

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 28, 2013**

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-35419

KAMAN CORPORATION

(Exact name of registrant as specified in its charter)

Connecticut

(State or other jurisdiction of incorporation or organization)

06-0613548

(I.R.S. Employer Identification No.)

**1332 Blue Hills Avenue
Bloomfield, Connecticut 06002**

(Address of principal executive offices) (Zip Code)

(860) 243-7100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

At July 19, 2013, there were 27,067,195 shares of Common Stock outstanding.

PART I

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

KAMAN CORPORATION AND SUBSIDIARIES

(In thousands, except share and per share amounts) (Unaudited)

	June 28, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,707	\$ 16,593
Accounts receivable, net	224,989	180,798
Inventories	383,977	367,385
Deferred income taxes	29,400	25,835
Other current assets	26,929	27,434
Total current assets	674,002	618,045
Property, plant and equipment, net of accumulated depreciation of \$158,142 and \$149,696, respectively	137,286	128,669
Goodwill	192,487	192,046
Other intangible assets, net	88,072	92,913
Deferred income taxes	37,264	42,905
Other assets	22,067	22,415
Total assets	\$ 1,151,178	\$ 1,096,993
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ —	\$ 21
Current portion of long-term debt	10,000	10,000
Accounts payable – trade	120,653	113,143
Accrued salaries and wages	32,398	35,869
Current portion of amount due to Commonwealth of Australia	—	6,659
Advances on contracts	12,787	1,900
Other accruals and payables	56,324	53,468
Income taxes payable	97	2,892
Total current liabilities	232,259	223,952
Long-term debt, excluding current portion	285,129	249,585
Deferred income taxes	4,627	5,150
Underfunded pension	143,100	148,703
Other long-term liabilities	46,044	49,410
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, \$1 par value, 200,000 shares authorized; none outstanding	—	—
Common stock, \$1 par value, 50,000,000 shares authorized; voting; 27,054,613 and 26,881,257 shares issued, respectively	27,055	26,881
Additional paid-in capital	128,039	122,522
Retained earnings	415,969	399,473
Accumulated other comprehensive income (loss)	(123,336)	(121,590)
Less 303,163 and 277,473 shares of common stock, respectively, held in treasury, at cost	(7,708)	(7,093)
Total shareholders' equity	440,019	420,193
Total liabilities and shareholders' equity	\$ 1,151,178	\$ 1,096,993

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
KAMAN CORPORATION AND SUBSIDIARIES
(In thousands, except per share amounts) (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Net sales	\$ 431,725	\$ 400,226	\$ 819,800	\$ 783,945
Cost of sales	310,468	286,394	588,277	565,513
Gross profit	121,257	113,832	231,523	218,432
Selling, general and administrative expenses	90,219	85,820	186,639	173,730
Net loss/(gain) on sale of assets	21	(8)	100	(32)
Operating income	31,017	28,020	44,784	44,734
Interest expense, net	3,163	2,827	6,231	5,700
Other expense (income), net	58	79	389	(224)
Earnings from continuing operations before income taxes	27,796	25,114	38,164	39,258
Income tax expense	9,904	8,996	13,118	14,048
Earnings from continuing operations	17,892	16,118	25,046	25,210
Earnings from discontinued operations, net of taxes	—	361	—	672
Net earnings	\$ 17,892	\$ 16,479	\$ 25,046	\$ 25,882
Earnings per share:				
Basic earnings per share from continuing operations	\$ 0.67	\$ 0.61	\$ 0.94	\$ 0.96
Basic earnings per share from discontinued operations	—	0.01	—	0.02
Basic earnings per share	\$ 0.67	\$ 0.62	\$ 0.94	\$ 0.98
Diluted earnings per share:				
Diluted earnings per share from continuing operations	\$ 0.67	\$ 0.61	\$ 0.93	\$ 0.96
Diluted earnings per share from discontinued operations	—	0.01	—	0.02
Diluted earnings per share	\$ 0.67	\$ 0.62	\$ 0.93	\$ 0.98
Average shares outstanding:				
Basic	26,734	26,390	26,696	26,342
Diluted	26,899	26,534	26,977	26,498
Dividends declared per share	\$ 0.16	\$ 0.16	\$ 0.32	\$ 0.32

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
KAMAN CORPORATION AND SUBSIDIARIES
(In thousands) (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Net earnings	\$ 17,892	\$ 16,479	\$ 25,046	\$ 25,882
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(244)	(3,171)	(4,758)	526
Unrealized gain on derivative instruments, net of tax expense of \$105 and \$0, and \$38 and \$0, respectively	172	—	61	—
Change in pension and post-retirement benefit plan liabilities, net of tax expense of \$904 and \$834 and \$1,810 and \$1,669, respectively	1,476	1,362	2,951	2,723
Other comprehensive income (loss)	1,404	(1,809)	(1,746)	3,249
Comprehensive income	<u>\$ 19,296</u>	<u>\$ 14,670</u>	<u>\$ 23,300</u>	<u>\$ 29,131</u>

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
KAMAN CORPORATION AND SUBSIDIARIES
(In thousands) (Unaudited)

	For the Six Months Ended	
	June 28, 2013	June 29, 2012
Cash flows from operating activities:		
Earnings from continuing operations	\$ 25,046	\$ 25,210
Adjustments to reconcile earnings from continuing operations to net cash provided by (used in) operating activities of continuing operations:		
Depreciation and amortization	15,528	13,341
Accretion of convertible notes discount	905	858
Provision for doubtful accounts	734	267
Net loss (gain) on sale of assets	100	(32)
Change in amount Due to Commonwealth of Australia, net of loss (gain) on derivative instruments	203	(206)
Stock compensation expense	3,065	3,581
Excess tax (benefit) from share-based compensation arrangements	(293)	(381)
Deferred income taxes	68	1,045
Changes in assets and liabilities, excluding effects of acquisitions/divestitures:		
Accounts receivable	(45,274)	(21,748)
Inventories	(16,165)	(11,590)
Other current assets	25	8,458
Accounts payable - trade	3,800	(3,215)
Accrued contract losses	228	(725)
Advances on contracts	10,887	(949)
Other accruals and payables	(5,595)	(19,922)
Income taxes payable	(2,768)	341
Pension liabilities	(2,252)	438
Other long-term liabilities	(1,649)	221
Net cash used in operating activities of continuing operations	(13,407)	(5,008)
Net cash provided by operating activities of discontinued operations	—	507
Net cash used in operating activities	(13,407)	(4,501)
Cash flows from investing activities:		
Proceeds from sale of assets	83	239
Expenditures for property, plant & equipment	(21,267)	(10,963)
Acquisition of businesses	(5,178)	(7,938)
Other, net	(598)	(116)
Cash used in investing activities of continuing operations	(26,960)	(18,778)
Cash used in investing activities of discontinued operations	—	(4)
Cash used in investing activities	(26,960)	(18,782)
Cash flows from financing activities:		
Net borrowings under revolving credit agreements	39,753	27,073
Debt repayment	(5,000)	(2,500)
Net change in book overdraft	4,093	5,365
Proceeds from exercise of employee stock awards	2,654	2,651
Purchase of treasury shares	(644)	(659)
Dividends paid	(8,526)	(8,411)
Other	(51)	—
Windfall tax benefit	293	381
Cash provided by financing activities of continuing operations	32,572	23,900
Cash used in financing activities of discontinued operations	—	(371)
Cash provided by financing activities	32,572	23,529
Net increase (decrease) in cash and cash equivalents	(7,795)	246
Effect of exchange rate changes on cash and cash equivalents	(91)	(132)
Cash and cash equivalents at beginning of period	16,593	14,985
Cash and cash equivalents at end of period	\$ 8,707	\$ 15,099

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months and six months ended June 28, 2013 and June 29, 2012
(Unaudited)

1. BASIS OF PRESENTATION

The December 31, 2012, Condensed Consolidated Balance Sheet amounts have been derived from the previously audited Consolidated Balance Sheet of Kaman Corporation and subsidiaries (collectively, the "Company"), but do not include all disclosures required by accounting principles generally accepted in the United States of America ("US GAAP"). In the opinion of management, the remainder of the condensed financial information reflects all adjustments necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature, unless otherwise disclosed in this report. Certain amounts in the prior period condensed consolidated financial statements have been reclassified to conform to current presentation. The statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The results of operations for the interim periods presented are not necessarily indicative of trends or of results to be expected for the entire year.

The Company has a calendar year-end; however, its first three fiscal quarters follow a 13-week convention, with each quarter ending on a Friday. The second quarter for 2013 and 2012 ended on June 28, 2013 and June 29, 2012, respectively.

2. RECENT ACCOUNTING STANDARDS

In January 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-01, Balance Sheet (ASC Topic 210) - Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU No. 2013-01 applies to derivatives accounted for in accordance with Accounting Standards Codification ("ASC") Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC Section 210-20-45 or ASC Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The standard became effective on January 1, 2013. These changes had no impact on the Company's condensed consolidated financial statements.

In January 2013, the FASB also issued ASU No. 2013-02, Comprehensive Income (ASC Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU No. 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. The Company adopted this standard beginning January 1, 2013. (See Note 16, *Shareholders' Equity and Accumulated Other Comprehensive Income*.)

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (ASC Topic 830) - Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The objective is to resolve the diversity in practice about whether ASC Subtopic 810-10, Consolidation - Overall or ASC Subtopic 830-30 Foreign Currency Matters - Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. The update is effective for financial statement periods beginning after December 15, 2013 with early adoption permitted. The Company will adopt this standard beginning January 1, 2014. The Company does not expect these changes to have an impact on its consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-10, Derivatives and Hedging (ASC Topic 815) - Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in this update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under ASC Topic 815, in addition to U.S. Treasury ("UST") and London Interbank Offered Rate ("LIBOR"). The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The Company has not entered into any new hedging relationships since July 17, 2013.

2. RECENT ACCOUNTING STANDARDS (CONTINUED)

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (ASC Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The objective is to end some inconsistent practices with regard to the presentation on the balance sheet of unrecognized tax benefits. The update is effective for financial statement periods beginning after December 15, 2013, with early adoption permitted. The Company will adopt this standard beginning January 1, 2014. The Company does not expect these changes to have a material impact on its consolidated financial statements.

3. DISCONTINUED OPERATIONS

On December 31, 2012, the Company sold substantially all of the assets and liabilities of the Distribution segment's Canadian operations. As a result, the Company has reported the results of operations and financial position of this component as discontinued operations within the condensed consolidated financial statements for all periods presented.

The following tables provide information regarding the results of discontinued operations:

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands</i>				
Net sales of discontinued operations	\$ —	\$ 5,254	\$ —	\$ 10,257
Income from discontinued operations	—	479	—	945
Other income (expense), net, from discontinued operations	—	(9)	—	(71)
Earnings from discontinued operations before income taxes	—	470	—	874
Income tax expense	—	109	—	202
Earnings from discontinued operations	\$ —	\$ 361	\$ —	\$ 672

4. ACQUISITIONS

On June 14, 2013, the Company acquired substantially all of the assets of Northwest Hose & Fittings, Inc. ("Northwest Hose"). Northwest Hose, formed in 1995, is an authorized Parker distributor of hydraulic hose, fittings and adapters as well as couplers and industrial hose to a diverse group of industries such as the metals, agricultural, industrial machinery and equipment industries. Northwest Hose is headquartered in Spokane, WA. This acquisition is individually immaterial to the Company's results of operations and financial position.

5. RESTRUCTURING COSTS

During 2013, the Company initiated restructuring activities primarily at its Distribution segment to align the cost structure of the organization with its revenue levels. This included workforce reductions and the consolidation of field operations where its Distribution segment had multiple facilities in the same geographic area. The Distribution segment restructuring resulted in net workforce reductions of 118 employees and the exiting of five facilities. The Company intends to settle all liabilities associated with these restructuring activities during 2013.

The following table summarizes the accrual balances by cost type for the 2013 restructuring actions:

	Severance	Other ^(a)	Total
Restructuring accrual balance at December 31, 2012	\$ —	\$ —	\$ —
Provision	2,846	250	3,096
Cash payments	(1,282)	(208)	(1,490)
Restructuring accrual balance at June 28, 2013	\$ 1,564	\$ 42	\$ 1,606

(a) Includes costs associated with the consolidation of facilities.

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	June 28, 2013	December 31, 2012
<i>In thousands</i>		
Trade receivables	\$ 138,262	\$ 117,426
U.S. Government contracts:		
Billed	34,056	18,261
Costs and accrued profit – not billed	2,557	2,568
Commercial and other government contracts:		
Billed	53,264	45,547
Costs and accrued profit – not billed	227	144
Less allowance for doubtful accounts	(3,377)	(3,148)
Accounts receivable, net	<u>\$ 224,989</u>	<u>\$ 180,798</u>

Accounts receivable, net includes amounts for matters such as contract changes, negotiated settlements and claims for unanticipated contract costs. These amounts are as follows:

	June 28, 2013	December 31, 2012
<i>In thousands</i>		
Contract changes, negotiated settlements and claims for unanticipated contract costs	\$ —	\$ 397
Total	<u>\$ —</u>	<u>\$ 397</u>

7. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The Company uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table presents the carrying value and fair value of financial instruments that are not carried at fair value:

	June 28, 2013		December 31, 2012	
<i>In thousands</i>	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt:				
Level 1	\$ 106,165	\$ 138,907	\$ 105,260	\$ 144,460
Level 2	188,964	175,280	154,325	143,135
Total	<u>\$ 295,129</u>	<u>\$ 314,187</u>	<u>\$ 259,585</u>	<u>\$ 287,595</u>

7. FAIR VALUE MEASUREMENTS (CONTINUED)

The above fair values were computed based on quoted market prices (Level 1) and discounted future cash flows (Level 2 observable inputs), as applicable. Differences from carrying values are attributable to interest rate changes subsequent to when the transaction occurred. The increase in fair value of the long-term debt is driven by increased borrowings under the Company's Revolving Credit Facility, partially offset by a lower quoted market price for the Company's convertible notes.

The fair values of Cash and cash equivalents, Accounts receivable, net, Notes payable, and Accounts payable - trade approximate their carrying amounts due to the short-term maturities of these instruments.

Recurring Fair Value Measurements

The table below segregates all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine their fair value at the measurement date:

<i>In thousands</i>	Total Carrying Value at June 28, 2013	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative instruments	\$ 93	\$ —	\$ 93	\$ —
Total liabilities	\$ 93	\$ —	\$ 93	\$ —

<i>In thousands</i>	Total Carrying Value at December 31, 2012	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative instruments	\$ 1,506	\$ —	\$ 1,506	\$ —
Total assets	\$ 1,506	\$ —	\$ 1,506	\$ —

The Company's derivative instruments are foreign exchange contracts and interest rate swaps that are measured at fair value using observable market inputs such as forward rates and our counterparties' credit risks. Based on these inputs, the derivative instruments are classified within Level 2 of the valuation hierarchy and have been included in other current assets, other assets and other long-term liabilities on the Condensed Consolidated Balance Sheets at June 28, 2013 and December 31, 2012. Based on the continued ability to trade and enter into forward contracts, we consider the markets for our fair value instruments to be active.

The Company evaluated the credit risk associated with the counterparties to these derivative instruments and determined that as of June 28, 2013, such credit risks have not had an adverse impact on the fair value of these instruments.

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives Overview

The Company is exposed to certain risks relating to its ongoing business operations, including market risks relating to fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are recognized on the Condensed Consolidated Balance Sheets as either assets or liabilities and are measured at fair value. Changes in the fair values of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative is effective as part of a hedged transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income are subsequently included in earnings in the periods in which earnings are affected by the hedged item. The Company does not use derivative instruments for speculative purposes.

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives Overview (continued)

The Company holds forward exchange contracts designed to hedge forecasted transactions denominated in foreign currencies and to minimize the impact of foreign currency fluctuations on the Company's earnings and cash flows. Some of these contracts were designated as cash flow hedges. The Company will include in earnings amounts currently included in accumulated other comprehensive income upon recognition of cost of sales related to the underlying transaction. No material amounts were reclassified to income from other comprehensive income for derivative instruments formerly designated as cash flow hedges during the three or six months ended June 28, 2013, or June 29, 2012. Over the next twelve months, the income related to cash flow hedges expected to be reclassified from other comprehensive income is \$0.2 million.

Derivatives Designated as Cash Flow Hedges

The Company's Term Loan Facility ("Term Loan") contains floating rate obligations and is subject to interest rate fluctuations. During 2013, the Company entered into interest rate swap agreements for the purposes of hedging the eight quarterly variable-rate interest payments under its Term Loan due in 2014 and 2015. These interest rate swap agreements were designated as cash flow hedges and are intended to manage interest rate risk associated with the Company's variable rate borrowings and minimize the impact of interest rate fluctuations attributable to changes in LIBOR rates on the Company's earnings and cash flows.

The following table shows the fair value of derivative instruments designated as cash flow hedging instruments:

	Balance Sheet Location	Fair Value		Notional Amount
		June 28, 2013	December 31, 2012	
<i>In thousands</i>				
Derivative Assets				
Interest rate swap contracts	Other long-term assets	\$ 71	\$ —	\$90,000- \$70,000
Total		\$ 71	\$ —	

The following table shows the gain or (loss) recognized in other comprehensive income for derivatives designated as cash flow hedges:

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands</i>				
Derivative Assets				
Interest rate swap contracts	\$ 250	\$ —	\$ 71	\$ —
Total	<u>\$ 250</u>	<u>\$ —</u>	<u>\$ 71</u>	<u>\$ —</u>

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives Not Designated as Hedging Instruments

The following table shows the fair value of derivative instruments not designated as hedging instruments:

In thousands	Balance Sheet Location	Fair Value		Notional Amount
		June 28, 2013	December 31, 2012	
Derivative Assets				
Foreign exchange contracts	Other current assets	\$ —	\$ 1,345	\$0 / \$3,408 Australian Dollars
Foreign exchange contracts	Other current assets	—	161	\$0 / \$4,110
Total		\$ —	\$ 1,506	
Derivative Liabilities				
Foreign exchange contracts	Other current liabilities	\$ 22	\$ —	\$3,309 / \$0
Total		\$ 22	\$ —	

On February 12, 2009, the Company dedesignated the forward contract it had entered into to hedge \$36.5 million (AUD) of its \$39.5 million (AUD) minimum required payments to the Commonwealth of Australia. The Company settled its final minimum required payment with the Commonwealth of Australia on April 2, 2013.

The following table shows the location and amount of the gain or (loss) recognized on the Condensed Consolidated Statements of Operations for derivatives not designated as hedge instruments:

		For the Three Months Ended		For the Six Months Ended	
	Income Statement Location	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands</i>					
Derivative Assets					
Foreign exchange contracts	Other (income) expense, net	\$ —	\$ 15	\$ 20	\$ 283
Foreign exchange contracts	Other (income) expense, net	—	(78)	—	72
Total		<u>\$ —</u>	<u>\$ (63)</u>	<u>\$ 20</u>	<u>\$ 355</u>
Derivative Liabilities					
Foreign exchange contracts	Other (income) expense, net	\$ (2)	\$ —	\$ 183	\$ —
Total		<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ 183</u>	<u>\$ —</u>

9. INVENTORIES

Inventories consist of the following:

<i>In thousands</i>	June 28, 2013	December 31, 2012
Merchandise for resale	\$ 139,243	\$ 137,426
Contracts and other work in process	231,753	216,233
Finished goods (including certain general stock materials)	12,981	13,726
Total	<u>\$ 383,977</u>	<u>\$ 367,385</u>

9. INVENTORIES (CONTINUED)

Inventories include amounts associated with matters such as contract changes, negotiated settlements and claims for unanticipated contract costs. These amounts are as follows:

	June 28, 2013	December 31, 2012
<i>In thousands</i>		
Contract changes, negotiated settlements and claims for unanticipated contract costs	\$ 6,754	\$ 6,861
Total	<u>\$ 6,754</u>	<u>\$ 6,861</u>

K-MAX® inventory of \$17.9 million and \$18.0 million as of June 28, 2013, and December 31, 2012, respectively, is included in contracts and other work in process inventory and finished goods. Management believes that a significant portion of this K-MAX® inventory will be sold after June 28, 2014, based upon the anticipation of supporting the fleet for the foreseeable future.

At December 31, 2012, \$52.6 million of SH-2G(I), formerly SH-2G(A), inventory was included on the Company's balance sheet in contracts and other work in process inventory. On May 8, 2013, the Company announced that it had entered into a \$120.6 million contract with the New Zealand Ministry of Defence for the sale of ten SH-2G(I) Super Seasprite aircraft, spare parts, a full mission flight simulator, and related logistics support. Although a substantial portion of the SH-2G(I) inventory will be used in the performance of this new contract, management believes that \$30.2 million of the SH-2G(I) inventory will be sold after June 28, 2014, based upon the time needed to prepare the aircraft for sale and the requirements of our customer. For more information on the SH-2G(I) inventory, see Note 12, *Commitments and Contingencies*.

Long-term Contracts

For long-term aerospace contracts, the Company generally recognizes revenue and cost based on the percentage-of-completion method of accounting, which allows for recognition of revenue as work on a contract progresses. The Company recognizes revenues and cost based on either (1) the cost-to-cost method, in which sales and profit are recorded based upon the ratio of costs incurred to estimated total costs to complete the contract, or (2) the units-of-delivery method, in which sales are recognized as deliveries are made and cost of sales is computed on the basis of the estimated ratio of total cost to total sales.

Revenue and cost estimates for all significant long-term contracts for which revenue is recognized using the percentage-of-completion method of accounting are reviewed and reassessed quarterly. Based upon these reviews, the Company records the effects of adjustments in profit estimates each period. If at any time the Company determines that in the case of a particular contract total costs will exceed total contract revenue, the Company will record a provision for the entire anticipated contract loss at that time. There was a net decrease to the Company's operating income from changes in contract estimates of \$2.7 million and \$0.1 million for the three-month periods ended June 28, 2013, and June 29, 2012, respectively. There was a net decrease in operating income of \$2.7 million and \$1.6 million for the six-month periods ended June 28, 2013, and June 29, 2012, respectively, attributable to changes in contract estimates. The decreases for the three months and six months ended June 28, 2013, were a result of cost growth due to revised estimates in various programs, including the Sikorsky BLACK HAWK helicopter program, Bell helicopter offload program and a fuze program. The decrease for the six months ended June 29, 2012, was due to additional cost for one of the Company's fuze programs and production issues encountered during the first half of 2012.

10. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The following table sets forth the change in the carrying amount of goodwill for each reportable segment and for the Company:

	Distribution	Aerospace	Total
<i>In thousands</i>			
Gross balance at December 31, 2012	\$ 96,155	\$ 110,072	\$ 206,227
Accumulated impairment	—	(14,181)	(14,181)
Net balance at December 31, 2012	96,155	95,891	192,046
Additions	1,476	1,128	2,604
Impairments	—	—	—
Foreign currency translation	(3)	(2,160)	(2,163)
Ending balance at June 28, 2013	\$ 97,628	\$ 94,859	\$ 192,487

Additions to Goodwill at the Company's Distribution segment relate to the acquisition of Northwest Hose. Additions to the Goodwill for our Aerospace segment relate to an earnout payment from a previous acquisition.

Other intangible assets consisted of:

		At June 28, 2013		At December 31, 2012	
	Amortization Period	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<i>In thousands</i>					
Customer lists / relationships	6-21 years	\$ 103,143	\$ (18,969)	\$ 103,894	\$ (15,541)
Trademarks / trade names	3-7 years	2,655	(1,374)	2,655	(1,128)
Non-compete agreements and other	1-9 years	6,015	(3,535)	5,979	(3,091)
Patents	17 years	636	(499)	636	(491)
Total		\$ 112,449	\$ (24,377)	\$ 113,164	\$ (20,251)

The changes in other intangible assets are attributable to changes in foreign currency exchange rates and the acquisition of Northwest Hose.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
For the three months and six months ended June 28, 2013 and June 29, 2012
(Unaudited)

11. PENSION PLANS

Components of net pension cost for the Qualified Pension Plan and Supplemental Employees' Retirement Plan ("SERP") are as follows:

	For the Three Months Ended			
	Qualified Pension Plan		SERP	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands</i>				
Service cost for benefits earned during the year	\$ 3,587	\$ 3,519	\$ 85	\$ 95
Interest cost on projected benefit obligation	6,399	6,578	83	105
Expected return on plan assets	(10,337)	(9,469)	—	—
Amortization of prior service cost	25	25	—	—
Amortization of net loss	2,304	1,960	53	40
Additional amount recognized due to curtailment/settlement	—	—	277	—
Net pension benefit cost	<u>\$ 1,978</u>	<u>\$ 2,613</u>	<u>\$ 498</u>	<u>\$ 240</u>

	For the Six Months Ended			
	Qualified Pension Plan		SERP	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands</i>				
Service cost for benefits earned during the year	\$ 7,174	\$ 7,038	\$ 170	\$ 191
Interest cost on projected benefit obligation	12,798	13,156	155	210
Expected return on plan assets	(20,674)	(18,939)	—	—
Amortization of prior service cost	50	50	—	—
Amortization of net loss	4,581	3,921	130	79
Additional amount recognized due to curtailment/settlement	—	—	277	—
Net pension benefit cost	<u>\$ 3,929</u>	<u>\$ 5,226</u>	<u>\$ 732</u>	<u>\$ 480</u>

The following tables show the amount of the contributions made to the Qualified Pension Plan and SERP during each period and the amount of contributions the Company expects to make during 2013:

Year-to-date contributions:

	Qualified Pension Plan		SERP	
	Through June 28, 2013	Through December 31, 2012	Through June 28, 2013	Through December 31, 2012
<i>In thousands</i>				
Year-to-date contributions	\$ 5,000	\$ 10,000	\$ 2,024	\$ 1,550

Expected Additional Contributions in 2013:

	Qualified Pension Plan	SERP
<i>In thousands</i>		
Expected additional contributions	\$ 5,000	\$ 267

The Company contributed the additional \$5.0 million to the qualified pension plan in July 2013, no further contributions are expected for the current year.

12. COMMITMENTS AND CONTINGENCIES

Legal Matters

Wichita Matter

As previously disclosed, the U.S. District Court for the District of Kansas issued a grand jury subpoena in 2011 to Plastic Fabricating Company, Inc. ("PlasticFab"), an indirect wholly owned subsidiary of the Company now known as Kaman Composites - Wichita, Inc., regarding a government investigation of record keeping associated with the manufacture of certain composite parts at PlasticFab's facility located in Wichita, Kansas. The subpoena required information related to the period January 1, 2006, through June 30, 2008. In March 2013, the U.S. Attorney's Office for the District of Kansas notified PlasticFab that it may seek to commence a criminal proceeding against PlasticFab but it expressed a willingness to explore a pre-charge disposition of the matter. PlasticFab believes it has cooperated fully with the investigation and intends to continue to do so as it engages in further discussions with the U.S. Attorney's Office about this matter. Under present U.S. Government procurement laws and regulations, if indicted or adjudged to be in violation of procurement or other Federal laws, a contractor, such as PlasticFab, could be subject to fines, penalties, repayments, or compensatory or treble damages, or suspension or debarment on U.S. Government contract awards if warranted. Thus, as with any government contractor, an adverse outcome in a proceeding such as this could have a material adverse effect on our business, financial condition, results of operations or cash flows. Management continues to cooperate with the government's investigation; however, we are unable to predict the outcome of any proceeding that may be brought or to estimate the amounts of resulting claims or other actions that could be instituted against PlasticFab, its officers, employees, or affiliates. Sales for PlasticFab represented 1.2% of the Company's consolidated sales for the year ended December 31, 2012. At June 28, 2013, the Company had no amount accrued for this matter, as it is unable to estimate the amount of costs that might be incurred in connection with the resolution of this matter at this time.

40 mm

The Orlando facility is one of five defendants in a qui tam suit under the False Claims Act brought by John D. King, a former employee of one of the other defendants. The case, United States ex rel. King v. DSE, Inc., et al., No. 8:08-cv-02416 (M.D. Fla.), is currently pending in the U.S. District Court for the Middle District of Florida. The United States Department of Justice has declined to intervene in the suit, and the case is being brought by Mr. King. The suit alleges that the Orlando facility knowingly submitted false claims or made false statements in connection with its work on 40 mm grenade programs. Management believes that it has fully complied with its legal obligations in connection with this program. On February 19, 2013, the Court issued an order dismissing the case with prejudice as to Mr. King. A judgment on the order was entered by the Court on February 20, 2013. Mr. King has filed a notice of appeal, to which the defendants have filed a motion to dismiss that is pending before the Court. At June 28, 2013, the Company had no amount accrued for this matter, as it is unable to estimate the amount of costs, if any, that might be incurred in connection with the resolution of this matter at this time. The Company believes that the likelihood of an adverse outcome to this matter is remote.

Other Matters

Revenue Sharing Agreement with the Commonwealth of Australia

During the second quarter of 2013, the Company signed a \$120.6 million contract to resell ten of the Australia SH-2G(A) (now designated the SH-2G(I)) aircraft, spare parts, a full mission flight simulator, and related logistics support to the New Zealand Ministry of Defence. Pursuant to the terms of its revenue sharing agreement with the Commonwealth of Australia, the Company will share proceeds from the resale with the Commonwealth on a predetermined basis. Through June 28, 2013, the Company has paid \$39.5 million (AUD) to the Commonwealth of Australia, the required minimum amount of payments pursuant to the revenue sharing agreement. Additional revenue sharing payments, if any, will be calculated pursuant to the terms of the revenue sharing agreement and recorded when they are due to the Commonwealth of Australia.

To secure the required minimum payments, the Company provided the Commonwealth of Australia with an unconditional letter of credit, which was reduced as such payments were made. The final required minimum payment of \$6.7 million was made on April 2, 2013, which eliminates the Company's requirement to provide the Commonwealth of Australia with a letter of credit.

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Matters (continued)

Moosup

This facility is currently being held for disposal. Site characterization of the environmental condition of the property, which began in 2008, is continuing. The total anticipated cost of the environmental remediation activities associated with the Moosup property is \$4.4 million, unchanged from the previously reported estimate, all of which has been accrued. The total amount paid to date in connection with environmental remediation activities at this location is \$2.5 million. A portion (\$0.1 million) of the accrual related to this property is included in other accruals and payables and the balance is included in other long-term liabilities. The remaining balance of the accrual reflects the total anticipated cost of completing these environmental remediation activities. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, the Company is unable to estimate the amount of such additional costs, if any, at this time.

New Hartford

In connection with the sale of the Company's Music segment in 2007, the Company assumed responsibility for meeting certain requirements of the Connecticut Transfer Act (the "Transfer Act") that applied to our transfer of the New Hartford, Connecticut, facility leased by that segment for guitar manufacturing purposes ("Ovation"). Under the Transfer Act, those responsibilities essentially consist of assessing the site's environmental conditions and remediating environmental impairments, if any, caused by Ovation's operations prior to the sale. The site is a multi-tenant industrial park, in which Ovation and other unrelated entities lease space. The environmental assessment process, which began in 2008, has recently been completed.

The Company's estimate of its portion of the cost to assess the environmental conditions and remediate this site is \$2.2 million, unchanged from the previously reported estimate, all of which has been accrued. The total amount paid to date in connection with these environmental remediation activities is \$0.5 million. A portion (\$0.3 million) of the accrual related to this property is included in other accruals and payables and the balance is included in other long-term liabilities. The remaining balance of the accrual reflects the total anticipated cost of completing these environmental remediation activities. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, the Company is unable to estimate the amount of such additional costs, if any, at this time.

Bloomfield

In connection with the Company's 2008 purchase of the portion of the Bloomfield campus that a Company subsidiary had leased from the Naval Air Systems Command (NAVAIR), the Company assumed responsibility for environmental remediation at the facility as may be required under the Transfer Act and continues the effort to define the scope of the remediation that will be required by the Connecticut Department of Energy & Environmental Protection. The assumed environmental liability of \$10.3 million, all of which has been accrued, was determined by taking the undiscounted estimated remediation liability of \$20.8 million and discounting it at a rate of 8%. This remediation process will take many years to complete. The total amount paid to date in connection with these environmental remediation activities is \$6.1 million. A portion (\$1.7 million) of the accrual related to this property is included in other accruals and payables, and the balance is included in other long-term liabilities. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, the Company is unable to estimate the amount of such additional costs, if any, at this time.

United Kingdom

In connection with the purchase of U.K. Composites, the Company accrued £1.6 million for environmental compliance at the acquired facilities. The remaining balance of the accrual at June 28, 2013, was £0.4 million, with £1.0 million having been paid to date in connection with these environmental remediation activities and £0.2 million released to income in 2011. The U.S. dollar equivalent of the remaining environmental compliance liability as of June 28, 2013, is \$0.6 million, which is included in other accruals and payables. The Company continues to assess the work that may be required, which may result in a change to this accrual. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, the Company is unable to estimate the amount of such additional costs, if any, at this time.

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Matters (continued)

Other Environmental Matters

The Company was notified by the Environmental Protection Agency that it is a potentially responsible party ("PRP") at a Superfund Site. At June 28, 2013, the Company had no amount accrued for this matter, as it is unable to estimate the amount of costs, if any, that might be incurred in connection with the remediation of this site. In making this determination, the Company considered the availability of the information related to the site; specifically, the continued identification of PRPs and the inability to determine the proportion of total responsibility attributable to each PRP. As more information is received, the Company will reassess its ability to estimate its portion of the cost for remediation, taking into consideration the financial resources of other PRPs involved in the site, their proportionate share of the total responsibility of waste at the site, the existence of insurance and the financial viability of the insurer.

13. COMPUTATION OF EARNINGS PER SHARE

The computation of basic earnings per share is based on net earnings divided by the weighted average number of shares of common stock outstanding for each period. The computation of diluted earnings per share reflects the common stock equivalency of dilutive options granted to employees under the Stock Incentive Plan and shares issuable on redemption of Convertible Notes.

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands, except per share amounts</i>				
Earnings from continuing operations	\$ 17,892	\$ 16,118	\$ 25,046	\$ 25,210
Earnings from discontinued operations, net of tax	—	361	—	672
Net earnings	<u>\$ 17,892</u>	<u>\$ 16,479</u>	<u>\$ 25,046</u>	<u>\$ 25,882</u>
Basic:				
Weighted average number of shares outstanding	<u>26,734</u>	<u>26,390</u>	<u>26,696</u>	<u>26,342</u>
Earnings per share from continuing operations	\$ 0.67	\$ 0.61	\$ 0.94	\$ 0.96
Earnings per share from discontinued operations	—	0.01	—	0.02
Basic earnings per share	<u>\$ 0.67</u>	<u>\$ 0.62</u>	<u>\$ 0.94</u>	<u>\$ 0.98</u>
Diluted:				
Weighted average number of shares outstanding	26,734	26,390	26,696	26,342
Weighted average shares issuable on exercise of dilutive stock options	140	144	152	156
Weighted average shares issuable on redemption of convertible notes	25	—	129	—
Total	<u>26,899</u>	<u>26,534</u>	<u>26,977</u>	<u>26,498</u>
Earnings per share from continuing operations	\$ 0.67	\$ 0.61	\$ 0.93	\$ 0.96
Earnings per share from discontinued operations	—	0.01	—	0.02
Diluted earnings per share	<u>\$ 0.67</u>	<u>\$ 0.62</u>	<u>\$ 0.93</u>	<u>\$ 0.98</u>

Excluded from the diluted earnings per share calculation for the three and six months ended June 28, 2013, respectively, are 437,646 and 441,559 shares associated with equity awards granted to employees that are anti-dilutive based on the average stock price during those periods. Excluded from the diluted earnings per share calculation for the three and six months ended June 29, 2012, respectively, are 372,486 and 358,208 shares associated with equity awards granted to employees that are anti-dilutive based on the average stock price during those periods.

13. COMPUTATION OF EARNINGS PER SHARE (CONTINUED)

In November 2010, the Company issued Convertible Notes due on November 15, 2017, in the aggregate principal amount of \$115.0 million. The Convertible Notes will mature on November 15, 2017, unless earlier redeemed, repurchased by the Company or converted. Upon conversion, the Convertible Notes require net share settlement, where the aggregate principal amount of the notes will be paid in cash and remaining amounts due, if any, will be settled in cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election.

For the three-month and six-month periods ended June 28, 2013, shares issuable under the Convertible Notes that were dilutive during the period were included in the calculation of earnings per share as the conversion price for the Convertible Notes was less than the average share price. Shares issuable under the Convertible Notes were excluded from the diluted earnings per share calculation for the three-month and six-month periods ended June 29, 2012, because the conversion price was greater than the average market price of our stock during those periods. Excluded from the diluted earnings per share calculation for the three and six months ended June 28, 2013, are 3,403,787 and 3,402,772 shares, respectively, issuable under the warrants sold in connection with the Company's convertible note offering as they would be anti-dilutive. Excluded from the diluted earnings per share calculation for the three and six months ended June 29, 2012, are 3,396,016 and 3,394,841 shares, respectively, issuable under the warrants sold in connection with the Company's convertible note offering as they would be anti-dilutive.

14. SHARE-BASED ARRANGEMENTS

2013 Management Incentive Plan

On April 17, 2013, the shareholders of the Company approved the 2013 Management Incentive Plan ("2013 Plan"), which replaced the 2003 Stock Incentive Plan. The 2013 Plan provides the Company with the ability to use equity-based awards of up to 2,250,000 authorized shares and is designed as a flexible share authorization plan, such that the Company's share authorization is based on the least costly type of award (stock options). Shares issued pursuant to "Full Value Awards" as defined in the 2013 Plan (awards other than stock options or stock appreciation rights which are settled by the issuance of shares, e.g., restricted stock, restricted stock units, performance shares, performance units if settled with stock, or other stock-based awards) count against the 2013 Plan's share authorization at a rate of 3 to 1, while shares issued upon exercise of stock options or stock appreciation rights count against the share authorization at a rate of 1 to 1. This means that every time an option is granted, the authorized pool of shares is reduced by one (1) share and every time a Full Value Award is granted, the authorized pool of shares is reduced by 3 shares. In deriving the valuation ratio used in the 2013 Plan, the Company used the Black Scholes Fair Value model as the basis for determining the approximate value of an option as compared to a "full value share." No stock-based awards have been granted under the 2013 Plan as of June 28, 2013.

General

The Company accounts for stock options and restricted stock as equity awards whereas the employee stock purchase plan is accounted for as a liability award. Compensation expense for stock options and restricted stock awards is recognized on a straight-line basis over the vesting period of the awards.

The following table summarizes share-based compensation expense recorded during each period presented:

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
<i>In thousands</i>				
Stock options	\$ 418	\$ 417	\$ 850	\$ 1,071
Restricted stock awards	1,338	1,357	1,984	2,297
Employee stock purchase plan	122	110	231	213
Total share-based compensation	<u>\$ 1,878</u>	<u>\$ 1,884</u>	<u>\$ 3,065</u>	<u>\$ 3,581</u>

14. SHARE-BASED ARRANGEMENTS (CONTINUED)

Stock option activity is as follows:

	For the Three Months Ended June 28, 2013		For the Six Months Ended June 28, 2013	
	Options	Weighted - average exercise price	Options	Weighted - average exercise price
Options outstanding at beginning of period	1,038,021	\$ 27.78	921,040	\$ 26.21
Granted	—	\$ —	156,160	\$ 36.29
Exercised	(12,840)	\$ 23.46	(40,821)	\$ 23.11
Forfeited or expired	(11,066)	\$ 32.11	(22,264)	\$ 30.64
Options outstanding at June 28, 2013	1,014,115	\$ 27.79	1,014,115	\$ 27.79

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The following table indicates the weighted-average assumptions used in estimating fair value:

	For the Six Months Ended	
	June 28, 2013	June 29, 2012
Expected option term (years)	5.2	5.4
Expected volatility	45.5%	46.5%
Risk-free interest rate	0.9%	0.9%
Expected dividend yield	2.0%	1.9%
Per share fair value of options granted	\$ 12.38	\$ 12.00

There were no options granted for the three-month periods ended June 28, 2013 and June 29, 2012.

Restricted Stock activity is as follows:

	For the Three Months Ended June 28, 2013		For the Six Months Ended June 28, 2013	
	Restricted Stock Awards	Weighted- average grant date fair value	Restricted Stock Awards	Weighted- average grant date fair value
Restricted Stock outstanding at beginning of period	239,293	\$ 30.95	251,359	\$ 28.30
Granted	21,510	\$ 33.48	89,155	\$ 35.67
Vested	(32,980)	\$ 28.80	(106,617)	\$ 27.58
Forfeited or expired	(4,973)	\$ 31.31	(11,047)	\$ 30.04
Restricted Stock outstanding at June 28, 2013	222,850	\$ 31.51	222,850	\$ 31.51

15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company is organized based upon the nature of its products and services, and is composed of two operating segments each overseen by a segment manager. These segments are reflective of how the Company's Chief Executive Officer, who is its Chief Operating Decision Maker ("CODM"), reviews operating results for the purposes of allocating resources and assessing performance. The Company has not aggregated operating segments for purposes of identifying reportable segments.

The Distribution segment is the third largest power transmission, motion control, and fluid power industrial distributor in North America. Distribution conducts business in the mechanical power transmission and bearings, electrical, automation and control, and fluid power product platforms and provides total solutions from system design and integration to machine parts and value-added services to North America's manufacturing industry.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
For the three months and six months ended June 28, 2013 and June 29, 2012
(Unaudited)

15. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

The Aerospace segment produces and/or markets widely used proprietary aircraft bearings and components; complex metallic and composite aerostructures for commercial, military and general aviation fixed and rotary wing aircraft; safe and arm solutions for missile and bomb systems for the U.S. and allied militaries; subcontract helicopter work; support for the Company's SH-2G Super Seasprite maritime helicopters and K-MAX® medium-to-heavy lift helicopters; and engineering services.

Summarized financial information by business segment is as follows:

<i>In thousands</i>	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Net sales:				
Distribution	\$ 270,233	\$ 252,862	\$ 527,401	\$ 505,497
Aerospace	161,492	147,364	292,399	278,448
Net sales	<u>\$ 431,725</u>	<u>\$ 400,226</u>	<u>\$ 819,800</u>	<u>\$ 783,945</u>
Operating income:				
Distribution	\$ 13,669	\$ 14,166	\$ 18,299	\$ 26,480
Aerospace	28,678	26,158	49,589	42,059
Net (loss)/gain on sale of assets	(21)	8	(100)	32
Corporate expense	<u>(11,309)</u>	<u>(12,312)</u>	<u>(23,004)</u>	<u>(23,837)</u>
Operating income from continuing operations	31,017	28,020	44,784	44,734
Interest expense, net	3,163	2,827	6,231	5,700
Other expense (income), net	58	79	389	(224)
Earnings before income taxes from continuing operations	27,796	25,114	38,164	39,258
Income tax expense	9,904	8,996	13,118	14,048
Earnings from continuing operations	<u>\$ 17,892</u>	<u>\$ 16,118</u>	<u>\$ 25,046</u>	<u>\$ 25,210</u>

16. SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in shareholders' equity for the six months ended June 28, 2013, were as follows:

<i>In thousands</i>	
Balance at December 31, 2012	\$ 420,193
Comprehensive income	23,300
Dividends declared	(8,549)
Employee stock plans and related tax benefit	2,654
Purchase of treasury shares	(644)
Share-based compensation expense	3,065
Balance at June 28, 2013	<u>\$ 440,019</u>

16. SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED)

The components of accumulated other comprehensive income (loss) are shown below:

	For the Three Months Ended June 28, 2013		For the Six Months Ended June 28, 2013	
<i>In thousands</i>				
Foreign currency translation:				
Beginning balance	\$	(21,029)	\$	(16,515)
Net gain/(loss) on foreign currency translation		(244)		(4,758)
Reclassification to net income		—		—
Other comprehensive income/(loss), net of tax		(244)		(4,758)
Ending balance	\$	(21,273)	\$	(21,273)
Pension and other post-retirement benefits^(a):				
Beginning balance	\$	(103,076)	\$	(104,551)
Reclassification to net income				
Amortization of prior service cost, net of tax expense of \$10 and \$20, respectively		15		30
Amortization of net loss, net of tax expense of \$894 and \$1,790, respectively		1,461		2,921
Other comprehensive income/(loss), net of tax		1,476		2,951
Ending balance	\$	(101,600)	\$	(101,600)
Derivative instruments^(b):				
Beginning balance	\$	(635)	\$	(524)
Net gain/(loss) on derivative instruments, net of tax expense of \$105 and \$38, respectively		172		61
Reclassification to net income		—		—
Other comprehensive income/(loss), net of tax		172		61
Ending balance	\$	(463)	\$	(463)
Total accumulated other comprehensive income (loss)	\$	(123,336)	\$	(123,336)

^(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (See Note 11, *Pension Plans* for additional information).

^(b) See Note 8, *Derivative Financial Instruments*, for additional information regarding our derivative instruments.

17. INCOME TAXES

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Effective Income Tax Rate	35.6%	35.8%	34.4%	35.8%

The effective income tax rate represents the combined federal, state and foreign tax effects attributable to pretax earnings from continuing operations for the year. The decrease in the effective income tax rate for the six-month period ended June 28, 2013, as compared to the six-month period ended June 29, 2012, was principally due to the settlement of a state audit of prior years' returns in the first quarter of 2013.

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the issuance date of these financial statements. No material subsequent events were identified that required disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide readers of our condensed consolidated financial statements with the perspectives of management. This MD&A presents, in narrative form, information regarding our financial condition, results of operations, liquidity and certain other factors that may affect our future results. This MD&A is designed to enable the readers of this report to obtain a comprehensive understanding of our businesses, strategies, current trends and future prospects. This MD&A should be read in conjunction with our 2012 Annual Report on Form 10-K.

OVERVIEW OF BUSINESS

Kaman Corporation (the "Company") is comprised of two business segments:

- The Distribution segment is the third largest power transmission, motion control, and fluid power industrial distributor in North America. Distribution conducts business in the mechanical power transmission and bearings, electrical, automation and control, and fluid power product platforms and provides total solutions from system design and integration to machine parts and value-added services to North America's manufacturing industry.
- The Aerospace segment is a manufacturer and subcontractor in the international, commercial and military aerospace and defense markets.

Financial performance

- Net sales from continuing operations increased 7.9% and 4.6% for the three months and six months ended June 28, 2013, respectively, compared to the comparable periods in the prior year.
- Earnings from continuing operations increased 11.0% for the three months ended June 28, 2013, compared to the comparable period in the prior year. For the six months ended June 28, 2013, earnings from continuing operations remained relatively flat compared to the comparable period in the prior year.
- Diluted earnings per share from continuing operations increased to \$0.67 for the three months ended June 28, 2013, an increase of \$0.06 compared to the comparable period in the prior year. For the six months ended June 28, 2013, diluted earnings per share from continuing operations decreased to \$0.93, a decrease of \$0.03 compared to the comparable period in the prior year.
- Cash flows used in operating activities of continuing operations were \$13.4 million for the six months ended June 28, 2013, an increase of \$8.4 million when compared to the comparable period in the prior year.

Significant events

- On July 12, 2013, our Distribution segment signed a definitive agreement to acquire substantially all the assets of Ohio Gear & Transmission Inc. of Eastlake, Ohio.
- On June 17, 2013, our Aerospace segment was selected by Triumph Aerostructures – Vought Aircraft Division to manufacture the Fixed Leading Edge (FLE) assemblies for the Bombardier Global 7000 and Global 8000 large, ultra long-range business jets.
- On June 14, 2013, our Distribution segment acquired substantially all of the assets of Northwest Hose & Fittings, Inc. based in Spokane, Washington, a Parker distributor, which provides us with new Parker authorizations.
- On May 8, 2013, we announced that we entered into a \$120.6 million contract with the New Zealand Ministry of Defence for the sale of ten SH-2G(I) Super Seasprite aircraft, spare parts, a full mission flight simulator, and related logistics support.
- On April 2, 2013, we made our final minimum payment of \$6.4 million (AUD) to the Commonwealth of Australia; we have now made total payments of \$39.5 million (AUD) in accordance with our settlement agreement related to the SH-2G(A) Helicopters.

Management changes

- On July 1, 2013, Mr. Robert D. Starr, became the Company's Senior Vice President and Chief Financial Officer, following the retirement of Mr. William C. Denninger, former Executive Vice President and Chief Financial Officer.

Outlook

We are updating our full-year outlook based on our current expectations for the remainder of the year. Our updated outlook is as follows:

- Distribution:
 - Sales of \$1,100 million to \$1,115 million
 - Operating margins of 4.7% to 4.9%
- Aerospace:
 - Sales of \$620 million to \$635 million
 - Operating margins of 16.2% to 16.5%
- Interest expense of approximately \$13 million
- Corporate expenses of approximately \$49 million
- Estimated annualized tax rate of approximately 35.0%
- Capital expenditures of \$40 million to \$45 million
- Free cash flow in the range of \$15 million to \$20 million

The following table illustrates the calculation of "Free Cash Flow", a Non-GAAP financial measure:

	2013 Outlook			
<i>In millions</i>				
Free Cash Flow ^(a) :				
Net cash provided by operating activities	\$	55.0	to	\$ 65.0
Expenditures for property, plant and equipment		(40.0)	to	(45.0)
Free Cash Flow	\$	15.0	to	\$ 20.0

(a) Free Cash Flow, a non-GAAP financial measure, is defined as net cash provided by operating activities less expenditures for property, plant and equipment, both of which are presented on our consolidated statements of cash flows. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.

RESULTS OF CONTINUING OPERATIONS

Consolidated Results

Net Sales from Continuing Operations

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
(in thousands)				
Net Sales from continuing operations	\$ 431,725	\$ 400,226	\$ 819,800	\$ 783,945
\$ change	31,499	20,439	35,855	31,517
% change	7.9%	5.4%	4.6%	4.2%

As indicated above, net sales from continuing operations increased by 7.9% and 4.6% for the three months and six months ended June 28, 2013, respectively, as compared to the corresponding 2012 periods. The following table details the components of those increases as a percentage of consolidated net sales:

	For the Three Months Ended June 28, 2013	For the Six Months Ended June 28, 2013
Organic Sales:		
Distribution	(1.9)%	(3.4)%
Aerospace	3.5 %	1.8 %
Total Organic Sales	1.6 %	(1.6)%
Sales by Recent Acquisitions:		
Distribution	6.3 %	6.2 %
Aerospace	— %	— %
Total Acquisition Sales	6.3 %	6.2 %
% change in net sales	7.9 %	4.6 %

Sales contributed by an acquisition are included in organic sales beginning with the thirteenth month following the date of acquisition. See segment discussions below for additional information regarding the changes in net sales from continuing operations.

Gross Profit from Continuing Operations

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
	(in thousands)			
Gross Profit	\$ 121,257	\$ 113,832	\$ 231,523	\$ 218,432
\$ change	7,425	8,885	13,091	10,231
% change	6.5%	8.5%	6.0%	4.9%
% of net sales	28.1%	28.4%	28.2%	27.9%

The increase in gross profit from continuing operations for the three months and six months ended June 28, 2013, as compared to the same periods in 2012 is primarily attributable to the gross profit associated with sales recorded by the 2012 and 2013 Distribution segment acquisitions. Also contributing to the increase was the change in the mix of sales between military and commercial products/programs in Aerospace. These increases were partially offset by lower gross profit on lower organic sales volume in Distribution and the \$2.7 million impact of negative changes to estimates on our long-term Aerospace programs recorded in the second quarter of 2013.

Selling, General & Administrative Expenses (SG&A)

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
	(in thousands)			
SG&A	\$ 90,219	\$ 85,820	\$ 186,639	173,730
\$ change	4,399	4,512	12,909	13,434
% change	5.1%	5.5%	7.4%	8.4%
% of net sales	20.9%	21.4%	22.8%	22.2%

SG&A increased by 5.1% and 7.4% for the three months and six months ended June 28, 2013, respectively, as compared to the corresponding 2012 periods. The following table details the components of those increases:

	For the Three Months Ended June 28, 2013	For the Six Months Ended June 28, 2013
Organic SG&A:		
Distribution	(3.1)%	(0.4)%
Aerospace	2.5 %	1.5 %
Corporate	(1.2)%	(0.5)%
Total Organic SG&A	(1.8)%	0.6 %
Acquisition SG&A:		
Distribution	6.9 %	6.8 %
Aerospace	— %	— %
Total Acquisition SG&A	6.9 %	6.8 %
% change in SG&A	5.1 %	7.4 %

The increases in SG&A were primarily due to the incremental SG&A expenses incurred by our 2012 and 2013 Distribution segment acquisitions, as indicated in the above table. In addition, the increase in expense at our Aerospace segment was attributable to higher research and development costs. These increases were partially offset by lower corporate expenses due to lower pension expense and a decrease in organic expense at our Distribution segment due to savings realized from the restructuring completed in the first quarter of 2013.

Operating Income from Continuing Operations

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
	(in thousands)			
Operating Income	\$ 31,017	\$ 28,020	\$ 44,784	\$ 44,734
\$ change	2,997	4,415	50	(3,136)
% change	10.7%	18.7%	0.1%	(6.6)%
% of net sales	7.2%	7.0%	5.5%	5.7 %

The increase in operating income for the three months ended June 28, 2013, versus the comparable period in 2012 was primarily due to an increase in our Aerospace segment operating income of \$2.5 million and lower corporate expenses. Operating income for the six months ended June 28, 2013, remained relatively flat, due to a decrease in organic operating income at the Distribution Segment, offset by an increase in operating income at our Aerospace segment. (See segment discussion below for additional information.)

Interest Expense, Net

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
	(in thousands)			
Interest Expense, net	\$ 3,163	\$ 2,827	\$ 6,231	\$ 5,700

Interest expense, net, generally consists of interest charged on our Credit Agreement (see "Liquidity and Capital Resources - Financing Arrangements", below), which includes a revolving credit facility and a term loan facility, and other borrowings and the amortization of debt issuance costs, offset by interest income. The increase in interest expense, net for the three months ended June 28, 2013, versus the comparable period in 2012 was primarily due to higher average borrowings. At June 28, 2013, the interest rate for outstanding amounts under the Credit Agreement was 1.70% compared to 1.74% at June 29, 2012. (See Liquidity and Capital Resources section below for information on our borrowings.)

Effective Income Tax Rate

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Effective Income Tax Rate	35.6%	35.8%	34.4%	35.8%

The effective income tax rate represents the combined federal, state and foreign tax effects attributable to pretax earnings from continuing operations for the year. The decrease in the effective income tax rate for the six-month period ended June 28, 2013, as compared to the six-month period ended June 29, 2012, was principally due to the settlement of a state audit of previous years' returns in the first quarter of 2013.

Distribution Segment

Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
	(in thousands)			
Net sales from continuing operations	\$ 270,233	\$ 252,862	\$ 527,401	\$ 505,497
\$ change	17,371	18,854	21,904	37,802
% change	6.9 %	8.1%	4.3 %	8.1%
Operating income from continuing operations	\$ 13,669	\$ 14,166	\$ 18,299	\$ 26,480
\$ change	(497)	2,004	(8,181)	2,498
% change	(3.5)%	16.5%	(30.9)%	10.4%
% of net sales	5.1 %	5.6%	3.5 %	5.2%

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
(in thousands)				
Net sales from continuing operations	\$ 270,233	\$ 252,862	\$ 527,401	\$ 505,497
Acquisition sales	25,163	—	48,373	—
Organic sales	\$ 245,070	\$ 252,862	\$ 479,028	\$ 505,497
Sales days	64	64	127	128
Organic sales per sales day (a)	\$ 3,829	\$ 3,951	\$ 3,772	\$ 3,949
% change	(3.1)%	8.1%	(4.5)%	8.1%

(a) Organic sales per sales day is a metric management uses to evaluate performance trends at our Distribution segment and is calculated by taking organic sales divided by the number of sales days in the period. Sales contributed by an acquisition are included in organic sales beginning with the thirteenth month following the date of acquisition. Prior period information is adjusted to reflect acquisition sales for that period as organic sales when calculating organic sales per sales day. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures.

Net sales from continuing operations

Net sales from continuing operations for the three months and six months ended June 28, 2013, increased 6.9% and 5.2%, respectively, as compared to the same period in 2012, when measured on a same day sales basis. The increase was driven by the contribution of sales from our 2012 and 2013 acquisitions which totaled \$25.2 million and \$48.4 million for the three months and six months ended June 28, 2013, respectively, partially offset by a decrease in organic sales of \$7.8 million and \$26.5 million, respectively. The decrease in organic sales for the three months and six months ended June 28, 2013, was primarily driven by declines in sales volume to original equipment manufacturer customers.

Operating income from continuing operations

The decrease in Distribution segment operating income from continuing operations for the three months and six months ended June 28, 2013, was driven by the lower organic sales noted above and correspondingly lower rebates. This was partially offset by the contribution of operating income from our 2012 and 2013 acquisitions of approximately \$1.8 million and \$3.2 million for the three months and six months ended June 28, 2013, respectively. Additionally, results for the six-month period ended June 28, 2013, include \$3.0 million of restructuring costs incurred during the first quarter. As expected this restructuring resulted in a reduction of expense of approximately \$2.0 million during the second quarter, which we anticipate will be a recurring cost savings going forward.

Other Matters

Enterprise Resource Planning System

In July 2012, we announced our decision to invest in a new enterprise-wide resource planning system for our Distribution segment. The anticipated total investment in the new system is approximately \$45 million, which will be incurred over a number of years. Of the total investment, we expect that approximately 75% will be capitalized. Depreciation and amortization of the capitalized cost is expected to begin in 2013 and increase over the following three to four years. In order to minimize disruptions to our ongoing operations we have developed a project plan that takes a phased approach to implementation and includes appropriate contingencies. For the three months and six months ended June 28, 2013, expenses incurred were approximately \$0.3 million and \$0.6 million, respectively, and capital expenditures were \$1.6 million and \$6.9 million, respectively.

Aerospace Segment

Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
	(in thousands)			
Net sales	\$ 161,492	\$ 147,364	\$ 292,399	\$ 278,448
\$ change	14,128	1,585	13,951	(6,284)
% change	9.6%	1.1%	5.0%	(2.2)%
Operating income	\$ 28,678	\$ 26,158	\$ 49,589	\$ 42,059
\$ change	2,520	3,798	7,530	(1,720)
% change	9.6%	17.0%	17.9%	(3.9)%
% of net sales	17.8%	17.8%	17.0%	15.1 %

Net sales

The increase for the three-month period ended June 28, 2013, was due to a \$15.3 million increase in sales on our military products/programs which was offset by a \$1.2 million decrease in sales on commercial products/programs. The increase in military sales was primarily attributable to a higher volume of shipments to foreign customers under our JPF program, higher bearing product sales due to growth in our base business and several retrofit programs not related to ongoing production in the quarter and \$3.8 million of revenue recognized under the SH-2G(I) contract with New Zealand. These increases totaled \$26.3 million and were offset by a \$10.9 million decrease in shipments to the USG under our JPF program.

For the six months ended June 28, 2013, net sales increased 5.0% due to an \$11.6 million increase in sales on our military products/programs and a \$2.4 million increase in sales on commercial products/programs. The increase in military sales was primarily attributable to a \$29.6 million increase on the programs/products noted above, offset by a \$10.8 million decrease in shipments to the USG under our JPF program and a \$6.7 million decrease in sales due to the stop work issued during the fourth quarter of 2012 on the blade erosion coating program and fewer cockpit deliveries on our Sikorsky BLACK HAWK helicopter program.

The increase in sales on commercial products/programs for the six months ended June 28, 2013, was due to higher commercial bearing product sales due to growth in our base business and several retrofit programs not related to ongoing production in the second quarter, an increase in deliveries of various commercial composite structures products/programs and stronger tooling fabrication sales. The increases totaled \$10.2 million and were partially offset by a \$7.8 million decrease in sales of engineering design services resulting from a reduction in requirements by a major OEM customer.

Operating income

The increase in operating income for the three months ended June 28, 2013, compared to the same period in 2012 was primarily due to increased sales and gross profit on certain commercial and military products/programs. The increase in gross profit was primarily attributable to higher margin sales to foreign customers on our JPF program, higher commercial and military bearing product sales and the initial recognition of revenue under the SH-2G(I) program. These increases totaled \$10.3 million and were primarily offset by the \$2.7 million negative impact of changes in contract estimates recorded in the current period, lower shipments to the USG under our JPF program and a \$2.1 million increase in SG&A costs, primarily related to higher research and development expenditures.

The increase in operating income for the six months ended June 28, 2013, compared to the same period in 2012 was primarily attributable to the \$15.5 million increase in gross profit on the programs/products noted above. These increases were offset by lower profit of \$5.5 million due to lower sales on the blade erosion coating program, fewer cockpit deliveries on our Sikorsky BLACK HAWK helicopter program, a decrease in volume of sales of engineering design services and the \$2.7 million negative impact of changes in contract estimates recorded in the current period, as discussed below.

Long-Term Contracts

For long-term aerospace contracts, we generally recognize sales and income based on the percentage-of-completion method of accounting, which allows for recognition of revenue as work on a contract progresses. We recognize sales and profit based on either (1) the cost-to-cost method, in which sales and profit are recorded based upon the ratio of costs incurred to estimated total costs to complete the contract, or (2) the units-of-delivery method, in which sales are recognized as deliveries are made and cost of sales is computed on the basis of the estimated ratio of total cost to total sales.

Revenue and cost estimates for all significant long-term contracts for which revenue is recognized using the percentage-of-completion method of accounting are reviewed and reassessed quarterly. Based upon these reviews, we record the effects of adjustments in profit estimates each period. If at any time management determines that in the case of a particular contract total costs will exceed total contract revenue, we record a provision for the entire anticipated contract loss at that time. Our operating income decreased \$2.7 million in both the three-month and six-month periods ended June 28, 2013, as a result of changes in contract estimates. These decreases were a result of cost growth due to revised estimates in various programs, including the Sikorsky BLACK HAWK helicopter program, Bell helicopter offload program and a fuze program. The net change in our operating income resulting from changes in contract estimates for the three-month and six-month periods ended June 29, 2012, were a reduction of \$0.1 million and \$1.6 million, respectively, primarily driven by additional cost for one of our fuze programs and production issues encountered during the first half of 2012.

Sequestration

The Budget Control Act of 2011 (the "BCA") enacted 10-year discretionary spending caps which are expected to generate over \$1 trillion in savings for the U.S. Government, a substantial portion of which comes from Department of Defense ("DoD") baseline spending reductions. On January 2, 2013, the American Taxpayer Relief Act of 2012 (the "ATRA") was signed into law, which among other things effectively delayed the implementation of the automatic sequestration process to March 1, 2013, and reduced the spending cuts that were scheduled to occur during 2013 in proportion to the delay. Although we cannot predict where all the mandated cuts will be made, we believe our portfolio of programs and product offerings are well positioned and will not be materially impacted by DoD budget cuts. We have not seen a material impact on our revenues during the first half of 2013 as a result of the sequestration process. However, we believe certain military and defense programs may experience delays in the receipt of components from suppliers or the shipment of finished product to our customers due to delays in the receipt of government approvals. Additionally, furloughs could cause delays in a variety of other areas including contracting and payment processing. We continue to monitor developments in this area and work with our suppliers and customers to understand the potential impact on our Company.

Backlog

	June 28, 2013	December 31, 2012
	(in thousands)	
Backlog	\$ 645,684	\$ 531,923

Backlog increased \$113.8 million during the first half of 2013. This increase is primarily due to the \$120.6 million contract for the sale of the SH-2G(I) aircraft, spare parts, a full mission flight simulator, and related logistics support to the New Zealand Ministry of Defence entered into during the second quarter of 2013. Additionally, we have received increased orders for the Sikorsky BLACK HAWK helicopter cockpit program and new orders under our JPF program. These increases were offset by deliveries of bearing products and JPF program fuzes.

Major Programs/Product Lines

Below is a discussion of significant changes in the Aerospace segment's major programs during the first six months of 2013. See our 2012 Annual Report on Form 10-K for a complete discussion of our Aerospace segment's programs.

BLACK HAWK

The Sikorsky BLACK HAWK helicopter cockpit program involves the manufacture of cockpits including the installation of all wiring harnesses, hydraulic assemblies, control pedals and sticks, seat tracks, pneumatic lines, and the composite structure that holds the windscreen for most models of the BLACK HAWK helicopter. As a result of lower customer demand, we expect to deliver approximately 116 BLACK HAWK cockpits this year, compared to 124 cockpits delivered in 2012. We currently have \$112.0 million of orders under this program in backlog and have delivered 57 cockpits during the first half of 2013.

The segment also performs additional subcontract work involving blade erosion coating on this aircraft. During the fourth quarter of 2012, this program was put on stop work by the customer, due to a supplier related matter. The stop work was extended during the second quarter, as such the Company believes that this program may be canceled. As of the date of this filing, the Company has not received a notice of termination.

AH-1Z

The segment manufactures cabins for the increased capability AH-1Z attack helicopter, which is produced by Bell Helicopter ("Bell") for the U.S. Marine Corps. The cabin is the largest and most complex airframe structure utilized in the final assembly of the AH-1Z helicopter and has not been manufactured new since 1995. We currently have \$33.0 million in backlog associated with this program; with potential follow-on options the program value could exceed \$200.0 million. We continue to make progress on this program and currently have six units in process. The first cabin delivery is expected to occur in the third quarter of 2013.

FMU-152 – Joint Programmable Fuze ("JPF")

We manufacture the JPF, an electro-mechanical bomb safe and arming device, which allows the settings of a weapon to be programmed in flight. During the first quarter of 2013, we were awarded commercial sales orders totaling \$20.3 million under our JPF program. Total JPF backlog at June 28, 2013, is \$76.9 million.

During the quarter we delivered a total of 5,216 fuzes, which consisted of 1,566 fuzes delivered to the U.S. Government and 3,650 fuzes delivered as direct commercial sales to foreign governments. A total of 9,836 fuzes have been delivered through the first half of 2013. The product line continues to perform above contract requirements for lot acceptance and operational reliability has been in excess of 99%. We occasionally experience lot acceptance test failures due to the complexity of the product and the extreme parameters of the acceptance test. Given the maturity of the product, we now generally experience isolated failures, rather than systematic failures. As a result, identifying a root cause can take longer and may result in fluctuating delivery performance from quarter to quarter. We continue to perform lot acceptance testing on fuze components and we expect to deliver approximately 18,000 to 22,000 fuzes in 2013.

SH-2G(I)

On May 6, 2013, we announced that the New Zealand Ministry of Defence (MoD) entered into a \$120.6 million contract for the purchase of ten SH-2G(I) Super Seasprite aircraft, spare parts, a full mission flight simulator, and related logistics support. The contract calls for the aircraft to be delivered over an approximately three-year period.

LIQUIDITY AND CAPITAL RESOURCES

Discussion and Analysis of Cash Flows

We assess liquidity in terms of our ability to generate cash to fund working capital and investing and financing activities. Significant factors affecting liquidity include: cash flows generated from or used by operating activities, capital expenditures, investments in our business segments and their programs, acquisitions, divestitures, dividends, availability of future credit, adequacy of available bank lines of credit, and factors that might otherwise affect the company's business and operations generally, as described under the heading "Risk Factors" and "Forward-Looking Statements" in Item 1A of Part I of our 2012 Annual Report on Form 10-K.

We continue to rely upon bank financing as an important source of liquidity for our business activities including acquisitions. We believe this, when combined with cash generated from operating activities, will be sufficient to support our anticipated cash requirements for the foreseeable future. However, we may decide to raise additional debt or equity capital to support other business activities including potential future acquisitions. We anticipate our capital expenditures will be approximately \$40.0 to \$45.0 million in 2013, primarily related to machinery and equipment, facility renovations and information technology infrastructure. Included in this is approximately \$13.4 million associated with investments in enterprise resource planning (ERP) systems primarily for our Distribution segment and, to a lesser extent, certain Aerospace facilities.

We anticipate a variety of items will have an impact on our liquidity during the next 12 months, in addition to our working capital requirements. These could include one or more of the following:

- the matters described in Note 12, *Commitments and Contingencies*, in the Notes to Condensed Consolidated Financial Statements, including:
 - the cost of defending the Wichita matter; and
 - the cost of existing environmental remediation matters;
- required contributions to our qualified pension plan and Supplemental Employees' Retirement Plan ("SERP"); and
- the extension of payment terms by our customers.

However, we do not believe any of these matters will lead to a shortage of capital resources or liquidity that would prevent us from continuing with our business operations as expected.

We regularly monitor credit market conditions to identify potential issues that may adversely affect, or provide opportunities for, the securing and/or pricing of additional financing, if any, that may be necessary to continue with our growth strategy and finance working capital requirements.

Management regularly monitors pension plan asset performance and the assumptions used in the determination of our benefit obligation, comparing them to actual performance. We continue to believe the assumptions selected are valid due to the long-term nature of our benefit obligation.

During the second quarter, the Company signed a \$120.6 million contract to resell ten of the former Australia SH-2G(A) (now designated SH-2G(I)) aircraft, spare parts, a full mission flight simulator, and related logistics support to the New Zealand Ministry of Defence. Pursuant to the terms of its revenue sharing agreement with the Commonwealth of Australia, the Company will share proceeds from the resale with the Commonwealth on a predetermined basis. Through June 28, 2013, the Company has paid \$39.5 million (AUD), the required minimum amount of payments pursuant to the revenue sharing agreement. Additional revenue sharing payments, if any, will be calculated pursuant to the terms of the revenue sharing agreement and recorded when they are due to the Commonwealth of Australia.

To secure the minimum guaranteed portion of these payments, we provided the Commonwealth with an unconditional letter of credit, which was reduced as such payments were made. The final required minimum payment of \$6.7 million was made on April 2, 2013, which eliminated the Company's requirement to provide the Commonwealth of Australia with a letter of credit.

Upon entering into the sales contract with the New Zealand Ministry of Defence, we agreed to provide unconditional letters of credit for the receipt of advanced payments on this program. As we perform under the contract and meet certain predetermined milestones, we will no longer have an obligation to maintain these letters of credit. As of June 28, 2013, the letter of credit balance associated with this program totaled \$14.0 million.

A summary of our consolidated cash flows from continuing operations is as follows:

	For the Six Months Ended		
	June 28, 2013	June 29, 2012	2013 vs. 2012
	(in thousands)		
Total cash (used in) provided by:			
Operating activities	\$ (13,407)	\$ (5,008)	\$ (8,399)
Investing activities	(26,960)	(18,778)	(8,182)
Financing activities	32,572	23,900	8,672
Free Cash Flow (a):			
Net cash used in operating activities	\$ (13,407)	\$ (5,008)	\$ (8,399)
Expenditures for property, plant and equipment	(21,267)	(10,963)	(10,304)
Free cash flow	<u>\$ (34,674)</u>	<u>\$ (15,971)</u>	<u>\$ (18,703)</u>

(a) Free Cash Flow, a non-GAAP financial measure, is defined as net cash provided by operating activities less expenditures for property, plant and equipment, both of which are presented on our Condensed Consolidated Statements of Cash Flows. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures for more information regarding Free Cash Flow.

Net cash used in operating activities of continuing operations increased \$8.4 million for the six months ended June 28, 2013, versus the comparable period in 2012 primarily due to the following:

- higher receivables due to shipments made under certain Aerospace programs late in the second quarter, with only partial cash collection; and
- higher inventory-related balances at our Aerospace segment to support new programs.

These changes were partially offset by advances on contracts of \$14.0 million received during the second quarter of 2013 that relate to the SH-2G(I) New Zealand contract.

Net cash used in investing activities increased \$8.2 million for the six months ended June 28, 2013, versus the comparable period in 2012 primarily due to an increase of \$10.3 million in cash used for expenditures for property, plant and equipment, including a \$6.9 million investment at our Distribution segment for ERP.

Net cash provided by financing activities increased \$8.6 million for the six months ended June 28, 2013, versus the comparable period in 2012, primarily due to an increase under the Revolving Credit Agreement of \$12.7 million of additional borrowings in 2013 as compared to the same period in prior year. The borrowings were used to fund the acquisition of assets purchased from Northwest Hose during the quarter and the purchase of property, plant and equipment.

Financing Arrangements

On November 20, 2012, we entered into a new Credit Agreement (the "Credit Agreement"). The Credit Agreement provides a \$400 million Revolving Credit Facility expiring July 31, 2017. The Revolving Credit Facility includes an "accordion" feature that would allow us to increase the aggregate amount available to \$500 million, subject to additional commitments from lenders. The Revolving Credit Facility may be used for working capital, letters of credit and other general corporate purposes, including acquisitions. The Credit Agreement also provides a \$100 million Term Loan Facility expiring on July 31, 2017, which is in addition to our Revolving Credit Facility. Principal payments, which started in the first quarter of 2013, of \$2.5 million are due quarterly, with \$55 million of the initial aggregate principal payable in the final quarter of the Term Loan Facility. We may increase the term loan by up to an aggregate of \$100 million in accordance with the terms of the agreement.

Interest rates on amounts outstanding under the Credit Agreement are variable. At June 28, 2013, the interest rate for the outstanding amounts on both the Revolving Credit Facility and Term Loan Facility was 1.70%. At December 31, 2012, the interest rate for the outstanding amounts on both the Revolving Credit Facility and Term Loan Facility was 1.75%.

The financial covenants associated with the Credit Agreement include a requirement that (i) the ratio of Consolidated Senior Secured Indebtedness to Consolidated EBITDA, as defined in the Credit Agreement, cannot be greater than 3.50 to 1.00, (ii) the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, as defined in the Credit Agreement, cannot be greater than 4.00 to 1.00, and (iii) the ratio of Consolidated EBITDA, as defined in the Credit Agreement, to the sum of (a) all interest, premium payments, debt discounts, fees, charges and related expenses and (b) the portion of rent expense under capital leases that is treated as interest expense, as defined in the Credit Agreement, cannot be less than 4.00 to 1.00. We were in compliance with those financial covenants as of and for the quarter ended June 28, 2013, and we do not anticipate noncompliance in the foreseeable future.

Total average bank borrowings during the quarter ended June 28, 2013, were \$196.3 million compared to \$143.1 million for the year ended December 31, 2012. This increase is attributable to working capital requirements, the acquisition we completed during the quarter and the purchase of property, plant and equipment during the first six months of 2013. As of June 28, 2013, and December 31, 2012, there was \$285.6 million and \$331.1 million available for borrowing, respectively, under the Revolving Credit Facility, net of letters of credit. Letters of credit are generally considered borrowings for purposes of the Revolving Credit Facility. A total of \$20.5 million and \$14.6 million in letters of credit was outstanding under the Revolving Credit Facility as of June 28, 2013, and December 31, 2012, respectively. The letter of credit balance related to the guaranteed minimum payments to Australia in connection with the ownership transfer of the 11 SH-2G(A) helicopters (along with spare parts and associated equipment) was brought to zero in the quarter ended June 28, 2013, compared to \$6.7 million for the year ended December 31, 2012. The final minimum payment of \$6.4 million (AUD) was made to the Commonwealth of Australia on April 2, 2013, bringing total payments to \$39.5 million (AUD) in accordance with our settlement agreement. The letter of credit balance related to the SH-2G(I) New Zealand sales contract was \$14.0 million at June 28, 2013, and increased to \$21.0 million as of the date of this filing. The letter of credit balance related to this contract could reach a potential \$60.1 million over its three-year term.

Other Sources/Uses of Capital

Through the end of the second quarter we have contributed \$5.0 million to the qualified pension plan and \$2.0 million to the SERP. An additional \$5.0 million contribution to the qualified pension plan was made in July 2013. We do not expect to make any further contributions to the qualified pension plan during 2013. We plan to contribute an additional \$0.3 million to the SERP in 2013. For the 2012 plan year, we contributed \$10.0 million to the qualified pension plan and \$1.6 million to the SERP.

In November 2000, our Board of Directors approved a replenishment of our stock repurchase program, providing for repurchase of an aggregate of 1.4 million common shares for use in administration of our stock plans and for general corporate purposes. There were no shares repurchased under this program during the first six months of 2013. At June 28, 2013, approximately 1.0 million shares remained authorized for repurchase under this program.

NON-GAAP FINANCIAL MEASURES

Management believes the non-GAAP (Generally Accepted Accounting Principles) measures used in this report on Form 10-Q provide investors with important perspectives into our ongoing business performance. We do not intend for the information to be considered in isolation or as a substitute for the related GAAP measures. Other companies may define the measures differently. We define the non-GAAP measures used in this report and other disclosures as follows:

Organic Sales per Sales Day

Organic sales per sales day is defined as GAAP “Net sales from the Distribution segment” less sales derived from acquisitions completed during the preceding twelve months divided by the number of sales days in a given period. Sales days are the number of business days that the Distribution segment’s branch locations were open for business and exclude weekends and holidays. Management believes sales per sales day provides investors with an important perspective on how net sales may be impacted by the number of days the segment is open for business. Management uses organic sales per sales day as a measurement to compare periods in which the numbers of sales days differ.

Free cash flow is defined as GAAP “Net cash provided by (used in) operating activities” less “Expenditures for property, plant & equipment”, both of which are presented in our Condensed Consolidated Statements of Cash Flows. Management believes free cash flow provides an important perspective on the cash available for dividends to shareholders, debt repayment, and acquisitions after making capital investments required to support ongoing business operations and long-term value creation. Free cash flow does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow internally to assess both business performance and overall liquidity.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes outside the ordinary course of business in our contractual obligations or off-balance sheet arrangements during the first six months of 2013. See our 2012 Annual Report on Form 10-K for a discussion of our contractual obligations and off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management’s Discussion and Analysis and the Notes to Consolidated Financial Statements in the Company’s 2012 Annual Report on Form 10-K describe the critical accounting estimates and significant accounting policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management’s estimates. There have been no significant changes in the Company’s critical accounting estimates and significant accounting policies in 2013.

RECENT ACCOUNTING STANDARDS

Information regarding recent changes in accounting standards is included in Note 2, *Recent Accounting Standards*, of the Notes to Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the company’s exposure to market risk during the second quarter of 2013. See the company’s 2012 Annual Report on Form 10-K, for a discussion of the company’s exposure to market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company has carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 28, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 28, 2013, the disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in internal controls over financial reporting at the company that have materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

PART II

Item 1. Legal Proceedings

General

From time to time, as a normal incident of the nature and kind of businesses in which the Company and its subsidiaries are, and were, engaged, various claims or charges are asserted and legal proceedings are commenced by or against the Company and/or one or more of its subsidiaries. Except as set forth below, as of June 28, 2013, neither the Company nor any of its subsidiaries is a party, nor is any of its or their property subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Company and its subsidiaries.

Wichita Matter

As previously disclosed, the U.S. District Court for the District of Kansas issued a grand jury subpoena in 2011 to Plastic Fabricating Company, Inc. ("PlasticFab"), an indirect wholly owned subsidiary of the Company now known as Kaman Composites - Wichita, Inc., regarding a government investigation of record keeping associated with the manufacture of certain composite parts at PlasticFab's facility located in Wichita, Kansas. The subpoena required information related to the period January 1, 2006, through June 30, 2008. During the fiscal quarter ended March 29, 2013, the U.S. Attorney's Office for the District of Kansas notified PlasticFab that it may seek to commence a criminal proceeding against PlasticFab but it expressed a willingness to explore a pre-charge disposition of the matter. PlasticFab believes it has cooperated fully with the investigation and intends to continue to do so as it engages in further discussions with the U.S. Attorney's Office about this matter. Under present U.S. Government procurement laws and regulations, if indicted or adjudged to be in violation of procurement or other Federal laws, a contractor, such as PlasticFab, could be subject to fines, penalties, repayments, or compensatory or treble damages, or suspension or debarment on U.S. Government contract awards if warranted. Thus, as with any government contractor, an adverse outcome in a proceeding such as this could have a material adverse effect on our business, financial condition, results of operations or cash flows. Management continues to cooperate with the government's investigation; however, we are unable to predict the outcome of any proceeding that may be brought or to estimate the amounts of resulting claims or other actions that could be instituted against PlasticFab, its officers, employees, or affiliates. At June 28, 2013, the Company had no amount accrued for this matter.

Environmental Matters

The Company and its subsidiaries are subject to numerous U.S. Federal, state and international environmental laws and regulatory requirements and are involved from time to time in investigations or litigation of various potential environmental issues concerning activities at our facilities or former facilities or remediation as a result of past activities (including past activities of companies we have acquired). From time to time, we receive notices from the U.S. Environmental Protection Agency or equivalent state or international environmental agencies that we are a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the "Superfund Act") and/or equivalent laws. Such notices assert potential liability for cleanup costs at various sites, which include sites owned by us, sites we previously owned and treatment or disposal sites not owned by us, allegedly containing hazardous substances attributable to us from past operations. We are currently named as a potentially responsible party at one site. While it is not possible to predict the outcome of these proceedings, in the opinion of management, any payments we may be required to make as a result of such claims in existence at June 28, 2013, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

Asbestos Litigation

Like many other industrial companies, the Company and/or one of its subsidiaries are named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos integrated into certain products sold or distributed by the Company and/or the named subsidiary. A substantial majority of these asbestos-related claims have been covered by insurance or other forms of indemnity or have been dismissed without payment. The rest have been resolved for amounts that are not material to the Company, either individually or in the aggregate. Based on information currently available, we do not believe that the resolution of any currently pending asbestos-related matters will have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Investors should carefully review and consider the information regarding certain factors which could materially affect our business, results of operations, financial condition and cash flows as set forth under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K"). Except for the new risk factor below relating to the Wichita Matter, we do not believe that there have been any material changes to the risk factors previously disclosed in our 2012 Form 10-K, but we may disclose changes to such factors or disclose additional factors from time to time in future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely impact our business, results of operations, financial position and cash flows.

Wichita Matter

The U.S. District Court for the District of Kansas issued a grand jury subpoena in 2011 to Plastic Fabricating Company, Inc. ("PlasticFab"), an indirect wholly owned subsidiary of the Company now known as Kaman Composites - Wichita, Inc., regarding a government investigation of record keeping associated with the manufacture of certain composite parts at PlasticFab's facility located in Wichita, Kansas. The subpoena requested information related to the period January 1, 2006, through June 30, 2008. The U.S. Attorney's Office for the District of Kansas recently notified PlasticFab that it may seek to commence a criminal proceeding against PlasticFab but it expressed a willingness to explore a pre-charge disposition of the matter. PlasticFab has cooperated fully with the investigation and intends to continue to do so as it engages in further discussions with the U.S. Attorney's Office about this matter. Under present U.S. Government procurement laws and regulations, if indicted or adjudged in violation of procurement or other Federal laws, a contractor, such as PlasticFab, could be subject to fines, penalties, repayments, or compensatory or treble damages, or suspension or debarment on U.S. Government contract awards if warranted. Thus, as with any government contractor, an adverse outcome in a proceeding such as this could have a material adverse effect on our business, financial condition, results of operations or cash flows.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements also may be included in other publicly available documents issued by the Company and in oral statements made by our officers and representatives from time to time. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. They can be identified by the use of words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and other words of similar meaning in connection with a discussion of future operating or financial performance. Examples of forward looking statements include, among others, statements relating to future sales, earnings, cash flows, results of operations, uses of cash and other measures of financial performance.

Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and other factors that may cause the Company's actual results and financial condition to differ materially from those expressed or implied in the forward-looking statements. Such risks, uncertainties and other factors include, among others: (i) changes in domestic and foreign economic and competitive conditions in markets served by the Company, particularly the defense, commercial aviation and industrial production markets; (ii) changes in government and customer priorities and requirements (including cost-cutting initiatives, the potential deferral of awards, terminations or reductions of expenditures to respond to the priorities of Congress and the Administration, or budgetary cuts resulting from Congressional actions or automatic sequestration under the Budget Control Act of 2011, as modified by the enactment of the Taxpayer Relief Act of 2012); (iii) changes in geopolitical conditions in countries where the Company does or intends to do business; (iv) the successful conclusion of competitions for government programs and thereafter contract negotiations with government authorities, both foreign and domestic; (v) the existence of standard government contract provisions permitting renegotiation of terms and termination for the convenience of the government; (vi) the conclusion to government inquiries or investigations regarding government programs, including the resolution of the Wichita matter; (vii) risks and uncertainties associated with the successful implementation and ramp up of significant new programs; (viii) potential difficulties associated with variable acceptance test results, given sensitive production materials and extreme test parameters; (ix) the receipt and successful execution of production orders for the JPF U.S. government contract, including the exercise of all contract options and receipt of orders from allied militaries, as all have been assumed in connection with goodwill impairment evaluations; (x) the continued support of the existing K-MAX® helicopter fleet, including sale of existing K-MAX® spare parts inventory; (xi) the accuracy of current cost estimates associated with environmental remediation activities, including activities at the Bloomfield, Moosup and New Hartford, CT facilities and our U.K. facilities; (xii) the profitable integration of acquired businesses into the Company's operations; (xiii) changes in supplier sales or vendor incentive policies; (xiv) the effects of price increases or decreases; (xv) the effects of pension regulations, pension plan assumptions, pension plan asset performance and future contributions; (xvi) future levels of

indebtedness and capital expenditures; (xvii) the continued availability of raw materials and other commodities in adequate supplies and the effect of increased costs for such items; (xiii) the effects of currency exchange rates and foreign competition on future operations; (xix) changes in laws and regulations, taxes, interest rates, inflation rates and general business conditions; (xx) future repurchases and/or issuances of common stock; and (xxi) other risks and uncertainties set forth herein and in our Annual Report on Form 10-K for the year ended December 31, 2012.

Any forward-looking information provided in this report should be considered with these factors in mind. We assume no obligation to update any forward-looking statements contained in this report.

Item 2. Unregistered Sales of equity securities and use of proceeds

The following table provides information about purchases of Common Stock by the Company during the three months ended June 28, 2013:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (b)	Maximum Number of Shares That May Yet Be Purchased Under the Plan
March 30, 2013 – April 26, 2013	—	\$ —	—	964,757
April 27, 2013 – May 24, 2013	—	\$ —	—	964,757
May 25, 2013 – June 28, 2013	948	\$ 32.79	—	964,757
Total	948		—	

(a) These shares represent shares repurchased in connection with employee tax withholding obligations as permitted by our equity compensation plans, which are SEC Rule 16b-3 qualified compensation plans. These are not purchases under our publicly announced program.

(b) In November 2000, our board of directors approved a replenishment of the Company's stock repurchase program providing for repurchase of an aggregate of 1.4 million shares of Common Stock for use in the administration of our stock plans and for general corporate purposes.

Item 4. Mine Safety Disclosure

Information concerning mine safety violations required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and Item 104 of Regulation S-K was not required for this quarterly report on Form 10-Q as there were no reportable violations during the quarter.

Item 6. Index To Exhibits

3.1	Amended and Restated Certificate of Incorporation of the Company, amended and restated as of November 3, 2005 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 4, 2005, Commission File No. 333-66179).	Previously Filed
3.2	Amended and Restated Bylaws of the Company, dated February 26, 2008 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 28, 2008, Commission File No. 000-01093).	Previously Filed
10.1	Change in Control Agreement, effective as of July 1, 2013, by and between the Company and Robert D. Starr (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 4, 2013, Commission File No. 001-35419). *	Previously Filed
10.2	Second Amendment to Amended and Restated Change in Control Agreement, effective as of July 7, 2013, by and between Kaman Aerospace Group, Inc. and Gregory L. Steiner (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, dated June 4, 2013, File No. 001-35419). *	Previously Filed
10.3	Change in Control Agreement, effective June 4, 2013, by and between the Company and Philip A. Goodrich. *	Filed Herewith
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14 under the Securities Exchange Act of 1934	Filed Herewith
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14 under the Securities Exchange Act of 1934	Filed Herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
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101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

* Management contract or compensatory arrangement.

SIGNATURES

Kaman Corporation and Subsidiaries

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KAMAN CORPORATION

Registrant

Date: July 29, 2013

/s/ Neal J. Keating

By:

Neal J. Keating
Chairman, President and
Chief Executive Officer

Date: July 29, 2013

/s/ Robert D. Starr

By:

Robert D. Starr
Senior Vice President and
Chief Financial Officer

KAMAN CORPORATION
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KAMAN CORPORATION
CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, is made effective June 4, 2013 (the "Effective Date"), by and between **Kaman Corporation**, a Connecticut corporation (the "Company"), and **Philip A. Goodrich** (the "Executive").

WHEREAS, Executive was appointed Senior Vice President - Corporate Development of the Company, effective as of February 20, 2012; and

WHEREAS, the Company and the Executive desire to further memorialize the terms and conditions of Executive's employment in the role of Senior Vice President - Corporate Development;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. Definitions of capitalized terms used in this Agreement are provided in the last Section of this Agreement.
2. Term. This Agreement shall terminate on the fifth anniversary of the Effective Date. The term of this Agreement shall be automatically extended thereafter for successive one (1) year periods unless, at least ninety (90) days prior to the end of the fourth anniversary of the Effective Date or the then current succeeding one-year extended term of this Agreement, the Company or Executive has notified the other that the term hereunder shall expire at the end of the then-current term. Notwithstanding any such notice, the term of this Agreement shall not expire before the second anniversary of a Change in Control that occurs within the term of this Agreement. The initial term of this Agreement, as it may be extended under this Section 2, is herein referred to as the "Term."
3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's continued employment, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described in this Agreement. Except as provided in Section 5.1 of this Agreement, no Severance Payments (as defined in Section 5) shall be payable under this Agreement unless there shall have been a termination of the Executive's employment with the Company following a Change in Control. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.
4. Compensation Other Than Severance Payments.
 - 4.1 If the Executive's employment shall be terminated for any reason following a Change in Control, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if Section 18(n)(ii) is applicable as an event or circumstance constituting Good Reason, the rate in effect immediately prior to such event or circumstance, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason). In addition, if the Executive's employment is terminated for any reason following a Change in Control other

than (a) by the Company for Cause and (b) by the Executive without Good Reason, then the Company shall pay a pro-rata portion of the Executive's annual bonus for the performance year in which such termination occurs to the Executive on the later of (x) the date that annual bonuses are generally paid to other senior executives and (y) the date that is the first business day after the date that is six months after the Date of Termination. This pro-rata bonus shall be determined by multiplying the amount the Executive would have received based upon actual financial performance through such termination, as reasonably determined by the Company, by a fraction, the numerator of which is the number of days during such performance year that the Executive is employed by the Company and the denominator of which is 365.

4.2 If the Executive's employment shall be terminated for any reason following a Change in Control, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

5. Severance Payments.

5.1 If the Executive's employment is terminated during the twenty-four (24) month period immediately following a Change in Control, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then the Company shall pay the Executive the amounts, and provide the Executive the benefits described in this Section 5 (collectively, the "Severance Payments") in addition to any payments and benefits to which the Executive is entitled under Section 4 of this Agreement. The Executive shall also be entitled to Severance Payments under this Agreement if the Executive's employment is terminated without Cause by the Company or by the Executive for Good Reason at any time beginning on the first day of the 90 day period immediately prior to the execution of a definitive purchase and sale agreement that results in such Change in Control and the closing of such Change in Control.

- (a) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to the sum of (i) two (2) times the Executive's base salary as in effect immediately prior to the Date of Termination or, if Section 18(n)(ii) is applicable as an event or circumstance constituting Good Reason, the rate in effect immediately prior to such event or circumstance, and (ii) two (2) times the last annual bonus paid or awarded (to the extent not yet paid) to the Executive in the previous three years (if any) immediately preceding the Date of Termination, pursuant to any annual bonus or incentive plan maintained by the Company.
- (b) For the twenty-four (24) month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents medical, dental, and accidental death and dismemberment benefits on a monthly basis that is substantially similar to such benefits as provided to the Executive and her dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence. The parties intend that the first 18 months of continued medical and dental coverage shall not constitute a "deferral of

compensation” under Treas. Reg. Sect. 1.409A-1(b), and that continued accidental death and dismemberment benefits hereunder shall qualify as a “limited payment” of an “in kind” benefit under Treas. Reg. Sect. 1.409A-1(b)(9)(v)(C) and (D). Any portion of the continued medical, dental and accidental death and dismemberment coverage under this Section 5.1(b) that is subject to Section 409A is intended to qualify as a “reimbursement or in-kind benefit plan” under Treas. Reg. Sect. 1.409A-3(i)(1)(iv). Benefits otherwise receivable by the Executive pursuant to this Section 5.1(b) shall be reduced to the extent benefits of the same type are received by or made available by a subsequent employer to the Executive during the twenty-four (24) month period following the Date of Termination (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. Any such reimbursement under this Section 5.1(b) shall be made promptly in accordance with Company policy, but in any event on or before the last day of the Executive's taxable year following the taxable year in which the expense or cost was incurred. In no event shall the amount that the Company pays for any such benefit in any one year affect the amount that it will pay in any other year and in no event shall the benefits described in this paragraph be subject to liquidation or exchange.

- (c) Notwithstanding any provision to the contrary in any plan or agreement maintained by or through the Company pursuant to which the Executive has been granted restricted stock, stock options, stock appreciation rights or long-term performance awards, effective on the Date of Termination, (i) all service and performance based restrictions with respect to any then unvested restricted stock shall lapse, (ii) all stock appreciation rights and stock options shall be deemed fully vested and then canceled in exchange for a cash payment equal to the excess of the fair market value of the shares of Company stock subject to the stock appreciation right or stock option on the Date of Termination, over the exercise price(s) of such stock appreciation rights or stock options, and (iii) all unvested long-term performance awards (each, an “LTIP Award”) shall vest when such award would otherwise have vested and the actual amount that the Executive shall receive with respect to any such award will be determined by multiplying the amount the Executive would have received based upon actual performance for the entire period by a fraction, the numerator which is the number of days the Executive remained employed with the Company during such award's performance period and the denominator of which is the total number of days during such award's performance period.
- (d) If the Executive would have become entitled to benefits under the Company's post-retirement health care plans, as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, had the Executive's employment terminated at any time during the period of twenty-four (24) months after the Date of Termination, the Company shall provide such post-retirement health care benefits to the Executive and the Executive's dependents commencing on the later of (i) the date on which such coverage would have first become available and (ii) the date on which benefits described in Section 5.1 (b) terminate.
- (e) The Company (i) shall establish an irrevocable grantor trust holding an amount of assets

sufficient to pay all remaining premiums (which trust shall be required to pay such premiums), under any insurance policy maintained by the Company insuring the life of the Executive, that is in effect and (ii) shall transfer to the Executive any and all rights and incidents of ownership in such arrangements at no cost to the Executive.

Notwithstanding the foregoing, in no event shall the Company establish or fund any such rabbi trust in a manner or on terms that would result in the imposition of any tax, penalty or interest under Section 409A(b)(1) of the Code and in no event shall the Company be obligated to, nor shall it, fund any such rabbi trust "in connection with a change in the employer's financial health" within the meaning of Section 409A(b)(2) of the Code. In the event that one or more premiums become due and payable during the six-month period beginning on the Executive's employment termination, the Company shall timely notify the Executive so that any such premium payment can be made by the Executive directly to the insurance carrier. At the end of such six-month period, the Company shall reimburse the Executive for all such premiums paid by the Executive, with interest at the applicable federal rate under Section 1274 of the Code, determined as of the Date of Termination.

- (f) The Company shall provide the Executive with reimbursement for up to Thirty Thousand Dollars (\$30,000) in the aggregate for outplacement services, relocation costs, or both provided however that reimbursement shall only be provided until the earlier of the first anniversary of the Date of Termination or the Executive's first day of employment with a new employer. It is intended that reimbursements under this Section 5.1(g) shall not constitute a "deferral of compensation" for purposes of Section 409A of the Code pursuant to Treas. Reg. Sect. 1.409A-1(a)(9)(v)(A) and (C).

5.2 Section 4999 Excise Tax.

The Executive shall bear all expense of, and be solely responsible for, all federal, state, local or foreign taxes due with respect to any payment received under the Agreement, including, without limitation, any excise tax imposed by Section 4999 of the Code (the "Excise Tax"); provided, however, that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of employment (whether payable under the terms of the Agreement or any other plan, arrangement or agreement with the Company or an affiliate (collectively, the "Payments") that would constitute a "parachute payment" within the meaning of Section 280G of the Code, shall be reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax but only if, by reason of such reduction, the net after-tax benefit received by the Executive shall exceed the net after-tax benefit that would be received by the Executive if no such reduction was made. For purposes of this Section:

- (a) The "net after-tax benefit" shall mean (i) the Payments which the Executive receives or is then entitled to receive from the Company or its affiliates that would constitute "parachute payments" within the meaning of Section 280G of the Code, less (ii) the amount of all federal, state and local income and employment taxes payable by the Executive with respect to the foregoing calculated at the highest marginal income tax rate for each year in which the foregoing shall be paid to the Executive (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing), less (iii) the amount of Excise Tax imposed with respect to the payments and benefits described in (i) above.
- (b) All determinations under this Section will be made by an accounting firm or law firm that is selected for this purpose by the Company's Chief Executive Officer prior to the Change in Control (the "280G Firm"). All fees and expenses of the 280G Firm shall be borne by the

Company. The Company will direct the 280G Firm to submit any determination it makes under this Section and detailed supporting calculations to the Executive and the Company as soon as reasonably practicable.

(c) If the 280G Firm determines that one or more reductions are required under this Section, the 280G Firm shall also determine which Payments shall be reduced (first from cash payments and then from non-cash benefits) to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code, and the Company shall pay such reduced amount to the Executive. The 280G Firm shall make reductions required under this Section in a manner that maximizes the net after-tax amount payable to the Executive.

(d) As a result of the uncertainty in the application of Section 280G at the time that the 280G Firm makes its determinations under this Section, it is possible that amounts will have been paid or distributed to the Executive that should not have been paid or distributed (collectively, the "Overpayments"), or that additional amounts should be paid or distributed to the Executive (collectively, the "Underpayments"). If the 280G Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Executive, which assertion the 280G Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Executive must repay the Overpayment to the Company, without interest; provided, however, that no loan will be deemed to have been made and no amount will be payable by the Executive to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which the Executive is subject to tax under Section 4999 of the Code or generate a refund of tax imposed under Section 4999 of the Code. If the 280G Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the 280G Firm will notify the Executive and the Company of that determination and the amount of that Underpayment will be paid to the Executive promptly by the Company.

(e) The parties will provide the 280G Firm access to and copies of any books, records, and documents in their possession as reasonably requested by the 280G Firm, and otherwise cooperate with the 280G Firm in connection with the preparation and issuance of the determinations and calculations contemplated by this Section.

5.3 The Company also shall reimburse the Executive for legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement. Such payments shall be made within ten (10) business days after delivery of the Executive's written request for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

5.4 The Company shall pay the cash amounts described in Section 5.1(a) and shall provide the benefits described in Section 5.1(f) to the Executive on the first business day after the date that is six months following the Date of Termination; provided, however, that the date of payment for cash payments described in Section 5.1 (c)(iii) shall be the later of (a) the date that such award is generally paid to other senior executives and (b) the date that is the first business day after the date that is six months after the Date of Termination. The cash amounts described in subsections (a) and (c)(iii) of Section 5.1 shall be paid with interest at the applicable federal rate under Section 1274 of the Code determined as of the Date of Termination. In addition, to the extent that payment of the pro-rata portion of the annual bonus provided for in Section 4.1 is delayed until the date that it is the first business day after the date that is six months following the Date of Termination as described above, the pro-rata bonus payment shall be

credited with interest at the short-term applicable federal rate under Section 1274 of the Code determined as of March 15th of the year following such termination from such March 15th to the date that payment is made to the Executive hereunder. If payments are not made in the time frame required by this subsection, interest on the unpaid amounts will accrue at 120% of the rate provided in Section 1274(b)(2)(B) of the Code determined as of the first day following the time frame provided for herein until the date such payments are actually made. At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from the Consultant or other advisors (and any such opinions or advice which are in writing shall be attached to the statement).

5.5 Severance Payments In Lieu of Other Severance Benefits.

Severance Payments made under this Section 5 shall be in lieu of any severance benefit otherwise payable to the Executive.

6. Termination Procedures and Compensation During Dispute.

6.1 Notice of Termination. After a Change in Control, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 9 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

6.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given). For purposes of determining the date on which to make the severance payments described under Section 5.4, a "Date of Termination" shall only occur upon the Executive's "separation from service" within the meaning of Section 409A of the Code and as determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1).

6.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 6.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time

for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

6.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and the Date of Termination is extended in accordance with Section 6.3 of this Agreement, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 6.3 of this Agreement. Amounts paid under this Section 6.4 are in addition to all other amounts due under this Agreement (other than those due under Section 4.1 of this Agreement) and shall not be offset against or reduce any other amounts due under this Agreement. Notwithstanding anything to the contrary in Section 6.3 and 6.4, if the Company, after delivery of a Notice of Termination, promptly (and in any event within 30 days) determines that grounds existed prior to the delivery of the Notice of Termination to terminate the Executive's employment for Cause after complying with the procedural requirements of this Agreement, the Company shall have the right to recover any payments that have been made to the Executive or on the Executive's behalf under this Agreement including but not limited to offset against or reduction of any amounts due under this Agreement or otherwise.

7. No Mitigation. The Company agrees that under this Agreement, if the Executive's employment with the Company terminates, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 5 of this Agreement or Section 6.4 of this Agreement. Further, the amount of any payment or benefit provided for in this Agreement (other than as specifically provided in Section 5.1(b) of this Agreement) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in accordance with its terms.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

9. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery if delivered by hand, (b) on the date of transmission, if delivered by confirmed facsimile, (c) on the first business day following the date of deposit if delivered by guaranteed overnight delivery service, or (d) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the address (or to the facsimile number) shown on the records of the Company.

If to the Company: Kaman Corporation, 1332 Blue Hills Avenue, P.O. Box 1, Bloomfield, CT 06002 - Attention: Chief Executive Officer (Facsimile No.: (860) 243-7397), or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10. Obligations after the Date of Termination.

- (a) Confidentiality. The Executive agrees that the Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of the Executive's employment and for the benefit of the Company, at any time following the Date of Termination, any nonpublic, proprietary or confidential information, knowledge or data relating to the Company, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by the Executive during the Executive's employment by the Company. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to the Executive; (ii) becomes known to the public subsequent to disclosure to the Executive through no wrongful act of the Executive or any representative of the Executive; or (iii) the Executive is required to disclose by applicable law, regulation or legal process (provided that the Executive provides the Company with prior notice of the contemplated disclosure and reasonably cooperates with the Company at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, the Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.
- (b) Non-Solicitation. In the event that the Executive receives Severance Payments under Section 5 of this Agreement, the Executive agrees that for the two (2) year period following the Date of Termination, the Executive will not, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, knowingly solicit, aid or induce any managerial level employee of the Company or any of its subsidiaries or affiliates to leave such employment in order to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company or knowingly take any action to materially assist or aid any other person, firm, corporation or other entity in identifying or hiring any such employee (provided, that the foregoing shall not be violated by general advertising not targeted at Company employees nor by serving as a reference for an employee with regard to an entity with which the Executive is not affiliated). For the avoidance of doubt, if a managerial level employee on his or her own initiative contacts the Executive for the primary purpose of securing alternative employment, any action taken by the Executive thereafter shall not be deemed a breach of this Section 10(b).
- (c) Non-Competition. The Executive acknowledges that the Executive performs services of a unique nature for the Company that are irreplaceable, and that the Executive's performance of such services to a competing business will result in irreparable harm to the Company. Accordingly, in the event that the Executive receives Severance Payments described in Section 5 of this Agreement, the Executive agrees that for a period of two (2) years following the Date of Termination, the Executive will not, directly or indirectly, become connected with, promote the interest of, or engage in any other business or activity competing with the business of the Company within the geographical area in which the business of the Company is conducted.
- (d) Non-Disparagement. Each of the Executive and the Company (for purposes hereof, "the Company" shall mean only (i) the Company by press release or otherwise and (ii) the

executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other party, or in the case of the Company, its respective affiliates, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) or otherwise as required by law shall not be subject to this Section 10(d).

- (e) Return of Company Property and Records. The Executive agrees that upon termination of the Executive's employment, for any cause whatsoever, the Executive will surrender to the Company in good condition (reasonable wear and tear excepted) all property and equipment belonging to the Company and all records kept by the Executive containing the names, addresses or any other information with regard to customers or customer contacts of the Company, or concerning any proprietary or confidential information of the Company or any operational, financial or other documents given to the Executive during the Executive's employment with the Company.
- (f) Cooperation. The Executive agrees that, following termination of the Executive's employment for any reason, the Executive shall upon reasonable advance notice, and to the extent it does not interfere with previously scheduled travel plans and does not unreasonably interfere with other business activities or employment obligations, assist and cooperate with the Company with regard to any matter or project in which the Executive was involved during the Executive's employment, including any litigation. The Company shall compensate the Executive for any lost wages (or, if the Executive is not then employed, provide reasonable compensation as determined by the Compensation Committee) and expenses associated with such cooperation and assistance.
- (g) Assignment of Inventions. The Executive will promptly communicate and disclose in writing to the Company all inventions and developments including software, whether patentable or not, as well as patents and patent applications (hereinafter collectively called "Inventions"), made, conceived, developed, or purchased by the Executive, or under which the Executive acquires the right to grant licenses or to become licensed, alone or jointly with others, which have arisen or jointly with others, which have arisen or which arise out of the Executive's employment with the Company, or relate to any matters directly pertaining to the business of the Company or any of its subsidiaries. Included herein as if developed during the employment period is any specialized equipment and software developed for use in the business of the Company. All of the Executive's right, title and interest in, to, and under all such Inventions, licenses, and right to grant licenses shall be the sole property of the Company. As to all such Inventions, the Executive will, upon request of the Company execute all documents which the Company deems necessary or proper to enable it to establish title to such Inventions or other rights, and to enable it to file and prosecute applications for letters patent of the United States and any foreign country; and do all things (including the giving of evidence in suits and other proceedings) which the Company deems necessary or proper to obtain, maintain, or assert patents for any and all such Inventions or to assert its rights in any Inventions not patented.
- (h) Equitable Relief and Other Remedies. The parties acknowledge and agree that the other party's remedies at law for a breach or threatened breach of any of the provisions of this Section would be inadequate and, in recognition of this fact, the parties agree that, in the event of such a breach or threatened breach, in addition to any remedies at law, the other party, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.
- (i) Reformation. If it is determined by a court of competent jurisdiction in any state that any

restriction in this Section 10 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

- (j) Survival of Provisions. The obligations contained in this Section 10 shall survive the termination or expiration of the Executive's employment with the Company and shall be fully enforceable thereafter.

11. Conditions. Any payments or benefits made or provided pursuant to this Agreement are subject to the Executive's:

- (a) compliance with the provisions of Section 10 hereof;
- (b) delivery to the Company of an executed Agreement and General Release (the "General Release"), which shall be substantially in the form attached hereto as Appendix A (with such changes therein or additions thereto as needed under then applicable law to give effect to its intent and purpose) within 21 days of presentation thereof by the Company to the Executive (which presentation shall be made by the Company no later than two (2) business days following the Date of Termination); and
- (c) delivery to the Company of a resignation from all offices, directorships and fiduciary positions with the Company, its affiliates and employee benefit plans with the General Release.

If the Executive fails to return an executed General Release to the Company within such 21-day period, or the Executive subsequently revokes such timely release, the Company shall not have any obligation to pay any amounts or benefits under Section 5 of this Agreement. The Executive shall provide the General Release in the same manner as providing written notice to the Company under Section 9 above.

12. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the President of the Company or his designee. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of Connecticut without regard to its conflicts of law principles. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after its expiration shall survive any such expiration.

13. Validity; Counterparts. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Supersedes All Other Agreements. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party.

15. Intentionally Omitted.

16. Settlement of Disputes. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further

allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied.

17. Arbitration. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Hartford, Connecticut, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

18. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

- (a) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
- (b) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.
- (c) "Board" shall mean the Board of Directors of the Company.
- (d) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 6.1 of this Agreement) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Board by clear and convincing evidence that Cause exists. Notwithstanding the foregoing, Cause shall not include any act or omission of which the Audit Committee of the Board (or the full Board) has had actual knowledge of all material facts related thereto for at least 90 days without asserting that the act or omission constitutes Cause.
- (e) "Change in Control" for purposes of this Agreement shall mean any of the following events, provided that such an event is not also a Management Buyout:
 - (i) any Person is or becomes the Beneficial Owner directly or indirectly, of securities of the Company representing thirty-five (35%) or more of the combined voting power of the Company's then outstanding voting securities generally entitled to vote in the election of directors of the Company; provided, however, that no Change in Control will be deemed to have occurred as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company or a transaction described in clause (A) of paragraph (iii) below;

- (ii) during any period of two consecutive years, individuals who, as of the beginning of such period, constitute the Board (the “Incumbent Board”) cease to constitute at least a majority of the Board; provided, that any person becoming a director of the Company subsequent to the beginning of such period whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company and whose appointment or election was not approved by at least a majority of the directors of the Company in office immediately before any such contest;
- (iii) there is consummated a Merger of the Company with any other business entity, other than (A) a Merger which would result in the securities of the Company generally entitled to vote in the election of directors of the Company outstanding immediately prior to such Merger continuing to represent (either by remaining outstanding or by being converted into such securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding such securities under an employee benefit plan of the Company or any Subsidiary, at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such Merger, generally entitled to vote in the election of directors of the Company or such surviving entity or any parent thereof and, in the case of such surviving entity or any parent thereof, of a class registered under Section 12 of the Exchange Act, or (B) a Merger effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company’s then outstanding voting securities generally entitled to vote in the election of directors of the Company; or
- (iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity where the outstanding securities generally entitled to vote in the election of directors of the Company immediately prior to the transaction continue to represent (either by remaining outstanding or by being converted into such securities of the surviving entity or any parent thereof) 50% or more of the combined voting power of the outstanding voting securities of such entity generally entitled to vote in such entity’s election of directors immediately after such sale and of a class registered under Section 12 of the Exchange Act.

Within five (5) days after a Change in Control has occurred, the Company shall deliver to the Executive a written statement memorializing the date that the Change in Control occurred.

- (f) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor Code, and related rules, regulations and interpretations.
- (g) “Company” shall mean Kaman Corporation and, except in determining under Section 18(e) hereof whether or not any Change in Control of the Company has occurred, shall include

- any successor to its business and/or assets.
- (h) Intentionally Omitted.
- (i) "Date of Termination" shall have the meaning set forth in Section 6.2 of this Agreement.
- (j) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.
- (k) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.
- (l) "Excise Tax" shall mean any excise tax imposed under Section 4999 of the Code.
- (m) "Executive" shall mean the individual named in the preamble to this Agreement
- (n) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control (if more than one Change in Control has occurred, any reference to a Change in Control in this subsection (n) shall refer to the most recent Change in Control), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (i), (v), (vi), or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:
- (i) the assignment to the Executive of any duties inconsistent with the Executive's status as Senior Vice President - Corporate Development of the Company or a substantial diminution in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
 - (ii) a reduction by the Company in the Executive's annual Base Salary as in effect on the date of this Agreement or as the same may be increased from time to time;
 - (iii) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's business travel obligations immediately prior to the Change in Control;
 - (iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within thirty (30) days of the date such compensation is due;

- (v) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation (including, but not limited to, the Kaman Corporation Compensation Administration Plan, Kaman Corporation Cash Bonus Plan, and Kaman Corporation 2003 Stock Incentive Plan), unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;
- (vi) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's life insurance, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control, the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control, provided, however, that this paragraph shall not be construed to require the Company to provide the Executive with a defined benefit pension plan if no such plan is provided to similarly situated executive officers of the Company or its Affiliates;
- (vii) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 6.1 of this Agreement; for purposes of this Agreement, no such purported termination shall be effective; or
- (viii) the failure of any successor to Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in accordance with its terms prior to the effectiveness of any such succession.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

Notwithstanding anything to the contrary above, the Executive shall not have "Good Reason" to terminate employment due solely to one or more of the following events: (1) there is a diminution of the business of the Company or any of its subsidiaries, including, without limitation, a sale or other transfer of property or other assets of the Company or its subsidiaries, or a reduction in the Executive's business unit's head count or budget, or (2) a suspension of the Executive's position, job functions, authorities, duties and responsibilities while on paid administrative leave due to a reasonable belief by the Board that the Executive has engaged in conduct that would give adequate grounds to terminate the Executive's employment for Cause.

- (o) Intentionally Omitted.
- (p) “Management Buyout” means any event or transaction which would otherwise constitute a Change in Control (a “Transaction”) if, in connection with the Transaction, the Executive, members of the Executive's immediate family, and/or the “Executive's Affiliates” (as defined below) participate, directly or beneficially, as an equity investor in, or have the option or right to acquire, whether or not vested, equity interests of, the acquiring entity or any of its Affiliates (the “Acquiror”) having a percentage interest therein greater than 1%. For purposes of the preceding sentence, a party shall not be deemed to have participated as an equity investor in the Acquiror by virtue of (i) obtaining beneficial ownership of any equity interest in the Acquiror as a result of the grant to the party of an incentive compensation award under one or more incentive plans of the Acquiror (including, but not limited to, the conversion in connection with the Transaction of incentive compensation awards of the Company into incentive compensation awards of the Acquiror), on terms and conditions substantially equivalent to those applicable to other employees of the Company at a comparable level as such party immediately prior to the Transaction, after taking into account normal differences attributable to job responsibilities, title and the like, or (ii) obtaining beneficial ownership of any equity interest in the Acquiror on terms and conditions substantially equivalent to those obtained in the Transaction by all other shareholders of the Company or (iii) the party's interests in any tax-qualified defined benefit or defined contribution pension or retirement plan in which such party or any family member is a participant or beneficiary. The “Executive's Affiliates” at any time consist of any entity in which the Executive and/or members of the Executive's immediate family then own, directly or beneficially, or have the option or right to acquire, whether or not vested, greater than 10% of such entity's equity interests, and all then current directors and executive officers of the Company who are members of any group, that also includes the Executive, a member of the Executive's immediate family and/or any such entity, in which the members have agreed to act together for the purpose of participating in the Transaction. The Executive's immediate family consists of the Executive's spouse, parents, children and grandchildren.
- (q) “Merger” means a merger, share exchange, consolidation or similar business combination under applicable law.
- (r) “Notice of Termination” shall have the meaning set forth in Section 6.1 of this Agreement.
- (s) “Payments” shall have the meaning set forth in Section 5.1 of this Agreement.
- (t) “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its direct or indirect Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions and with substantially the same voting rights as their ownership and voting rights with respect to the Company.
- (u) “Subsidiary” shall mean any corporation within the meaning of Section 424(f) of the Code.
- (v) “Term” shall mean the period of time described in Section 2 of this Agreement.

19. Payment of Compensation. The parties intend that the benefits and payments provided under this Agreement shall be exempt from, or comply with, the requirements of Section 409A of the Code. Notwithstanding the foregoing, the Company shall in no event be obligated to indemnify the Executive for any taxes or interest that may be assessed by the IRS pursuant to Section 409A of the Code. References to paying an annual bonus at the same time as paid to other senior executives shall mean that the payment date is to be determined under the terms of the Company's annual bonus plan or program then in effect.

IN WITNESS WHEREOF, the parties have executed this agreement.

Kaman Corporation

/s/ Neal J. Keating

By: Neal J. Keating

Its: President and Chief Executive Officer

6/10/2013

Date

Executive

/s/ Philip A. Goodrich

Philip A. Goodrich

6/10/2013

Date

APPENDIX A

FORM OF RELEASE

AGREEMENT AND GENERAL RELEASE

Kaman Corporation, its affiliates, subsidiaries, divisions, successors and assigns in such capacity, and the current, future and former employees, officers, directors, trustees and agents thereof (collectively referred to throughout this Agreement as “Employer”), and Philip A. Goodrich (“Executive”), the Executive's heirs, executors, administrators, successors and assigns (collectively referred to throughout this Agreement as “Employee”) agree:

1. Last Day of Employment. Executive's last day of employment with Employer is _____. In addition, effective as of DATE, Executive resigns from the Executive's positions as Senior Vice President - Corporate Development and will not be eligible for any benefits or compensation after _____ other than as specifically provided under the Change in Control Agreement between Employer and Executive effective as of DATE (the “Change in Control Agreement”). Executive further acknowledges and agrees that, after DATE, the Executive will not represent the Executive as being a director, employee, officer, trustee, agent or representative of Employer for any purpose. In addition, effective as of DATE, Executive resigns from all offices, directorships, trusteeships, committee memberships and fiduciary capacities held with, or on behalf of, Employer or any benefit plans of Employer. These resignations will become irrevocable as set forth in Section 3 below.

2. Consideration. The parties acknowledge that this Agreement and General Release is being executed in accordance with Section 11 of the Change in Control Agreement.

3. Revocation. Executive may revoke this Agreement and General Release for a period of seven (7) calendar days following the day Executive executes this Agreement and General Release. Any revocation within this period must be submitted, in writing, to Employer and state, “I hereby revoke my acceptance of our Agreement and General Release.” The revocation must be personally delivered to Employer's Chief Executive Officer, or his/her designee, or mailed to Kaman Corporation, 1332 Blue Hills Avenue, P.O. Box 1, Bloomfield, CT 06002, Attention: Chief Executive Officer, and postmarked within seven (7) calendar days of execution of this Agreement and General Release. This Agreement and General Release shall not become effective or enforceable until the revocation period has expired. If the last day of the revocation period is a Saturday, Sunday, or legal holiday in Hartford, Connecticut, then the revocation period shall not expire until the next following day which is not a Saturday, Sunday, or legal holiday.

4. General Release of Claim. Subject to the full satisfaction by the Employer of its obligations under the Change in Control Agreement, Employee knowingly and voluntarily releases and forever discharges Employer from any and all claims, causes of action, demands, fees and liabilities of any kind whatsoever, whether known and unknown, against Employer, Employee has, has ever had or may have as of the date of execution of this Agreement and General Release, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964, as amended;
- The Civil Rights Act of 1991;
- Sections 1981 through 1988 of Title 42 of the United States Code, as amended;

- The Employee Retirement Income Security Act of 1974, as amended;
- The Immigration Reform and Control Act, as amended;
- The Americans with Disabilities Act of 1990, as amended;
- The Age Discrimination in Employment Act of 1967, as amended;
- The Older Workers Benefit Protection Act of 1990;
- The Worker Adjustment and Retraining Notification Act, as amended;
- The Occupational Safety and Health Act, as amended;
- The Family and Medical Leave Act of 1993;
- Any wage payment and collection, equal pay and other similar laws, acts and statutes of the State of Connecticut;
- Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance;
- Any public policy, contract, tort, or common law; or
- Any allegation for costs, fees, or other expenses including attorneys fees incurred in these matters.

Notwithstanding anything herein to the contrary, the sole matters to which the Agreement and General Release do not apply are: (i) Employee's express rights under any pension (including but not limited to any rights under the Kaman Corporation Supplemental Retirement Plan) or claims for accrued vested benefits under any other employee benefit plan, policy or arrangement maintained by Employer or under COBRA; (ii) Employee's rights under the provisions of the Change in Control Agreement which are intended to survive termination of employment; or (iii) Employee's rights as a stockholder.

5. No Claims Permitted. Employee waives Executive's right to file any charge or complaint against Employer arising out of Executive's employment with or separation from Employer before any federal, state or local court or any state or local administrative agency, except where such waivers are prohibited by law.

6. Affirmations. Employee affirms Executive has not filed, has not caused to be filed, and is not presently a party to, any claim, complaint, or action against Employer in any forum. Employee further affirms that the Executive has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits to which Executive may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to Executive, except as provided under the Change in Control Agreement. Employee also affirms Executive has no known workplace injuries.

7. Cooperation; Return of Property. In accordance with Section 10(f) of the Change in Control Agreement, Employee agrees to reasonably cooperate with Employer and its counsel in connection with any investigation, administrative proceeding or litigation relating to any matter that occurred during Executive's employment in which Executive was involved or of which Executive has knowledge and Employer will reimburse the Employee for any reasonable out-of-pocket travel, delivery

or similar expenses incurred and lost wages (or will provide reasonable compensation if Executive is not then employed) in providing such service to Employer. The Employee represents the Executive has complied with Section 10(e) of the Change in Control Agreement regarding the return of Employer property and records.

8. Governing Law and Interpretation. This Agreement and General Release shall be governed and conformed in accordance with the laws of the State of Connecticut without regard to its conflict of laws provisions. In the event Employee or Employer breaches any provision of this Agreement and General Release, Employee and Employer affirm either may institute an action to specifically enforce any term or terms of this Agreement and General Release. Should any provision of this Agreement and General Release be declared illegal or unenforceable by any court of competent jurisdiction and should the provision be incapable of being modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement and General Release in full force and effect. Nothing herein, however, shall operate to void or nullify any general release language contained in the Agreement and General Release.

9. No Admission of Wrongdoing. Employee agrees neither this Agreement and General Release nor the furnishing of the consideration for this Release shall be deemed or construed at any time for any purpose as an admission by Employer of any liability or unlawful conduct of any kind.

10. Amendment. This Agreement and General Release may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement and General Release.

11. Entire Agreement. This Agreement and General Release sets forth the entire agreement between the parties hereto and fully supersedes any prior agreements or understandings between the parties; provided, however, that notwithstanding anything in this Agreement and General Release, the provisions in the Change in Control Agreement which are intended to survive termination of the Change in Control Agreement, including but not limited to those contained in Section 10 thereof, shall survive and continue in full force and effect. Employee acknowledges Executive has not relied on any representations, promises, or agreements of any kind made to Executive in connection with Executive's decision to accept this Agreement and General Release.

EMPLOYEE HAS BEEN ADVISED THAT EXECUTIVE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO REVIEW THIS AGREEMENT AND GENERAL RELEASE AND HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTION OF THIS AGREEMENT AND GENERAL RELEASE.

EMPLOYEE AGREES ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT AND GENERAL RELEASE DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES SET FORTH HEREIN, AND TO RECEIVE THE SUMS AND BENEFITS SET FORTH IN THE CHANGE IN CONTROL AGREEMENT, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EXECUTIVE HAS OR MIGHT HAVE AGAINST EMPLOYER.

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Agreement and General Release as of the date set forth below:

KAMAN CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

Philip A. Goodrich

Date

Certification Pursuant to Rule
13a-14 under the Securities
Exchange Act of 1934

I, Neal J. Keating, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kaman Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2013

By: /s/ Neal J. Keating

Neal J. Keating

Chairman, President and

Chief Executive Officer

Certification Pursuant to Rule
13a-14 under the Securities and
Exchange Act of 1934

I, Robert D. Starr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kaman Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2013

By: /s/ Robert D. Starr

Robert D. Starr
Senior Vice President and
Chief Financial Officer

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Kaman Corporation (the "Corporation") on Form 10-Q for the quarter ended June 28, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neal J. Keating, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Neal J. Keating

Neal J. Keating

Chairman, President and

Chief Executive Officer

July 29, 2013

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Kaman Corporation (the "Corporation") on Form 10-Q for the quarter ended June 28, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert D. Starr, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Robert D. Starr
Robert D. Starr
Senior Vice President
and Chief Financial Officer
July 29, 2013
