BARNES GROUP INC
Form PRE 14A
March 02, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

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

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

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

BARNES GROUP INC.

(Name of Registrant as Specified In Its Charter)

BARNES GROUP INC.

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

(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:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ 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:

Notes:

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SEC 1913 (3-99)

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Barnes Group Inc.

Executive Office

123 Main Street

Post Office Box 489

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

Tel. (860) 583-7070

March [ ], 2006

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD APRIL 20, 2006

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 20, 2006, for the following purposes:

1. To elect two directors for a two-year term and four directors for a three-year term;
2. To approve an amendment to the Barnes Group Inc. Restated Certificate of Incorporation to increase the number of authorized shares of common stock;
3. To approve the Amended Barnes Group Inc. Stock and Incentive Award Plan;
4. To approve the Barnes Group Inc. Performance-Linked Bonus Plan For Selected Executive Officers;
5. To ratify the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2006; and
6. 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 21, 2006 will be entitled to vote at the meeting.

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

Signe S. Gates

Secretary

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

APRIL 20, 2006

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 20, 2006 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 XX, 2006.

ELECTION OF DIRECTORS (Proxy Proposal 1)

The Board of Directors Recommends a Vote For All Nominees.

Six Directors are nominated for re-election at the 2006 Annual Meeting.

Two directors are nominated for re-election for a two-year term and four directors are nominated for re-election 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 C. Denninger and Gregory F. Milzcik are nominated for re-election to the Board of Directors for terms expiring at the Annual Meeting in 2008. Thomas O. Barnes, Gary G. Benanav, Donald W. Griffin and Mylle H. Mangum are nominated for re-election to the Board of Directors for terms expiring at the Annual Meeting in 2009. Directors are elected by a plurality of the votes cast. Proxies may be voted only for the number of nominees named by the Board of Directors.

Pertinent information concerning the nominees for re-election as directors and the five 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

Two-Year Term

William C. Denninger

Director since 02/2006

Current term expires 2006

Mr. Denninger, 55, is Senior Vice President, Finance and Chief Financial Officer of the Company. He joined the Company in March 2001 in that position. Mr. Denninger is a director of Graham Corporation.

Gregory F. Milzcik

Director since 02/2006

Current term expires 2006

Mr. Milzcik, 46, is Executive Vice President and Chief Operating Officer of the Company and President, Associated Spring. He joined the Company in June 1999 as Vice President, Barnes Group Inc. and President, Barnes Aerospace. He was appointed President, Associated Spring in November 2004.

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Three-Year Term

Thomas O. Barnes

Director since 1978

Current term expires 2006

Mr. Barnes, 57, 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, 60, retired in March 2005 from New York Life International, LLC where he was the Chief Executive Officer and the Vice Chairman and a Director of New York Life Insurance Company. He is Chairperson of the Compensation and Management Development Committee, and a member of the Audit Committee and the Corporate Governance Committee of the Company s Board of Directors. He is a director of Express Scripts, Inc., a full-service pharmacy benefit management company.

Donald W. Griffin

Director since 2001

Current term expires 2006

Mr. Griffin, 69, retired as Chairman of the Board of Directors of Olin Corporation, a position that he held from 1996 until April, 2003. He is Chairperson of the Finance Committee, and a member of the Audit Committee and the Compensation and Management Development Committee of the Company s Board of Directors. He was also President and Chief Executive Officer of Olin from 1996 through 2001. He is a director of Eastman Chemical Company and Olin Corporation.

Mylle H. Mangum

Director since 2002

Current term expires 2006

Ms. Mangum, 57, is the Chief Executive Officer of IBT Enterprises, LLC, a leading provider of branch banking solutions. She was formerly the Chief Executive Officer of True Marketing Services, focusing on consolidating marketing services companies. She is Chairperson of the Audit Committee, and a member of the Corporate Governance Committee and the Finance Committee of the Company s Board of Directors. From 1999 to 2002, she was the Chief Executive Officer of MMS, a private equity company involved in developing and implementing marketing and loyalty programs in high-tech environments. She 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.

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Continuing Directors

John W. Alden

Director since 2000

Current term expires 2007

Mr. Alden, 64, retired as Vice Chairman, United Parcel Service of America, Inc. in 2000. He is Chairperson of the Corporate Governance Committee, and a member of the Finance Committee and the Compensation and Management Development Committee of the Company s Board of Directors. From 1988 until his retirement, he served as a director of United Parcel Service. He is a director of Silgan Holdings Inc., The Dun & Bradstreet Corporation and Arkansas Best Corporation.

William S. Bristow, Jr.

Director since 1978

Current term expires 2008

Mr. Bristow, 52, is President of W.S. Bristow & Associates, Inc., which is engaged in small business development. He is Chairperson of the Executive Committee, and a member of the Finance Committee and the Audit Committee of the Company s Board of Directors.

Edmund M. Carpenter

Director since 1998

Current term expires 2008

Mr. Carpenter, 64, 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.

George T. Carpenter

Director since 1985

Current term expires 2007

Mr. Carpenter, 65, is President and a director of The S. Carpenter Construction Company, which is involved in general contracting, and The Carpenter Realty Company, which is involved in real estate management. He is a member of the Finance Committee, the Executive Committee, the Compensation and Management Development Committee and the Corporate Governance Committee of the Company s Board of Directors. He is a director of Webster Financial Corporation.

Frank E. Grzelecki

Director since 1997

Current term expires 2007

Mr. Grzelecki, 68, is retired from Handy & Harman, a diversified industrial manufacturing company, where he last was a Director and Vice Chairman in 1998. He is a member of the Compensation and Management Development Committee, the Executive Committee, and the Audit Committee of the Company s Board of Directors. 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.

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RETIRING DIRECTOR

Mr. G. Jackson Ratcliffe, Jr., 69, who has served as a director since 2001 will be retiring from the Board of Directors as of the date of the 2006 Annual Meeting of Stockholders.

G. Jackson Ratcliffe, Jr.

Director since 2001

Current term expires 2008

Mr. Ratcliffe, 69, 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 Corporate Governance 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.

THE BOARD AND ITS COMMITTEES

The Board of Directors

In 2005, the Board of Directors held six regular meetings and two 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 85% of the aggregate number of meetings of the Board of Directors and Board committees on which he or she served during 2005. All of the members of the Board of Directors attended the 2005 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 12 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. Ms. Mangum, Chairman of the Audit Committee, or her delegate director is designated to preside at executive sessions of the independent directors.

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 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,

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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 independent members of 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. In the case of Mr. Bristow, the determination was based on the following. The immediate family member employee does not set or influence the policies of the Company, does not have access to information with regard to Company policymaking, is not reliant on Mr. Bristow financially and is not a member of Mr. Bristow s household. Further, there is no overlap or conflict in their respective roles with the Company.

In the case of Mr. G.T. Carpenter, the determination was based on the following. The board of directors of the commercial banking institution on which he serves does not determine whether or not the institution will provide banking services or credit facilities to the Company; the commercial banking institution is one of 11 banks in the Company s credit facility and is not the agent bank for the facility; and the institution s percentage participation in the Company s credit facility is less than 10 percent of the aggregate facility.

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 s website address is www.barnesgroupinc.com. The Company has

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posted its Policy Regarding Reporting of Complaints and Concerns on its website. The policy provides that stockholders and other interested parties may communicate with the Board of Directors by any of the following methods.

By telephone at:	1-800-300-1560
By internet:	https://www.compliance-helpline.com/welcomepagebarnesgroupinc.jsp
By regular mail:	Barnes Group Corporate Compliance Hotline P.O. Box PMB 3667 13950 Ballantyne Corporate Place, Ste. 300 Charlotte, NC 28277-2712

All complaints and concerns reported by the above methods will be received by a third-party provider, who will forward each complaint or concern to the office of the General Counsel which will be responsible for relaying communications for the Board of Directors to them.

The Audit Committee

The Audit Committee members are:

Mylle H. Mangum, Chairperson

Gary G. Benanav

William S. Bristow, Jr.

Donald W. Griffin

Frank E. Grzelecki

The Audit Committee is responsible for overseeing accounting policies and practices, financial reporting and the internal control structure. The Audit Committee held eight meetings in 2005. The charter for the Audit Committee, was most recently amended and adopted by the Board of Directors on February 16, 2006. It 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

Mylle H. Mangum

G. Jackson Ratcliffe

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 the nominating committee for the 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

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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 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 2007 Annual Meeting. The Corporate Governance Committee held four meetings in 2005.

The Compensation and Management Development Committee

The Compensation and Management Development Committee members are:

Gary G. Benanav, Chairperson

John W. Alden

George T. Carpenter

Donald W. Griffin

Frank E. Grzelecki

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 2005.

COMPENSATION OF DIRECTORS

The annual retainer for directors is $45,000. 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

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is $1,500; provided, that the fee for a telephonic meeting or telephonic participation in a non-telephonic meeting is $1,000. Messrs. Barnes, E.M. Carpenter, Denninger and Milzcik 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 the dividend per share for each dividend payment date[1]. In 2005, each of the directors other than Messrs. E.M. Carpenter, Denninger and Milzcik was granted 2,000 restricted stock units under the Barnes Group Inc. Stock and Incentive Award Plan. These restricted stock units vest as follows: 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date. Vesting accelerates in full in the event of a change of control or in the event the holder retires before the second anniversary of 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 meetings of the senior managers of the Company. In 2005, Messrs. Alden, Benanav, G.T. Carpenter and Grzelecki each attended a senior managers meeting. Mr. Grzelecki received a fee of $500 for serving as the acting Chairperson at a meeting of the Compensation and Management Development Committee. Messrs. Benanav, Bristow, Griffin and Grzelecki each received a fee in 2005 of $1,500 in connection with meetings to evaluate Gregory F. Milzcik s qualifications for promotion to the position of Executive Vice President and Chief Operating Officer. Mr. Barnes received $265,000 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., and maintaining an active role in community affairs in the Bristol and Hartford areas.

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

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S TOCK OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

As of January 1, 2006, 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	183,616	*
Thomas O. Barnes	1,840,595	7.6%
Gary G. Benanav	36,199	*
William S. Bristow, Jr.	284,099	1.2%
Edmund M. Carpenter	1,159,105	4.7%
George T. Carpenter	146,191	*
William C. Denninger	210,418	*
Signe S. Gates	228,106	*
Philip A. Goodrich	131,012	*
Donald W. Griffin	14,885	*
Frank E. Grzelecki	21,000	*
Mylle H. Mangum	9,047	*
Gregory F. Milzcik	242,136	1.0%
G. Jackson Ratcliffe	6,824	*
Directors & executive officers as a group (22 persons)	5,192,555	19.9%

* 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 332,002 shares and sole voting and shared investment power with respect to 1,264,471 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, Goodrich, Griffin, Grzelecki, Milzcik and Ratcliffe and Mses. Gates and Mangum and the directors and officers as a group include 12,500; 139,745; 66,600; 26,000; 26,000; 703,028; 26,000; 134,788; 105,628; 7,500; 14,000; 169,195; 0; 164,644; 2,500 and 2,049,767 shares, respectively, which they have the right to acquire within 60 days after January 1, 2006. The shares listed for Messrs. Arrington, Barnes, E.M. Carpenter, Denninger, Goodrich, Milzcik and Ms. Gates, and the directors and officers as a group include 3,128; 10,053; 5,915; 4,029; 0; 3,269; 171 and 50,836 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.

The shares listed for Messrs. Arrington, E.M. Carpenter, Denninger, Goodrich, and Ms. Gates and the directors and officers as a group do not include 45,525; 162,627; 50,153; 45,525; 45,525; and 598,791 shares, respectively, that the holders may have the right to receive on a future date pursuant to awards of restricted stock units and performance share units.

The shares listed for each of Messrs. Alden, Barnes, Benanav, Bristow, G.T. Carpenter, Griffin, Grzelecki, and Ratcliffe and Ms. Mangum do include 5,550 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.

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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 (holdings as of December 31, 2005):

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	2,998,026	12.6%
The Barnes Group Inc. Retirement Savings Plan[2] 123 Main Street Bristol, Connecticut 06011-0489	2,596,049	10.8%
Wachovia Corporation[3] One Wachovia Center Charlotte, North Carolina 28288-0013	1,926,011	8.1%
Mr. Thomas O. Barnes 123 Main Street Bristol, Connecticut 06011-0489	1,840,595	7.6%

Notes to the above table:

[1] As of December 31, 2005, as reported on a Schedule 13G filed with the Securities and Exchange Commission (SEC) on February 8, 2006, Bank of America Corporation had shared voting power with respect to 555,533 shares and shared investment power with respect to 2,998,026 shares.

[2] As of December 31, 2005, as reported on a Schedule 13G filed with the SEC on February 3, 2006, the Barnes Group Inc. Retirement Savings Plan had shared investment power with respect to 2,596,049 shares.

[3] As of December 31, 2005, as reported on Schedule 13G filed with the SEC on February 10, 2006, Wachovia Corporation had sole voting power with respect to 1,922,724 shares; sole investment power with respect to 1,923,011 shares; and shared investment power with respect to 3,000 shares.

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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 registered public accountants (independent auditors).

The Audit Committee operates under a charter which was revised in 2005. A copy of the Committee s revised charter was filed with the 2005 Proxy Statement. In 2005, the Committee operated in accordance with its charter. On February 16, 2006, 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, and the Committee concluded that, with the amendment to conform current terminology regarding independent registered public accountants, the charter was adequate and in full compliance with such rules.

During 2005, the Committee met eight 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 this letter was discussed with PricewaterhouseCoopers.

The Committee reviewed fees related to aggregate services provided by PricewaterhouseCoopers for the year 2005, and concluded that the services rendered in 2005 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, 2005, for filing with the Securities and Exchange Commission. The Committee has also selected, for the stockholders ratification, PricewaterhouseCoopers as the Company s independent auditors for 2006.

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 the standards of the Public Company Accounting Oversight Board. 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

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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

Mylle H. Mangum, Chairperson

Gary G. Benanav

William S. Bristow, Jr.

Donald W. Griffin

Frank E. Grzelecki

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COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT [to be updated]

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 the 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 2005, the Committee again 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. Executive benefits also play a key role in attracting and retaining key executives; the Committee has oversight over such programs, and reviews these programs regularly.

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, or 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 paid in February based on the audited financial results of the prior year s performance. For 2005, 85% 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 and operating income or loss from acquisitions. The 15% 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 reduced to zero. If the threshold

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levels of 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. For 2005, 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 2005, the Company s revenues were between the target and maximum performance levels while its earnings per share (adjusted as discussed above) were above the maximum performance level. 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 X 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, including the awards made in 2005, we have relied exclusively on stock-based long-term incentives, including stock options, restricted stock units, and performance share 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, and tie employees long-term economic interests directly to those of stockholders. The long-term incentive awards shown on Pages XX and XX 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, 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.

Beginning in 2000, we instituted stock ownership guidelines under which every executive is expected to hold a substantial ownership stake in the Company for the duration of the executive s tenure with 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 48 executives of the Company are:

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 of hire or promotion for new executives. The Committee is very pleased with the progress demonstrated by the management team through December, 2005. 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 encourage 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 options granted by the Committee have been awarded at the market price of the common stock on the date of grant. The stock options granted in 2005 were awarded at the market price of the

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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 an effective incentive for executive officers and other key employees, particularly when used in combination with the ownership guidelines outlined above.

Restricted stock units, which are typically regarded as having the ability to maximize the retention capability of long-term incentives, have been granted periodically. Each restricted stock unit entitles the recipient to receive one share of stock, provided the employee has remained 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. To date, the accelerated receipt feature has not been triggered. In 2005, the restricted stock unit grants did not contain the accelerated receipt feature, and the restriction period was adjusted accordingly.

Performance share awards were also granted to all executive officers in 2005, the receipt of which is ordinarily wholly 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.