitled to a pro rata annual bonus for the year in which their termination of employment occurs and to continue participating in the Company's welfare benefit programs for up to one year following termination of their employment. If the executive officers become entitled to severance under the Change in Control Agreements, they will not be entitled to severance pay under any other agreement with the Company.

For purposes of the change of control agreements:

A change of control means (i) the acquisition by any person, other than Bairnco, its subsidiaries or any employee benefit plan of Bairnco or its subsidiaries, of beneficial ownership of 35% or more of the then outstanding share of the Company entitled to vote; (ii) a change in the majority of the incumbent board over a two year period or (iii) the approval by the Company's stockholders of a reorganization, merger or consolidation, in each case, with respect to which persons who were stockholders of Bairnco immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company, a liquidation or dissolution of Bairnco or the sale of all or substantially all of the assets of Bairnco.

Good reason means a material reduction in the executive's compensations, a material reduction in his responsibilities or the relocation of his principal place of employment to another location, in each case without the executive's written consent.

Cause means gross neglect or willful and continuing refusal by the executive to substantially perform his duties in at least substantially the same manner as performed prior to the change of control (other than due to disability) or his conviction of or plea of nolo contendere to a felony or a misdemeanor involving moral turpitude.

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The table set forth below illustrates the amount that would have been payable for each of the Named Officers if payment had been made on December 31, 2006 under the change of control agreements.

Name	Total Value of Termination Benefits Payable	Total Value of Equity Acceleration*	Excise Tax Gross-Up Payment	Total of Incremental Benefits Payable Due to a Change of Control
Kenneth L. Bayne	\$ 281,000	\$ 255,000	\$ 0	\$ 536,000
Larry C. Maingot	\$ 220,900	\$ 154,500	\$ 0	\$ 375,000
Larry D. Smith	\$ 289,700	\$ 216,800	\$ 0	\$ 506,500

* Equity acceleration is not addressed in the change of control agreements. However, it is addressed in the 2000 Bairnco Stock Incentive Plan. If a change of control had occurred on December 31, 2006, the immediate vesting of Mr. Fichthorn's options and restricted stock would have been valued at \$631,750.

The amounts listed in the above table are only estimates of the amounts that would have been payable if payment had occurred on December 31, 2006. The actual amounts payable in the event that a change of control does occur will be more or less than the amounts shown below, depending on the actual terms and conditions of any such event and the facts and circumstances actually prevailing at the time of the executive's termination of employment. Thus, the actual amount payable in the event of a change of control could be significantly greater or less than the estimated amounts shown in the above table.

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PERFORMANCE GRAPH

Presented in the graph below is a comparison of the five-year cumulative returns among Bairnco Common Stock, the Russell 2000 Index and the Dow Jones Electrical Components and Equipment Index (DJELQ). The cumulative returns shown in the graph assume an initial investment of \$100 as of December 31, 2001, and reinvestment of all cash and cash equivalent dividends declared as of the ex-date of the dividend.

AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board of Directors (Board), the Audit Committee monitors the financial reporting process on behalf of the Board. All members of the Audit Committee are independent of management and the Company in accordance with the Company's Standards of Board Independence which are based on the requirements of the New York Stock Exchange, the Securities Exchange Act of 1934 and rules and regulations of the Securities and Exchange Commission.

During 2006, the Audit Committee met six times, and the Committee chair, as representative of the Audit Committee, discussed the interim financial information contained in each quarterly earnings announcement with the Corporate Controller and independent auditors prior to the filing of the Company's Form 10-Q.

The Audit Committee has not yet (i) reviewed the audited financial statements of the Company for the fiscal year ended December 31, 2006, with management and the independent auditors; (ii) discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended,

Communication with Audit Committees (iii) discussed and reviewed the results of the independent auditors examination of the quarterly and annual financial statements; or (iv) recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for filing with the SEC. It is anticipated that these activities will be concluded during the first calendar quarter of 2007.

Respectfully submitted,
The Audit Committee

Gerald L. DeGood, Chairman
Charles T. Foley
James A. Wolf
William F. Yelverton

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The above report of the Committee will not be deemed to be incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates the same by reference.

PROPOSALS BY HOLDERS OF COMMON STOCK

Any proposal that a shareholder of Bairnco desires to have included in the Proxy Statement and form of proxy relating to the 2008 Annual Meeting of Shareholders must be received by Bairnco at its executive offices no later than November 15, 2007. Bairnco will not be required to include in its Proxy Statement or form of proxy a shareholder proposal that is received after that date or which otherwise fails to meet the requirements for shareholder proposals established by Securities and Exchange Commission regulations. In addition, if a shareholder intends to present a proposal at the 2008 Annual Meeting of Shareholders without the inclusion of that proposal in Bairnco's proxy materials and written notice of the proposal is not received by Bairnco on or before January 26, 2008, or if Bairnco meets other requirements of Securities and Exchange Commission rules, proxies solicited by the Board for the 2008 Annual Meeting of Shareholders will confer discretionary authority to vote on the proposal at the meeting. The executive offices of Bairnco currently are located at 300 Primera Boulevard, Suite 432, Lake Mary, Florida 32746.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based upon a review of filings with the Securities and Exchange Commission and written representations from its directors and executive officers that no other reports were required, the Company believes that all of the Company's directors and executive officers complied with the filing requirements of Section 16(a) of the Securities Exchange Act of 1934 during the fiscal year ended December 31, 2006. The Company is not aware of any beneficial holder of 10% of the Company's common stock that has not complied with filing requirements.

IMPORTANT

The Board urges you NOT to return any gold consent card solicited from you by Steel Partners. If you have previously returned any such consent card you have every right to revoke your consent. Simply complete, sign, date and mail the enclosed **WHITE** Consent Revocation Card in the postage-paid envelope provided, whether or not you previously returned the gold consent card.

For additional information or assistance, please call our soliciting agent, Georgeson Inc. Banks and brokers may call Georgeson at 212-440-9800, and all others may call Georgeson toll free at 1-866-695-6077. Georgeson's address is 17 State Street, 10th Floor, New York, NY 10004.

Table of Contents**Annex I****CERTAIN INFORMATION REGARDING PARTICIPANTS
IN THIS CONSENT REVOCATION SOLICITATION****Transactions in the Company's Common Stock During the Past Two Years**

The following is a list of all acquisitions and dispositions of the Company's Common Stock made during the last two years by persons who may be deemed participants in the Company's solicitation of revocations of consent.

Name	Transaction Date	Number of Shares	Acquisition/Disposition
Luke E. Fichthorn III	1/23/06	83,333	Exercised expiring options
Gerald L. DeGood	4/21/05	1,000	Granted options
	4/21/06	1,500	Granted options
Charles T. Foley	4/21/05	1,000	Granted options
	8/19/05	1,000	Exercised expiring options
	4/21/06	1,500	Granted Options
	8/30/06	1,000	Exercised expiring options
James A. Wolf	4/21/05	1,000	Granted options
	4/21/06	1,500	Granted options
William F. Yelverton	4/21/05	1,000	Granted options
	8/19/05	1,000	Exercised expiring options
	4/21/06	1,500	Granted options
	8/30/06	1,000	Exercised expiring options
Kenneth L. Bayne	8/18/05	20,000	Granted restricted shares
Larry C. Maingot	3/25/05	500	Exercised options
	4/21/05	1,000	Granted options

Other Contracts, Arrangements, and Understandings with Participants

Except as otherwise set forth in this Consent Revocation Statement, to the best of the Company's knowledge: (i) none of the participants in the Company's solicitation of revocations of consent is, or was within the past year, a party to any contracts, arrangements or understandings with any person with respect to any shares of the Company's Common Stock; and (ii) neither any of the participants nor any of their respective associates has any arrangement or understanding with any person with respect to any future employment by the Company or its affiliates, or with respect to any future transaction as to which the Company or any of its affiliates will or may be a party.

Beneficial Ownership of the Company's Common Stock by Associates of Participants

To the best of the Company's knowledge none of the participants in the Company's solicitation of revocations of consent has any associates (as defined in Rule 14a-1 under the Securities Exchange Act of 1934) who beneficially own any shares of the Company's Common Stock.

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[FORM OF REVOCATION OF CONSENT CARD WHITE]

IF YOU HAVE PREVIOUSLY SIGNED A GOLD CONSENT CARD, YOU MAY REVOKE THAT CONSENT BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE CONSENT REVOCATION CARD IMMEDIATELY. EVEN IF YOU HAVE NOT SIGNED STEEL PARTNERS CONSENT CARD, YOU CAN SHOW YOUR SUPPORT FOR YOUR BOARD BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE CONSENT REVOCATION CARD.

BAIRNCO CORPORATION

THIS REVOCATION OF CONSENT IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF BAIRNCO CORPORATION IN OPPOSITION TO THE SOLICITATION BY STEEL PARTNERS II, L.P., A DELAWARE LIMITED PARTNERSHIP, AND ITS WHOLLY-OWNED SUBSIDIARY, BZ ACQUISITION CORP., A DELAWARE CORPORATION.

The undersigned, a holder of shares of the Company's common stock, par value \$.01 per share (the Common Stock), and associated preferred stock purchase rights, of Bairnco Corporation (the Company), acting with respect to all of the shares of Common Stock held by the undersigned, hereby revokes any and all consents that the undersigned may have given with respect to each of the proposals set forth on the other side of this card:

The Board of Directors of the Company unanimously recommends that you **REVOKE CONSENT** on each proposal set forth on the other side of this card. Please sign, date and mail this revocation of consent card today.

1. Proposal made by Steel Partners to remove Luke E. Fichthorn III, Gerald L. DeGood, Charles T. Foley, James A. Wolf, William F. Yelverton and any person (other than those elected by the consent solicitation of Steel Partners II) elected or appointed to the Board of Directors of the Company by such directors to fill any vacancy on the Board of Directors of the Company or any newly-created directorships.

REVOKE CONSENT DO NOT REVOKE CONSENT

Instructions to Proposal No. 1: To revoke consent to the removal of the persons named in Proposal No. 1, check the appropriate box. If you wish to revoke the consent to the removal of certain persons named in Proposal No. 1, but not all of them, check the **REVOKE CONSENT** box and write the name of each such person as to whom you do not wish to **REVOKE CONSENT** in the following space:

2. Proposal made by Steel Partners to amend Section 2 of Article III of the Amended and Restated Bylaws of the Company (the Bylaws), as set forth on Schedule I to the Consent Statement of Steel Partners II, to fix the number of directors serving on the Board of Directors of the Company at five (5).

REVOKE CONSENT DO NOT REVOKE CONSENT

3. Proposal made by Steel Partners to amend Section 2 of Article III of the Bylaws, as set forth on Schedule I to the Consent Statement of Steel Partners II, to provide that any vacancies on the Board of Directors of the Company resulting from the removal of directors by the stockholders may only be filled by the stockholders of the Company.

REVOKE CONSENT DO NOT REVOKE CONSENT

4. Proposal made by Steel Partners to elect Warren G. Lichtenstein, Hugh F. Culverhouse, John J. Quicke, Anthony Bergamo and Howard M. Leitner to serve as directors of the Company (or, if any such nominee is unable or unwilling to serve as a director of the Company, any other person designated as a nominee by the remaining nominee or nominees).

REVOKE CONSENT DO NOT REVOKE CONSENT

Instructions to Proposal No. 4: To revoke consent to the election of the persons named in Proposal 4, check the appropriate box. If you wish to revoke the consent to the election of certain of the persons named in Proposal No. 4,

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but not all of them, check the **REVOKE CONSENT** box and write the name of each such person as to whom you do not wish to **REVOKE CONSENT** in the following space:

Instructions: If no direction is made with respect to one or more of the foregoing proposals, or if you mark the **REVOKE CONSENT** box with respect to one or more of the foregoing proposals, this revocation card will revoke all previously executed consents with respect to such proposals.

Please sign your name below exactly as it appears hereon. If shares are held jointly, each stockholder should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the president or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

Dated: , 2007

Signature:
Title:

Signature: (if held jointly)
Title:

PLEASE SIGN, DATE AND RETURN THIS REVOCATION OF CONSENT CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.