

BAIRNCO CORP /DE/
Form PREC14A
January 11, 2007

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**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

**SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN CONSENT STATEMENT**

**SCHEDULE 14A INFORMATION
CONSENT 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 Consent Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Consent Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

BAIRNCO CORPORATION
(Name of Registrant as Specified in Its Charter)

BAIRNCO CORPORATION
(Name of Persons(s) Filing Consent Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:

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- o Fee paid previously with preliminary materials:
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No:

(3) Filing Party:

(4) Date Filed:

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**PRELIMINARY COPY SUBJECT TO COMPLETION
DATED JANUARY 11, 2007**

, 2007

Dear Fellow Stockholder:

On June 22, 2006, Steel Partners, L.P. (Steel Partners), through a wholly owned subsidiary BZ Acquisition Corp., announced an unsolicited tender offer to purchase all of the issued and outstanding common stock of Bairnco Corporation for \$12.00 per share in cash, without interest, subject to a number of significant conditions (the Offer).

After a thorough review of this Offer, Bairnco's existing strategic business plan, and other strategic alternatives, the Company's Board of Directors determined that the Offer is inadequate, opportunistic and not in the best interests of all of the Company's stockholders. Accordingly, the Company's Board has recommended that you reject the Offer and not tender your shares.

Protect Your Interests Do Not Support Steel Partners

We strongly urge you to reject Steel Partners' efforts to replace your Board. As part of its plan to acquire Bairnco at a price that the Board of Directors has determined to be inadequate and not in the best interests of all of Bairnco's stockholders, Steel Partners recently commenced a process to solicit your written consents to take control of your Board by removing the directors that you have elected and replacing them with a slate of nominees that have been handpicked by Steel Partners.

A Vote for Steel Partners Nominees Simply Supports Their Self-Motivated Agenda

The Company's existing Board of Directors is open-minded, independent and far better suited to act in the best interests of ALL the Company's stockholders than Steel Partners' slate of handpicked nominees. Your current Board has always upheld its fiduciary duty to act in your best interests and will continue to do so. There is no guarantee that Steel Partners' slate of nominees would act in a similar manner and we believe it is highly unlikely. In essence, a vote for Steel Partners' slate of nominees is a vote to give away control of the Company without getting a control premium, or an adequate price for your stock.

The Offer Dramatically Undervalues Bairnco

The Board believes that Steel Partners' \$12.00 per share Offer dramatically undervalues Bairnco and would deny stockholders value that is rightfully yours:

Management has undertaken significant value-enhancing initiatives over the last year that are expected to increase annual EBITDA for 2007 by \$ to \$ million, or approximately % to % over 2006 annual EBITDA (see financial note below). Steel Partners' Offer *does not* reflect this increase in value.

These initiatives include product and marketing programs that are driving positive sales trends in our Arlon Electronic Materials and Kasco divisions, the successful start-up of a new production facility in China, ongoing cost reduction programs, and the acquisition of Atlanta SharpTech, which is expected to be accretive to earnings in the fourth quarter of 2006 and in 2007.

The benefits of these initiatives have already begun to bear fruit, with the Company's 2006 earnings per share increasing % over 2005 to \$ per share; the Company has also previously announced increased earnings guidance for 2007 in the range of \$1.05 to \$1.20.

The price-earnings multiples implied by the \$12.00 Offer further illustrate the inadequacy of Steel Partners Offer, which not only fails to reflect current market values but also lacks a control premium. The Offer represents valuation multiples of 10.0 to 11.4 times Bairnco's expected 2007 EPS of \$1.05 to \$1.20, as compared to average multiples of [19.1] and [18.4] times projected 2007 earnings for companies in the S&P 600 Small Cap and Russell 2000 indices.

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Steel Partners' \$12.00 per share Offer is well below Bairnco's current trading price levels, over 12% lower than a recent 52-week high, and even represents a discount to the stock's 52-week high prior stock price prior to Steel Partners' initial announcement on June 15, 2006.

Note: All earnings and net income numbers exclude the impact of professional fees related to the Offer and Steel Partners' consent solicitation 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.

We urge you to protect your investment in Bairnco and reject Steel Partners' efforts to take control of your Company. In order to do so, do not sign Steel Partners' gold consent card. 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. Finally, 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. Regardless of the number of shares you own, your revocation of consent is important. Please act today.

We appreciate your continued support.

On Behalf of the Board of Directors,

Sincerely,

Luke E. Fichthorn, III,
Chairman and CEO
Bairnco Corporation

If you have any questions about revoking any consent you may have previously granted or require assistance, please call:

17 State Street 10 Floor
New York, NY 10004
Banks and Brokers Call 212.440.9800
All others call Toll-Free 1.866.695.6077

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, 2007

**CONSENT REVOCATION STATEMENT
BY THE BOARD OF DIRECTORS OF BAIRNCO CORPORATION
IN OPPOSITION TO
A CONSENT SOLICITATION BY STEEL PARTNERS II, L.P.
AND BZ ACQUISITION CORP.**

This Consent Revocation Statement is furnished by the Board of Directors (the Board) of Bairnco Corporation, a Delaware corporation (the Company), to the holders of outstanding shares of the Company's common stock, par value \$.01 per share (the Common Stock), and associated preferred stock purchase rights, in connection with your Board's opposition to the solicitation of written stockholder consents by Steel Partners II, L.P., a Delaware limited partnership (Steel Partners), and its wholly-owned subsidiary, BZ Acquisition Corp., a Delaware corporation (BZA , and all references to Steel Partners herein shall be deemed to include BZA, where appropriate).

On June 22, 2006, Steel Partners announced an unsolicited tender offer to purchase all of the issued and outstanding Common Stock, and associated preferred stock purchase rights, of the Company for \$12.00 per share in cash, without interest, subject to certain conditions (the Offer). After a thorough review of the Offer, an exploration of strategic alternatives available to the Company and an examination of Company's existing strategic business plan, the Company's Board has determined that the Offer is inadequate and not in the best interests of the Company's stockholders (other than Steel Partners and its affiliates). Accordingly, the Company's Board has recommended that you reject the Offer and not tender your shares.

Now, Steel Partners is trying to take control of your Board and the Company by asking you to remove the directors that you elected at the 2006 Annual Meeting of Stockholders on April 20, 2006 and replace them with a slate of nominees handpicked by Steel Partners for the purpose of furthering its unsolicited tender offer. Specifically, Steel Partners is asking you to: (i) remove, without cause, all of the current directors of the Company elected on April 20, 2006; (ii) replace your directors with Steel Partners' own handpicked nominees; and (iii) amend certain provisions of the Company's Amended and Restated Bylaws (the Bylaws). Steel Partners has stated in its consent solicitation filed with the Securities and Exchange Commission (the SEC) that all of its nominees will, subject to their fiduciary duties, remove the obstacles to the consummation of the Offer.

Your directors were selected for nomination through processes implemented by the Board in keeping with good corporate governance practices. In contrast, Steel Partners' nominees have been handpicked by Steel Partners, and Steel Partners has no duty to act in the best interests of the Company's other stockholders.

Your Board unanimously opposes the solicitation by Steel Partners. Your Board, four out of five members of which are independent directors within the meaning of the New York Stock Exchange's listing standards, is committed to acting in the best interests of all of the Company's stockholders and is better able to act in the best interests of all Company stockholders than Steel Partners' slate of handpicked nominees.

This Consent Revocation Statement and the enclosed **WHITE** Consent Revocation Card are first being mailed to stockholders on or about _____, 2007.

Your Board urges you not to sign any gold consent card sent to you by Steel Partners but instead to sign and return the **WHITE** card included with these materials.

If you have previously signed and returned the gold consent card, you have every right to change your mind and revoke your consent. Whether or not you have signed the gold consent card, we urge you to mark the **REVOKE CONSENT** boxes on the enclosed **WHITE** Consent Revocation Card and to sign, date and mail the card in the postage-paid envelope provided. Although submitting a consent revocation will not have any legal effect if you have

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not previously submitted a consent card, it will help us keep track of the progress of the consent process. Regardless of the number of shares you own, your consent revocation is important. Please act today.

If your shares are held in street name, only your broker or your banker can vote your shares. Please contact the person responsible for your account and instruct him or her to submit a **WHITE** Consent Revocation Card on your behalf today.

In accordance with Delaware law and the Company's Bylaws, on _____, 2007, the Board set _____, 2007 as the record date (the Record Date) for the determination of the Company's stockholders who are entitled to execute, withhold or revoke consents relating to Steel Partners' consent solicitation. The Company will be soliciting consent revocations from stockholders of record as of the Record Date and only holders of record as of the close of business on the Record Date may execute, withhold or revoke consents with respect to Steel Partners' consent solicitation.

If you have any questions about giving your consent revocation or require assistance, please call:

17 State Street 10 Floor
New York, NY 10004
Banks and Brokers Call 212.440.9800
All others call Toll-Free 1.866.695.6077

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Consent Revocation Statement, other reports, filings with the SEC, press releases, conferences, or otherwise indicating the Company's, the Board's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements. Actual future results may differ materially from such statements. Factors that could affect future performance include, but are not limited to: changes in U.S. or international economic or political conditions, such as inflation or fluctuations in interest or foreign exchange rates; the impact on production output and costs from the availability of energy sources and related pricing; changes in the market for raw or packaging materials which could impact the Company's manufacturing costs; changes in the product mix; changes in the pricing of the products of the Company or its competitors; the market demand and acceptance of the Company's existing and new products; the impact of competitive products; the loss of a significant customer or supplier; production delays or inefficiencies; the ability to achieve anticipated revenue growth, synergies and other cost savings in connection with acquisitions and plant consolidations; the costs and other effects of legal and administrative cases and proceedings, settlements and investigations; the costs and other effects of complying with environmental regulatory requirements; disruptions in operations due to labor disputes; and losses due to natural disasters where the Company is self-insured.

While the Company periodically reassesses material trends and uncertainties affecting the Company's results of operations and financial condition in connection with its preparation of its filings, the Company does not intend to review or revise any particular forward-looking statement referenced herein in light of future events.

DESCRIPTION OF THE STEEL PARTNERS CONSENT SOLICITATION

As set forth in its definitive consent solicitation materials filed with the SEC, Steel Partners is asking you to consent to the following proposals:

Proposal 1 Remove, without cause, the members currently serving on your Board of Directors, who were duly elected at the 2006 Annual Meeting of Stockholders held on April 20, 2006;

Proposal 2 Amend Section 2 of Article III of the Bylaws to fix the number of directors serving on the Board at five (5);

Proposal 3 Amend Section 2 of Article III of the Bylaws to provide that any vacancies on the Board resulting from the removal of directors by the stockholders of Bairnco may not be filled by the directors and shall only be filled by the stockholders of Bairnco; and

Proposal 4 Elect the following individuals, who have been handpicked by Steel Partners, to serve as directors of the Company: Warren G. Lichtenstein, Hugh F. Culverhouse, John J. Quicke, Anthony Bergamo and Howard M. Leitner.

We believe that Steel Partners' proposals have a single purpose: to remove all obstacles to Steel Partners' consummation of the Offer, which the Board has determined to be inadequate and not in the best interests of all of the Company's stockholders.

REASONS TO REJECT STEEL PARTNERS' CONSENT SOLICITATION PROPOSALS

Steel Partners' proposals, if approved, would likely divert the Company from the continued execution of its current business strategy, which the Board believes will produce values for the Company well in excess of those implicit in the Offer or any other viable strategic alternative. The proposals are intended to sweep away obstacles to Steel Partners' attempts to acquire the Company at a grossly inadequate price. After a thorough review of the Offer, the exploration of strategic alternatives and an examination of Company's existing strategic business plan with its financial and legal advisors, your Board, at meetings held on July 6, 2006, July 28, 2006, September 27, 2006 and December 27, 2006, has concluded that the Offer is inadequate and not in the best interests of the Company's stockholders (other than Steel Partners and its affiliates). Steel Partners has stated in its consent statement filed with the SEC that all of its nominees will, subject to their fiduciary duties, remove the obstacles to the consummation of the Offer.

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Your Board opposes the solicitation by Steel Partners for the following reasons:

The Offer is Inadequate

The Company has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (as amended, the Schedule 14D-9), initially filed with the SEC on July 6, 2006, which contains your Board's recommendation that the Company's stockholders reject the Offer and not tender shares to Steel Partners. The Schedule 14D-9 discloses that your Board has determined on multiple occasions that the Offer is financially inadequate, does not reflect the long-term value inherent in the Company, does not adequately compensate the Company's stockholders for transferring control of the Company to Steel Partners and is not in the best interests of the Company's stockholders (other than Steel Partners and its affiliates). In reaching its conclusion and making its recommendation, your Board consulted with management of the Company and its financial and legal advisers, and took into account numerous factors described in the Schedule 14D-9, including the inadequacy opinion (the Lazard Opinion) delivered to the Company on July 6, 2006 by Lazard Frères & Co. LLC (Lazard). The Company has substantially improved performance and projected performance since the Board, based in part on the Lazard Opinion, unanimously made the determination 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. Despite the Company's improved performance in 2006 and projected performance for 2007 and the Board's willingness to consider reasonable offers to acquire the Company, Steel Partners has remained stubbornly committed to acquiring the Company at an unreasonably low price.

Complete information about your Board's recommendation as to the Offer is contained in the Schedule 14D-9, which is available, along with any amendments thereto, including exhibits, without charge on the SEC's web site at www.sec.gov or at the Company's web site at www.bairnco.com.

Your Board Remains Focused on the Implementation of the Company's Strategic Plan

In 2002, the Company initiated a strategic program focusing each of the Company's business units on two goals: becoming low cost producers in the long term while at the same time continuing to invest in marketing and product development to grow new product and service revenues. In the ensuing years, in connection with these goals, the Company embarked on three key strategic initiatives: (i) consolidating Arlon industrial products from three plants into a single new facility in Texas, (ii) relocating Kasco's manufacturing operations to Mexico, and (iii) establishing a new manufacturing facility for Arlon Electronic Materials in China. The vast majority of expenses associated with these initiatives are in the past and these initiatives are now beginning to bear substantial fruit.

In the Arlon Electronic Materials segment, strong 2006 sales growth of approximately \$ and operating leverage resulted in improved margins, despite China plant startup expenses of \$ million and a China loss of \$ in the fourth quarter due to the late start up with limited operations. The China plant will be ramping up production in the first quarter 2007 with accompanying planned United States redundancy costs to begin being eliminated during that time. This, combined with recently implemented average price increases of %, are expected to contribute to operating profit increases in the Arlon Electronic Materials segment in the range of \$ to \$ million in 2007.

Arlon Coated Materials 2006 results featured flat sales, though with strong growth in digital print products. Graphics business margins declined as corporate re-imaging business was replaced by lower margin print products. The industrial products business in San Antonio posted scrap, plant efficiency, and other cost savings improvements of \$ million. In 2007, it is anticipated that this business will benefit from the full-year impact of \$ million in annualized cost reductions implemented in the fourth quarter of 2006, along with continued plant-level improvements and increased sales. For 2007, the graphics business is expected to continue to show strong sales growth in digital print products. Graphics margins are expected to be generally stable, despite the continued growth of lower margin digital print products, as a result of recently implemented average price increases of approximately %,

volume-driven plant efficiencies, and targeted materials cost reduction efforts. The Company expects the Arlon Coated Materials segment operating profit to increase in the range of \$ to \$ million in 2007.

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For Kasco, 2006 reflected modest sales growth from increasing service revenue. Effective October 1, 2006, the Company, through its wholly-owned subsidiary Kasco Corporation, acquired Atlanta SharpTech which delivered revenue of \$ million in fourth quarter revenue. In addition, 2006 segment operating profit benefited from the absence of \$ million in move and relocation costs associated with the production operations move to Mexico in 2005. The SharpTech acquisition was accretive in the fourth quarter of 2006, and is expected to remain accretive to earnings in 2007. On the first day of the acquisition, the Company implemented cost savings equal to \$ million on an annualized basis, and additional cost savings will result as the Kasco and Atlanta SharpTech integration continues. In addition, 2007 results are expected to reflect the full year benefit of lower costs and improved scrap and efficiency in the Mexican operations and continued improvements in European operations. The Company expects operating profit to increase in the range of \$ to \$ million in 2007.

The benefits of the Company's strategic initiatives initiated by your Board have already begun to become evident. The Company's 2006 earnings per share were \$ (excluding the impact of professional fees related to the Offer, the Steel Partners' consent solicitation 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), an increase of \$ from 2005. The Company also increased its guidance for 2007 as a result of positive trends in the business and the Atlanta SharpTech acquisition, with earnings per share now in the range of \$1.05 to \$1.20 (excluding the impact of professional fees related to the Offer and the Steel Partners' consent solicitation).

The Company's current strategic plan, which is more fully described in the Schedule 14D-9, has delivered substantial value to the Company's stockholders in 2006 and should deliver substantial additional value in 2007 and beyond.

Your Board Knows the Company

Your Board has an understanding of and familiarity with the Company's business, financial condition, current business strategy and future prospects and believes that these have not been fully reflected in the Company's results of operations or share price. Your current directors have over fifty years of combined experience serving on your Board and have an intimate knowledge of the industry in which the Company operates. In contrast, Steel Partners and their handpicked nominees do not have the same familiarity with the Company as the Board and have demonstrated that their goal is not to enhance the value of the Company but to acquire the Company at an unreasonably low price for their own benefit. Even if the Company's stockholders consent to the replacement of the existing Board with Steel Partners' nominees, Steel Partners will not be obligated to consummate the Offer unless a number of conditions are satisfied or waived by Steel Partners. There is no way to be certain that Steel Partners' nominees would have the ability or incentive to manage the Company and enhance its value for the benefit of all of its stockholders in the event that your Board is replaced by the consent of the Company's stockholders and the Offer is not consummated.

Steel Partners' Nominees have Conflicts of Interest

While the Steel Partners nominees, if elected, would have certain fiduciary obligations under Delaware law to the Company and its stockholders, your Board expects that Steel Partners' nominees could act in furtherance of the interests of Steel Partners. In particular, if the Steel Partners' nominees are elected as your directors, conflicts of interests are inevitable and would be detrimental to the interests of the Company and its stockholders. Given that it is in Steel Partners' financial interest to acquire the Company at the lowest possible cost to Steel Partners by paying an unreasonably low price for the shares, the Board questions whether the Steel Partners' nominees would objectively evaluate the Offer, consider alternatives to the Offer, negotiate aggressively against Steel Partners to obtain the best value for the Company's stockholders or take any steps to enhance the value of the Company prior to its acquisition by Steel Partners.

Four out of five of your current Board members are independent directors within the meaning of the New York Stock Exchange's listing standards. In contrast, Warren L. Lichtenstein is the Chairman and Managing Member of Partners L.L.C, the general partner of Steel Partners and serves on the board of directors for a number of Steel Partners-owned companies, John J. Quicke is the Vice President of Steel Partners Ltd., an affiliate of Steel Partners, and serves on the board of directors of a number of Steel Partners-owned companies, Mr. Quicke,

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Hugh F. Culverhouse and Howard M. Leitner are currently Board nominees in the Steel Partners tender offer and consent solicitation for control of Stratos International, and Mr. Quicke and Howard M. Leitner were both executive officers at Sequa Corporation for a number of years. It is vital that the Company continue to have in place a board of directors that will act solely in the best interests of the Company and its stockholders and not be influenced by their affiliations with Steel Partners.

Your Board Has and Will Continue to Act in the Best Interests of the Company and All of its Stockholders

Your Board has acted and will continue to act in the best interests of all of the Company's stockholders. The Company has not taken the traditional steps that many public companies take to disable hostile takeovers and consent solicitations, such as implementing a staggered board of directors, prohibiting stockholder action by written consent and prohibiting the removal of directors without cause, precisely because the Company values input from its stockholders.

Your Board has carefully considered the Offer and other strategic alternatives available to the Company, including the continued implementation of the Company's standalone business plan. Since June 22, 2006, when Steel Partners announced its intention to commence an unsolicited tender offer, the Board has met on nine separate occasions to discuss the Offer, the Company's future, and which alternative provided the greatest estimated value for the Company's stockholders. Your Board hired Lazard to assist it in developing and evaluating any and all strategic alternatives for enhancing long-term stockholder value, including a possible sale or merger of the Company. The Company, with Lazard's assistance, undertook a broad search for viable strategic alternatives for the Company which would produce values for the Company's stockholders in excess of the Company's current strategic plan.

Your Board adopted a shareholder rights plan (the Rights Plan), on June 22, 2006 for the purpose of protecting stockholder value at a time when the Company's stock price was depressed. Your Board instituted the Rights Plan to protect the Company's stockholders from inadequate unsolicited offers such as the Offer. The Rights Plan does not impact in any way an attempt to vote directors out of office through a consent solicitation such as the one initiated by Steel Partners.

The Board also entered into customary change in control agreements (the Change in Control Agreements) with certain senior executives of the Company on June 26, 2006. The Board believed it was important to adopt the Change in Control Agreements in order to provide an incentive for executives to remain with the Company throughout the turmoil and uncertainty that an unsolicited tender offer, such as Steel Partners' Offer, causes. The Company is a decentralized company and its management is one of its most important assets. 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 Change of Control Agreement were reasonable and consistent with severance arrangements for executives of companies similar to the Company. The terms of the Change in Control Agreements are described in greater detail under "Executive Contracts" Change in Control Agreements" below.

The Board also approved an amendment to the Company's Bylaws on July 10, 2006. The Bylaws now set forth procedures which will allow the Company to set a record date to accurately determine the stockholders entitled to consent to a corporate action in writing without a meeting, provide for the appointment of inspectors of elections when the Company's stockholders elect to consent to a corporate action in writing without a meeting to ensure a prompt ministerial review of the validity of any consents and revocations delivered in connection therewith, and confirm additional details relating to written consents of stockholders as set forth in Section 228(c) of the DGCL. These changes do not adversely affect the ability of the Company's stockholders to consent to actions in writing without a meeting.

For the foregoing reasons, the Board of Directors of the Company strongly believes that the solicitation being undertaken by Steel Partners is not in the best interests of the Company's stockholders.

We urge stockholders to reject Steel Partners' solicitation and revoke any consent previously submitted.

Do not delay. In order to ensure that the existing Board is able to act in your best interests, please mark, sign, date and return the enclosed WHITE consent revocation card as promptly as possible.

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BACKGROUND OF THE STEEL PARTNERS OFFER

Steel Partners has been a stockholder of the Company since 1996. From time to time representatives of the Company and Steel Partners have discussed the operations of the Company and its financial performance. During one telephone call, representatives of Steel Partners spoke with Luke E. Fichthorn III, the Company's current Chairman and Chief Executive Officer, regarding a potential strategic transaction involving the Company and another company in which Steel Partners had an interest. The Company determined that this proposed transaction would not be in the best interests of the Company's stockholders and did not pursue the transaction.

In June 2005, the Company resumed the share repurchase program it had originally established in 1995 and from time to time thereafter repurchased its shares in the market. The Company temporarily halted its repurchase program on June 22, 2006.

In late 2005, representatives of Steel Partners called Mr. Fichthorn of the Company to discuss certain aspects of the Company's business and operations, including the Company's defined pension plan and general concerns related to controlling escalating medical costs.

On January 9, 2006, Warren G. Lichtenstein of Steel Partners sent a letter to the Company asking the Company's Board to immediately adopt a resolution exempting Steel Partners from the limitations of Section 203 of the Delaware General Corporation Law (the DGCL) and recommending that the Board seek stockholder approval at the next annual meeting of stockholders to amend the Company's certificate of incorporation to elect not to be governed by Section 203 of the DGCL. Section 203 of the DGCL, which is intended to aid boards of directors in protecting stockholders of Delaware companies from inadequate or coercive hostile offers, generally prohibits a Delaware company from entering into certain business combinations with an interested stockholder (a stockholder owning in excess of 15% of a company's outstanding shares) for a period of three years unless the stockholder obtained approval from the board of directors prior to crossing the 15% threshold.

On January 26, 2006, at the Company's regularly scheduled Board of Directors meeting, the Board reviewed Steel Partners' letter of January 9, 2006 and discussed Steel Partners' request. After careful consideration and consultation with outside counsel, the Board determined that allowing Steel Partners to purchase shares in excess of the threshold set by Section 203 of the DGCL and pursuing action to cause the Company not to be governed by Section 203 of the DGCL were not in the best interests of all of the Company's stockholders.

On January 31, 2006, Mr. Fichthorn of the Company sent a letter to Mr. Lichtenstein of Steel Partners informing him of the Board's decision and explaining the reasoning behind the Board's decision. The Company therefore did not approve further purchases by Steel Partners and did not seek to amend the Company's certificate of incorporation, and Steel Partners did not press these issues any further with the Company.

In March 2006, representatives of Steel Partners asked to visit certain of the Company's facilities and the Company agreed to accommodate this request.

In April 2006, in response to Steel Partners' earlier request, the Company arranged for representatives of Steel Partners to visit certain Company facilities. Representatives of Steel Partners toured the Company's Arlon Electronic Materials facility located in Rancho Cucamonga, California and its Arlon Coated Materials facility located in Santa Ana, California.

After the site visits in April 2006, the Company had no further contact with Steel Partners until June 15, 2006.

On June 15, 2006, a representative of Steel Partners telephoned Mr. Fichthorn to inform him that Steel Partners had sent a letter regarding the proposed Offer and had issued a press release to that effect. Later that day, Mr. Fichthorn of the Company received a letter from Mr. Lichtenstein of Steel Partners indicating Steel Partners' intention to commence the Offer.

Later in the day on June 15, 2006, Steel Partners issued a press release announcing its intention to commence a tender offer.

On June 16, 2006, the Company issued a press release cautioning the Company's stockholders against taking any premature action and stating that the Board would make a recommendation to the stockholders with respect to the Offer in a timely manner.

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On June 19, 2006, the Board held a special meeting by telephone. The Board, together with Debevoise & Plimpton LLP (Debevoise), its legal counsel, reviewed Steel Partners' proposed offer, discussed its implications under the DGCL and considered the possibility of pursuing strategic alternatives and implementing a shareholder rights plan. The Board also determined to retain Richards Layton & Finger, P.A., as special Delaware counsel.

On June 22, 2006, Steel Partners issued a press release announcing the commencement of the Offer and Steel Partners and the Offeror filed a Tender Offer Statement on Schedule TO (together with the exhibits, amendments and supplements thereto, the Schedule TO), commencing the Offer.

Later in the day on June 22, 2006, the Board met in person to discuss the Offer. At the Board meeting, the Board formally retained Lazard as its financial adviser and resolved to retain Georgeson Inc. (Georgeson) as its information agent and Citigate Sard Verbinen LLC (CSV) as its public relations adviser. Representatives of Debevoise reviewed with the Board its fiduciary duties. Representatives of Lazard reviewed with the Board the financial terms of the Offer and discussed its preliminary views as to possible courses of action available to the Company. Recognizing that it is in the best interests of the Company's stockholders for the Board to have sufficient time to carefully evaluate the Offer and possible alternatives, including the Company's existing strategic plan, and to protect the Company's stockholders against potentially inadequate or coercive offers, the Board considered adopting a shareholder rights plan. Representatives of Debevoise and Lazard reviewed with the Board the terms and conditions of the proposed Rights Plan. After lengthy discussions with its advisers, the Board approved the Rights Plan.

On June 22, 2006, the Company issued a press release announcing its adoption of the Rights Plan and the retention by the Company of Lazard as its financial adviser and Debevoise as its legal adviser.

On June 26, 2006, Steel Partners issued a press release reacting to the Company's adoption of the Rights Plan, and Steel Partners and the Offeror filed an amendment to the Schedule TO amending the terms of the Offer to include a new condition requiring the redemption of the rights or inapplicability to the Offer of the rights.

On June 26, 2006, to provide an incentive for management to continue working for the Company in light of the uncertainty created by Steel Partners' Offer, the Company entered into the Change in Control Agreements with certain senior executives of the Company, including Kenneth L. Bayne, Larry C. Maingot, Larry D. Smith, Daniel T. Holverson, Elmer G. Pruijm, Robert M. Carini, Brian E. Turner and Morgan Ebin. Each Change in Control Agreement entitles the executive to severance benefits if his employment with the Company 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 Change in Control Agreements also commit the executives to remain employed with the Company in the event of a tender or exchange offer until such offer has been terminated or a change in control has occurred.

On July 6, 2006, Bairnco sent a letter to Steel Partners' outside legal counsel setting forth a list of 19,300 stock options and 16,000 shares of restricted stock that the Board had granted to certain new hires and other employees of the Company with high potential who had become eligible for restricted stock awards on June 22, 2006.

On July 6, 2006, the Board met to discuss the Offer. Representatives of Debevoise reviewed with the Board the terms and conditions of the Offer and the directors' fiduciary duties, and representatives of Lazard reviewed with the Board the financial terms of the Offer and reviewed and discussed various financial analyses. Representatives of Lazard also provided to the Board its oral opinion, confirmed in writing on the same day, to the effect that, as of July 6, 2006 and subject to the qualifications and limitations set forth in the Lazard Opinion, the consideration being offered by Steel Partners to the holders of the shares pursuant to the Offer is inadequate from a financial point of view to such holders (other than Steel Partners and its affiliates). Following this review and discussion by the Board of numerous relevant factors, the Board 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). The Board also took action to delay the distribution date with respect to the rights granted pursuant to the Rights Plan.

In the afternoon on July 6, 2006, Mr. Fichthorn of the Company sent Mr. Lichtenstein of Steel Partners a letter providing him with the Company's press release relating to the Offer.

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On July 10, 2006, the Board amended the Company's By-Laws to set forth procedures which will allow the Company to (i) set a record date to accurately determine the stockholders entitled to consent to a corporate action in writing without a meeting, (ii) provide for the appointment of inspectors of elections when the stockholders elect to consent to a corporate action in writing without a meeting to ensure a prompt ministerial review of the validity of any consents and revocations delivered in connection therewith and (iii) confirm additional details relating to written consents of stockholders as set forth in Section 228(c) of the DGCL.

On July 21, 2006, Steel Partners extended the expiration date of the Offer to 5:00 P.M., New York City time, on August 9, 2006.

On July 24, 2006, the Board held a special meeting by telephone. The Board reviewed the status of the Offer with its advisers, Debevoise and Lazard, and discussed the tender results related to the Offer as of July 20, 2006. Representatives of Lazard reviewed with the Board other strategic alternatives available to the Company, including the possible sale of the Company to a strategic or financial buyer. The Board discussed the possibility of exploring strategic alternatives in addition to pursuing the Company's strategic plan. The Board agreed to meet on July 28, 2006, to further discuss the alternatives and to make a decision.

On July 28, 2006, the Board held a special meeting by telephone to discuss the Offer and the Company's strategic plan and consider whether to explore other strategic alternatives for the Company. The Board determined to maintain its recommendation that its stockholders reject the Offer as inadequate and not in the best interests of its stockholders (other than Steel Partners and its affiliates). The Board discussed the implementation of the Company's strategic plan and affirmed its view that the continued implementation of this plan was in the best interests of all the Company's stockholders. After further discussions with its legal and financial advisers, the Board determined to continue to implement its strategic plan and concurrently to work with Lazard to explore other strategic alternatives, including the possible sale of the Company.

Later in the day on July 28, 2006, the Company issued a press release announcing the Company's intention to explore a variety of possible strategic alternatives, including the possible sale of the Company.

On August 10, 2006, Steel Partners extended the expiration date of the Offer to 5:00 P.M., New York City time, on September 8, 2006.

On August 18, 2006, the Board increased the quarterly cash dividend to \$.07 per share, from \$.06 per share.

On September 11, 2006, Steel Partners extended the expiration date of the Offer to 5:00 P.M., New York City time, on September 28, 2006.

On September 29, 2006, Steel Partners extended the expiration date of the Offer to 5:00 P.M., New York City time, on October 26, 2006.

On October 10, 2006, the Board held a special meeting by telephone to discuss the purchase from Southern Saw Holdings, Inc., a Georgia corporation, of certain assets and the assumption of certain liabilities, including trade accounts receivable, inventory, fixed assets, trade accounts payable and specific accrued expenses of Southern Saw and its affiliate, Southern Saw Service, L.P., a Georgia limited partnership (Atlanta SharpTech), for approximately \$14.0 million (subject to purchase price adjustments) (the Atlanta SharpTech Transaction). The Board unanimously approved the Atlanta SharpTech Transaction.

On September 27, 2006, October 10, 2006 and October 11, 2006, the Board held special meetings to discuss with its legal and financial advisers the Company's strategic alternatives, including a possible sale of the Company and the

Company's long term strategic plan. Lazard reported to the Board that it had contacted a large number of possible strategic and financial buyers and had provided interested parties with limited due diligence, subject to the signing of a customary confidentiality agreement. Bairnco had offered to allow Steel Partners to perform similar diligence, but Steel Partners was not willing to sign the confidentiality agreement. While some buyers expressed interest in certain of the Company's businesses, no offers for the entire Company were forthcoming. The Board discussed the current strategic alternatives available to the Company, including the Offer, and determined that these alternatives would deliver less value potential than operating Bairnco as a standalone company. The Board reviewed the Company's long term strategic plan and, on October 11, 2006, affirmed its view that the continued implementation of this plan was in the best interests of all the Company's stockholders. On October 11, 2006, the Board

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determined to maintain its recommendation that its stockholders reject the Offer as inadequate and not in the best interests of its stockholders (other than Steel Partners and its affiliates).

Later in the day on October 11, 2006, the Company issued a press release announcing the Company's intention to continue to implement its long term strategic plan, which it believes is in the best interests of all shareholders, and announcing the consummation of the Atlanta SharpTech Transaction.

On October 19, 2006, the Company issued a press release announcing that the Company had raised guidance for 2007 from \$.95-\$1.10 to \$1.05-\$1.20 (excluding the impact of professional fees related to the Offer and the Steel Partners consent solicitation) and reaffirmed 2006 guidance.

In mid-October 2006, counsel for Steel Partners and counsel for the Company had limited discussions on the terms of the confidentiality agreement but did not reach any understanding related thereto.

Between October 20 and October 26, 2006, Mr. Lichtenstein of Steel Partners and Mr. Fichthorn engaged in several conversations regarding a possible sale of the Company to Steel Partners. While Mr. Fichthorn was consistent in these conversations that \$12.00 per share was an inadequate purchase price, he did state that the Company might be willing to agree to a sale at higher price that reflected the full value of the Company. At no point in these conversations did either Mr. Fichthorn or Mr. Lichtenstein make any other offer at any other price. Mr. Lichtenstein did suggest 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 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.