

BARNES GROUP INC
Form DEF 14A
March 16, 2005
Table of Contents

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

SCHEDULE 14A

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

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ "

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BARNES GROUP INC.

(Name of Registrant as Specified In Its Charter)

BARNES GROUP INC.

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

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Table of Contents

Barnes Group Inc.

Executive Office

123 Main Street

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Bristol, Connecticut 06011-0489 U.S.A.

Tel. (860) 583-7070

March 22, 2005

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD APRIL 21, 2005**

You are invited to attend the Annual Meeting of Stockholders of Barnes Group Inc. which will be held at the Hartford/Windsor Marriott Airport Hotel, 28 Day Hill Road, Windsor, Connecticut 06095, at 11:00 a.m. on Thursday, April 21, 2005, for the following purposes:

1. To elect three directors for a three-year term;
2. To ratify the selection of PricewaterhouseCoopers LLP as independent registered public accountants for 2005; and
3. To transact any other business that lawfully may come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on February 22, 2005 will be entitled to vote at the meeting.

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

Signe S. Gates

Secretary

Table of Contents

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

	<u>Page</u>
<u>Election of Three Directors for a Three-Year Term (Proxy Proposal 1)</u>	1
<u>The Board and Its Committees</u>	3
<u>Compensation of Directors</u>	6
<u>Stock Ownership by Directors and Executive Officers</u>	7
<u>Beneficial Owners of More Than 5% of Shares</u>	8
<u>Audit Committee Report</u>	9
<u>Compensation and Management Development Committee Report</u>	10
<u>Compensation</u>	14
<u>Stock Options</u>	16
<u>Pension Plans</u>	18
<u>Employment Agreement</u>	19
<u>Change-In-Control and Severance Arrangements</u>	20
<u>Performance Graph</u>	21
<u>Ratification of Selection of PricewaterhouseCoopers LLC as Independent Registered Public Accountants (Proxy Proposal 2)</u>	22
<u>Principal Accounting Fees and Services</u>	22
<u>Pre-Approval Policy and Procedures</u>	22
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	24
<u>Stockholder Proposals for 2006 Annual Meeting</u>	24
<u>General</u>	24
<u>Annex 1 Audit Committee Charter</u>	

Table of Contents

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

APRIL 21, 2005

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Barnes Group Inc. (the Company) of proxies to be voted at the Annual Meeting of Stockholders to be held on April 21, 2005 and at any adjournment thereof. A stockholder who votes by proxy using the telephone or the Internet as described in the proxy card, or signs and returns a proxy card in the accompanying form, may revoke it by notifying the Secretary of the meeting in person or in writing (including by delivery of a later dated proxy) at any time before it is voted. This Proxy Statement and the enclosed form of proxy are being sent to stockholders on or about March 22, 2005.

ELECTION OF THREE DIRECTORS FOR A THREE-YEAR TERM (Proxy Proposal 1)

The Board of Directors Recommends a Vote For All Nominees.

Three directors are nominated for re-election at the 2005 Annual Meeting for a three-year term (unless any of them earlier dies, resigns, retires or is removed, as provided in the Company's By-laws). William S. Bristow, Jr., Edmund M. Carpenter and G. Jackson Ratcliffe, Jr. are nominated for re-election to the Board of Directors for terms expiring at the Annual Meeting in 2008. Directors are elected by a plurality of the votes cast for Proposal 1. Proxies may be voted only for the number of nominees named by the Board of Directors.

Pertinent information concerning the nominees for re-election as directors and the seven directors whose terms continue after the meeting is set forth below. Each director has been associated with his or her present organization for at least the past five years unless otherwise noted. None of the organizations listed as business affiliates of the directors is a subsidiary or other affiliate of the Company.

Nominees for Re-election

William S. Bristow, Jr.

Director since 1978

Current term expires 2005

Mr. Bristow, 51, is President of W.S. Bristow & Associates, Inc., which is engaged in small business development. He is Chairman of the Executive Committee, and a member of the Finance

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Committee of the Company's Board of Directors.

Edmund M. Carpenter

Director since 1998

Current term expires 2005

Mr. Carpenter, 63, became President and Chief Executive Officer of the Company in 1998. He is an ex officio, non-voting member of the Executive Committee of the Company's Board of Directors. He is a director of Campbell Soup Company and Dana Corporation.

G. Jackson Ratcliffe, Jr.

Director since 2001

Current term expires 2005

Mr. Ratcliffe, 68, retired September 14, 2004 as Chairman of the Board of Directors of Hubbell Incorporated where he had also served as President and Chief Executive Officer from 1987 through July 1, 2001. He is a member of the Audit Committee, the Finance Committee, and the Compensation and Management Development Committee of the Company's Board of Directors. He is a director of Sunoco, Inc., Praxair, Inc. and Hubbell Incorporated.

Table of Contents

Continuing Directors

John W. Alden

Director since 2000

Current term expires 2007

Mr. Alden, 63, retired as Vice Chairman, United Parcel Service of America, Inc. in 2000. He is Chairman of the Corporate Governance Committee, and a member of the Finance Committee and the Compensation and Management Development Committee of the Company's Board of Directors. From 1988 until his retirement, he served as a director of United Parcel Service. He is a director of Silgan Holdings Inc. and The Dun & Bradstreet Corporation.

Thomas O. Barnes

Director since 1978

Current term expires 2006

Mr. Barnes, 56, is Chairman of the Board of Directors and an employee of the Company. He is an ex officio, non-voting member of the Executive Committee of the Company's Board of Directors. He is a director of Valley Bank.

Gary G. Benanav

Director since 1994

Current term expires 2006

Mr. Benanav, 59, retired in March 2005 from New York Life International, LLC where he was the Chief Executive Officer and the Vice Chairman and a Director of New York Life Insurance Company. He continues to serve as Chairman of New York Life International, LLC. He is Chairman of the Audit Committee, and a member of the Corporate Governance Committee and the Compensation and Management Development Committee of the Company's Board of Directors. He is a director of Express Scripts, Inc., a full-service pharmacy benefit management company.

George T. Carpenter

Director since 1985

Current term expires 2007

Mr. Carpenter, 64, is President and a director of The S. Carpenter Construction Company, which is involved in general contracting, and The Carpenter Realty Company, which is involved in real estate management. He is Chairman of the Finance Committee, and a member of the Executive

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Committee and the Corporate Governance Committee of the Company's Board of Directors. He is a director of Webster Financial Corporation.

Donald W. Griffin

Director since 2001

Current term expires 2006

Mr. Griffin, 68, retired as Chairman of the Board of Directors of Olin Corporation, a position that he held from 1996 until April, 2003. He is a member of the Audit Committee, the Corporate Governance Committee, and the Compensation and Management Development Committee of the Company's Board of Directors. He was also President and Chief Executive Officer of Olin from 1996 through 2001. He is a director of Eastman Chemical Company and Olin Corporation.

Table of Contents

Frank E. Grzelecki

Director since 1997

Current term expires 2007

Mr. Grzelecki, 67, is retired from Handy & Harman, a diversified industrial manufacturing company, where he last was a Director and Vice Chairman in 1998. He is Chairman of the Compensation and Management Development Committee, and a member of the Executive Committee, the Audit Committee, and the Finance Committee of the Company's Board of Directors. He was a Managing Director of Saugatuck Associates, Inc., a private investment firm, from 1999 to 2000. Mr. Grzelecki is a trustee of The Phoenix Edge Series Fund.

Mylle H. Mangum

Director since 2002

Current term expires 2006

Ms. Mangum, 56, is the Chief Executive Officer of International Banking Technologies, a leading provider of branch banking solutions. She was formerly the Chief Executive Officer of True Marketing Services, focusing on consolidating marketing services companies. She is a member of the Audit Committee, the Corporate Governance Committee, and the Compensation and Management Development Committee of the Company's Board of Directors. From 1999 to 2002, she was the Chief Executive Officer of MMS, a private equity company involved in developing and implementing marketing and loyalty programs in high-tech environments. She was President, Global Payment Systems and Senior Vice President, Strategic Planning and Expense Management for Carlson Wagonlit Travel from 1997 to 1999. She is a director of Scientific-Atlanta, Inc., Payless ShoeSource, Inc., Haverty Furniture Companies, Inc., Respironics, Inc., and Emageon Inc.

THE BOARD AND ITS COMMITTEES

The Board of Directors

In 2004, the Board of Directors held six regular meetings and four special meetings which were held telephonically. Each incumbent director of the Company attended 100% of the regular meetings of the Board of Directors and in excess of 90% of the aggregate number of meetings of the Board of Directors and Board committees on which he or she served during 2004. All of the members of the Board of Directors attended the 2004 Annual Meeting of Stockholders. The Company's Corporate Governance Guidelines provide that the Board of Directors should generally have no fewer than six and no more than 12 directors. The Board of Directors currently has 10 directors. Each director is required to resign from the Board no later than the annual meeting of stockholders following his or her 70th birthday. Each director is required to advise the Chairman of the Board of Directors of any change in his or her status, including without limitation, a change in employment or service on other boards of directors, or retirement from his or her principal occupation or another board of directors. Mr. Barnes, Chairman of the Board of Directors, is designated to preside at executive sessions of non-management members of the Board of Directors. Mr. Benanav, Chairman of the Audit Committee, or his delegate director is designated to preside at executive sessions of the independent directors.

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The Board of Directors adopted Corporate Governance Guidelines which set forth requirements to be met by each director in order to be an independent director. Pursuant to the Corporate Governance Guidelines: An independent director of the Company shall be one who meets the qualification requirements for being an independent director under the corporate governance listing standards of the New York Stock Exchange (NYSE), including the requirement that the Board must have affirmatively determined that the Director has no material relationships with the Company, either directly or as a partner, stockholder, or officer of an organization that has a

Table of Contents

relationship with the Company. To guide its determination whether or not a business or charitable relationship between the Company and an organization with which a director is so affiliated is material, the Board has adopted the following categorical standards:

- a. A Director will not be Independent if (i) the Director is, or was within the preceding three years, employed by the Company; (ii) an immediate family member of the Director is, or was within the preceding three years, employed by the Company as an executive officer (as such term is defined by the NYSE) other than on an interim basis; (iii) the Director or any immediate family member has received from the Company, during any 12 consecutive months within the preceding three years, more than \$100,000 in direct compensation from the Company, other than Director and committee fees and deferred compensation for prior service, provided, that such deferred compensation is not contingent on continued service; (iv) the Director is employed by the Company's independent auditor; (v) an immediate family member of the Director is employed by the Company's independent auditor (I) as a partner, principal or manager, or (II) otherwise as an employee who participates in such independent auditor's audit, assurance or tax compliance (but not tax planning) practice; or (vi) the Director or an immediate family member was within the last three years (but is no longer) a partner, principal, manager or other employee of the Company's independent auditor and personally worked on the Company's audit within that time; or (vii) a Company executive officer is, or was within the preceding three years, on the board of directors of a company which, at the same time, employed the Company Director or an immediate family member of the Director as an executive officer.

- b. The following commercial and charitable relationships will not be considered material relationships that would impair a Director's independence: (i) if a Company Director is an employee, or an immediate family member is an executive officer, of another company that does business with the Company and, within any of the last three fiscal years, the annual sales to, or purchases from, the Company are less than 1% of the annual revenues of the other company; (ii) if a Company Director is an employee, or an immediate family member is an executive officer, of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is less than 1% of the total consolidated assets of the other company; and (iii) if a Company Director serves as an officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions to the organization are less than 1% of such organization's total annual charitable receipts, provided, that the amount of the Company's contributions shall not include the matching of charitable contributions by Barnes Group Foundation, Inc. pursuant to the Matching Gifts Program.

The Board of Directors has determined that, each of the following non-employee directors meets such categorical standards and therefore does not have a material relationship, directly or indirectly, with the Company and is independent as defined in the NYSE listing standards: Messrs. Alden, Benanav, Griffin, Grzelecki and Ratcliffe, and Ms. Mangum.

The Board of Directors affirmatively determined that although the two other non-employee directors: Messrs. Bristow and G.T. Carpenter do not meet such categorical standards due, in the case of Mr. Bristow, to an immediate family member receiving employee compensation greater than \$100,000 from the Company and, in the case of Mr. G.T. Carpenter, to a commercial banking relationship between the Company and an institution for which Mr. G.T. Carpenter serves as a director, each such relationship is not material and each of them is independent as defined in the NYSE listing standards.

The Company has a standing Audit Committee, Compensation and Management Development Committee and Corporate Governance Committee. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The current charter for each of these committees is available on the Company's Internet website. The Company has posted its Policy Regarding Reporting of Complaints and Concerns on its website. The policy sets forth the method by which stockholders and other interested parties may communicate with the Board of Directors. The Company's website address is www.barnesgroupinc.com.

Table of Contents

The Audit Committee

The Audit Committee members are:

Gary G. Benanav, Chairperson

Donald W. Griffin

Frank E. Grzelecki

Mylle H. Mangum

G. Jackson Ratcliffe

The Audit Committee is responsible for overseeing accounting policies and practices, financial reporting and the internal control structure. The Audit Committee held nine meetings in 2004. The current charter for the Audit Committee, as adopted on February 17, 2005 by the Board of Directors, is set forth in Annex 1 of this Proxy Statement.

The Board of Directors has determined that each of the members of the Audit Committee qualifies as an independent director under the NYSE listing standards.

The Corporate Governance Committee

The Corporate Governance Committee members are:

John W. Alden, Chairperson

Gary G. Benanav

George T. Carpenter

Donald W. Griffin

Mylle H. Mangum

The Corporate Governance Committee makes recommendations concerning Board membership, functions and compensation. The Board of Directors has determined that each of the members of the Corporate Governance Committee qualifies as an independent director under the NYSE listing standards. The Corporate Governance Committee serves as a nominating committee for the

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Company. The Corporate Governance Guidelines adopted by the Board of Directors provide that nominees for Directors are to be selected based on, among other things, their character, wisdom, judgment, ability to make independent analytical inquiries, business experience and skills. In addition, consideration will be given to a nominee's understanding of the Company's business environment, time commitment, acumen and ability to act on behalf of the Company's stockholders. The committee utilizes a third party in connection with identifying and reviewing potential nominees to the Board of Directors. Upon request of the committee, the third party will identify candidates based on criteria specified by the committee, perform initial screenings of the candidates' resumes, and conduct initial interviews. The committee will, as stated in the Process and Procedure for Identifying Director Candidates (the Policy) adopted by the committee, consider director candidates recommended by stockholders. If a stockholder recommends a candidate for nomination by the Corporate Governance Committee, the committee would evaluate that candidate in the same manner as all other candidates to be nominees for director. Any stockholder wishing to submit such a recommendation should do so in writing addressed to:

Chairperson, Corporate Governance Committee

c/o Signe S. Gates

Senior Vice President, General Counsel and Secretary

Barnes Group Inc.

123 Main Street

Bristol, CT 06010

In accordance with the Policy, recommendation letters must, at a minimum, provide the stockholder's name, address, and number of shares owned (if the stockholder is not the registered holder of shares, a written statement

Table of Contents

from the record holder of shares (e.g., a broker or bank) verifying the stockholder's beneficial ownership must be provided); the candidate's biographical information, including name, residential and business addresses, telephone number, age, education, accomplishments, employment history (including positions held and current and former directorships); and the stockholder's opinion as to whether the recommended candidate meets the definition of independent under the Company's Corporate Governance Guidelines and is financially literate as contemplated by the New York Stock Exchange rules. The recommendation letter must also provide such other information, if any, that would be required to be disclosed with regard to a nominee for director in the solicitation of proxies for election of directors under federal securities laws. The stockholder must include the recommended candidate's signed statement that he or she meets the qualifications of a director as described in the Policy; is willing to complete the questionnaire required of all officers, directors and candidates for nomination to the Board; will provide such other information as the committee may reasonably request; and consents to serve on the Board if elected. Stockholder nominations must be made in accordance with the procedures set forth in the Company's By-laws. A summary of these procedures is set forth below in this proxy statement under the caption Stockholder Proposals for 2006 Annual Meeting. The Corporate Governance Committee held three meetings in 2004.

The Compensation and Management Development Committee

The Compensation and Management Development Committee members are:

Frank E. Grzelecki, Chairperson

John W. Alden

Gary G. Benanav

Donald W. Griffin

Mylle H. Mangum

G. Jackson Ratcliffe

The Compensation and Management Development Committee administers the Company's incentive and stock plans, sets the salary of the President and Chief Executive Officer, and reviews and approves the compensation of the other executive officers. The Compensation and Management Development Committee held five meetings in 2004.

COMPENSATION OF DIRECTORS

The annual retainer for directors is \$35,000. In addition to the annual director retainer, committee chairpersons are paid an annual retainer as follows: Audit Committee Chair, \$10,000; Compensation and Management Development Committee Chair, \$5,000; and other committee chairs, \$2,500. The fee for attending a board or committee meeting is \$1,500; provided, that the fee for a telephonic meeting or telephonic participation in a non-telephonic meeting is \$1,000. Messrs. Barnes and E.M. Carpenter do not receive a retainer or meeting fees for service as directors. Pursuant to the Non-Employee Director Deferred Stock Plan, as further amended (the Non-Employee Director Deferred Stock Plan), each non-employee director was granted at the time he or she first joined the Board the right to receive 6,000 shares of Company common stock when his or her membership on the Board terminates or, if sooner, when a change of control occurs. The plan also provides for the payment of dividend equivalents equal to 6,000 times

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the dividend per share for each dividend payment date¹. In 2004, each of the directors other than Mr. E.M. Carpenter was granted 1,550 restricted stock units under the Barnes Group Inc. Stock and Incentive Award Plan. These restricted stock units vest as follows: 40% on the second anniversary of the grant date and an additional 20% on the third, fourth and fifth anniversaries of the grant date. Vesting accelerates in full in the event of a change of control or retirement from the Board of Directors more than two years after the grant date and after attaining age 70. Dividend equivalents equal to the dividend per share are paid on each restricted stock unit for each dividend payment date. Directors received a fee of \$1,500 per meeting if they attended either of the semi-annual meetings of the senior managers of the Company. Mr. Grzelecki, in his role as Chairman of the Compensation and Management Development Committee, received a fee in 2004 of \$1,500 in connection with his review of the results of the performance evaluation of the President and Chief Executive Officer. Messrs. Alden, G.T. Carpenter,

¹ Mr. Barnes became a participant in the plan when it was adopted in 1987. He became an employee in 1993 and continues to participate in the plan.

Table of Contents

Grzelecki, and Ratcliffe received reimbursement, including tax gross-up, for travel and meal expenses for their spouses in connection with Board of Directors meetings in the amount of \$15,131.74, \$10,905.93, \$11,680.79 and \$12,085.62, respectively. Mr. Barnes received \$250,000 for serving as Chairman and performing various other duties as a nonexecutive employee of the Company. The other duties performed by Mr. Barnes include working with the President and Chief Executive Officer to develop relationships with possible strategic partners, engaging in various operational corporate activities when requested, chairing Barnes Group Foundation, Inc., serving on the NHK-Associated Spring Suspension Components Inc. Board of Directors, and maintaining an active role in community affairs in the Bristol and Hartford areas.

STOCK OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

As of January 1, 2005, the Company's directors, named executive officers (as identified in the Summary Compensation Table), and directors and officers as a group beneficially owned the number of shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), shown below:

Name of Person or Group	Amount and Nature of Beneficial Ownership ¹	Percent of Common Stock
John W. Alden	21,500	*
John R. Arrington	233,189	1.0%
Thomas O. Barnes	641,119	2.8%
Gary G. Benanav	36,131	*
William S. Bristow, Jr.	284,099	1.2%
Edmund M. Carpenter	1,144,895	4.8%
George T. Carpenter	146,339	*
William C. Denninger	215,669	*
Signe S. Gates	238,723	1.0%
Donald W. Griffin	14,712	*
Frank E. Grzelecki	25,000	*
Mylle H. Mangum	8,048	*
Gregory F. Milczik	233,689	1.0%
G. Jackson Ratcliffe	14,228	*
Directors & executive officers as a group (22 persons)	4,103,842	16.0%

* Less than 1% of Common Stock beneficially owned.

Note to the above table:

¹ The named person or group has sole voting and investment power with respect to the shares listed in this column, except as set forth in this Note.

Mr. Barnes has sole voting and sole investment power with respect to 101,885 shares and sole voting and shared investment power with respect to 308,877 shares. Included in Mr. G.T. Carpenter's total are 105,447 shares held by corporations through which he has voting control. Mr. Bristow has shared voting and shared investment power with respect to 45,627 shares which are held in various trusts which he has the power to revoke.

The shares listed for Messrs. Alden, Arrington, Barnes, Benanav, Bristow, E.M. Carpenter, G.T. Carpenter, Denninger, Griffin, Grzelecki, Milczik and Ratcliffe and Mes. Gates and Mangum and the directors and officers as a group include 12,500; 193,205; 66,600; 26,000; 26,000; 833,667; 26,000; 158,702; 7,500; 18,000; 186,843; 7,500; 192,121; 1,667 and 2,394,847 shares, respectively, which they have the right to acquire within 60 days after January 1, 2005. The shares listed for Messrs. Arrington, Barnes, E.M. Carpenter, Denninger, Milczik and Ms. Gates, and the directors and officers as a group include 2,866; 9,252; 5,131; 3,187; 2,790; 4,704 and 60,217 shares, respectively, over which they have shared investment power. These shares are held under the Company's Retirement Savings Plan. The shares listed for Messrs. Alden, Barnes, Benanav, Bristow, G.T. Carpenter, Griffin, Grzelecki, and Ratcliffe and Ms. Mangum include 6,000 shares that each of them has the right to receive under the Non-Employee Director Deferred Stock Plan described above under the heading "Compensation of Directors."

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The shares listed for Messrs. Arrington, E.M. Carpenter, Denninger, Milzcik, and Ms. Gates and the directors and officers as a group do not include 43,629; 118,210; 48,889; 47,365; 43,629 and 483,411 restricted stock unit awards, respectively, that the holders may have the right to receive on a future date pursuant to the underlying agreements.

Table of Contents

The shares listed for each of Messrs. Alden, Barnes, Benanav, Bristow, G.T. Carpenter, Griffin, Grzelecki, and Ratcliffe and Ms. Mangum do not include 3,550 restricted stock unit awards that the holders may have the right to receive on a future date pursuant to the underlying agreements.

The number of shares reported as beneficially owned has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

BENEFICIAL OWNERS OF MORE THAN 5% OF SHARES

The individuals and institutions set forth below are the only persons known by the Company to be beneficial owners of more than 5% of the outstanding shares of Common Stock (as of December 31, 2004, in each case as indicated in the notes to this table):

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock
Bank of America Corporation ¹ 100 N. Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, North Carolina 28255	3,076,773	13.3%
The Barnes Group Inc. Retirement Savings Plan ² 123 Main Street Bristol, Connecticut 06011-0489	2,732,527	11.7%
Wachovia Corporation ³ One Wachovia Center Charlotte, North Carolina 28288-0137	1,993,520	8.6%
Mr. Wallace Barnes ⁴ 1875 Perkins Street Bristol, Connecticut 06010	1,876,322	8.1%
NFJ Investment Group L.P. ⁵ 2121 San Jancinto Street, Suite 1840 Dallas, Texas 75201	1,256,350	5.4%

Notes to the above table:

¹ As of December 31, 2004, as reported on a Schedule 13G filed with the Securities and Exchange Commission (SEC) on February 11, 2005, Bank of America Corporation had shared voting power with respect to 557,923 shares and shared investment power with respect to 3,075,873 shares.

² As of December 31, 2004, as reported on a Schedule 13G filed with the SEC on February 8, 2005, The Barnes Group Inc. Retirement Savings Plan had shared investment power with respect to 2,732,527 shares.

³ As of December 31, 2004, as reported on a Schedule 13G filed with the SEC on February 3, 2005, Wachovia Corporation had sole voting power with respect to 448,283 shares; sole investment power with respect to 1,990,520 shares; shared voting power with respect to 1,547,950 shares; and shared investment power with respect to 3,000 shares.

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⁴ As of December 31, 2004, as reported on a Schedule 13G filed with the SEC on February 7, 2005, Mr. Barnes had sole voting power with respect to 1,876,322 shares; sole investment power with respect to 1,051,857 shares; and shared investment power with respect to 824,465 shares. The reported ownership number does not include 30,000 shares, which are held by a private charitable foundation established by Mr. Barnes, as to which shares he disclaims beneficial ownership, and 32,712 shares held by his wife for which he has no voting or investment powers.

⁵ As of December 31, 2004, as reported on a Schedule 13G filed with the SEC on February 14, 2005, NFJ Investment Group L.P. had sole voting power with respect to 754,400 shares; sole investment power with respect to 1,256,350 shares; and shared voting power with respect to 501,950 shares.

Table of Contents

AUDIT COMMITTEE REPORT

To Our Fellow Stockholders at Barnes Group Inc.:

We, the members of the Audit Committee of the Board of Directors, are independent directors, as defined by the New York Stock Exchange and the Company's Corporate Governance Guidelines, and affirmatively determined by the Board of Directors. Management is responsible for the Company's financial reporting process and internal controls. The responsibility of the Committee is to provide general oversight of the Company's financial accounting, reporting and underlying internal controls. The Committee provides additional oversight of the Company's Corporate Compliance Program. The Committee has the ultimate authority for the selection, evaluation and retention of the independent auditors.

In 2004, the Audit Committee operated in accordance with its charter. On February 17, 2005, the Audit Committee reviewed and reassessed the charter to ensure its adequacy and compliance with the rules of the Securities and Exchange Commission and the New York Stock Exchange in effect as of such date. Upon the recommendation of the Committee, the Board of Directors approved an amended charter that is filed with this Proxy Statement and available on the Company's website.

During 2004, the Committee met nine times for the purpose of providing a forum for communication among the Directors, the Company's independent auditors, PricewaterhouseCoopers LLP, the Company's internal audit function and corporate management. During these meetings, the Committee reviewed and discussed with management and PricewaterhouseCoopers various matters in accordance with the provisions of the Audit Committee Charter, including the interim and the audited financial statements of the Company. In addition, the Committee met privately at its regular meetings with both the independent auditors and the internal audit function, as well as with the chief financial officer and the chief executive officer, each of whom has unrestricted access to the Audit Committee. The Committee was also advised, as contemplated by the Sarbanes-Oxley Act of 2002, of all critical accounting policies and practices of the Company, and any alternative treatments of financial information within generally accepted accounting principles and the treatment preferred by PricewaterhouseCoopers. In accordance with Statement of Auditing Standards No. 61, *Communication with Audit Committees*, the Committee discussed all required matters with PricewaterhouseCoopers, including the conduct of the audit of the Company's financial statements.

In addition, the Committee obtained formal, written disclosures from PricewaterhouseCoopers, including a letter affirming their independence as required by Independence Standards Board Standard No. 1. The information contained in such letter was discussed with PricewaterhouseCoopers.

The Committee reviewed fees related to aggregate services provided by PricewaterhouseCoopers for the year 2004, and concluded that the services rendered in 2004 that were neither audit nor audit-related did not impair the independence of PricewaterhouseCoopers.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, inclusion of the audited financial statements in the Company's Annual Report on Form 10-K, for the year ended December 31, 2004, for filing with the Securities and Exchange Commission. The Committee has also selected PricewaterhouseCoopers as the Company's independent accountants for 2005.

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As specified in the Audit Committee charter, it is not the duty of the Audit Committee to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles or to plan or conduct an audit in accordance with generally accepted auditing standards. That is the responsibility of management and the Company's independent auditors, respectively. In giving our recommendation to the Board, we have relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, and (ii) the report of the Company's independent auditors with respect to such financial statements.

AUDIT COMMITTEE

Gary G. Benanav, Chairperson

Donald W. Griffin

Frank E. Grzelecki

Mylle H. Mangum

G. Jackson Ratcliffe

Table of Contents

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT

To Our Fellow Stockholders at Barnes Group Inc.:

We, the members of the Compensation and Management Development Committee of the Board of Directors of Barnes Group Inc. (the Company), are independent, non-employee directors with no interlocking relationships as defined by the Securities and Exchange Commission. We are committed to developing compensation strategies with strong ties to stockholder value creation. The overarching philosophy with respect to executive compensation, therefore, is to link compensation programs to the Company's strategic business objectives and total stockholder return. If the Company's results against its goals and targets exceed preset performance targets, Barnes executives have an opportunity to realize significant additional compensation. This high degree of performance linkage, and the significant leverage and risk incorporated into the programs, give Barnes Group's executive team a very strong financial incentive to build lasting value through balanced, profitable, sustainable growth that creates stockholder wealth.

The Committee's charter, which outlines its duties and key practices, is available on the Company's website at www.barnesgroupinc.com.

Barnes Group's incentive strategies incorporate stretch operational goals. The Company's Board of Directors has taken an active role in the determination of these goals, and participated in the development of compensation programs directly tied to these same goals. Our objective has been to ensure appropriate balance between short-term and long-term incentives.

During 2004, the Committee retained an independent compensation consulting firm to review competitive compensation data for a group of comparative companies and for general industry, and the Company's compensation practices in terms of competitiveness, appropriateness and alignment with Company performance. The Committee met with members of the independent compensation consulting firm both with and without members of Company management as part of this review. The comparison group currently consists of companies in one or more of the Company's industries. The companies chosen for the comparison group are not necessarily the same as those represented in the stock price performance graph accompanying this report.

The key elements of Barnes Group's executive compensation strategy are annual cash compensation, including salary and short-term incentives, and long-term incentives, including stock options, restricted stock units, and performance stock. Total direct compensation (total annual cash plus the expected value of long-term incentives at grant) is targeted to fall between market median and 75th percentiles overall.

Annual Cash Compensation

Executive officers receive a salary for ongoing performance throughout the year. Short-term incentives are generally provided based on annual performance periods. A significant percentage of the annual cash compensation of Barnes Group executives is at risk under the Barnes Group Inc. Performance-Linked Bonus Plan For Selected Executive Officers, approved by stockholders at the April 12, 2001 Annual Meeting, and the Management Incentive Compensation Plan. Award opportunities are based on the performance of the Company as a whole, or the business unit over which the executive has a direct influence, and are generally

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paid in February based on the audited financial results of the prior year's performance. For 2004, 80% of each participant's award was based on the performance measure of earnings per share or, in the case of business unit executives, operating profit after tax less a charge for the capital employed by the applicable business unit, adjusted to disregard the effects of non-operating or out-of-period items (including the non-operating charge for reductions in force and other restructuring items that were announced in December) and operating income or loss from acquisitions. The 20% balance of each participant's award was based on corporate or business unit revenue results. Threshold, target and maximum incentive opportunities are established early in the year for each executive, stated as a percent of salary. Performance target, threshold, and maximum performance levels are also established early in the year. If performance is below the threshold performance levels established, the payout is zero. If the threshold levels of

Table of Contents

performance are attained, the threshold incentive award is earned. If the target performance levels are attained, the target incentive amounts are payable. If performance exceeds the applicable maximum performance levels, the maximum opportunity is awarded. If performance is between the threshold and target, or target and maximum, performance levels, the incentive awards are determined by interpolating between the threshold and target, or target and maximum, incentive opportunities. For 2004, if performance exceeded the applicable maximum levels, the following percent of salary was payable: 225% for the President and Chief Executive Officer; 150% for Group Presidents and for the Senior Vice President, Finance and Chief Financial Officer; 135% for all other Senior Vice Presidents; and 105% for Vice Presidents.

In 2004, the Company's revenues were between the target and maximum performance levels while its earnings per share (adjusted as discussed above) were between the threshold and target performance levels. Business unit performance relative to the preset revenue and adjusted operating profit after tax measures varied by business. As a result, the short-term incentives shown on page 14 were paid, consistent with the performance requirements of the Company's short-term incentive compensation plans.

Long-Term Incentives

We believe a substantial percentage of total compensation must be tied directly to the creation of stockholder value. Historically, we determined long-term compensation based on two indicators of stockholder value creation: stock price and economic return. The latter measure served effectively as the basis for the Barnes Group Inc. 1996 Long-Term Incentive Plan (LTIP) and predecessor plans throughout the 1990s.

Beginning in 2000, we elected to rely exclusively on stock-based long-term incentives, including stock options, restricted stock units, and performance share awards, and discontinued future awards under the LTIP. Existing LTIP cycles continued uninterrupted, with the last payout having been made in 2002. In 2004, we utilized a combination of stock options, performance share awards, and restricted stock unit awards as the vehicles for long-term incentives.

Stock-based long-term incentives incorporate a higher level of risk than other forms of executive compensation, including the LTIP they supplanted, and tie employees' long-term economic interests directly to those of stockholders. The long-term incentive awards shown on pages 14 and 15 were principally granted under the Stock and Incentive Award Plan, which was approved at the April 14, 2004 Annual Meeting of Stockholders, the Employee Stock and Ownership Program, which was approved as amended by stockholders at the April 10, 2002 Annual Meeting, and the 1991 Barnes Group Stock Incentive Plan (SIP), which was approved as amended and restated in 1996. These plans allow for the use of several long-term incentive vehicles, in addition to stock options, restricted stock units, and performance share awards.

Also beginning in 2000, we instituted stock ownership guidelines under which every executive is expected to hold a substantial ownership stake in the Company. Ownership includes stock owned directly and stock owned under the Barnes Group Inc. Retirement Savings Plan and Employee Stock Purchase Plan. In contrast to some companies' ownership programs, restricted stock unit awards, stock options, and performance share awards are excluded until the related stock is directly owned.

The current stock ownership guidelines that apply to 49 executives of the Company are:

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

We monitor ownership levels at least annually. Executives subject to the ownership guidelines are expected to make substantial progress toward the applicable guideline, with full compliance by the end of 2004, or 5 years from date

Table of Contents

of hire or promotion for new executives. The Committee is very pleased with the progress demonstrated by the management team through December, 2004. We will, at our discretion, pay future amounts under the Company's short-term incentive compensation plans in stock or stock units if the guidelines are not met and if substantial progress is not apparent, or take other actions as we deem appropriate at that time to ensure compliance.

Prior to 2004, certain initial stock option grants to executive officers upon assumption of their positions were typically awarded at 85% of market value, and served as an effective vehicle for attracting key executive talent to the Company. Effective in 2004, all future options granted by the Committee will be awarded at the market price of the Common Stock on the date of grant. Such options become exercisable over time. Stock options issued at the market price of the stock on the date of grant result in gains to the executive only when the stock appreciates for all stockholders. Stock options also encourage recipients to remain with the Company through the vesting periods associated with the options granted. As such, we believe that stock options are a very effective incentive for executive officers and other key employees, particularly when used in combination with the ownership guidelines outlined above.

Restricted stock units have been granted periodically, which are typically regarded as having the ability to maximize the retention capability of long-term incentives. Each restricted stock unit entitles the recipient to receive one share of stock, provided the employee remains with the Company over the full restriction period. Restricted stock unit recipients also receive dividend equivalents on a quarterly basis equal to the quarterly dividend on Barnes Group stock. The restriction periods on grants of restricted stock units at the Company have historically been up to five years in length. In 2003 and 2004, we increased the restriction period to seven years and six and one half years, respectively, for officers of the Company, and added an accelerated receipt feature. The acceleration of the 2003 and 2004 grants is tied to the Company's achieving and sustaining substantial appreciation in the market value of Barnes Group stock on the date of grant, thereby tying this incentive component directly to the Company's ability to generate superior total stockholder returns.

A performance share award was also granted to Mr. E.M. Carpenter in 2004, the receipt of which is ordinarily 100% dependent on the Company's meeting or exceeding preset earnings per share goals.

Factors Considered in Making Key Compensation Decisions

The decisions made regarding executive compensation incorporate the Committee's judgment of the management team's leadership performance and potential to create sustainable growth in stockholder value. In addition to peer group comparison, we rely on judgment, not short-term operating or stock price performance, to determine the amount and mix of executive compensation. We also rely on the input of the independent compensation consulting firm retained to advise the Committee on such matters.

Key factors impacting our collective judgment include the nature and complexity of each executive officer's role, the challenging global economic business conditions the Company operates within, the effectiveness of the strategies enacted to create enduring stockholder value, and the leadership demonstrated to create and promote a day-to-day working environment of unwavering integrity, compliance with applicable laws and the Company's ethics policies, and global responsibility. Our judgment is also impacted by the progress demonstrated by the management team toward the stock ownership guidelines outlined under Long-Term Incentives above, which has resulted in an increase in owned shares by corporate officers. The success of this program has been instrumental in demonstrating management's commitment to the Company's stockholders.

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Based on all factors we considered relevant, we believe it is in all stockholders' best long-term interests to have set the overall and individual total cash compensation and long-term incentives at the levels described in the accompanying compensation tables and supporting narratives.

Table of Contents

Chief Executive Officer Compensation

Mr. E.M. Carpenter became President and Chief Executive Officer on December 8, 1998. His initial cash compensation and long-term incentives were established in accordance with his Employment Agreement (which is described below under the heading Employment Agreement).

The Committee has increased Mr. Carpenter's annual salary periodically during his six years with the Company, including a 4.1% increase effective April 1, 2004, to \$755,000. In determining the magnitude of the increase, the Committee considered the annual salaries of chief executive officers of the group of comparative companies, and of industrial companies of comparable size and complexity.

In 2004, the Company's revenues were between the target and maximum performance levels established under the Barnes Group Inc. Performance-Linked Bonus Plan For Selected Executive Officers, while its earnings per share (adjusted as discussed above) were between the threshold and target performance levels. As a result of this performance, Mr. Carpenter earned an award under the Plan at approximately the target award level, which is shown on page 14.

Also in 2004, we worked with the independent compensation consulting firm retained by the Committee to develop appropriate incentive programs for Mr. Carpenter. In determining the size and type of grants we considered the magnitude and types of grants to chief executive officers of industrial companies of comparable size and complexity, the importance of linking a significant part of Mr. Carpenter's total compensation package to the future performance of the Company's stock, and his role in leading the Company to strong financial results and total stockholder returns. We granted Mr. Carpenter options to purchase common stock at 100% of the then current market value, as shown on page 16. We also granted to Mr. Carpenter restricted stock units with the accelerated receipt feature described in the Long-Term Incentives section of this report. The final component of the long-term incentives granted to Mr. Carpenter in 2004 was a performance share award, as shown on page 14, the receipt of which is ordinarily 100% dependent on the Company's meeting or exceeding preset earnings per share goals.

Policy on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), limits the Company's tax deduction to \$1 million per year for compensation paid to the Chief Executive Officer and each other executive officer named in that year's proxy statement unless certain conditions are met. One of those requirements is that compensation over \$1 million annually must be based on stockholder-approved plans. The SIP, which was approved as amended and restated in 1996, was designed to meet these requirements. The Employee Stock and Ownership Program, which was approved as amended in 2002, the Stock and Incentive Award Plan, which was approved in 2004, and the Barnes Group Inc. Performance-Linked Bonus Plan For Selected Executive Officers, which was approved in 2001, were also designed to meet these requirements. Generally, actions taken by the Committee have been intended to comply with Section 162(m) except where, in the Committee's judgment, it was in the best interests of the stockholders to grant forms of compensation that did not qualify for deductibility.

Table of Contents

Summary

The Committee believes the Company's executive compensation programs create strong links between the interests of the Company's stockholders and its executives. Pay levels are intended to vary directly with the stockholder value created under the management team's leadership. The Committee also believes that relationship should be measured over a period of time sufficient to gauge the impact of the strategies developed and implemented, and the levels of pay eventually received.

COMPENSATION AND MANAGEMENT

DEVELOPMENT COMMITTEE

Frank E. Grzelecki, Chairman

John W. Alden

Gary G. Benanav