
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 October 2, 2009

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: 0-1093

KAMAN CORPORATION

(Exact name of registrant as specified in its charter)

Connecticut

06-0613548

(State or other jurisdiction of incorporation or organization)

(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 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 October 30, 2009, there were 25,750,386 shares of Common Stock outstanding.

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

KAMAN CORPORATION AND SUBSIDIARIES

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

	October 2, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,620	\$ 8,161
Accounts receivable, net	145,146	173,847
Inventories	280,070	255,817
Deferred income taxes	20,648	23,851
Income taxes receivable	936	3,450
Other current assets	20,931	21,390
Total current assets	484,351	486,516
Property, plant and equipment, net	79,884	79,476
Goodwill	87,501	83,594
Other intangibles assets, net	28,759	28,211
Deferred income taxes	71,143	71,926
Other assets	21,517	12,890
Total assets	\$ 773,155	\$ 762,613
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ 1,669	\$ 1,241
Current portion of long-term debt	5,000	5,000
Accounts payable – trade	72,597	84,059
Accrued salaries and wages	20,952	21,104
Accrued pension costs	1,107	5,878
Accrued contract losses	1,044	9,714
Advances on contracts	2,142	10,612
Other accruals and payables	43,164	40,105
Income taxes payable	535	1,464
Total current liabilities	148,210	179,177
Long-term debt, excluding current portion	72,038	87,924
Deferred income taxes	8,241	7,926
Liability for pension benefits	165,070	168,148
Due to Commonwealth of Australia	33,434	-
Other long-term liabilities	46,337	45,167
Commitments and contingencies		
Shareholders' equity:		
Capital stock, \$1 par value per share:		
Preferred stock, 200,000 shares authorized; none outstanding	-	-
Common stock, 50,000,000 shares authorized, 25,731,931 and 25,514,525 shares issued, respectively	25,732	25,515
Additional paid-in capital	88,547	85,073
Retained earnings	297,410	283,789
Accumulated other comprehensive income (loss)	(111,332)	(119,658)
Less 48,182 and 43,907 shares of common stock, respectively, held in treasury, at cost	(532)	(448)
Total shareholders' equity	299,825	274,271
Total liabilities and shareholders' equity	\$ 773,155	\$ 762,613

See accompanying notes to the 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 Nine Months Ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Net sales	\$ 289,901	\$ 335,133	\$ 877,159	\$ 937,199
Cost of sales	213,209	246,260	644,301	685,463
Gross profit	76,692	88,873	232,858	251,736
Selling, general and administrative expenses	62,023	64,726	192,659	191,198
Goodwill impairment	-	-	-	7,810
Net (gain)/loss on sale of assets	3	(301)	(37)	(94)
Operating income from continuing operations	14,666	24,448	40,236	52,822
Interest expense, net	1,270	1,341	3,909	2,336
Other expense, net	621	1,977	1,235	1,906
Earnings from continuing operations before income taxes	12,775	21,130	35,092	48,580
Income tax expense	3,151	7,600	10,698	20,092
Net earnings from continuing operations	9,624	13,530	24,394	28,488
Gain on disposal of discontinued operations	-	-	-	506
Income tax expense	-	-	-	183
Net earnings from disposal of discontinued operations	-	-	-	323
Net earnings	<u>\$ 9,624</u>	<u>\$ 13,530</u>	<u>\$ 24,394</u>	<u>\$ 28,811</u>
Net earnings per share:				
Basic earnings per share				
from continuing operations	\$ 0.37	\$ 0.53	\$ 0.95	\$ 1.13
Basic earnings per share from disposal of discontinued operations	-	-	-	0.01
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.53</u>	<u>\$ 0.95</u>	<u>\$ 1.14</u>
Diluted earnings per share				
from continuing operations	\$ 0.37	\$ 0.53	\$ 0.95	\$ 1.12
Diluted earnings per share from disposal of discontinued operations	-	-	-	0.01
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.53</u>	<u>\$ 0.95</u>	<u>\$ 1.13</u>
Average shares outstanding:				
Basic	25,672	25,405	25,615	25,321
Diluted	25,831	25,548	25,717	25,479
Dividends declared per share	\$ 0.14	\$ 0.14	\$ 0.42	\$ 0.42

See accompanying notes to the condensed consolidated financial statements.

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

	For the Nine Months Ended	
	October 2, 2009	September 26, 2008
Cash flows from operating activities:		
Net earnings from continuing operations	\$ 24,394	\$ 28,488
Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities of continuing operations:		
Depreciation and amortization	11,802	9,056
Provision for doubtful accounts	175	(23)
Net (gain) loss on sale of assets	(37)	(94)
Loss on change in Australian Payable, net of gain on derivative instruments	1,497	-
Goodwill impairment	-	7,810
Share-based compensation expense	2,406	1,971
Excess tax benefit from share-based compensation arrangements	(96)	(348)
Deferred income taxes	3,700	1,783
Changes in assets and liabilities, excluding effects of acquisitions/divestitures:		
Accounts receivable, net	(10,797)	(37,908)
Inventories	30,084	(24,906)
Income tax receivable	2,514	-
Other current assets	777	2,820
Accounts payable - trade	(10,610)	4,956
Accrued contract losses	(2,605)	926
Advances on contracts	61	-
Accrued expenses and payables	1,762	(11,115)
Income taxes payable	(1,118)	(10,894)
Pension liabilities	(4,971)	(8,722)
Other long-term liabilities	(438)	(2,279)
Cash provided by (used in) operating activities of continuing operations	48,500	(38,479)
Cash provided by (used in) operating activities of discontinued operations	-	(183)
Cash provided by (used in) operating activities	48,500	(38,662)
Cash flows from investing activities:		
Proceeds from sale of assets	51	122
Net proceeds from the sale of discontinued operations	-	447
Expenditures for property, plant & equipment	(8,869)	(9,995)
Acquisition of businesses including earn out adjustments, net of cash acquired	(576)	(100,168)
Other, net	(1,735)	(2,277)
Cash provided by (used in) investing activities	(11,129)	(111,871)
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit agreements	(11,892)	88,263
Debt repayment	(3,750)	-
Net change in book overdraft	(1,637)	8,723
Proceeds from employee stock plan transactions	1,333	3,359
Dividends paid	(10,742)	(10,615)
Windfall tax benefit	96	348
Payment of debt issuance costs	(3,401)	-
Other	133	1,641
Cash provided by (used in) financing activities	(29,860)	91,719
Net increase (decrease) in cash and cash equivalents	7,511	(58,814)
Effect of exchange rate changes on cash and cash equivalents	948	(250)
Cash and cash equivalents at beginning of period	8,161	73,898
Cash and cash equivalents at end of period	\$ 16,620	\$ 14,834

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months and nine months ended October 2, 2009 and September 26, 2008
(Unaudited)

1. BASIS OF PRESENTATION

The December 31, 2008 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of Kaman Corporation and subsidiaries. In the opinion of management, the balance 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 year presentation. The statements should be read in conjunction with the consolidated financial statements and notes included in the company's Form 10-K for the year ended December 31, 2008. The results of operations for the interim period presented are not necessarily indicative of trends or of results to be expected for the entire year.

During the second quarter of 2009, the Company implemented modifications to its system of reporting, resulting from changes to its internal organization over the preceeding year, which changed its reportable segments to Industrial Distribution and Aerospace. The Company previously had five reportable business segments, Industrial Distribution and four Aerospace segments. See Note 16, Segment Information, for further discussion of the change in the Company's segments.

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 third quarter for 2009 and 2008 ended on October 2, 2009 and September 26, 2008, respectively.

2. RECENT ACCOUNTING STANDARDS

In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards CodificationTM (Codification) which became the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification became nonauthoritative. The Codification is effective for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification did not have an impact on the Company's consolidated financial statements.

In May 2009, the FASB issued guidance which established principles and requirements for recognition and disclosure of subsequent events. In particular, it sets forth the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This guidance is to be applied to the accounting for and disclosure of subsequent events not addressed in other applicable GAAP and is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of these principles and requirements did not have an impact on the Company's consolidated financial statements.

In April 2009, the FASB issued guidance which amends the provisions for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. The guidance eliminated the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria for business combinations. The guidance is effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The nature and magnitude of the specific effects of this guidance, if any, on the Company's future results of operations will depend upon the nature and magnitude of any contingencies associated with future acquisitions.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**For the three months and nine months ended October 2, 2009 and September 26, 2008**

(Unaudited)

3. ADDITIONAL CASH FLOW INFORMATION

Cash payments for interest were \$4.2 million and \$2.8 million for the nine months ended October 2, 2009, and September 26, 2008, respectively. Cash payments for income taxes, net of refunds, for the same periods were \$4.8 million and \$28.1 million, respectively.

On February 12, 2009, the Company completed the transfer of ownership of the Australian SH-2G(A) Super Seasprite Program inventory and equipment. As a result, the Company recorded a non-cash inventory acquisition of \$52.7 million, which represented the elimination of \$32.0 million of net unbilled receivables, the elimination of \$6.1 million of accrued contract losses, the recognition of the \$25.8 million minimum payment liability due to the Commonwealth of Australia and \$1.0 million of additional costs required to close out the program. See Note 7, Inventories, for further discussion.

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following (in thousands):

	October 2, 2009	December 31, 2008
Trade receivables	\$ 74,799	\$ 77,071
U.S. Government contracts:		
Billed	37,386	28,361
Costs and accrued profit – not billed	5,359	2,450
Commercial and other government contracts:		
Billed	28,623	26,845
Costs and accrued profit – not billed	1,442	41,292
Less allowance for doubtful accounts	(2,463)	(2,172)
Accounts receivable, net	<u>\$ 145,146</u>	<u>\$ 173,847</u>

Accounts receivable, net also includes amounts for matters such as contract changes, negotiated settlements and claims for unanticipated contract costs, which totaled \$0.9 million and \$2.9 million at October 2, 2009 and December 31, 2008, respectively. The Company records revenue associated with these matters only when recovery can be estimated reliably and realization is probable.

On February 12, 2009, the unbilled receivables associated with the SH-2G(A) program were \$40.6 million and the balance of amounts received as advances on this contract were \$8.6 million. These balances, totaling a net \$32.0 million, were eliminated in connection with the transfer of the Australian program inventory and equipment to the Company. See Note 7, Inventories, for further discussion.

5. 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 us 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 for 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**For the three months and nine months ended October 2, 2009 and September 26, 2008**

(Unaudited)

5. FAIR VALUE MEASUREMENTS (Continued)

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 (in thousands):

	Total Carrying Value at October 2, 2009	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative instruments	\$ 5,895	\$ -	\$ 5,895	\$ -
Total Assets	\$ 5,895	\$ -	\$ 5,895	\$ -
Derivative instruments	\$ 610	\$ -	\$ 610	\$ -
Total Liabilities	\$ 610	\$ -	\$ 610	\$ -

The Company's derivative instruments are limited to 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 Sheet at October 2, 2009. Based on the continued ability to trade and enter into forward contracts and interest rate swaps, 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 October 2, 2009, such credit risks have not had an adverse impact on the fair value of these instruments.

6. DERIVATIVE FINANCIAL INSTRUMENTS

On January 1, 2009, the Company adopted guidance which amends and expands the disclosure requirements for derivative instruments and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for; and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

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 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.

Derivatives Designated as Cash Flow Hedges

The Company's Term Loan Credit Agreement ("Term Loan") contains floating rate obligations and is subject to interest rate fluctuations. During the first quarter of 2009, the Company entered into interest rate swap agreements for the purposes of hedging the eight quarterly variable-rate interest payments on its Term Loan due in 2010 and 2011. These interest rate swap agreements are 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 on the Company's earnings and cash flows attributable to changes in LIBOR rates. The Company will include in earnings amounts previously included in accumulated other comprehensive income upon payment of its eight quarterly variable-rate interest payments.

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 are designated as cash flow hedges. The Company will include in earnings amounts previously included in accumulated other comprehensive income upon recognition of cost of sales related to the underlying transaction.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the three months and nine months ended October 2, 2009 and September 26, 2008
(Unaudited)

6. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives Designated as Cash Flow Hedges - continued

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

	Balance Sheet Location	Fair Value		Notional Amount
		October 2, 2009	December 31, 2008	
Derivative Assets				
Foreign exchange contracts (a)	Other current assets	\$ -	\$ 212	933 Euro
Foreign exchange contracts (b)	Other assets	-	779	36,516 Australian Dollars
Total		<u>\$ -</u>	<u>\$ 991</u>	
Derivative Liabilities				
Interest rate swap contracts	Other liabilities	\$ 527	\$ -	\$ 40,000 - \$45,000
Total		<u>\$ 527</u>	<u>\$ -</u>	

(a) Forward exchange contracts dedesignated on July 4, 2009. See information below for fair value after dedesignation.

(b) Forward exchange contracts dedesignated on February 12, 2009. See information below for fair value after dedesignation.

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

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Foreign exchange contracts (a)	\$ -	\$ -	\$ (37)	\$ -
Foreign exchange contracts (b)	-	-	(1,941)	-
Interest rate swap contracts	(360)	-	(527)	-
Total	<u>\$ (360)</u>	<u>\$ -</u>	<u>\$ (2,505)</u>	<u>\$ -</u>

(a) Forward exchange contract dedesignated on July 4, 2009. See information below for amounts recognized in the Condensed Consolidated Statement of Operations after dedesignation.

(b) Forward exchange contract dedesignated on February 12, 2009. See information below for amounts recognized in the Condensed Consolidated Statement of Operations after dedesignation.

During the three months and nine months ended October 2, 2009, the loss reclassified to income from other comprehensive income for derivative instruments designated as cash flow hedges was not material. No amounts were reclassified from other comprehensive income for the three months or nine months ended September 26, 2008. Over the next twelve months, the Company expects to reclassify income of approximately \$0.1 million from other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

6. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives Designated as Cash Flow Hedges - continued

During the three months and nine months ended October 2, 2009, the gain recorded in other income for the ineffective portion of derivative instruments designated as cash flow hedges was not material. No such amounts were recorded for the three months or nine months ended September 26, 2008.

Derivatives Not Designated as Hedging Instruments

The following table shows the fair value of derivative instruments not designated as hedging instruments (in thousands):

		Fair Value		
	Balance Sheet Location	October 2, 2009	December 31, 2008	Notional Amount
Derivative Assets				
Foreign exchange contracts	Other current assets	\$ 39	\$ -	\$ 275
Foreign exchange contracts	Other current assets	142	-	933 Euro
Foreign exchange contracts	Other assets	5,714	-	36,516 Australian Dollars
Total		<u>\$ 5,895</u>	<u>\$ -</u>	
Derivative Liabilities				
Foreign exchange contracts	Other current liabilities	\$ 83	\$ -	\$ 1,900
Total		<u>\$ 83</u>	<u>\$ -</u>	

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) future minimum required payments to the Commonwealth of Australia. At October 2, 2009, the U.S. dollar value of the \$36.5 million (AUD) payable was \$31.6 million.

On July 4, 2009, the Company dedesignated the forward contract it had entered into to hedge future Euro obligations, due to a change in the timing of those payments.

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 (in thousands):

		For the three months ended		For the nine months ended	
	Income Statement Location	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Derivative Assets					
Foreign exchange contracts	Other expense, net	\$ (3)	\$ -	\$ 38	\$ -
Foreign exchange contracts	Other expense, net	42	-	42	-
Foreign exchange contracts	Other expense, net	2,035	-	6,607	-
Total		<u>\$ 2,074</u>	<u>\$ -</u>	<u>\$ 6,687</u>	<u>\$ -</u>
Derivative Liabilities					
Foreign exchange contracts	Other expense, net	\$ (85)	\$ -	\$ (85)	\$ -
Total		<u>\$ (85)</u>	<u>\$ -</u>	<u>\$ (85)</u>	<u>\$ -</u>

For the three months and nine months ended October 2, 2009, the Company recorded expense of \$2.5 million and \$7.8 million, respectively, to other expense related to the change in the value of the previously hedged \$36.5 million (AUD) payable.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

6. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Hedges of a Net Investment in Foreign Operations

The Company also maintains an approximately \$7.6 million Euro note, part of the revolving credit facility, which qualifies and has been designated as an effective hedge against the Company's investment in its German subsidiary (RWG). The U.S. dollar value of the Euro note at October 2, 2009, was \$11.1 million.

The following table shows the amount of the cumulative translation gain or (loss) recorded in other comprehensive income (in thousands):

	Location	For the three months ended		For the nine months ended	
		October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Euro note	Cumulative Translation Adjustment	\$ 448	\$ (895)	\$ 656	\$ (116)
Total		<u>\$ 448</u>	<u>\$ (895)</u>	<u>\$ 656</u>	<u>\$ (116)</u>

The Company did not reclassify any amounts from other comprehensive income to earnings during the three or nine months ended October 2, 2009 or September 26, 2008. Over the next twelve months, the Company does not expect to reclassify any amounts from other comprehensive income.

7. INVENTORIES

Inventories consist of the following (in thousands):

	October 2, 2009	December 31, 2008
Merchandise for resale	\$ 88,882	\$ 106,757
Contracts and other work in process	172,099	130,299
Finished goods	19,089	18,761
Total	<u>\$ 280,070</u>	<u>\$ 255,817</u>

K-MAX® inventory of \$24.1 million and \$23.6 million as of October 2, 2009 and December 31, 2008, respectively, is included in other work in process and finished goods. Management believes that a significant portion of this K-MAX inventory will be sold after October 2, 2010, based upon the anticipation of supporting the fleet for the foreseeable future.

Inventories also include amounts for matters such as contract changes, negotiated settlements and claims for unanticipated contract costs, which totaled \$11.4 million and \$10.0 million at October 2, 2009 and December 31, 2008, respectively. The Company records revenue associated with these matters only when recovery can be estimated reliably and realization is probable.

On February 12, 2009, the Company completed the transfer of ownership of the Australian SH-2G(A) Super Seasprite Program inventory and equipment. As a result, the Company recorded \$52.7 million of contracts and other work in process inventory, which represented the following (in thousands):

Net unbilled accounts receivable*	\$ 32,041
Accrued contract loss eliminated	(6,072)
USD equivalent of \$39.5 million (AUD) minimum liability due to the Commonwealth of Australia (translated at the exchange rate in effect on the transaction date, which was 0.6522)	25,772
Additional costs required to close out program	1,000
Total inventory recorded on February 12, 2009	<u>\$ 52,741</u>

* The unbilled receivables associated with the SH-2G(A) program were \$40.6 million and the balance of amounts received as advances on this contract were \$8.6 million. These balances, netting to \$32.0 million, were eliminated in connection with the transfer of the Australian program inventory and equipment to the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the three months and nine months ended October 2, 2009, and September 26, 2008
(Unaudited)

7. INVENTORIES (Continued)

Management believes that a significant portion of this inventory will be sold after October 2, 2010, based upon the time needed to market the aircraft and prepare them for sale. For more information on the SH-2G(A) inventory see Note 12, Commitments and Contingencies.

8. ACCRUED CONTRACT LOSSES

The following is a summary of activity and balances associated with accrued contract losses (in thousands):

Balance at December 31, 2008	\$	9,714
Additions to accrual		1,846
Costs incurred		(1,913)
Release to income		(2,531)
Elimination of Australian loss accrual		(6,072)
Balance at October 2, 2009	\$	<u>1,044</u>

The transfer of ownership of the SH-2G(A) Super Seasprite program inventory and equipment effectively ended the associated production and service contracts. As a result, accrued contract losses of \$6.1 million were eliminated.

9. ENVIRONMENTAL COSTS

The following table displays the activity and balances associated with accruals related to environmental costs included in other accruals and payables and other long-term liabilities (in thousands):

Balance at December 31, 2008	\$	16,136
Additions to accrual		547
Payments		(1,050)
Changes in foreign currency		204
Balance at October 2, 2009	\$	<u>15,837</u>

For further discussion of these matters see Note 12, Commitments and Contingencies.

10. PENSION PLANS

Components of net pension cost for the qualified pension plan and Supplemental Employees' Retirement Plan (SERP) are as follows (in thousands):

	Qualified Pension Plan		SERP	
	For the three months ended		For the three months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Service cost for benefits earned	\$ 3,356	\$ 3,069	\$ 97	\$ 184
Interest cost on projected benefit obligation	7,616	7,338	253	443
Expected return on plan assets	(7,904)	(8,681)	-	-
Effect of settlement	-	-	-	1,381
Net amortization and deferral	871	15	(168)	209
Net pension cost	<u>\$ 3,939</u>	<u>\$ 1,741</u>	<u>\$ 182</u>	<u>\$ 2,217</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

10. PENSION PLANS (Continued)

	Qualified Pension Plan		SERP	
	For the nine months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Service cost for benefits earned	\$ 10,068	\$ 9,207	\$ 292	\$ 553
Interest cost on projected benefit obligation	22,847	22,014	759	1,232
Expected return on plan assets	(23,712)	(26,043)	-	-
Effect of settlement	-	-	767	2,387
Net amortization and deferral	2,613	46	(504)	915
Net pension cost	<u>\$ 11,816</u>	<u>\$ 5,224</u>	<u>\$ 1,314</u>	<u>\$ 5,087</u>

For the 2009 plan year, the Company contributed \$10.9 million to the qualified pension plan in April 2009 and does not expect to make any further contributions for this plan year. In the first quarter of 2009, the Company also made a \$1.7 million contribution to the qualified pension plan for the 2008 plan year. For the 2009 plan year, the Company expects to make payments of \$5.7 million for the SERP of which \$0.3 million and \$5.5 million were made in the three months and nine months ended October 2, 2009, respectively.

11. CREDIT ARRANGEMENTS

On September 17, 2009, the Company entered into a three-year \$225 million senior secured revolving credit facility with co-lead arrangers Bank of America, The Bank of Nova Scotia, and RBS Citizens and a syndicate of lenders ("Revolving Credit Agreement"), which replaced its then existing \$200 million senior revolving credit facility which was due to expire on August 5, 2010 (the "Former Revolving Credit Agreement"). The Revolving Credit Agreement includes an "accordion" feature that allows the Company to increase the aggregate amount available to \$300 million, subject to additional commitments from lenders. The Revolving Credit Agreement may be used for working capital, letters of credit and other general corporate purposes, including acquisitions.

The Revolving Credit Agreement permits the Company to pay cash dividends. The lenders have been granted a security interest in substantially all of the Company's personal property and the other assets (excluding real estate) including those of its domestic subsidiaries and a pledge of 66% of the Company's equity interest in certain foreign subsidiaries and 100% of the Company's equity interest in its domestic subsidiaries, as collateral for the Company's obligations under the Revolving Credit Agreement. At October 2, 2009, there was \$70.7 million outstanding under the Revolving Credit Agreement, with \$154.3 million available for borrowing, including letters of credit. Letters of credit are considered borrowings for purposes of the Revolving Credit Agreement. A total of \$39.9 million in letters of credit was outstanding under the Revolving Credit Agreement at October 2, 2009, \$34.1 million of which was 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). At December 31, 2008, there was \$70.6 million outstanding under the Former Revolving Credit Agreement, with \$129.4 million available for borrowing, including letters of credit. A total of \$27.7 million in letters of credit was outstanding under the Former Revolving Credit Agreement at December 31, 2008, \$20.4 million of which was related to the Australian SH-2G(A) Super Seasprite Program.

Interest rates on amounts outstanding under the Revolving Credit Agreement are variable, and are determined based on the Consolidated Senior Secured Leverage Ratio, as defined in the Revolving Credit Agreement. At October 2, 2009, the interest rate for the outstanding amounts on the Revolving Credit Agreement was 3.80%. In addition, the Company is required to pay a quarterly commitment fee on the unused revolving loan commitment amount at a rate ranging from 0.50% to 0.75% per annum, based on the Consolidated Senior Secured Leverage Ratio. Fees for outstanding letters of credit range from 2.75% to 4.50%, based on the Consolidated Senior Secured Leverage Ratio.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

11. CREDIT ARRANGEMENTS (Continued)

On October 29, 2008, the Company executed a Term Loan Credit Agreement ("Term Loan Agreement"). The Term Loan Agreement, which is in addition to the Revolving Credit Agreement, is a \$50 million facility with a four-year term, including quarterly payments of principal at the rate of 2.5% with 62.5% of the initial aggregate principal payable in the final quarter. The Company may increase the term loan, by up to an aggregate of \$50 million with additional commitments from the banks or new commitments from acceptable financial institutions. In conjunction with the entry into the Revolving Credit Agreement on September 17, 2009, the Term Loan Agreement was amended to allow for security interests and financial covenants consistent with those defined in the Revolving Credit Agreement. As of October 2, 2009 and December 31, 2008, \$46.3 million and \$50.0 million was outstanding, respectively, on the Term Loan Agreement.

Facility fees and interest rates under the Term Loan Agreement are determined on the basis of our credit rating from Standard & Poor's. In April 2009, Standard & Poor's re-affirmed our rating as investment grade BBB- with an outlook of stable. Under the terms of the current Term Loan Agreement, if this rating should decrease, the effect would be to increase facility fees as well as the interest rates charged.

The financial covenants associated with the Revolving Credit Agreement and Term Loan Agreement include a requirement that i) the ratio of Consolidated Senior Secured Indebtedness to EBITDA, as defined in the Revolving Credit Agreement, cannot be greater than 3.00 to 1.00, ii) the ratio of Consolidated Total Indebtedness to EBITDA, as defined in the Revolving Credit Agreement, cannot be greater than 3.50 to 1.00, and iii) the ratio of (a) EBITA, as defined in the Revolving Credit Agreement, to the sum of (i) net interest expense, (ii) the aggregate principal amount of all regularly scheduled principal payments of outstanding indebtedness for borrowed money, (iii) all dividends or other distributions with respect to any equity interests of the Company and (iv) the aggregate amount of Federal, state, local, and foreign income taxes paid in cash cannot be less than 1.05 to 1.00 for any measurement period between September 17, 2009 – March 31, 2011, 1.25 to 1.00 for any measurement period between April 1, 2011 to September 30, 2011 or 1.35 to 1.00 for any measurement period on or after October 1, 2011. The Company was in compliance with those financial covenants as of and for the quarter ended October 2, 2009 and management does not anticipate noncompliance in the foreseeable future.

The Company incurred \$3.4 million in debt issuance costs in connection with the Revolving Credit Agreement and Term Loan Agreement amendment. These costs have been capitalized and will be amortized over the term of the facility. Total amortization expense for the three months and nine months ended October 2, 2009 was \$0.1 million and \$0.3 million, respectively. Total amortization expense related to the Former Revolving Credit Agreement for the three months and nine months ended September 26, 2008 was approximately \$0.1 million and \$0.2 million, respectively.

12. COMMITMENTS AND CONTINGENCIES

Legal Matters

There continue to be two warranty-related matters that impact the FMU-143 program at the Aerospace segment's Orlando facility ("Orlando Facility"). The items involved are an impact switch embedded in certain bomb fuzes that was recalled by a supplier and an incorrect version of a part, called a bellows motor, found to be contained in bomb fuzes manufactured for the U.S. Army utilizing systems which originated before the Orlando Facility was acquired by the Company. The U.S. Army Sustainment Command ("USASC"), the procurement agency that administers the FMU-143 contract, had authorized warranty rework for the bellows motor matter in late 2004/early 2005; however, the Company was not permitted to finish the rework due to issues raised by the USASC primarily related to administrative matters and requests for verification of the accuracy of test equipment (which accuracy was subsequently verified).

In late 2006, the USASC informed the Company that it was changing its remedy under the contract from performance of warranty rework to an "equitable adjustment" to the contract price. The Company responded, explaining its view that it had complied with contract requirements. In June 2007, the USASC affirmed its position and gave instructions for disposition of the subject fuzes, including both the impact switch and bellows motor-related items, to a Navy facility and the Company complied with that direction. In April 2009, the United States Government ("USG") notified the Company that it was contemplating civil litigation, alleging liability associated with this matter, including specific claims of about \$6.0 million (treble damages) in connection with allegedly "false claims" by the Company for payment for fuzes containing the incorrect version of the part and \$3.0 million in connection with rework. The Company believes that the allegations are unfounded and will vigorously defend itself in the event such a suit is brought, which has not occurred to date. By letter dated July 16, 2009, USASC informed the Company that it also demands payment of \$9.8 million under the contract related to warranty rework. The Company has filed an appeal before the Armed Services Board of Contract Appeals (the "Board") contesting the substance and amount of the USASC claims. At October 2, 2009, the Company had no amount accrued for this demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

12. COMMITMENTS AND CONTINGENCIES (Continued)

Legal Matters - continued

As reported previously, a separate contract dispute between the Orlando Facility and the USASC relative to the FMU-143 fuze program is now in litigation. The USASC has basically alleged the existence of latent defects in certain fuzes due to unauthorized rework during production and has sought to revoke their acceptance. Management believes that the Orlando Facility has performed in accordance with the contract and it is the government that has materially breached its terms in several ways; as a result, during the fourth quarter of 2007, the Company cancelled the contract and, in January 2008, commenced litigation before the Board requesting a declaratory judgment that the cancellation was proper. At about the same time, the USASC notified the Company that it was terminating the contract for default, making the allegations noted above, and the Company filed a second complaint with the Board appealing that termination decision. The litigation process continues. In the same July 2009 letter referenced above, USASC also demanded for these alleged latent defects a repayment by the Company of \$5.7 million. The Company also contests this demand and has filed an appeal before the Board. At October 2, 2009, the Company had no amount accrued for these matters as it believes that the likelihood of an adverse outcome to this litigation is remote.

Revenue Sharing Agreement with the Commonwealth of Australia

As previously reported, the Company has agreed to share proceeds from its sale of the former SH-2G (A) aircraft (along with spare parts and associated equipment) with the Commonwealth of Australia on a predetermined basis. Total payments of at least \$39.5 million (AUD) will be made to the Commonwealth regardless of sales, with at least \$26.7 million (AUD) to be paid by March 2011, and, to the extent cumulative payments have not yet reached \$39.5 million (AUD), additional payments of \$6.4 million (AUD) each in March of 2012 and 2013. In late 2008, the Company entered into forward contracts for the purpose of hedging these required payments. These contracts allow the Company to settle \$36.5 million (AUD) of the \$39.5 million (AUD) required payments for a total of \$23.7 million in 2011, 2012 and 2013. See Note 6, Derivative Financial Instruments, for further discussion of these instruments. In addition, to secure these payments, the Company has provided the Commonwealth with a \$39.5 million (AUD) unconditional letter of credit, which will be reduced as such payments are made. At October 2, 2009, the Company has made required payments of \$0.9 million (AUD). As of that date, the U.S. dollar value of the remaining \$38.6 million (AUD) required payment was \$33.4 million.

Other Matters

Moosup

The Connecticut Department of Environmental Protection ("CTDEP") has given the Company approval for reclassification of groundwater in the vicinity of the Moosup, CT facility consistent with the character of the area. This facility is currently being held for disposal. The Company has completed the process of connecting neighboring properties to public drinking water in accordance with such approval and in coordination with the CTDEP and local authorities. 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 \$4.1 million, all of which has been accrued. A portion (\$0.6 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 total amount paid to date in connection with these environmental remediation activities is \$1.8 million. 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.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Other Matters – continued

New Hartford

In connection with sale of the 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, is still in process.

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 previously reported estimates, all of which has been accrued. 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 total amount paid to date in connection with these environmental remediation activities is \$0.3 million. 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 2008 purchase of the portion of the Bloomfield campus that Kaman Aerospace Corporation had leased from 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 CTDEP. The assumed environmental liability of \$10.3 million was determined by taking the undiscounted remediation liability of \$20.8 million and discounting it at a rate of 8%. This remediation process will take many years to complete. 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 Brookhouse Holdings Ltd. (“U.K. Composites”), the Company accrued, at the time of acquisition, £1.6 million for environmental compliance at the facilities. The total amount paid to date in connection with these environmental remediation activities is £0.1 million. The U.S. dollar equivalent of the remaining environmental compliance liability as of October 2, 2009, is \$2.4 million. The Company continues to assess the work that may be required, which may result in a change to this accrual.

In December 2008, a workplace accident occurred at one of the Company's U.K. Composites facilities in which one employee died and another was seriously injured. In accordance with U.K. law, the matter has been the subject of an investigation carried out jointly by Lancashire Police and the Health and Safety Executive (“HSE”) to determine whether criminal charges are appropriate in this case. Although the Company has not received official notification that the police investigation has ended with no recommendation of criminal charges, it believes that this is the case because the matter has now been transferred to the regional Coroner to conduct an inquest, which is customary in cases where the local police have not sought prosecution. The inquest is preliminarily scheduled for April 2010. Following the inquest, the Company expects that the HSE will conduct proceedings under U.K. Health and Safety legislation. The Company currently estimates that the total potential financial exposure of the U.K. Composites operation with respect to these government proceedings is not likely to be material to our consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

13. COMPUTATION OF EARNINGS PER SHARE

Effective January 1, 2009, in accordance with guidance issued by the FASB, the Company treats unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend-equivalents as participating securities in its calculation of earnings per share. The Company is required to apply this accounting retrospectively to all prior periods presented. The inclusion of these securities did not have a material impact on the calculation 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 year. The computation of diluted earnings per share includes the common stock equivalency of dilutive options and unvested restricted stock awards granted to employees under the Stock Incentive Plan.

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands, except per share amount)			
Net Earnings:				
Net earnings from continuing operations	\$ 9,624	\$ 13,530	\$ 24,394	\$ 28,488
Net earnings from discontinued operations, net of tax	-	-	-	323
Net earnings	<u>\$ 9,624</u>	<u>\$ 13,530</u>	<u>\$ 24,394</u>	<u>\$ 28,811</u>
Basic:				
Weighted average basic shares outstanding	25,672	25,405	25,615	25,321
Basic earnings per share from continuing operations	\$ 0.37	\$ 0.53	\$ 0.95	\$ 1.13
Basic earnings per share from discontinued operations	-	-	-	0.01
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.53</u>	<u>\$ 0.95</u>	<u>\$ 1.14</u>
Diluted:				
Weighted average basic shares outstanding	25,672	25,405	25,615	25,321
Weighted average shares issuable on exercise of dilutive stock options and unvested restricted stock	159	143	102	158
Weighted average diluted shares outstanding	<u>25,831</u>	<u>25,548</u>	<u>25,717</u>	<u>25,479</u>
Diluted earnings per share from continuing operations	\$ 0.37	\$ 0.53	\$ 0.95	\$ 1.12
Diluted earnings per share from discontinued operations	-	-	-	0.01
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.53</u>	<u>\$ 0.95</u>	<u>\$ 1.13</u>

Excluded from the diluted earnings per share calculation are 634,577 and 675,294 anti-dilutive shares granted to employees, for the three months and nine months ended October 2, 2009, respectively, based on average stock price. Excluded from the diluted earnings per share calculation are 278,517 and 242,260 anti-dilutive shares granted to employees, for the three months and nine months ended September 26, 2008, respectively, based on average stock price.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the three months and nine months ended October 2, 2009 and September 26, 2008
(Unaudited)

14. SHARE-BASED ARRANGEMENTS

The following table summarizes share-based compensation expense recorded during each period presented (in thousands):

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Stock options	\$ 244	\$ 163	\$ 906	\$ 973
Restricted stock awards	300	234	1,296	1,269
Stock appreciation rights	71	410	22	(426)
Employee stock purchase plan	64	52	182	155
Total share-based compensation	\$ 679	\$ 859	\$ 2,406	\$ 1,971

Stock option activity was as follows:

	For the three months ended October 2, 2009		For the nine months ended October 2, 2009	
	Stock Options	Weighted-average exercise price	Stock Options	Weighted-average exercise price
Stock Options outstanding at beginning of period	918,129	\$ 18.31	743,679	\$ 18.81
Granted	-	-	213,210	16.35
Exercised	(4,000)	10.61	(28,560)	14.09
Forfeited or expired	(3,200)	14.14	(17,400)	20.16
Stock Options outstanding at October 2, 2009	910,929	\$ 18.36	910,929	\$ 18.36

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 three months ended		For the nine months ended	
	October 2, 2009 *	September 26, 2008	October 2, 2009	September 26, 2008
Expected option term	-	6.5 years	6.5 years	6.5 years
Expected volatility	-	44.4%	47.7%	41.0%
Risk-free interest rate	-	3.4%	2.0%	3.2%
Expected dividend yield	-	1.9%	2.2%	1.8%
Per share fair value of options granted	\$ -	\$ 8.76	\$ 6.43	\$ 9.70

* There were no stock options granted during the three months ended October 2, 2009.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

14. SHARE-BASED ARRANGEMENTS (Continued)

Restricted Stock activity was as follows:

	For the three months ended October 2, 2009		For the nine months ended October 2, 2009	
	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	232,404	\$ 22.11	149,794	\$ 26.39
Granted	-	-	122,050	16.07
Vested	(11,000)	30.33	(50,440)	22.02
Forfeited or expired	-	-	-	-
Restricted Stock outstanding at October 2, 2009	<u>221,404</u>	<u>\$ 21.70</u>	<u>221,404</u>	<u>\$ 21.70</u>

Stock Appreciation Rights activity was as follows:

	For the three months ended October 2, 2009		For the nine months ended October 2, 2009	
	Stock Appreciation Rights (SAR)	Weighted-average exercise price	Stock Appreciation Rights (SAR)	Weighted-average exercise price
SARs outstanding at beginning of period	21,700	\$ 10.66	39,700	\$ 10.32
Granted	-	-	-	-
Exercised	-	-	(18,000)	9.90
Forfeited or expired	-	-	-	-
SARs outstanding at October 2, 2009	<u>21,700</u>	<u>\$ 10.66</u>	<u>21,700</u>	<u>\$ 10.66</u>

Total cash paid to settle stock appreciation rights (at intrinsic value) during the nine months ended October 2, 2009, was \$0.1 million. No cash was paid to settle stock appreciation rights during the three months ended October 2, 2009. Total cash paid to settle stock appreciation rights (at intrinsic value) during the three and nine months ended September 26, 2008, was \$0.3 million and \$0.5 million, respectively. SARs are re-evaluated on a quarterly basis using the Black-Scholes valuation model.

15. GOODWILL

The following table sets forth the change in the carrying amount of goodwill for each reportable segment and for the Company for the period ended October 2, 2009 (in thousands):

	Balance at December 31, 2008	Additions	Impairments	Foreign Currency Adjustments	Balance at October 2, 2009
Industrial Distribution	\$ 15,615	\$ 21	\$ -	\$ (237)	\$ 15,399
Aerospace	67,979	79	-	4,044	72,102
Total	<u>\$ 83,594</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 87,501</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the three months and nine months ended October 2, 2009 and September 26, 2008

(Unaudited)

16. SEGMENT INFORMATION

During the second quarter of 2009, the Company implemented modifications to its system of reporting, resulting from changes to its internal organization over the preceding year, which changed its reportable segments. These changes to the internal organization included the creation of the Aerospace Group management team and the establishment of the President of Kaman Aerospace Group, Inc. as the segment manager of the combined Aerospace companies. The Industrial Distribution segment, which has been under the leadership of a segment manager for some time, was not impacted by these changes. Following these changes, the Company determined that it has two reportable segments, Industrial Distribution and Aerospace. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. The Company's CODM is its Chief Executive Officer. Prior period disclosures have been adjusted to reflect the change in reportable segments. Summarized financial information by segment is as follows (in thousands):

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Net sales:				
Industrial Distribution	\$ 162,921	\$ 204,275	\$ 495,781	\$ 589,773
Aerospace	126,980	130,858	381,378	347,426
Net sales	<u>\$ 289,901</u>	<u>\$ 335,133</u>	<u>\$ 877,159</u>	<u>\$ 937,199</u>
Operating income:				
Industrial Distribution	\$ 3,388	\$ 10,704	\$ 9,232	\$ 29,512
Aerospace	19,906	20,865	56,803	46,920*
Net gain (loss) on sale of assets	(3)	301	37	94
Corporate expense	(8,625)	(7,422)	(25,836)	(23,704)
Operating income	<u>14,666</u>	<u>24,448</u>	<u>40,236</u>	<u>52,822</u>
Interest expense, net	1,270	1,341	3,909	2,336
Other expense, net	<u>621</u>	<u>1,977</u>	<u>1,235</u>	<u>1,906</u>
Earnings before income taxes	12,775	21,130	35,092	48,580
Income tax expense	3,151	7,600	10,698	20,092
Net earnings from continuing operations	<u>9,624</u>	<u>13,530</u>	<u>24,394</u>	<u>28,488</u>
Net earnings from discontinued operations	-	-	-	323
Net earnings	<u>\$ 9,624</u>	<u>\$ 13,530</u>	<u>\$ 24,394</u>	<u>\$ 28,811</u>

* Includes a non-cash, non-tax-deductible, impairment charge of \$7.8 million recorded in the second quarter of 2008.

17. SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Changes in shareholders' equity for the nine months ended October 2, 2009, were as follows (in thousands):

Balance, December 31, 2008	\$ 274,271
Net earnings	24,394
Change in pension & post-retirement benefit plans, net	1,576
Foreign currency translation adjustment, net	8,310
Unrealized gain (loss) on derivative instruments, net	(1,560)
Dividends declared	(10,772)
Employee stock plans and related tax benefit	1,223
Share-based compensation activity	2,383
Balance, October 2, 2009	<u>\$ 299,825</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the three months and nine months ended October 2, 2009 and September 26, 2008
(Unaudited)

17. SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (Continued)

Total comprehensive income (loss) is shown below (in thousands):

	For the three months ended	
	October 2, 2009	September 26, 2008
Net income	\$ 9,624	\$ 13,530
Change in pension and post-retirement benefit plans, net of tax of expense of \$225 and \$579	367	959
Foreign currency translation adjustment, net of tax benefit of \$170 and tax expense of \$340	(2,367)	(6,065)
Unrealized gain (loss) on derivative instruments, net of tax benefit of \$133	276	-
Total comprehensive income	<u>\$ 7,900</u>	<u>\$ 8,424</u>

	For the three months ended	
	October 2, 2009	September 26, 2008
Net income	\$ 24,394	\$ 28,811
Change in pension and post-retirement benefit plans, net of tax of expense of \$966 and \$1,070	1,576	1,790
Foreign currency translation adjustment, net of tax benefit of \$249 and tax expense of \$34	8,310	(4,569)
Unrealized gain (loss) on derivative instruments, net of tax benefit of \$956	(1,560)	-
Total comprehensive income	<u>\$ 32,720</u>	<u>\$ 26,032</u>

Amounts reclassified from other comprehensive income into net income for changes in pension and post-retirement benefit plans were \$0.4 million and \$1.6 million for the three months and nine months ended October 2, 2009, respectively. Corresponding amounts for the three months and nine months ended September 26, 2008, were \$1.0 million and \$1.8 million, respectively.

During the three months and nine months ended October 2, 2009, the income reclassified from other comprehensive income for derivative instruments was not material. No amounts were reclassified from other comprehensive income for derivative instruments for the three months or nine months ended September 26, 2008.

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

	As of	
	October 2, 2009	December 31, 2008
Changes in pension and post-retirement benefit plans	\$ (95,319)	\$ (96,895)
Foreign currency translation adjustment	(15,257)	(23,567)
Unrealized gain (loss) on derivative instruments	(756)	804
Accumulated other comprehensive income (loss)	<u>\$ (111,332)</u>	<u>\$ (119,658)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the three months and nine months ended October 2, 2009 and September 26, 2008
(Unaudited)

18. INCOME TAXES

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Effective Income Tax Rate	24.7%	36.0%	30.5%	41.4%

The effective tax rate represents the combined federal, state and foreign tax effects attributable to pretax earnings for the year. The decrease in the effective tax rate for the three months ended October 2, 2009 when compared to the corresponding prior year period is due to the cumulative adjustment of our annualized rate to reflect a one-time tax benefit for foreign exchange losses incurred as part of an international recapitalization, and from a discrete benefit in the quarter due to certain foreign tax incentives. The decrease in the effective tax rate for the nine months ended October 2, 2009 when compared to the corresponding prior year period is due to the aforementioned tax benefits reflected in the current quarter, as well as the \$7.8 million non-tax-deductible goodwill impairment charge taken during the second quarter of 2008. The Company anticipates the full-year effective tax rate for 2009 to be approximately 30-32%.

19. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 5, 2009, which represents the date the financial statements were issued. No material subsequent events were identified that are required to be disclosed.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide readers of our consolidated financial statements with the perspectives of management. The 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 will allow our shareholders to obtain a comprehensive understanding of our businesses, strategies, current trends and future prospects. Our MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in our 2008 Form 10-K.

MANAGEMENT OVERVIEW

During the third quarter of 2009, we had many positive achievements in a difficult economic environment. We continued to maintain the high quality of earnings from our operations as well as excellent cash flow generation from operations and increased the maximum available borrowings under our credit facility. The increased capacity of our credit facility puts us in a position to take advantage of acquisition opportunities for our business.

Our Aerospace segment sales declined for the quarter; however, this decline was slightly less than we had anticipated. We signed an agreement with Bell Helicopters, expanding on our helicopter subcontract business, and expanded our JPF contract with the U.S. government ("USG"), increasing the contracts value by \$6.0 million and improving the near-term profitability of that program. We were also awarded a contract by the U.S. Marine Corps to demonstrate the unmanned K-MAX[®] helicopter; if we are ultimately awarded a production contract, this program has the potential to contribute to the Aerospace segment's growth over the long-term.

Our Industrial Distribution segment had a slight sequential improvement in sales during the quarter, won several new national accounts and improved its margin rate. We are working to expand our existing relationships, pursue new national account business, explore acquisition opportunities, and continue to provide the level of service our customers have come to expect.

OVERVIEW OF BUSINESS

Kaman Corporation is composed of two business segments:

- Industrial Distribution, the third largest power transmission/motion control industrial distributor in North America.
- Aerospace, a manufacturer and subcontractor in the international, commercial and military aerospace markets.

The following is a summary of our financial performance and recap of key events that occurred during the three months ended October 2, 2009:

- Net sales decreased 13.5% and 6.4% for the three months and nine months ended October 2, 2009, respectively, compared to the comparable periods in the prior year.
- Net earnings from continuing operations decreased 28.9% and 14.4% for the three months and nine months ended October 2, 2009 compared to the comparable periods in the prior year.
- Diluted earnings per share from continuing operations declined to \$0.37 and \$0.95 for the three months and nine months ended October 2, 2009, a decrease of 30.2% and 15.2%, respectively, compared to the comparable periods in the prior year.
- Cash flows provided by operating activities of continuing operations were \$48.5 million for the nine months ended October 2, 2009, an increase of \$87.0 million when compared to the comparable period in the prior year.
- On September 17, 2009 we replaced our five-year \$200 million revolving credit facility with a new three-year \$225 million senior secured revolving credit facility. The new facility includes an "accordion" feature that allows us to increase the aggregate amount available to \$300 million with additional commitments from lenders.
- We were awarded a five-year contract with a potential value of \$53 million to build composite helicopter blade skins and skin core assemblies for Bell Helicopters.
- We were awarded a \$0.9 million contract from the U.S. Marine Corps on behalf of Team K-MAX, which includes Lockheed Martin, to demonstrate the ability of the Unmanned K-MAX[®] helicopter to deliver cargo to troops in extreme environments and at high altitudes.

CONSOLIDATED RESULTS OF OPERATIONS

Net Sales

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Net sales	\$ 289,901	\$ 335,133	\$ 877,159	\$ 937,199
\$ change	(45,232)	60,277	(60,040)	123,431
% change	(13.5%)	21.9%	(6.4%)	15.2%

The decrease in net sales for the three months ended October 2, 2009 as compared to the comparable period in 2008 was attributable to a decline in organic sales at our Industrial Distribution segment, a slight decline in sales at our Aerospace segment and unfavorable foreign currency exchange rates. The impact of unfavorable foreign currency exchange rates on sales for the three months ended October 2, 2009 was \$4.2 million, or 1.4%.

The decrease in net sales for the nine months ended October 2, 2009 as compared to the comparable period in 2008 was attributable to a decline in organic sales at our Industrial Distribution segment and to unfavorable foreign currency exchange rates. These decreases were partially offset by organic sales growth in our Aerospace segment and the addition of \$40.4 million in sales for the nine months ended October 2, 2009 from the acquisition of Industrial Supply Corp ("ISC") in March 2008, the acquisition of Brookhouse Holdings Ltd. ("U.K. Composites") in June 2008, and the acquisition of Industrial Rubber & Mechanics Incorporated ("INRUMEC") in October 2008.

Gross Profit

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Gross Profit	\$ 76,692	\$ 88,873	\$ 232,858	\$ 251,736
\$ change	(12,181)	12,416	(18,878)	25,534
% change	(13.7%)	16.2%	(7.5%)	11.3%
% of net sales	26.5%	26.5%	26.5%	26.9%

Gross profit decreased for the three months ended October 2, 2009 as compared to the comparable period in 2008 primarily due to organic decreases in gross profit at both our segments, partially offset by the addition of gross profit from the acquisition of INRUMEC for the three months ended October 2, 2009. The decrease in gross profit at Industrial Distribution was primarily a result of lower sales volume. The decrease in gross profit at our Aerospace segment was due to the absence of gross profit previously generated from the now terminated Australian helicopter support program and decreased sales volume related to our bearing product lines for the commercial and regional / business jet markets. These decreases were offset to some extent by gross profit generated from the increased shipments on the Joint Programmable Fuze ("JPF") program and increased Sikorsky subcontract work.

Gross profit decreased for the nine months ended October 2, 2009 as compared to the comparable period in 2008 primarily due to a decrease in gross profit at our Industrial Distribution segment, partially offset by an increase at our Aerospace segment and the addition of gross profit from the acquisitions of ISC, U.K. Composites and INRUMEC. The decrease in gross profit at Industrial Distribution was primarily a result of lower sales volume, while the increase at Aerospace was driven by increased shipments on the Sikorsky BLACKHAWK helicopter cockpit and JPF fuze programs and increased sales of the bearing products for the military markets. These increases were slightly offset by the absence of gross profit previously generated from the now terminated Australian helicopter support program and decreased sales volume related to our bearing product lines for the commercial and regional / business jet markets.

Selling, General & Administrative Expenses (S,G&A)

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
S,G&A	\$ 62,023	\$ 64,726	\$ 192,659	\$ 191,198
\$ change	(2,703)	5,276	1,461	13,772
% change	(4.2%)	8.9%	0.8%	7.8%
% of net sales	21.4%	19.3%	22.0%	20.4%

The decrease in S,G&A for the three months ended October 2, 2009 as compared to the comparable period in 2008 is primarily due to reductions in expenses at our Industrial Distribution segment. These decreases were offset by S,G&A expenses of INRUMEC, acquired during 2008, and increases in pension expense.

The increase in S,G&A for the nine months ended October 2, 2009 as compared to the comparable period in 2008 is primarily due to the acquisitions of ISC, U.K. Composites and INRUMEC during 2008 and increases in pension expense, partially offset by the favorable impact of furloughs and a reduction in Supplemental Employees' Retirement Plan ("SERP") expense. Furloughs were taken by our Corporate Officers and employees at our Industrial Distribution segment and select operations of our Aerospace segment.

Goodwill Impairment

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Goodwill impairment	\$ -	\$ -	\$ -	\$ 7,810

During the second quarter of 2008, the Aerospace Wichita facility lost two of its major contracts and experienced continuing production and quality issues. As a result, we performed an interim test of goodwill for impairment and recorded a non-tax-deductible goodwill impairment charge of \$7.8 million. This represented the entire goodwill balance for the reporting unit. No such impairment charge was taken during the three months or nine months ended October 2, 2009. We will perform our annual test of goodwill impairment during the fourth quarter of 2009.

Operating Income

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Operating Income	\$ 14,666	\$ 24,448	\$ 40,236	\$ 52,822
\$ change	(9,782)	7,440	(12,586)	4,031
% change	(40.0%)	43.7%	(23.8%)	8.3%
% of net sales	5.1%	7.3%	4.6%	5.6%

The decrease in operating income for the three months ended October 2, 2009 compared to the same period in 2008 was primarily driven by a significant decrease in operating income at our Industrial Distribution segment and a slight decrease in operating income at our Aerospace segment and an increase in pension expense.

The decrease in operating income for the nine months ended October 2, 2009 compared to the same period in 2008 was primarily driven by a decrease in operating income at our Industrial Distribution segment and an increase in pension expense offset in part by the absence of the \$7.8 million non-tax deductible goodwill impairment charge taken in 2008, a slight increase in Aerospace segment organic operating income and the addition of operating income associated with the acquisition of U.K. Composites.

Interest Expense, Net

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Interest Expense, net	\$ 1,270	\$ 1,341	\$ 3,909	\$ 2,336

Net interest expense generally consists of interest charged on the revolving credit facility and other borrowings offset by interest income. The decrease in net interest expense for the three months ended October 2, 2009 compared to the comparable period in 2008 was primarily due to lower total average bank borrowings. The increase in net interest expense for the nine months ended October 2, 2009 compared to the comparable period in 2008 was primarily due to higher total average bank borrowings and lower interest income. The higher average bank borrowings for the nine months ended October 2, 2009 was the result of progressively higher borrowings under the revolving credit agreement and term loan agreement as we funded the three acquisitions completed in 2008.

Effective Income Tax Rate

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
Effective Income Tax Rate	24.7%	36.0%	30.5%	41.4%

The effective tax rate represents the combined federal, state and foreign tax effects attributable to pretax earnings for the year. The decrease in the effective tax rate for the three months ended October 2, 2009 when compared to the corresponding prior year period is due to the cumulative adjustment of our annualized rate to reflect a one-time tax benefit for foreign exchange losses incurred as part of an international recapitalization, and from a discrete benefit in the quarter due to certain foreign tax incentives. The decrease in the effective tax rate for the nine months ended October 2, 2009 when compared to the corresponding prior year period is due to the aforementioned tax benefits reflected in the current quarter, as well as the \$7.8 million non-tax-deductible goodwill impairment charge taken during the second quarter of 2008. We anticipate the full-year effective tax rate for 2009 to be approximately 30-32%.

Other Matters

The Connecticut Department of Environmental Protection (“CTDEP”) has given us approval for reclassification of groundwater in the vicinity of the Moosup, CT facility consistent with the character of the area. This facility is currently being held for disposal. We have completed the process of connecting neighboring properties to public drinking water in accordance with such approval and in coordination with the CTDEP and local authorities. 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 \$4.1 million, all of which has been accrued. A portion (\$0.6 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 total amount paid to date in connection with these environmental remediation activities is \$1.8 million. 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, we are unable to estimate the amount of such additional costs, if any, at this time.

In connection with the sale of the Music segment in 2007, we 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, is still in process.

We estimate our portion of the cost to assess the environmental conditions and remediate this site is \$2.2 million, unchanged from previously reported estimates, all of which has been accrued. 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 total amount paid to date in connection with these environmental remediation activities is \$0.3 million. 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, we are unable to estimate the amount of such additional costs, if any, at this time.

In connection with the 2008 purchase of the portion of the Bloomfield campus that Kaman Aerospace Corporation had leased from NAVAIR, we have assumed responsibility for environmental remediation at the facility as may be required under the Transfer Act and we continue the effort to define the scope of the remediation that will be required by the CTDEP. The assumed environmental liability of \$10.3 million was determined by taking the undiscounted remediation liability of \$20.8 million and discounting it at a rate of 8%. This remediation process will take many years to complete. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, we are unable to estimate the amount of such additional costs, if any, at this time.

In connection with the purchase of U.K. Composites, we accrued, at the time of acquisition, £1.6 million for environmental compliance at their facilities. The total amount paid to date in connection with these environmental remediation activities is £0.1 million. The U.S. dollar equivalent of the remaining environmental compliance liability as of October 2, 2009, is \$2.4 million. We continue to assess the work that may be required, which may result in a change to this accrual.

In December 2008, a workplace accident occurred at our U.K. Composites facility in which one employee died and another was seriously injured. In accordance with U.K. law, the matter has been the subject of an investigation carried out jointly by Lancashire Police and the Health and Safety Executive ("HSE") to determine whether criminal charges are appropriate in this case. Although we have not received official notification that the police investigation has ended with no recommendation of criminal charges, we believe that this is the case because the matter has now been transferred to the regional Coroner to conduct an inquest, which is customary in cases where the local police have not sought prosecution. The inquest is preliminarily scheduled for April 2010. Following the inquest, we expect that the HSE will conduct proceedings under U.K. Health and Safety legislation. We currently estimate that the total potential financial exposure of the U.K. Composites operation with respect to these government proceedings is not likely to be material to our consolidated financial statements.

SEGMENT RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Industrial Distribution Segment

Outlook

Because of our diverse customer base, our performance tends to track the U.S. Industrial Production Index. This index is impacted by the broader economic environment, which will, from time to time, experience periods of downturn. Although these periods of downturn have historically not lasted for an extended duration, they do have an impact on the near term performance of our business. We are therefore affected, to a large extent, by the overall business climate for our customer industries and their plant capacity utilization levels, and the effect of pricing spikes and/or supply interruptions for basic commodities such as steel and oil.

During 2009, we have continued to experience the weakness in certain markets and industries that we first encountered in late 2008. While certain markets and products, such as paper manufacturing and food and beverage processing, have been less impacted, other industries have experienced significant declines, including non-metallic mineral products, metal mining, machinery and fabricated metals. This downturn has had a significant impact on our results and we reaffirm our projections for the full year to the high end of the previously disclosed 10% - 15% decline in sales. Additionally, we still anticipate operating margin to be 200 – 250 basis points lower than last year. We continue to take additional actions to mitigate these negative trends through measured and appropriate cost reduction activities, continued focus on pursuit of additional national account business and initiatives aimed at improving both our gross profit rates and operating margins.

Our Strategy

The primary strategies for the Industrial Distribution segment is to:

1. Expand our geographic footprint in major industrial markets to enhance our position in the competition for regional and national accounts.

In order to increase our geographic footprint, we continue to explore potential acquisition candidates that are consistent with our strategic objectives. By so doing, we will more clearly establish our business as one that can provide comprehensive services to our customers who are continually looking to streamline their procurement operations and consolidate supplier relationships.

2. Broaden our product offerings to gain additional business from existing customers and new opportunities from a wider slice of the market.

In recent years, we have worked to increase market share in several less cyclical markets including the food and beverage, coal mining and energy industries. We are also expanding our presence in the power generation and utilities markets, two other less cyclical industries. We have been successful in this endeavor, as evidenced by our national account wins, and continue to target these industries. We also continued to build our government business group to service our 5-year contract with the General Services Administration Center for Facilities Maintenance and Hardware (“GSA”) which allows us to supply government agencies with Maintenance, Repair and Operations (“MRO”) organizations products from our major product categories. The first of these contracts was awarded to us during the second quarter of 2009.

Results of Operations

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Net sales	\$ 162,921	\$ 204,275	\$ 495,781	\$ 589,773
\$ change	(41,354)	26,185	(93,992)	63,667
% change	(20.2%)	14.7%	(15.9%)	12.1%
Operating income	\$ 3,388	\$ 10,704	\$ 9,232	\$ 29,512
\$ change	(7,316)	1,659	(20,280)	3,469
% change	(68.3%)	18.3%	(68.7%)	13.3%
% of net sales	2.1%	5.2%	1.9%	5.0%

The decreases in net sales for the three months and nine months ended October 2, 2009 as compared to the comparable periods in 2008 were due to declines of 22.7% and 20.4%, respectively, in organic sales when measured on a same day sales basis. These decreases in organic sales were due to a significant decrease in sales to OEMs and reduced capital spending by MRO customers and an unfavorable foreign currency exchange rate which impacted sales by \$1.4 million and \$5.5 million for the three months and nine months ended October 2, 2009, respectively. The decrease for the nine months ended was partially offset by the addition of \$19.0 million in sales from the acquisitions of ISC and INRUMEC. By industry there were significant declines in sales in the non-metallic mineral products, metal mining, machinery and fabricated metals industries which were partially offset by slight increases in the food and beverage and paper industries.

Operating income decreased for the three months and nine months ended October 2, 2009 as compared to the comparable periods in 2008 primarily due to the decrease in organic sales volume and the resulting impact on our ability to leverage operating costs. Additionally, operating income was impacted by increases in pension plan expense, employee separation costs and insurance costs. These factors were partially offset by improved gross margin rates and steps taken by management to reduce operating costs. These steps included a business wide furlough and the consolidation of branches and the closure of underperforming branches, which resulted in a reduction in headcount. Additionally, we have closed the U.S. pension plan to new employees of the Industrial Distribution segment, effective June 1, 2009. The savings that resulted from the business wide furlough are nonrecurring and although the other actions have led to increased costs in the near-term, management believes that the long-term reduction in operating costs will assist the Industrial Distribution segment to manage through this economic downturn and emerge as an even more profitable business.

Aerospace Segment

Outlook

Although the military aerospace market has remained relatively stable during 2009, as a result of the downturn in the global economy the commercial markets, including regional / business jets, have not performed at their 2008 levels. The impact of the downturn in the commercial aerospace market on the segment has been mitigated by our existing military work which represents approximately 65% of total Aerospace sales. The segment continues to perform well with third quarter operating profit return on net sales consistent with the second quarter results. Despite the operating performance achievements we have seen thus far in 2009, we anticipate the fourth quarter of 2009 will be challenging. Our bearing product lines will continue to see weakness in the commercial markets and we do not anticipate the performance in the military markets will make up for the entire decline. For the full year, we reaffirm our expectations for revenue to be up 5% to 7% over the prior year with an operating margin in the mid-teens.

Our Strategy

Our strategy for the Aerospace segment is to expand our global market position in the military and commercial markets, while maintaining leadership in product technical performance and application engineering support and staying ahead of the curve in product technology enhancement, lean manufacturing techniques and lead time reduction.

Results of Operations

	For the three months ended		For the nine months ended	
	October 2, 2009	September 26, 2008	October 2, 2009	September 26, 2008
	(in thousands)			
Net sales	\$ 126,980	\$ 130,858	\$ 381,378	\$ 347,426
\$ change	(3,878)	34,092	33,952	59,764
% change	(3.0%)	35.2%	9.8%	20.8%
Operating income	\$ 19,906	\$ 20,865	\$ 56,803	\$ 46,920
\$ change	(959)	3,405	9,883	(4,810)
% change	(4.6%)	19.5%	21.1%	(9.3%)
% of net sales	15.7%	15.9%	14.9%	13.5%
Backlog			\$ 420,177	\$ 580,819

Net sales decreased for the three months ended October 2, 2009 as compared to the comparable period in 2008 due to the absence of sales related to the Australian helicopter program support center, a decline in sales of our bearings products for commercial and military platforms, a decrease in sales related to our legacy fuze programs, and an unfavorable change in foreign currency exchange rates which impacted sales by \$2.8 million. These decreases were partially offset by increased shipments to the USG and foreign militaries on the JPF program, increased production levels for the Sikorsky BLACKHAWK helicopter cockpit program, increased sales of spares to New Zealand to support their helicopter fleet and increased sales related to our blade erosion coating programs.

Net sales increased for the nine months ended October 2, 2009 as compared to the comparable period in 2008 due to increased sales on our military programs and the incremental contribution of \$21.4 million in sales for the nine months ended October 2, 2009 from the acquisition of U.K. Composites. The increase in sales on our military programs was due to increased shipments to the USG and foreign militaries on the JPF program, increased shipments on the Sikorsky BLACKHAWK helicopter cockpit program, additional upgrade work on the Egypt SH-2G(E) helicopter fleet and increased sales of our bearing products for military platforms. These increases were offset by the absence of sales related to the Australian helicopter program support center, a decline in sales of our bearings products for commercial platforms, and an unfavorable change in foreign currency exchange rate. The impact of the unfavorable change in foreign currency exchange rates was \$12.2 million, primarily driven by the strengthening of the U.S. Dollar against the Pound Sterling on the current year to date sales of U.K. Composites.

Operating income decreased for the three months ended October 2, 2009 when compared to the comparable period in 2008 due to reduced gross profit generated by our bearing products resulting from the decreased sales volume noted above and a decrease in gross profit from lower volume sales on our legacy fuze programs. These decreases were partially offset by increased shipments of higher gross profit JPF fuzes and higher gross profit on Boeing military work. Additionally, the Aerospace segment continued the cost reduction measures implemented in the second quarter of 2009, designed to improve operating performance.

Operating income increased for the nine months ended October 2, 2009 when compared to the comparable period in 2008 due to the absence of the \$7.8 million non-cash, non-tax-deductible, goodwill impairment charge taken in 2008, increased shipments of higher margin JPF fuzes and other legacy fuze programs, the addition of operating income from the acquisition of U.K. Composites, increased sales on the Egypt helicopter upgrade program, increased sales of spares to New Zealand to support their helicopter fleet and increased shipments on the Sikorsky BLACKHAWK helicopter cockpit program. These increases were partially offset by reduced gross profit generated by our bearing products for commercial platforms resulting from the decreased sales volume noted above. The Aerospace segment has taken measures designed to reduce costs and improve operating performance, such as furloughs at certain operations. These measures helped improve operating income for the segment; however, the benefits received from certain measures implemented in the second quarter of 2009 are non-recurring in nature.

Military Markets

BLACKHAWK

The Sikorsky BLACKHAWK 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 BLACKHAWK helicopter. Total orders placed to date for this program are 567 cockpits. The potential value of this program is at least \$250 million, with deliveries on current orders continuing through 2010. Through October 2, 2009, a total of 400 cockpits have been delivered under this contract.

The segment also performs additional subcontract work involving fuselage joining and installation tasks, blade erosion coating and the production of certain mechanical subassemblies for this helicopter program.

MH-92

The Sikorsky Canadian MH-92 helicopter program includes the manufacture and assembly of composite tail rotor pylons. Although this program has undergone numerous customer directed design changes causing costs on this program to exceed the proposed price for the contract, management believes these incremental costs are recoverable from the customer. At October 2, 2009, contract price negotiations for this program had not been finalized.

Egypt SH-2G(E)

The segment continues work under a program for depot level maintenance and upgrades for nine Kaman SH-2G(E) helicopters delivered to the Egyptian government during the 1990s. Through October 2, 2009, we are on contract for \$50.6 million of work related to maintenance and upgrades. This program has a potential contract value of approximately \$92 million.

A-10

In 2008, the segment signed a long-term requirements contract with Boeing for the production of wing control surfaces (inboard and outboard flaps, slats and deceleron assemblies) for the U.S. Air Force's A-10 fleet, with initial deliveries scheduled to begin in early 2010. Full rate production is expected to begin in 2011 with an average of approximately 47 ship sets per year through 2015. This multiyear contract has a potential value in excess of \$100 million; however, annual quantities will vary, as they are dependent upon the orders Boeing receives from the U.S. Air Force ("USAF").

C-17

The segment continues production of structural wing subassemblies for the Boeing C-17. Although recent reports note that continued production of the C-17 may be at risk, we received orders in 2008 for an additional 30 ship sets which will extend our work on the program through 2010.

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

We manufacture the JPF fuze, an electro-mechanical bomb safing and arming device, which allows the settings of a weapon to be programmed in flight. During 2009 we entered into a contract modification with the USG for the award of Options 6, 7 and 8 under the company's multi-option JPF contract. The modification provides increased unit prices and quantities for the next three option buys upon exercise and updates the original contract negotiated in 1997. The total value of the Option 6 award is approximately \$59 million and deliveries are expected to begin in the second quarter of 2010. Upon exercise, the value of Options 7 and 8 will depend on the quantity selected by the USAF, add-ons, foreign military orders and future funding.

The total value of JPF contracts awarded by the USG from inception of the program through October 2, 2009 is \$248.0 million. This value primarily consists of Options 1 through 6 under the original contract and various contract modifications, including a two-phase facilitization contract modification and additional foreign military sales facilitated by the USG, as well as a variety of development and engineering contracts, along with special tooling and test equipment. We expect to continue production under the currently awarded options through 2012.

In 2008, we achieved our desired production level of 6,000 fuzes per quarter and were able to ship JPF fuzes to the USG in required lot sizes, and continued this level of production in 2009. This consistent production capability has allowed us to meet our delivery requirements to the USG and increases our opportunity for sales to foreign customers. Our efforts to sell the JPF to foreign allied militaries are important to the ultimate success of this program and will allow us to generate further market penetration, increase sales and improve profitability.

The facilitization program at our Middletown, CT facility has contributed to our increased production capability and allowed us to improve our quality and efficiency on the JPF program. The facilitization program provided us an opportunity to review production workflow to create greater efficiencies, qualify a second Kaman site for full production and create an enhanced fuze design. During the first nine months of 2009, we passed the final testing and began limited production of the enhanced fuze. The enhanced design is expected to reduce the number of technical issues and allow for a more steady state of production. We believe the value of these initiatives will be more fully realized in the future.

Bearings

Our bearing products are included on military platforms manufactured in North America and Europe. These products are used as original equipment and/or specified as replacement parts by the manufacturers. The most significant portion of our sales is derived from the U.S. military platforms, such as the AH-64, C-17 and F/A-18 aircraft, with additional sales in Europe on the EFA Typhoon. These products are primarily proprietary self-lubricating, ball and roller bearings for aircraft flight controls, turbine engines, and landing gear and driveline couplings for helicopters.

Commercial Markets

777 / 767

In late 2007, we signed a seven-year follow-on contract with Boeing for the production of fixed wing trailing edge assemblies for the Boeing 777 and 767 aircraft. During 2009, on average we expect to deliver 7 ship sets per month on the Boeing 777 platform and 1 ship set per month on the Boeing 767. This multiyear contract has a potential value in excess of \$100 million; however, annual quantities will vary, as they are dependent upon the orders Boeing receives from its customers.

Airbus

Our U.K. Composites facilities provide composite components for many Airbus platforms. The most significant of these are the A320, A330 and A340. Orders for these components are dependent on the build rate for these various platforms.

Bearings

Our bearing products are included on commercial airliners and regional / business jets manufactured in North and South America, Europe and Asia and are used as original equipment and/or specified as replacement parts by the manufacturers. These products are primarily proprietary self-lubricating, ball and roller bearings for aircraft flight controls, turbine engines, and landing gear and driveline couplings for helicopters. The most significant portion of our commercial sales is derived from Boeing and Airbus platforms, such as the Boeing 737, 747, and 777 and the Airbus A320, A330 and A380.

Bell Helicopters

In September 2009, we were awarded a five-year contract with a potential value of \$53 million to build composite helicopter blade skins and skin core assemblies for Bell Helicopters. Under the terms of the contract, we will provide 18 different assemblies for H1, 406, 407, 412, 427, 429, 430 and BA609 aircraft. All work will be performed at our full-service aerospace innovation and manufacturing support center in Bloomfield, Connecticut. Initial deliveries to Bell's Hurst, Texas facility will begin in late 2009. Annual quantities for this program will vary, as they are dependent upon the orders Bell receives from its customers.

SH-2G(I).

As previously reported, we have agreed to share proceeds from the sale of the former SH-2G (A) aircraft (along with spare parts and associated equipment) with the Commonwealth of Australia on a predetermined basis. Total payments of at least \$39.5 million (AUD) will be made to the Commonwealth regardless of sales, with at least \$26.7 million (AUD) to be paid by March 2011, and, to the extent cumulative payments have not yet reached \$39.5 million (AUD), additional payments of \$6.4 million (AUD) each in March of 2012 and 2013. In late 2008, we entered into forward contracts for the purpose of hedging these required payments. These contracts allow us to settle \$36.5 million (AUD) of the \$39.5 million (AUD) required payments for a total of \$23.7 million in 2011, 2012 and 2013. See Note 6, Derivative Financial Instruments, in the notes to the condensed consolidated financial statements for further discussion of these instruments. In addition, to secure these payments the Company has provided the Commonwealth with a \$39.5 million (AUD) unconditional letter of credit, which will be reduced as such payments are made. At October 2, 2009, we had made required payments of \$0.9 million (AUD). As of that date, the U.S. dollar value of the remaining \$38.6 million (AUD) required payment was \$33.4 million.

Sales relative to the SH-2G(A) service center, which had been a meaningful portion of our Aerospace segment's net sales in recent years, ended at the conclusion of the support center ramp down period, which occurred during the fourth quarter of 2008.

With the successful transfer of the helicopters and related equipment, segment management has attended trade events, obtained 42 marketing licenses required by the USG, begun discussions with 7 foreign governments regarding the sale of the helicopters and received small orders for the spare parts and related equipment.

Warranty and Contract-Related Matters

There continue to be two warranty-related matters that impact the FMU-143 program at the Aerospace segment's Orlando Facility ("Orlando Facility"). The items involved are an impact switch embedded in certain bomb fuzes that was recalled by a supplier and an incorrect part, called a bellows motor, found to be contained in bomb fuzes manufactured for the U.S. Army utilizing systems which originated before we acquired the Orlando Facility. The U.S. Army Sustainment Command ("USASC"), the procurement agency that administers the FMU-143 contract, had authorized warranty rework for the bellows motor matter in late 2004/early 2005; however, we were not permitted to finish the rework due to issues raised by the USASC primarily related to administrative matters and requests for verification of the accuracy of test equipment (which accuracy was subsequently verified).

In late 2006, the USASC informed us that it was changing its remedy under the contract from performance of warranty rework to an "equitable adjustment" to the contract price. We responded, explaining our view that we had complied with contract requirements. In June 2007, the USASC affirmed its position and gave instructions for disposition of the subject fuzes, including both the impact switch and bellows motor related items, to a Navy facility and we complied with that direction. By letter dated April 24, 2009, the United States Government ("USG") notified us that it is contemplating litigation against us, alleging liability associated with this matter and including specific claims of about \$6.0 million (treble damages) in connection with allegedly "false claims" by us for payment for fuzes containing the incorrect part and \$3.0 million in connection with rework. By letter dated July 16, 2009, USASC informed us that it also demands payment of \$9.8 million under the contract related to warranty rework. We believe that the allegations are unfounded and will vigorously defend ourselves should a false claims suit be filed and we will file an appeal before the Armed Services Board of Contract Appeals (the "Board") to contest the monetary demand under the contract. At October 2, 2009, we had no amount accrued for this demand.

As reported previously, a separate contract dispute between the Orlando Facility and the USASC relative to the FMU-143 fuze program is now in litigation. The USASC has basically alleged the existence of latent defects in certain fuzes due to unauthorized rework during production and has sought to revoke their acceptance. We believe that the Orlando Facility has performed in accordance with the contract and it is the government that has materially breached its terms in several ways; as a result, during the fourth quarter of 2007, we cancelled the contract and in January 2008, commenced litigation before the Board requesting a declaratory judgment that the cancellation was proper. At about the same time, the USASC notified us that it was terminating the contract for default, making the allegations noted above, and we filed a second complaint with the Board appealing that termination decision. The litigation process continues. In the same letter of July 16, 2009, referenced above, USASC also demanded for these alleged latent defects a repayment of \$5.7 million. We contest this demand and will file an appeal of it before the Board. At October 2, 2009, we had no amount accrued for these matters as we believe that the likelihood of an adverse outcome to this litigation is remote.

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, 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 "Forward-Looking Statements" in this Form 10-Q.

We continue to rely upon bank financing as an important source of support for our business activities including acquisitions. We believe this, when combined with cash generated from operating activities, will be sufficient to support our anticipated liquidity requirements for the foreseeable future. We anticipate a variety of items will have an impact on our liquidity during the next 12 months, aside from our normal working capital requirements. These may include the resolution of any of the matters described in MD&A, including the FMU-143 litigation, the cost sharing arrangement with the Commonwealth of Australia, the cost of existing environmental remediation matters, the U.K. Composites workplace accident and required pension contributions. 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 are watchful of the developments in the credit markets and continuously assess the impact that current economic conditions may have on our operations. The current market may adversely affect the securing and/or pricing of additional financing, if any, that might be necessary to continue with our growth strategy and finance working capital requirements; however, we had success in executing the \$225 million Revolving Credit Agreement in the third quarter of 2009 and a \$50.0 million Term Loan Credit Agreement late last year.

Additionally, with the significant downturn in the financial markets in 2008, the market value of our pension plan assets has significantly decreased, resulting in higher pension plan contributions and a significant increase in pension expense in 2009. Management continuously monitors the assumptions used in the determination of our benefit obligation and compares them to actual performance. Despite the downturn in the economy, we have recently seen the market value of our pension assets regain some of their previous losses and believe the assumptions selected are valid due to the long-term nature of our benefit obligation. Our required pension contribution for 2010 could be reduced based on the outcome of currently proposed legislation. However, management may make a voluntary contribution to the pension plan in 2010 if the required contribution is reduced. If the downward economic trends continue and/or the proposed legislative relief is not successful, we may experience an increase in our required pension plan contributions in the future.

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

	For the nine months ended		
	October 2, 2009	September 26, 2008	2009 vs. 2008
	(in thousands)		
Total cash provided by (used in) continuing operations:			
Operating activities	\$ 48,500	\$ (38,479)	\$ 86,979
Investing activities	(11,129)	(111,871)	100,742
Financing activities	(29,860)	91,719	(121,579)
Increase (decrease) in cash from continuing operations	\$ 7,511	\$ (58,631)	\$ 66,142

Net cash provided by operating activities increased \$87.0 million for the nine months ended October 2, 2009 compared to the same period in 2008, primarily due to the following:

- Improvements in our inventory procurement and management processes.
- Improvements in the collections of outstanding balances.
- Decreased payments of taxes, due to the absence of payments made in 2008 related to the sale of our Music segment in the fourth quarter of 2007.
- Decreased cash outflows associated with incentive compensation in 2009 compared to 2008.

Net cash used in investing activities decreased \$100.7 million for the nine months ended October 2, 2009 compared to the same period in 2008. The decrease was primarily attributable to a decrease in cash used for acquisitions in 2008.

Net cash provided by financing activities decreased \$121.6 million for the nine months ended October 2, 2009 compared to the same period in 2008. This reflects a decrease in the proceeds from net borrowings under the Revolving Credit Agreement of \$100.2 million. These proceeds were used in the prior year to fund our acquisitions.

Financing Arrangements

On September 17, 2009, we entered into a three-year \$225 million senior secured revolving credit facility with co-lead arrangers Bank of America, The Bank of Nova Scotia, and RBS Citizens and a syndicate of lenders ("Revolving Credit Agreement"), which replaced our then existing \$200 million senior revolving credit facility which was due to expire on August 5, 2010 (the "Former Revolving Credit Agreement"). The Revolving Credit Agreement includes an "accordion" feature that allows us to increase the aggregate amount available to \$300 million, subject to additional commitments from lenders. The Revolving Credit Agreement may be used for working capital, letters of credit and other general corporate purposes, including acquisitions.

The Revolving Credit Agreement permits us to pay cash dividends. The lenders have been granted a security interest in substantially all of our personal property and other assets (excluding real estate) including those of our domestic subsidiaries and a pledge of 66% of our equity interest in certain of our foreign subsidiaries and 100% of our equity interest in our domestic subsidiaries, as collateral for our obligations under the Revolving Credit Agreement.

Interest rates on amounts outstanding under the Revolving Credit Agreement are variable and are determined based on the Consolidated Senior Secured Leverage Ratio, as defined in the Revolving Credit Agreement. At October 2, 2009, the interest rate for the outstanding amounts on the Revolving Credit Agreement was 3.80%. In addition, we are required to pay a quarterly commitment fee on the unused revolving loan commitment amount at a rate ranging from 0.50% to 0.75% per annum, based on the Consolidated Senior Secured Leverage Ratio. Fees for outstanding letters of credit range from 2.75% to 4.50%, based on the Consolidated Senior Secured Leverage Ratio.

On October 29, 2008, we executed a Term Loan Credit Agreement ("Term Loan Agreement"). The Term Loan Agreement, which is in addition to our current Revolving Credit Agreement, is a \$50 million facility with a four-year term, including quarterly payments of principal at the rate of 2.5% with 62.5% of the initial aggregate principal payable in the final quarter. We may increase the term loan, by up to an aggregate of \$50 million with additional commitments from the banks or new commitments from acceptable financial institutions. In conjunction with the entry into the Revolving Credit Agreement on September 17, 2009, the Term Loan Agreement was amended to allow for security interests and financial covenants consistent with those defined in the Revolving Credit Agreement.

Facility fees and interest rates under the Term Loan Agreement are determined on the basis of our credit rating from Standard & Poor's. In April 2009, Standard & Poor's re-affirmed our rating as investment grade BBB- with an outlook of stable. We believe this is a favorable rating for a company of our size. Under the terms of the current Term Loan Agreement, if this rating should decrease, the effect would be to increase facility fees as well as the interest rates charged.

The financial covenants associated with the Revolving Credit Agreement and Term Loan Credit Agreement include a requirement that i) the ratio of Consolidated Senior Secured Indebtedness to EBITDA, as defined in the Revolving Credit Agreement, cannot be greater than 3.00 to 1.00, ii) the ratio of Consolidated Total Indebtedness to EBITDA, as defined in the Revolving Credit Agreement, cannot be greater than 3.50 to 1.00, and iii) the ratio of (a) EBITA, as defined in the Revolving Credit Agreement, to the sum of (i) net interest expense, (ii) the aggregate principal amount of all regularly scheduled principal payments of outstanding indebtedness for borrowed money, (iii) all dividends or other distributions with respect to any equity interests of the Company and (iv) the aggregate amount of Federal, state, local, and foreign income taxes paid in cash cannot be less than 1.05 to 1.00 for any measurement period between September 17, 2009 – March 31, 2011, 1.25 to 1.00 for any measurement period between April 1, 2011 to September 30, 2011 or 1.35 to 1.00 for any measurement period on or after October 1, 2011. We were in compliance with those financial covenants as of and for the quarter ended October 2, 2009 and we do not anticipate noncompliance in the foreseeable future.

Total average bank borrowings during the nine months ended October 2, 2009 were \$96.9 million, with \$154.3 million available for borrowing under the Revolving Credit Agreement, net of letters of credit. Letters of credit are generally considered borrowings for purposes of the Revolving Credit Agreement. A total of \$39.9 million in letters of credit was outstanding under the Revolving Credit Agreement at October 2, 2009, \$34.1 million of which was 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). Total average borrowings for the comparable period in 2008 under the Former Revolving Credit Agreement totaled approximately \$48.3 million.

During the first quarter of 2009, we entered into interest rate swap agreements for the purpose of hedging our eight quarterly variable-rate interest payments on the Term Loan Agreement due in 2010 and 2011. These interest rate swap agreements are designated as cash flow hedges and are intended to manage interest rate risk associated with our variable-rate borrowings and minimize the negative impact on our earnings and cash flows of interest rate fluctuations attributable to the changes in LIBOR rates.

Other Sources/Uses of Capital

For the 2009 plan year, we contributed \$10.9 million to the qualified pension plan in April 2009 and do not expect to make any further contributions for this plan year. For the 2009 plan year, we expect to make payments of \$5.7 million for the SERP, of which payments of \$5.5 million were made during the first nine months of 2009. For the 2008 plan year, we made cash contributions of approximately \$7.0 million to our tax-qualified defined benefit pension plan. Additionally, during 2008 we made approximately \$18.0 million of SERP payments.

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 during the first nine months of 2008 or 2009 under this program. At October 2, 2009, approximately 1.1 million shares were authorized for repurchase under this program.

On June 26, 2009, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC"). This shelf registration statement allows us to offer, issue or sell from time to time, together or separately, (i) senior or subordinated debt securities, which may be convertible into shares of our common stock, preferred stock or other securities; (ii) shares of our common stock; (iii) shares of our preferred stock, which we may issue in one or more series; or (iv) warrants to purchase our equity or debt securities or other securities. The total offering price of the securities will not exceed \$200 million in the aggregate. The shelf registration became effective on August 3, 2009. We do not currently have any commitments or intentions to sell securities. Future offerings, if any, will be made only by means of a written prospectus or other permitted documents. At that time, we will file a prospectus supplement with the SEC outlining the type of securities, amounts, prices, use of proceeds and other terms.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Contractual Obligations

The following table summarizes the material changes to our contractual obligations table included in our Form 10-K for the year ended December 31, 2008:

Contractual Obligations	Payments due by period (in millions)				
	Total	Within 1 year	1-3 years	3-5 years	More than 5 years
Payments to the Commonwealth of Australia (A)	\$ 33.4	\$ -	\$ 27.9	\$ 5.5	\$ -

- (A) On February 12, 2009, we completed the transfer of title to the 11 SH-2G(A) Super Seasprite helicopters (along with spare parts and associated equipment) from the Commonwealth of Australia. In connection with sharing sale proceeds, as determined in the settlement agreement entered into in the first quarter of 2008, we have agreed that total payments of at least \$39.5 million (AUD) will be made to the Commonwealth regardless of sales, with at least \$26.7 million (AUD) to be paid by March 2011, and, to the extent cumulative payments have not yet reached \$39.5 million (AUD), additional payments of \$6.4 million (AUD) each in March of 2012 and 2013. In late 2008, we entered into forward contracts for the purpose of hedging these required payments. These contracts allow us to settle \$36.5 million (AUD) of the \$39.5 million (AUD) required payments for a total of \$23.7 million in 2011, 2012 and 2013. At October 2, 2009, we had made required payments of \$0.9 million (AUD). As of that date, the U.S. dollar value of the remaining \$38.6 million (AUD) required payment was \$33.4 million.

There have been no other material changes outside the ordinary course of business in our contractual obligations during the first nine months of 2009. Please see our Form 10-K for the year ended December 31, 2008, for a discussion of our contractual obligations.

Off-Balance Sheet Arrangements

There has been no material change in the company's off-balance sheet arrangements during the third quarter of 2009. Please see the company's Form 10-K for the year ended December 31, 2008, for a discussion of such arrangements.

RECENT ACCOUNTING STANDARDS

A summary of recent accounting standards is included in Note 2, Recent Accounting Standards, of the Notes to Condensed Consolidated Financial Statements, which is included in Item 1, Financial Statements, of this Form 10-Q.

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 the Consolidated Financial Statements in the company's Form 10-K for the year ended December 31, 2008, describe the significant accounting estimates and 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 policies and significant estimates in 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in the company's exposure to market risk during the third quarter of 2009. Please see the company's Form 10-K for the year ended December 31, 2008, 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 October 2, 2009. 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 October 2, 2009, the disclosure controls and procedures were effective.

Changes in Internal Controls

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

Kaman Corporation and Subsidiaries
Part II – Other Information

Item 1A. Risk Factors

There has been no significant change in the company's risk factors during the third quarter of 2009. Please see the company's Form 10-K for the year ended December 31, 2008, for a discussion of the company's risk factors.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking information relating to the company's business and prospects, including the Aerospace and Industrial Distribution businesses, operating cash flow, and other matters that involve a number of uncertainties that may cause actual results to differ materially from expectations. Those uncertainties include, but are not limited to: 1) the successful conclusion of competitions for government programs and thereafter contract negotiations with government authorities, both foreign and domestic; 2) political conditions in countries where the company does or intends to do business; 3) standard government contract provisions permitting renegotiation of terms and termination for the convenience of the government; 4) domestic and foreign economic and competitive conditions in markets served by the company, particularly the defense, commercial aviation and industrial production markets; 5) risks associated with successful implementation and ramp up of significant new programs; 6) management's success in resolving operational issues at the Aerostructures Wichita facility; 7) successful negotiation of the Sikorsky Canadian MH-92 program; 8) successful resale of the SH-2G(I) aircraft, equipment and spare parts; 9) 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; 10) satisfactory resolution of the company's litigation relating to the FMU-143 program; 11) continued support of the existing K-MAX helicopter fleet, including sale of existing K-MAX spare parts inventory; 12) cost growth in connection with environmental remediation activities at the Bloomfield, Moosup and New Hartford, CT facilities and our U.K. facilities; 13) profitable integration of acquired businesses into the company's operations; 14) changes in supplier sales or vendor incentive policies; 15) the effects of price increases or decreases; 16) the effects of pension regulations, pension plan assumptions and future contributions; 17) future levels of indebtedness and capital expenditures; 18) continued availability of raw materials and other commodities in adequate supplies and the effect of increased costs for such items; 19) the effects of currency exchange rates and foreign competition on future operations; 20) changes in laws and regulations, taxes, interest rates, inflation rates and general business conditions; 21) future repurchases and/or issuances of common stock; and 22) other risks and uncertainties set forth in the company's annual, quarterly and current reports, and proxy statements. Any forward-looking information provided in this report should be considered with these factors in mind. The company assumes no obligation to update any forward-looking statements contained in this report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities

The following table provides information about purchases of Common Stock by the Company during the three months ended October 2, 2009:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Plan
July 4, 2009 – July 31, 2009	-	\$ -	-	1,130,389
August 1, 2009 – August 28, 2009	-	-	-	1,130,389
August 29, 2009 – October 2, 2009	-	-	-	1,130,389
Total	-		-	

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 6. Exhibits

10(a)(i)	Kaman Corporation 2003 Stock Incentive Plan as amended effective October 13, 2009	attached
10(b)(i)	Kaman Corporation Employees Stock Purchase Plan as amended effective October 13, 2009	attached
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14 under the Securities and Exchange Act of 1934	attached
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14 under the Securities and Exchange Act of 1934	attached
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	attached
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	attached

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: November 5, 2009

By: /s/ Neal J. Keating
Neal J. Keating
Chairman, President and
Chief Executive Officer
(Duly Authorized Officer)

Date: November 5, 2009

By: /s/ William C. Denninger
William C. Denninger
Senior Vice President and
Chief Financial Officer

KAMAN CORPORATION

INDEX TO EXHIBITS

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**KAMAN CORPORATION
2003 STOCK INCENTIVE PLAN**

(As Amended through October 13, 2009)

Section 1. Purpose. This Plan is designed to (a) give directors, officers and key employees of the Corporation and other persons an expanded opportunity to acquire stock in the Corporation or receive other long-term incentive remuneration in order that they may better participate in the Corporation's growth and be motivated to remain with the Corporation and promote its further development and success and (b) better align total compensation of executives of the Corporation with shareholder interests through Long-Term Performance Awards subject to specific performance criteria. The Plan includes the continuation of certain predecessor plans.

Section 2. Definitions. The following terms shall have the meanings given below unless the context otherwise requires:

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Amendment Date" means October 13, 2009.

(c) "Authorized Shares" is defined in Section 5.

(d) "Award" or "Awards" except where referring to a particular category of grant under the Plan shall include Incentive Stock Options, Non-Statutory Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units and Long-Term Performance Awards.

(e) "Beneficial Owner" is defined in Section 16(h)(iii)(A).

(f) "Board" means the Board of Directors of the Corporation or a Subsidiary as the context may require.

(g) "Cause" is defined in Section 16(i)(iii).

(h) "Change in Control" is defined in Section 16(h)(iii).

(i) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor Code, and related rules, regulations and interpretations.

(j) "Committee" means the committee of the Board established under Section 11 hereof.

(k) "Corporation" means Kaman Corporation.

(l) "Covered Employee" means a Participant whom the Committee designates, for each Performance Period, in order to meet the Section 162(m) Exemption.

(m) "Disability" or "Disabled" means disability or disabled as defined by Code Section 22(e)(3).

(n) "Effective Date" is defined in Section 4.

(o) "Eligible Person" means any person, including a person who is not an employee of the Corporation or a Subsidiary, or entity who satisfies all the eligibility requirements set forth in either Section 3(a) or 3(b) hereof, excluding, however, any member of the Committee and any alternate member of the Committee.

(p) "Fair Market Value" of the Stock on any given date shall be the mean between the highest and lowest quoted selling prices of the Stock in the NASDAQ Global Market on such date. If there were no sales on the valuation date, "Fair Market Value" shall be the closing price of the Stock in the NASDAQ Global Market on the most recent trading day preceding the valuation date on which sales of the Stock occurred.

(q) "Federal Income Tax Regulations" means the federal income tax regulations that implement the Code, as they may be amended from time to time and any corresponding successor regulations.

(r) "Good Reason" is defined in Section 16(i)(iv).

(s) "Incentive Stock Option" means a stock option qualifying under the provisions of Section 422 of the Code.

(t) "Long-Term Performance Award" means an award under Section 10(a) below. A Long-Term Performance Award shall permit the recipient to receive a bonus payable in cash, stock or a combination of cash and stock (as determined by the Committee) upon satisfaction of such performance factors as are set out in the recipient's individual grant. Long-Term Performance Awards will be based upon the achievement of Corporation, Subsidiary and/or individual performance factors or upon such other criteria as the Committee may deem appropriate.

(u) "Merger" means a merger, share exchange, consolidation or similar business combination under applicable law.

(v) "Non-Employee Director" means an individual who is (i) an "outside director," as described in Federal Income Tax Regulations Section 1.162-27(e)(3), and (ii) an "independent director" under the listing standards of the Nasdaq Stock Market, Inc. and also meets the requirements of Rule 16b-3(b)(3)(i) promulgated under the Act, and any successor to such rule.

(w) "Non-Employee Director Participant" means an Eligible Person, who at the time of grant of an Award is a director of the Corporation but not an employee of the Corporation or a Subsidiary.

(x) "Non-Statutory Option" means a stock option not qualifying for incentive stock option treatment under the provisions of Section 422 of the Code.

(y) "Optionee" means the holder of any option granted under the Plan.

(z) "Participant" means the holder of any Award granted under the Plan.

(aa) "Performance Period" is defined in Section 10(a).

(bb) "Person" is defined in Section 16(h)(iv).

(cc) "Plan" means the Kaman Corporation 2003 Stock Incentive Plan.

(dd) "Predecessor Plan" means any of the Corporation's 1973 Stock Incentive Plan, 1983 Stock Incentive Plan and 1993 Stock Incentive Plan.

(ee) "Principal Shareholder" means any individual owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of capital stock of the Corporation or of any Subsidiary.

(ff) "Qualified Performance-Based Award" means (i) a Long-Term Performance Award or Restricted Stock Award that is intended to qualify for the Section 162(m) Exemption and is made subject to objective performance goals based on Qualified Performance Criteria as set forth in Section 16(c), or (ii) an Option or SAR having an exercise price equal to or greater than the Fair Market Value of the underlying Stock as of the date it is granted.

(gg) "Qualified Performance Criteria" means one or more of the performance criteria listed in Section 16(c) upon which performance goals for certain Qualified Performance-Based Awards may be established by the Committee and which meet the requirements for the Section 162(m) Exemption.

(hh) "Restricted Stock" means Stock received pursuant to a Restricted Stock Award.

(ii) "Restricted Stock Award" is defined in Section 8(a).

(jj) "Restricted Stock Unit" is defined in Section 9(a).

(kk) "Retirement" means retirement at or after 62 years of age in accordance with the terms of the Corporation's tax-qualified Employees' Pension Plan.

(ll) "Section 162(m) Exemption" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(mm) "Section 409A" means Section 409A of the Code, and regulations promulgated thereunder.

(nn) "Stock" or "shares" means shares of Common Stock of the Corporation.

(oo) "Stock Appreciation Right" or "Right" means a right described in Section 7.

(pp) "Subsidiary" means any corporation within the meaning of Section 424(f) of the Code.

Section 3. Eligibility.

(a) Incentive Stock Options. Incentive Stock Options may be granted to any Eligible Persons who are full-time, salaried employees of the Corporation or a Subsidiary and who in the sole opinion of the Committee are, from time to time, responsible for the management and/or growth of all or part of the business of the Corporation.

(b) Awards Other than Incentive Stock Options. Awards, other than Incentive Stock Options, may be granted to any Eligible Persons who in the sole opinion of the Committee are, from time to time, responsible for the growth and/or the management of all or a part of the business of the Corporation or Subsidiary.

(c) Substitute Awards. The Committee, in its discretion, may also grant Awards in substitution for any stock incentive awards previously granted by companies acquired by the Corporation or one of its Subsidiaries. Such substitute awards may be granted on such terms and conditions as the Committee deems appropriate in the circumstances, provided, however, that substitute Incentive Stock Options shall be granted only in accordance with the Code.

Section 4. Term of Plan. The Plan is effective on November 1, 2003 (the "Effective Date") and shall continue to be effective for ten (10) years thereafter, expiring on October 31, 2013.

Section 5. Stock Subject to the Plan. An aggregate of 2,489,395 shares of Stock (the "Authorized Shares") may be issued pursuant to Awards granted under the Plan on or after the Amendment Date. The Authorized Shares consist of (i) 2,000,000 shares of Stock newly authorized by the Board, subject to further shareholder approval, as of the Amendment Date, plus (ii) 489,395 shares of Stock that were available for new Awards pursuant to the Plan immediately prior to the Amendment Date which shall be in addition to all shares of Stock issued or reserved for issuance prior to the Amendment Date pursuant to Awards granted under the Plan or any Predecessor Plan. The Authorized Shares may consist of treasury shares or authorized but unissued shares. In the event that any Award under the Plan or any Predecessor Plan for any reason expires, is terminated, forfeited, reacquired by the Corporation, or satisfied without the issuance of Stock (except in the cases of (i) Stock otherwise issuable under an Award but retained by the Corporation for payment of withholding taxes under Section 16(b) hereof; (ii) Stock otherwise issuable under a stock option but for which the Corporation has made a discretionary payment under Section 7(d) hereof and (iii) Stock underlying any Incentive Stock Option, Non-Statutory Option, or Stock Appreciation Right that is cancelled in connection with a repricing of the exercise price thereunder) the shares allocable to the unexercised portion of such Award may again be made subject to an Award under the Plan. Any award of a Stock Appreciation Right, to the extent that such Stock Appreciation Right may be settled only for cash, shall not be deemed to reduce the aggregate number of shares of Stock authorized to be issued pursuant to Awards granted under the Plan.

Section 6. Stock Options. The following terms and conditions shall apply to each option granted under the Plan and shall be set forth in a stock option agreement between the Corporation and the Optionee together with such other term and conditions not inconsistent herewith as the Committee may deem appropriate in the case of each Optionee:

(a) **Option Price.** The purchase price under each Incentive Stock Option shall be as determined by the Committee but not less than 100% of the Fair Market Value of the shares subject to such option on the date of grant, provided that such option price shall not be less than 110% of such Fair Market Value in the case of any Incentive Stock Option granted to a Principal Shareholder. The purchase price per share of Stock deliverable upon the exercise of a Non-Statutory Option shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of such Stock on the date of grant. In no event shall the purchase price of any Stock be less than the par value per share of such Stock.

(b) **Type of Option.** All options granted under the Plan shall be either Incentive Stock Options or Non-Statutory Options. All provisions of the Plan applicable to Incentive Stock Options shall be interpreted in a manner consistent with the provisions of, and regulations under, Section 422 of the Code.

(c) **Period of Incentive Stock Option.** Each Incentive Stock Option shall have a term not in excess of ten (10) years from the date on which it is granted, except in the case of any Incentive Stock Option granted to a Principal Shareholder which shall have a term not in excess of five (5) years from the date on which it is granted; provided that any Incentive Stock Option granted or the unexercised portion thereof, to the extent exercisable at the time of termination of employment, shall terminate at the close of business on the day three (3) months following the date on which the Optionee ceases to be employed by the Corporation or a Subsidiary unless sooner expired or unless a longer period is provided under subsection (g) of this Section in the event of the death or Disability of such an Optionee.

(d) Period of Non-Statutory Option. Each Non-Statutory Option granted under the Plan shall have a term not in excess of ten (10) years and one (1) day from the date on which it is granted; provided that any Non-Statutory Option granted to an employee of the Corporation or a Subsidiary or to a Non-Employee Director Participant, or the unexercised portion thereof, shall terminate not later than the close of business on the day three (3) months following the date on which such employee ceases to be employed by the Corporation or a Subsidiary or the date on which such Non-Employee Director ceases to be a director of the Corporation, as the case may be, unless a longer period is provided under subsection (g) of this Section in the event of the death, Disability or Retirement of such employee or the death or Disability of such Non-Employee Director. Such an Optionee's Non-Statutory Option shall be exercisable, if at all, during such three (3) month period only to the extent exercisable on the date such Optionee's employment terminates or the date on which such Optionee ceases to be a director, as the case may be.

(e) Exercise of Option.

(i) Each option granted under the Plan shall become exercisable on such date or dates and in such amount or amounts as the Committee shall determine. In the absence of any other provision by the Committee, each option granted under the Plan shall be exercisable with respect to not more than twenty percent (20%) of such shares subject thereto after the expiration of one (1) year following the date of its grant, and shall be exercisable as to an additional twenty percent (20%) of such shares after the expiration of each of the succeeding four (4) years, on a cumulative basis, so that such option, or any unexercised portion thereof, shall be fully exercisable after a period of five (5) years following the date of its grant; provided, however, that in the absence of any other provision by the Committee, each Incentive Stock Option granted to a Principal Shareholder shall be exercisable with respect to not more than twenty-five percent (25%) of the shares subject thereto after the expiration of one (1) year following the date of its grant, and shall be exercisable as to an additional twenty-five percent (25%) after the expiration of each of the succeeding three (3) years, on a cumulative basis, so that such option, or any unexercised portion thereof, shall be fully exercisable after a period of four (4) years following the date of its grant.

(ii) The Committee, in its sole discretion, may, from time to time and at any time, accelerate the vesting provisions of any outstanding option, subject, in the case of Incentive Stock Options, to the provisions of Section (6)(i) relating to "Limit on Incentive Options".

(iii) Notwithstanding anything herein to the contrary, except as provided in subsection (g) of this Section, no Optionee who was, at the time of the grant of an option, an employee of the Corporation or a Subsidiary, may exercise such option or any part thereof unless at the time of such exercise he or she shall be employed by the Corporation or a Subsidiary and shall have been so employed continuously since the date of grant of such option, excepting leaves of absence approved by the Committee; provided that the option agreement may provide that such an Optionee may exercise his or her option, to the extent exercisable on the date of termination of such continuous employment, during the three (3) month period, ending at the close of business on the day three (3) months following the termination of such continuous employment unless such option shall have already expired by its term.

(iv) An option shall be exercised in accordance with the related stock option agreement by serving written notice of exercise on the Corporation accompanied by full payment of the purchase price in cash. As determined by the Committee, in its discretion, at (or, in the case of Non-Statutory Options, at or after) the time of grant, payment in full or in part may also be made by delivery of (i) irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds to pay the exercise price, or (ii) previously owned shares of Stock not then subject to restrictions under any Corporation plan (but which may include shares the disposition of which constitutes a disqualifying disposition for purposes of obtaining incentive stock option treatment for federal tax purposes), or (iii) shares of Stock otherwise receivable upon the exercise of such option; provided, however, that in the event the Committee shall determine in any given instance that the exercise of such option by withholding shares otherwise receivable would be unlawful, unduly burdensome or otherwise inappropriate, the Committee may require that such exercise be accomplished in another acceptable manner. For purposes of this subsection (iv), such surrendered shares shall be valued at the closing price of the Stock in the NASDAQ Global Market on the most recent trading day preceding the date of exercise on which sales of the Stock occurred.

(f) Transferability. No option granted under the Plan shall be transferable by the Optionee otherwise than by will or by the laws of descent and distribution, and such option shall be exercisable, during the Optionee's lifetime, only by the Optionee.

(g) Death, Disability or Retirement of Optionee.

(i) With respect to Incentive Stock Options, in the event of the death or Disability of an Optionee while in the employ of the Corporation or a Subsidiary or while serving as a director of the Corporation, such Optionee's Incentive Stock Option, or the unexercised portion thereof, may be exercised within the period of one (1) year succeeding such Optionee's death or Disability, but in no event later than ten (10) years (five (5) years in the case of a Principal Shareholder) from the date the Incentive Stock Option was granted.

(ii) With respect to Non-Statutory Options, in the event of the death, Disability or Retirement of an Optionee while in the employ of the Corporation or a Subsidiary or in the event of death or Disability of an Optionee while serving as a Director of the Corporation, such Optionee's Non-Statutory Option, or the unexercised portion thereof, may be exercised within the period of five (5) years succeeding such Optionee's death, Disability or Retirement, but in no event later than ten (10) years and one (1) day from the date the Non-Statutory Option was granted, by the person or persons designated in the Optionee's will for that purpose or in the absence of any such designation, by the legal representative of the Optionee's estate, or by the Optionee or the Optionee's legal representative, as the case may be.

(iii) Notwithstanding anything herein to the contrary and in the absence of any contrary provision by the Committee, during any period following termination of employment by reason of death, Disability or Retirement, or cessation as a director by reason of death or Disability, during which an Optionee's Stock Option may be exercisable as provided in either subsection (i) or (ii) above, such Stock Option shall continue to vest in accordance with its terms and be and become exercisable as if employment or service as a director had not ceased.

(h) Shareholder Rights. No Optionee shall be entitled to any rights as a shareholder with respect to any shares subject to his or her option prior to the date of issuance to him or her of a stock certificate representing such shares.

(i) Limit on Incentive Stock Options. The aggregate Fair Market Value (determined at the time an option is granted) of shares with respect to which Incentive Stock Options granted to an employee are exercisable for the first time by such employee during any calendar year (under all incentive stock option plans of the Corporation and its Subsidiaries to the extent required under the Code) shall not exceed \$100,000.

(j) Notification of Disqualifying Disposition. Participants granted Incentive Stock Options shall undertake, in the Incentive Stock Option agreements, as a precondition to the granting of such option by the Corporation, to promptly notify the Corporation in the event of a disqualifying disposition (within the meaning of the Code) of any shares acquired pursuant to such Incentive Stock Option agreement and provide the Corporation with all relevant information related thereto.

Section 7. Stock Appreciation Rights; Discretionary Payments.

(a) Nature of Stock Appreciation Right. A Stock Appreciation Right is an Award entitling the Participant to receive an amount in cash or shares of Stock (or forms of payment permitted under Section 7(d) hereof) or a combination thereof, as determined by the Committee at the time of grant, having a value equal to (or if the Committee shall so determine at time of grant, less than) the excess of the closing price of the Stock on the NASDAQ Global Market on the most recent trading day preceding the date of exercise on which sales of the Stock occurred over the Fair Market Value of a share of Stock on the date of grant (or over the option exercise price, if the Stock Appreciation Right was granted in tandem with a stock option) multiplied by the number of shares with respect to which the Stock Appreciation Right shall have been exercised.

(b) Grant and Exercise of Stock Appreciation Rights.

(i) Stock Appreciation Rights may be granted in tandem with, or independently of, any stock option granted under the Plan. In the case of a Stock Appreciation Right granted in tandem with either an Incentive Stock Option or a Non-Statutory Option, such Right may be granted only at the time of the grant of such option. A Stock Appreciation Right or applicable portion thereof granted in tandem with a given stock option shall terminate and no longer be exercisable upon the termination or exercise of the related stock option, except that a Stock Appreciation Right granted with respect to less than the full number of shares covered by a related stock option shall not be reduced until the exercise or termination of the related stock option exceeds the number of shares not covered by the Stock Appreciation Right.

(ii) Each Stock Appreciation Right granted under the Plan shall become exercisable on such date or dates and in such amount or amounts as the Committee shall determine; provided, however, that any Stock Appreciation Right granted in tandem with a stock option shall be exercisable in relative proportion to and to the extent that such related stock option is exercisable. Except as provided in the immediately preceding sentence, in the absence of any other provision by the Committee, each Stock Appreciation Right granted under the Plan shall be exercisable with respect to not more than twenty percent (20%) of such shares subject thereto after the expiration of one (1) year following the date of its grant, and shall be exercisable as to an additional twenty percent (20%) of such shares after the expiration of each of the succeeding four (4) years, on a cumulative basis, so that such Right, or any unexercised portion thereof, shall be fully exercisable after a period of five (5) years following the date of its grant. The Committee, in its sole discretion, may, from time to time and at any time, accelerate the vesting provisions of any outstanding Stock Appreciation Right.

(iii) Notwithstanding anything herein to the contrary, except as provided in subsections (c)(v) and (c)(vi) of this Section, no Participant who was, at the time of the grant of a Stock Appreciation Right, an employee of the Corporation or a Subsidiary, may exercise such Right or any part thereof unless at the time of such exercise, he or she shall be employed by the Corporation or a Subsidiary and shall have been so employed continuously since the date of grant of such Right, excepting leaves of absence approved by the Committee; provided that the Stock Appreciation Right agreement may provide that such a Participant may exercise his or her Stock Appreciation Right, to the extent exercisable on the date of termination of such continuous employment, during the three (3) month period ending at the close of business on the day three (3) months following the termination of such continuous employment, unless such Right shall have already expired by its terms.

(iv) Notwithstanding anything herein to the contrary, except as provided in subsections (c)(v) and (c)(vi) of this Section, no Non-Employee Director Participant may exercise a Stock Appreciation Right or part thereof unless at the time of such exercise he or she shall be a director of the Corporation and shall have been a director of the Corporation continuously since the date of grant of such Right excepting leaves of absence approved by the Committee; provided that the Stock Appreciation Right agreement may provide that such Participant may exercise his or her Stock Appreciation Right, to the extent exercisable on the date he or she ceased to be a director of the Corporation, during the three (3) month period ending at the close of business on the day three (3) months following the cessation of such continuous service as a director unless such Right shall already have expired by its terms.

(v) A Stock Appreciation Right shall be exercised in accordance with the related Stock Appreciation Right Agreement by serving written notice of exercise on the Corporation.

(c) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Committee, subject to the following:

(i) Stock Appreciation Rights granted in tandem with stock options shall be exercisable only at such time or times and to the extent that the related stock options shall be exercisable;

(ii) Upon the exercise of a Stock Appreciation Right, the applicable portion of any related stock option shall be surrendered.

(iii) Stock Appreciation Rights granted in tandem with a stock option shall be transferable only with such option. Stock Appreciation Rights shall not be transferable otherwise than by will or the laws of descent and distribution. All Stock Appreciation Rights shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.

(iv) A Stock Appreciation Right granted in tandem with a stock option may be exercised only when the then Fair Market Value of the Stock subject to the stock option exceeds the exercise price of such option. A Stock Appreciation Right not granted in tandem with a stock option may be exercised only when the then Fair Market Value of the Stock exceeds the Fair Market Value of the Stock on the date of grant of such Right.

(v) Each Stock Appreciation Right shall have a term not in excess of ten (10) years from the date on which it is granted (ten (10) years and one (1) day in the case of a Stock Appreciation Right granted in tandem with a Non-Statutory Option); provided that any Stock Appreciation Right granted to (aa) an employee of the Corporation or a Subsidiary shall terminate not later than the close of business on the day three (3) months following the date such Participant ceases to be employed by the Corporation or a Subsidiary, except as provided in subsection (c)(vi) of this Section and excepting leaves of absences approved by the Committee, and (bb) a Non-Employee Director Participant shall terminate not later than the close of business on the day three (3) months following the date such Participant ceases to be a director of the Corporation, except as provided in subsection (c)(vi) of this Section. Such a Participant's Stock Appreciation Right shall be exercisable, if at all, during such three (3) month period only to the extent exercisable on the date his or her employment terminates or the date he or she ceases to be a director, as the case may be.

(vi) In the event of the death, Disability or Retirement of a Participant while in the employ of the Corporation or a Subsidiary or in the event of the death or Disability of a Participant while serving as a director of the Corporation, his or her Stock Appreciation Right or the unexercised portion thereof may be exercised within the period of five (5) years succeeding his or her death, Disability or Retirement, but in no event later than (i) ten (10) years from the date on which it was granted (ten (10) years and one (1) day in the case of a Stock Appreciation Right granted in tandem with a Non-Statutory Option), by the person or persons designated in the Participant's will for that purpose or in the absence of any such designation, by the legal representative of his or her estate, or by the Participant or the legal representative of the Participant, as the case may be. Notwithstanding anything herein to the contrary and in the absence of any contrary provision by the Committee, during the five-year period following termination of employment by reason of death, Disability or Retirement, or cessation as a director by reason of death or Disability, a Participant's Stock Appreciation Right shall continue to vest in accordance with its terms and be and become exercisable as if employment or service as a director had not ceased.

(d) Discretionary Payments. Upon the written request of an Optionee whose stock option is not accompanied by a Stock Appreciation Right, the Committee may, in its discretion, cancel such option if the Fair Market Value of the shares subject to the option at the exercise date exceeds the exercise price thereof; in that event, the Corporation shall pay to the Optionee an amount equal to the difference between the Fair Market Value of the shares subject to the cancelled option (determined as of the date the option is cancelled) and the exercise price. Such payment shall be by check or in Stock having a Fair Market Value (determined on the date the payment is to be made) equal to the amount of such payments or any combination thereof, as determined by the Committee.

Section 8. Restricted Stock.

(a) Nature of Restricted Stock Award. A Restricted Stock Award is an Award entitling the Participant to receive shares of Stock, subject to such conditions, including a Corporation right during a specified period or periods to require forfeiture of such shares upon the Participant's termination of employment with the Corporation or a Subsidiary or cessation as a director of the Corporation, as the case may be, as the Committee may determine at the time of grant. The Committee, in its sole discretion, may, from time to time and at any time, waive any or all restrictions and/or conditions contained in the Restricted Stock Award agreement. Notwithstanding anything herein to the contrary, the Committee, in its discretion, may grant Restricted Stock without any restrictions or conditions whatsoever. Restricted Stock shall be granted in respect of past services or other valid consideration.

(b) Award Agreement. A Participant who is granted a Restricted Stock Award shall have no rights with respect to such Award unless the Participant shall have accepted the Award within 60 days (or such shorter date as the Committee may specify) following the Award date by executing and delivering to the Corporation a Restricted Stock Award Agreement in such form as the Committee shall determine.

(c) Rights as a Shareholder. Upon complying with paragraph (b) above, a Participant shall have all the rights of a shareholder with respect to the Restricted Stock including voting and dividend rights, subject to nontransferability and Corporation forfeiture rights described in this Section 8 and subject to any other conditions contained in the Award agreement. Unless the Committee shall otherwise determine, certificates evidencing shares of Restricted Stock shall remain in the possession of the Corporation until such shares are free of any restrictions under the Plan. The Committee in its discretion may, as a precondition of the Corporation's obligation to issue a Restricted Stock Award, require the Participant to execute a stock power or powers or other agreement or instruments necessary or advisable in connection with the Corporation's forfeiture rights with respect to such shares.

(d) Restrictions. Shares of Restricted Stock may not be sold, assigned, transferred or otherwise disposed of or pledged or otherwise encumbered. In the event of termination of employment of the Participant with the Corporation or a Subsidiary for any reason, or cessation as a director of the Corporation in the case of a Non-Employee Director Participant, such shares shall be forfeited to the Corporation, except as set forth below:

(i) The Committee at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the Restricted Stock and the Corporation's forfeiture rights with respect thereto shall lapse. The Committee at any time may accelerate such date or dates and otherwise waive or, subject to Section 14, amend any conditions of the Award.

(ii) Except as may otherwise be provided in the Award agreement, in the event of termination of a Participant with the Corporation or a Subsidiary for any reason or cessation as a director of the Corporation for any reason, all of the Participant's Restricted Stock shall be forfeited to the Corporation without the necessity of any further act by the Corporation, the Participant or the Participant's legal representative; provided, however, that in the event of termination of employment by reason of death, Disability or Retirement or cessation of service as a director of the Corporation by reason of death or Disability, all conditions and restrictions relating to a Restricted Stock Award held by such a Participant shall thereupon be waived and shall lapse.

(iii) In the absence of any other provision by the Committee, each Restricted Stock Award granted to (A) an employee of the Corporation or a Subsidiary shall be subject to forfeiture to the Corporation conditioned on the Participant's continued employment and (B) Non-Employee Director Participants shall be subject to forfeiture to the Corporation conditioned on the Participant's continued service as a director of the Corporation, and in the case of clause (A) or (B), such forfeiture rights shall lapse as follows: with respect to twenty percent (20%) of the shares subject to the Restricted Stock Award on the date one year following the date of grant, and with respect to an additional twenty percent (20%) of such shares after the expiration of each of the succeeding four (4) years thereafter, on a cumulative basis, so that such Restricted Stock shall be free of such risk of forfeiture on the date five (5) years following the date of its grant.

(e) Performance-Based Award. In the discretion of the Committee, the Corporation's forfeiture rights with respect to Restricted Stock award to a Covered Employee may be based upon Qualified Performance Criteria and the Restricted Stock Award may be designated as a Qualified Performance-Based Award.

(f) Waiver, Deferral, and Investment of Dividends. The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral or investment of dividends paid with respect to the Restricted Stock.

Section 9. Restricted Stock Units

(a) Nature of Restricted Stock Unit Award. A Restricted Stock Unit is an Award denominated in shares of Stock that will be settled, subject to the terms and conditions as the Committee may determine at the time of grant, (i) in cash, based upon the Fair Market Value of a specified number of shares of Stock, (ii) in shares of Stock, or (iii) a combination thereof. Each Restricted Stock Unit represents one share of Stock. Notwithstanding anything contained herein to the contrary, a Restricted Stock Unit does not impart to a Participant any of the rights that would otherwise be gained by such Participant by owning a share of Stock, including without limitation voting and dividend rights.

(b) Terms and Restrictions of Restricted Stock Unit Awards. Restricted Stock Units shall be subject to such terms and conditions as the Committee may impose, including conditioning the grant, vesting, or transferability of Restricted Stock Units upon the continued service of the applicable Participant. Prior to the grant of an Award of Restricted Stock Units, the Committee shall (i) determine the nature, length and starting date of any vesting period for such Award; and (ii) determine the number of shares of Stock that may be awarded to the Participant pursuant to such Award. The conditions for grant, vesting or transferability and the other provisions of Restricted Stock Units need not be the same with respect to each Participant. Restricted Stock Units may not be sold, assigned, transferred or otherwise disposed of or pledged or otherwise encumbered.

(c) Termination of Participant's Employment. Except as may otherwise be provided in the Award Agreement, in the event of the termination of a Participant's employment by the Corporation or a Subsidiary for any reason, or a cessation of a Participant as a director of the Corporation for any reason, all of the Participant's Restricted Stock Units shall be forfeited to the Corporation without the necessity of any further action by the Corporation or the Participant. Notwithstanding the foregoing and except as may be otherwise provided in the Award Agreement, upon the death, Disability or Retirement of the Participant, all of the Participant's Restricted Stock Units shall vest in full and shall be settled in accordance with the terms hereof.

(d) Award Agreement. A Participant who is granted an Award of Restricted Stock Units shall have no rights with respect to such Award unless the Participant shall have accepted the Award within 60 days (or such shorter date as the Committee may specify) following the Award date by executing and delivering to the Corporation a Restricted Stock Unit Award Agreement in such form as the Committee shall determine.

(e) Settlement. An Award of Restricted Stock Units shall be settled as and when the Restricted Stock Units vest or at a later time specified by the Committee or in accordance with an election of the Participant, if the Committee so permits.

Section 10. Long-Term Performance Awards.

(a) Awards. Long-Term Performance Awards may be payable in cash, stock or a combination of cash and stock may be granted either alone, in addition to or in tandem with other Awards granted under the Plan and/or awards made outside of the Plan. Long-Term Performance Awards shall not require payment by the recipient of any consideration for the Long-Term Performance Award or for shares of Stock, if any, covered by such Award. The Committee shall determine the nature, length and starting date of any performance period (the "Performance Period") for each Long-Term Performance Award and shall determine the performance and/or employment factors to be used in the determination of the value of Long-Term Performance Awards and the extent to which such Long-Term Performance Award may be made subject to various conditions, including vesting or forfeiture provisions. Long-Term Performance Awards may vary from Participant to Participant and between groups of Participants and shall be based upon the achievement of Corporation, Subsidiary and/or individual performance factors or upon such other criteria as the Committee may deem appropriate. Performance Periods may overlap and Participants may participate simultaneously with respect to Long-Term Performance Awards that are subject to different Performance Periods and different performance factors and criteria. Long-Term Performance Awards shall be confirmed by, and be subject to the terms of, a written Long-Term Performance Award agreement.

(b) Value of Awards. At the beginning of each Performance Period, the Committee shall determine for each Long-Term Performance Award subject to such Performance Period the range of dollar values and/or numbers or dollar values of shares of Common Stock to be issued to the Participant at the end of the Performance Period if and to the extent that the relevant measures of performance for such Long-Term Performance Award are met. Such dollar values or numbers of shares of Common Stock may be fixed or may vary in accordance with such performance or other criteria as may be determined by the Committee.

(c) Adjustment of Awards.

(i) Notwithstanding the provisions of Section 10(a) hereof, the Committee may, after the grant of Long-Term Performance Awards, adjust the performance factors applicable to such Long-Term Performance Awards to take into account changes in the law or in accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to, among other things, reflect the inclusion or exclusion of the impact of extraordinary or unusual items, events or circumstances in order to avoid windfalls or hardships to Participants, provided, however that the provisions of this Section 10(c) shall not apply to Long-Term Performance Awards granted to Covered Employees or otherwise intended to satisfy the requirements of Section 162(m) of the Code.

(ii) Notwithstanding the provisions of Section 10(a) hereof, with respect to any Long-Term Performance Awards granted to Covered Employees or otherwise intended to satisfy the requirements of Section 162(m) of the Code, the Committee retains the discretion to eliminate or decrease the amount payable to a Participant with respect to any such award.

(d) Termination.

(i) Unless otherwise provided in the applicable Long-Term Performance Award agreement or other applicable management agreement, if a Participant terminates his or her employment or his or her consultancy during a Performance Period because of death or Disability, then a prorata portion of such Long-Term Performance Award shall be deemed fully vested and fully earned by such Participant (or his or her estate), such portion to be determined by multiplying 100% of the target value of such Award by a fraction the numerator of which is the number of days from the beginning of the Performance Period to the date of such termination and the denominator of which is the total number of days during the Performance Period. Such earned portion shall be paid ninety (90) days following the date of such termination.

(ii) Unless otherwise provided in the applicable Long-Term Performance Award agreement or other applicable management agreement, if a Participant terminates his or her employment or his or her consultancy during a Performance Period because of Retirement, then such Participant shall continue to be entitled to a prorata portion of any payment with respect to the Long-Term Performance Award subject to such Performance Period in accordance with the payment terms set forth in subsection (e) of this Section 10, determined by multiplying such payment, calculated as if the Participant's employment or consultancy had not been terminated, by a fraction the numerator of which is the number of days from the beginning of the Performance Period to the date of such termination and the denominator of which is the total number of days during the Performance Period.

(iii) Unless otherwise provided in the applicable Long-Term Performance Award agreement or other applicable management agreement, if a Participant terminates employment or his or her consultancy during a Performance Period for any reason other than death, Disability or Retirement, then such a Participant shall not be entitled to any payment with respect to the Long-Term Performance Award subject to such Performance Period, unless the Committee shall otherwise determine in its discretion.

(e) Form of Payment. The earned portion of a Long-Term Performance Award shall be paid in cash between the January 1 and September 30 of the calendar year following the close of the applicable Performance Period, provided that the Committee may elect to pay up to one-third (1/3) of such amount in whole shares of stock or, at the discretion of the Committee, such earned portion may be paid in whole shares of Stock to the extent requested by the Participant. Any such shares of Stock shall be valued at their Fair Market Value at the close of business on the most recent trading day preceding the date of such payment.

(f) Reservation of Shares. In the event that the Committee grants a Long-Term Performance Award that is payable in cash or Stock, the Committee may (but need not) reserve an appropriate number of shares of Stock under the Plan at the time of grant of the Long-Term Performance Award. If, and to the extent that the full amount reserved is not actually paid in Stock, the shares of Stock representing the portion of the reserve for that Long-Term Performance Award shall again become available for award under the Plan. If shares of Stock are not reserved by the Committee at the time of grant, then (i) no shares shall be deducted from the number of shares available for grant under the Plan at that time and (ii) at the time of payment of the Long-Term Performance Award, only the number of shares actually issued to the Participant shall be so deducted. If there are not a sufficient number of shares available under the Plan for issuance to a Participant at the time of payment of a Long-Term Performance Award, any shortfall shall be paid by the Corporation in cash.

Section 11. The Committee.

(a) **Administration.** The Committee shall be a committee of not less than three (3) members of the Board who are Non-Employee Directors, appointed by the Board. Vacancies occurring in membership of the Committee shall be filled by the Board. The Committee shall keep minutes of its meetings. One or more members of the Committee may participate in a meeting of the Committee by means of conference telephone or similar communications equipment provided all persons participating in the meeting can hear one another. A majority of the entire Committee shall constitute a quorum, and the acts of a majority of the members present at or so participating in any meeting at which a quorum is constituted shall be the acts of the Committee. The Committee may act without meeting by unanimous written consent. Absent some other provision by the Board, the power and responsibilities of the Committee shall be vested in and assumed by the Personnel and Compensation Committee of the Board, provided the members thereof are all Non-Employee Directors.

(b) **Authority of Committee.** Subject to the provisions of the Plan, the Committee shall have full and final authority to determine the persons to whom Awards shall be granted, the number of shares to be subject to each Award, the term of the Award, the vesting provisions of the Award, if any, restrictions on the Award, if any, and the price at which the shares subject thereto may be purchased. The Committee is empowered, in its discretion, to modify, extend or renew any Award theretofore granted and adopt such rules and regulations and take such other action as it shall deem necessary or proper for the administration of the Plan. The Committee must certify in writing prior to the payment of any compensation to a Covered Employee from a Qualified Performance-Based Award that Qualified Performance Criteria were met, all in the manner provided by Federal Income Tax Regulations Section 1.162-27(e) (5). The Committee shall have full power and authority to construe, interpret and administer the Plan, and the decisions of the Committee shall be final and binding upon all interested parties. No members of the Committee shall be liable for any action taken or not taken or decision made or not made in good faith relating to the Plan or any award thereunder.

Section 12. Adjustments. Any limitations, restrictions or other provisions of this Plan to the contrary notwithstanding, each Award agreement shall make such provision, if any, as the Committee may deem appropriate for the adjustment of the terms and provisions thereof (including, without limitation, terms and provisions relating to the exercise price and the number and class of shares subject to the Award) in the event of any merger, consolidation, reorganization, recapitalization, stock dividend, divisive reorganization, issuance of rights, combination or split-up or exchange of shares, or the like. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, divisive reorganization, issuance of rights, combination or split-up or exchange of shares, or the like, the Committee shall make an appropriate adjustment in the number of shares authorized to be issued pursuant to the Plan.

Section 13. Awards Under Predecessor Plans. Awards presently outstanding which have been granted under any Predecessor Plan shall continue to be governed and interpreted under the terms of such plans and not by the terms hereof.

Section 14. Amendment to and Termination of the Plan. The Board may from time to time amend the Plan in such way as it shall deem advisable provided the Board may not extend the expiration date of the Plan, change the class of Eligible Persons, increase the maximum Award term, decrease the minimum exercise price or increase the total number of authorized shares (except in accordance with Section 12 hereof) for which Awards may be granted. The Board, in its discretion, may at any time terminate the Plan prior to its expiration in accordance with Section 4 hereof. No amendment to or termination of the Plan shall in any way adversely affect Awards then outstanding hereunder.

Section 15. Status of Plan. Until shares pursuant to an Award or exercise thereof are actually delivered to a Participant, a Participant shall have no rights to or with respect to such shares greater than those of a general creditor of the Corporation unless the Committee shall otherwise expressly determine in connection with any Award or Awards.

Section 16. General Provisions.

(a) Other Compensation Arrangements; No Right to Receive Awards; No Employment or Other Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional capital stock based compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases. No Eligible Person shall have any right to receive Awards except as the Committee may determine. The Plan does not confer upon any employee any right to continued employment with the Corporation or a Subsidiary or upon any director or officer of the Corporation any right to continued service as a director or officer of the Corporation, nor does it interfere in any way with the right of the Corporation or a Subsidiary to terminate the employment of any of its employees or for the Corporation to remove a director or officer with or without cause at any time.

(b) Tax Withholding, Etc. Any obligation of the Corporation to issue shares pursuant to the grant or exercise of any Award shall be conditioned on the Participant having paid or made provision for payment of all applicable tax withholding obligations, if any, satisfactory to the Committee. The Corporation and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. In the case of Non-Statutory Options, Stock Appreciation Rights exercisable only for Stock or the lapse of restrictions or conditions pertaining to shares of Restricted Stock, the Committee in its discretion, but only upon the written request of a Participant exercising such an Award or holding such Restricted Stock, may permit such Participant to satisfy federal income tax withholding requirements occasioned by the exercise of such an Award or the lapse of such restrictions or conditions by the surrender of shares otherwise to be received on the exercise of such Award or with respect to which such restrictions or conditions have lapsed. For purposes of this subsection (b), such surrendered shares shall be valued at the closing price of the Stock in the NASDAQ Global Market on the most recent trading day preceding the date of exercise on which sales of the Stock occurred.

(c) Section 162(m) Exemption. When granting any Long-Term Performance Award, Restricted Stock Award or other Award, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Committee wishes such Award to qualify for the Section 162(m) Exemption. The payment of an Award designated as a Qualified Performance-Based Award to an employee for any calendar year shall not exceed \$3,000,000. The maximum number of shares underlying Options and SARs that may be awarded to a Covered Employee for any calendar year shall not exceed 500,000 shares and their exercise price shall be the fair market value of the shares on the date of grant. If an Award is so designated, the Committee shall establish performance goals for such Award (other than Options or SARs which meet the definition of a Qualified Performance-Based Award under Section 2(dd)) within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Performance Criteria: (1) earnings per share, (2) EBITDA (earnings before interest, taxes, depreciation and amortization), (3) EBIT (earnings before interest and taxes), (4) economic profit, (5) cash flow, (6) sales growth, (7) net profit before tax (8) gross profit, (9) operating income or profit, (10) return on equity, (11) return on assets, (12) return on capital, (13) changes in working capital, or (14) shareholder return. Qualified Performance Criteria may be expressed in terms of an objective formula or standard that relates to Corporation-wide objectives or objectives that relate to the performance of a Subsidiary or a division, region, department or function within the Corporation or a Subsidiary, may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated or other external or internal measures and may include or exclude extraordinary charges, losses from discontinued operations, restatements and accounting changes and other unplanned special charges such as restructuring expenses, acquisitions, acquisition expenses (including without limitation expenses related to goodwill and other intangible assets), stock offerings, stock repurchases and strategic loan loss provisions. Qualified Performance Criteria may, but need not, be based upon a change or an increase or positive result.

(d) Restrictions on Transfers of Shares. Although the Corporation presently intends to register under applicable securities laws all shares acquired or received by Participants under the Plan, the Corporation is not required to cause such shares to be registered under the Securities Act of 1933 or the securities laws of any State. Accordingly, the shares acquired or received may be "restricted securities" as defined in Rule 144 under said Securities Act of 1933 or other rule or regulation of the Securities and Exchange Commission. Any certificate evidencing any such shares may bear a legend restricting the transfer of such shares, and the recipient may be required to assert that the shares are being acquired for his or her own account and not with a view to the distribution thereof as a condition to the granting or exercise of an Award.

(e) Issuance of Shares. Any obligation of the Corporation to issue shares pursuant to the grant or exercise of any Award shall be conditioned on the Corporation's ability at nominal expense to issue such shares in compliance with all applicable statutes, rules or regulations of any governmental authority. The Participant shall provide the Corporation with any assurances or agreements which the Committee, in its sole discretion, shall deem necessary or advisable in order that the issuance of such shares shall comply with any such statutes, rules or regulations.

(f) Date of Grant. The date on which each Award under the Plan shall be considered as having been granted shall be the date on which the award is authorized by the Committee, unless a later date is specified by the Committee; provided, however, in the case of options intended to qualify as Incentive Stock Options, the date of grant shall be determined in accordance with the Code.

(g) Shareholder Approval. The material terms of any Qualified Performance-Based Award that have not been approved by the Shareholders must be disclosed to and approved by the Shareholders before compensation is paid to a Covered Employee pursuant to such Award, and such compensation shall be paid to a Covered Employee only if such material terms are approved by the Shareholders, all in accordance with Federal Income Tax Regulations Section 1.162-27(e)(4).

(h) Change in Control.

(i) Subject to the payment terms set forth in Section 16(i) below and further subject to the terms of any individual employment or other similar agreement, upon the occurrence of a Change in Control (as defined below) all Long-Term Performance Awards shall be deemed fully vested and fully earned to the extent of 100% of the target value of each such Award, and shall be paid in accordance with the terms of subsection (i) of Section 16 of this Plan; and

(ii) If the Participant's employment is terminated during the thirty-six (36) month period following a Change in Control, other than (A) by the Corporation or a Subsidiary for Cause (as defined below), (B) by reason of death or Disability, or (C) by the Participant without Good Reason (as defined below), then, and only then,

A) the vesting periods of any and all Incentive Stock Options, Non-Statutory Options and Stock Appreciation Rights granted and outstanding under the Plan shall immediately be accelerated;

B) the restrictions and/or conditions applicable to any and all Restricted Stock Awards granted and outstanding under the Plan shall immediately lapse and be of no further force and effect;

C) such that each Participant holding any such Award shall have the immediate, fully vested, right to purchase, receive and/or own without risk of forfeiture any Stock that is the subject of the Award on the terms and conditions set forth in this Plan and the particular agreement respecting such Award.

(iii) As used herein, the term "Change in Control" means any of the following events, provided that such event is not also a Management Buyout (as defined below):

A) any Person (as defined below) is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 35% or more of the combined voting power of the Corporation's then outstanding voting securities generally entitled to vote in the election of directors of the Corporation, 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 Corporation or a transaction described in clause (i) of paragraph (C) below;

B) 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 Corporation subsequent to the beginning of such period whose election, or nomination for election by the Corporation'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 is a result of an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation and whose appointment or election was not approved by at least a majority of the directors of the Corporation in office immediately before any such contest;

C) there is consummated a Merger of the Corporation with any other business entity, other than (i) a Merger which would result in the securities of the Corporation generally entitled to vote in the election of directors of the Corporation 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 Corporation or any Subsidiary at least 50% of the combined voting power of the voting securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such Merger, generally entitled to vote in the election of directors of the Corporation 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 Act, or (ii) a Merger effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing 35% or more of the combined voting power of the Corporation's then outstanding voting securities of the Corporation generally entitled to vote in the election of directors of the Corporation; or

D) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity where the outstanding securities generally entitled to vote in the election of directors of the Corporation 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 Act.

(iv) As used herein, the term "Person" shall have the meaning given in Section 3(a)(9) of the Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Corporation or any of its direct or indirect Subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, and (D) a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions and with substantially the same voting rights as their ownership and voting rights with respect to the Corporation.

(v) As used herein, the term "Management Buyout" means any event or transaction which would otherwise constitute a Change in Control (a "Transaction") if, in connection with the Transaction, the Participant, members of the Participant's immediate family, and/or the "Participant'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 (as defined in Rule 12b-2 under the Act) (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 Corporation into incentive compensation awards of the Acquiror), on terms and conditions substantially equivalent to those applicable to other employees of the Corporation 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 Corporation 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 "Participant's Affiliates" at any time consist of any entity in which the Participant and/or members of the Participant'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 Corporation who are members of any group, that also includes the Participant, a member of the Participant'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 Participant's immediate family consists of the Participant's spouse, parents, children and grandchildren.

(vi) As used herein, the term "Cause" means (A) the willful refusal by the Participant to perform proper responsibilities of the Participant's position with the Corporation or a Subsidiary, (B) a violation of law by the Participant which adversely affects the assets, financial position or reputation of the Corporation or a Subsidiary, or (C) a violation by the Participant of any code of ethics, code of conduct or similar policy maintained by the Corporation or a Subsidiary from time to time.

(vii) As used herein, the term "Good Reason" means a substantial diminution in the nature or status of the Participant's responsibilities from those in effect immediately prior to the Change in Control.

(i) Payment Following a Change in Control.

(i) Any payment of a Long Term Performance Award required under paragraph (i) of subsection (h) of this Section shall be made at the time when the Award would otherwise have been payable by its terms, provided, however, that if the Participant experiences a separation from service, as that term is defined under Section 409A, during the twenty-four (24) month period following a Change in Control, other than by reason of death or Disability, the Participant shall be paid in accordance with subsection (i)(ii) of this Section. Solely for purposes of this Section 16(i), a Change in Control shall not include any transaction that would not be considered a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, for purposes of Section 409A.

(ii) Any payment required to be made under subsection (i)(i) of this Section on account of the Participant's separation from service shall be made on the date of separation from service referred to in subsection (i) of this Section, unless the Participant is a specified employee, as determined by the Corporation in accordance with Section 409A, at the time of separation from service, in which case payment will be made on the date that is six months and a day following separation from service.

(j) Prohibition on Assignment. The rights of Participants under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of any Participant. No Participant shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify or otherwise encumber any of the benefits payable hereunder nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony or separate maintenance of any Participant, nor be transferable by operation of law in the event of bankruptcy, insolvency or otherwise. In the event that any Participant attempts assignment, commutation, hypothecation, transfer or disposal of the benefits hereunder, such attempt shall be ineffective and shall not be given effect.

(k) Intent and Interpretation. The Corporation intends Statutory Options, Non-Statutory Options and Stock Appreciation Rights issued under this Plan to be exempt from Section 409A. The Corporation intends Long Term Performance Awards issued under this Plan to comply with Section 409A. The Plan shall be interpreted and administered in accordance with the foregoing statements of intent.

**KAMAN CORPORATION
EMPLOYEES STOCK PURCHASE PLAN**

As Amended through October 13, 2009

Section 1. Purpose; Authorized Shares. The Kaman Corporation Employees Stock Purchase Plan (the "Plan") was adopted by the Board of Directors (the "Board") of Kaman Corporation (the "Corporation") on February 28, 1989 for the purpose of providing employees of the Corporation and its subsidiaries an opportunity to purchase Kaman Corporation common stock (the "Stock") through payroll deductions during consecutive offerings commencing July 1, 1989. An aggregate of 797,904 shares of Stock (the "Authorized Shares") may be purchased by participating employees on or after October 13, 2009 (the "Amendment Date") pursuant to rights granted to participating employees pursuant to the Plan. The Authorized Shares consist of (i) 500,000 shares of Stock newly authorized by the Board, subject to further shareholder approval, as of the Amendment Date, plus (ii) 297,904 shares of Stock that were authorized for purchase pursuant to the Plan immediately prior to the Amendment Date but had not been purchased prior to the Amendment Date. The Authorized Shares may consist of treasury shares, authorized but unissued shares or shares purchased in the stock market. The Authorized Shares are in addition to all shares purchased for participating employees pursuant to the Plan prior to the Amendment Date.

Section 2. Offering Periods. Each offering shall be made over a period of one or more whole or partial Plan Years as determined by the Committee (as defined in paragraph 3), provided that in no event shall an offering period be greater than five (5) Plan Years.

Section 3. Administration. The Plan will be administered by a committee (the "Committee") appointed by the Board, consisting of at least three of its members. Members of the Committee shall not be eligible to participate in the Plan. The Committee will have authority to make rules and regulations for the administration of the Plan, and its interpretations and decisions with respect to the Plan shall be final and conclusive. Absent some other provision by the Board, the power and responsibilities of the Committee shall be vested in and assumed by the Personnel and Compensation Committee of the Board.

Section 4. Eligibility. All full-time regular employees of the Corporation and its subsidiaries, with at least three (3) months of service as of the effective date of each offering hereunder, will be eligible to participate in the Plan, subject to such rules as may be prescribed from time to time by the Committee. Such rules, however, shall neither permit nor deny participation in the Plan contrary to the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), including, but not limited to, Section 423 thereof, and regulations promulgated thereunder. To the extent consistent with Code Section 423, and regulations promulgated thereunder, the Committee may permit persons who are not full-time regular employees of the Corporation or one of its subsidiaries at the commencement of an offering period, or who have not satisfied the aforementioned three (3) month service requirement at the commencement of an offering period, to participate in such offering beginning on the date or at a specified date after such person has been a full-time, regular employee of the Corporation or one of its subsidiaries for at least three (3) months. No employee may be granted a right under the Plan if such employee, immediately after the right is granted, would own five percent (5%) or more of the total combined voting power or value of the stock of the Corporation or any subsidiary. For purposes of the preceding sentence, the rules of Section 424(d) of the Code shall apply in determining stock ownership of an employee, and stock which the employee may purchase under outstanding rights shall be treated as stock owned by the employee.

Section 5. Participation. An eligible employee may begin participation in an offering at any time by completing and forwarding a Plan "Enrollment Form" to the employee's appropriate payroll location, or by completing its electronic equivalent. By enrolling in the Plan, the employee will authorize a regular payroll deduction from the employee's compensation, and the employee must specify the date on which such deduction is to commence. The employee's authorization as set forth in the Enrollment Form, or its electronic equivalent, may not be retroactive. Electronic enrollment, any amendments thereto, assignments to joint tenants or other Stock co-owners, and all electronic authorizations are binding on the employee and any such co-owner(s) of Stock received pursuant to the Plan. A participating employee may not modify the rights of a duly designated joint tenant or other such co-owner in a manner adverse to the interests of such joint tenant or other such co-owner without such person's prior written consent.

Section 6. Deductions. Payroll deduction transactions will be performed for all participating employees. An employee may authorize a payroll deduction provided that such deduction is (i) not less than One Dollar (\$1.00) per payroll period, and (ii) not more than ten (10%) percent of the employee's annual base salary (plus prior year commissions, if applicable) during any calendar year.

Section 7. Deduction Changes. An employee may at any time increase or decrease the employee's payroll deduction by filing a Plan "Change Form", or its electronic equivalent. The change may not become effective sooner than the next pay period after receipt of the Change Form. A payroll deduction may be increased only twice and may be reduced only twice during any Plan Year of an offering period, unless any such additional change is required to permit the purchase of the whole number of shares for which rights have been granted to the employee under the provisions of paragraph 10.

Section 8. Interest. Since the amount of time that the Corporation will be holding funds withheld from employees' compensation is minimal, no interest will be credited to employees.

Section 9. Withdrawal of Funds. An employee may at any time and for any reason permanently withdraw from participation in an offering. Following a withdrawal, the employee will receive the whole shares of Stock that were purchased, and shall also receive in cash the value of any fractional share (rounded to four decimal places) allocated to such employee as determined on the basis of the market value of such fractional share of Stock as of a date no later than the date of the next purchase of shares pursuant to the Plan. The employee may thereafter begin participation again only once during each Plan Year of an offering period. Partial withdrawals will not be permitted.

Section 10. Purchase of Shares. Subject to the payroll deduction limitation set forth in paragraph 6 and the limitation below, each employee participating in an offering under this Plan will be granted a right to purchase shares of the Corporation's common stock which have an aggregate purchase price (determined under paragraph 11) equal to the sum of (a) up to ten percent (10%) of his or her annual base salary (plus prior year commissions, if applicable) during calendar year of each offering period in which he or she participates, plus (b) any cash dividends reinvested in accordance with paragraph 12. In no event may an employee be granted a right which permits such employee's rights to purchase stock under this Plan, and any other stock purchase plan of the Corporation and its subsidiaries, to accrue at a rate which exceeds \$25,000 of fair market value of stock (as determined at the date the grant of such right is authorized) for each calendar year in which the right is outstanding at any time. No right may be exercised in any manner other than by payroll deduction as specified in paragraph 6 or dividend reinvestment as specified in paragraph 12.

Section 11. Purchase Price and Payment. The purchase price to participating employees for each share of common stock purchased under the Plan will be 85% of its market value at the time of purchase. Purchases of shares pursuant to the Plan shall be made on the fifteenth (15th) day of each month. If the stock market is not open on the 15th of the month, the purchase will be done on the closest day immediately preceding the 15th that the stock market is open. The number of whole and fractional shares allocated to each employee as of each date of purchase shall be based upon the employee's accumulated payroll deductions for the purchase of shares as of the close of the immediately preceding month. A participating employee's accumulated payroll deduction balance shall be charged with the purchase price of each whole and fractional share allocated to the employee as of the date of purchase and the employee shall be deemed to have exercised a right to acquire such whole and fractional share as of such date. Additional shares covered by the participating employee's rights under the Plan will be purchased in the same manner, provided the employee has again accumulated payroll deductions.

Section 12. Dividends. Any cash dividends paid with respect to the shares held under the Plan shall be paid in cash to the participating employees for whom shares are so held on the basis of the number of whole and fractional shares so held or, if a participating employee so elects, such dividends shall be combined with payroll deductions, added to the funds held under the Plan, and applied to the purchase of additional shares of stock purchased pursuant to the Plan. A participating employee choosing to have dividends reinvested under this paragraph may terminate such election during an offering period by filing a written form, or its electronic equivalent, at the appropriate payroll location, but may thereafter resume his or her election to reinvest such cash dividends only once during each Plan Year of an offering period. An election to either stop or resume dividend reinvestment will be effective with respect to the dividend payment next following receipt of the form; provided that if the form, or its electronic equivalent, is filed within thirty (30) days before a dividend record date declared by the Board, then such election will not be effective with respect to that particular dividend declaration.

Section 13. Stock Issuances. Shares of the Corporation's common stock will only be issued to participating employees after their request or after the participating employee's withdrawal from the Plan for any reason. All shares of the Corporation's common stock issued pursuant to the Plan shall be issued in uncertificated form subject to the right of any participating employee to request that his or her shares be issued in certificated form, and will be issued as soon as administratively practical.

Section 14. Registration of Shares. Shares of the Corporation's common stock may be registered only in the name of the employee, or if the employee so indicates on the Enrollment Form or Change Form, or their respective electronic equivalents, in the employee's name jointly with a member of the employee's family (provided that such family member has reached the age of majority), with right of survivorship. An employee who is a resident of a jurisdiction which does not recognize such a joint tenancy may have shares registered in the employee's name as tenant in common with a member of the employee's family (provided such family member has reached the age of majority), without right of survivorship.

Section 15. Definitions. The following terms when used herein shall have the meanings set forth below:

(a) The phrase "market value" or "fair market value," when used in reference to a purchase of shares of Stock, means the closing price of the Corporation's common stock in the Over-the-Counter NASDAQ Global Market, as reported in the Hartford, Connecticut local issue of The Wall Street Journal, on the business day immediately preceding the day of purchase or the effective date of the offering as the context requires. The phrase "market value" or "fair market value," when used in reference to a sale of shares of Stock, means the market price at which the Transfer Agent sells the respective shares of Stock.

(b) The term "subsidiary" means a subsidiary of the Corporation within the meaning of Section 424(f) of the Internal Revenue Code and the regulations thereunder, provided, however, that each consecutive offering under this Plan shall not be deemed to cover the employees of any subsidiary acquired or established after the effective date of such offering, unless so authorized by the Committee.

(c) A "Plan Year" means the calendar year.

Section 16. Rights as a Shareholder. None of the rights or privileges of a shareholder of the Corporation shall exist with respect to (a) rights granted to a participating employee under the Plan or, (b) except as provided in paragraph 12, any fractional shares credited to the participating employee.

Section 17. Rights on Retirement, Death or Termination of Employment. In the event of a participating employee's retirement, death or termination of employment, no payroll deduction shall be taken from any pay due and owing to an employee at such time, and either (i) the balance of the employee's shares purchased under the Plan (including the cash value of any fractional shares calculated in the manner described in paragraph 9) shall be delivered to the employee or, in the event of the employee's death, to the employee's beneficiary, or (ii) the employee or such beneficiary may elect to receive the cash value of such shares by directing the Corporation to cause the shares to be sold and the proceeds received in such sale to be paid to the employee or such beneficiary, minus any applicable fees; provided, however, that in the event shares credited to a deceased employee would have been issued to the employee and a joint tenant with right of survivorship as permitted in paragraph 14 if such shares were issued immediately prior to such employee's death, then such shares shall be issued to such joint tenant if he or she is living at the time such shares are issued.

A participating employee may designate a beneficiary by completing and forwarding a beneficiary designation form to the employee's appropriate payroll location, or completing its electronic equivalent. Except where a participating employee has designated that shares allocated to such employee are to be registered in the name of the employee and a family member as joint tenants with rights of survivorship, and such family member survives the employee upon the employee's death, the Corporation shall transfer to the beneficiary all shares then allocated to the employee under the Plan. In the case of shares to be registered in the name of the employee and a tenant in common, the beneficiary shall only receive the employee's interest in such shares. The Corporation shall also transfer to the beneficiary the employee's remaining accumulated payroll deductions at the time of the employee's death.

If the employee has no beneficiary designated, or if the beneficiary predeceased the employee, the employee's estate shall be deemed to be the employee's beneficiary.

Section 18. Rights Not Transferable. Rights under this Plan are not transferable by a participating employee and are exercisable during an employee's lifetime only by the employee.

Section 19. Application of Funds. All funds received or held by the Corporation under this Plan may be used for any corporate purpose.

Section 20. Adjustment in Cases of Changes Affecting Common Stock. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, combination, issuance of rights, split-up or spin-off of the Corporation, or the like, the number of shares approved for this Plan shall be increased appropriately and such other adjustments to the terms of this Plan shall be made as may be deemed equitable by the Board. In the event of any other change affecting such stock, such adjustments shall be made as may be deemed equitable by the Board to give proper effect to such event.

Section 21. Amendment of the Plan. The Board may at any time, or from time to time, amend this Plan in any respect, except that, without the approval of a majority of the voting power of all shares of the Corporation then issued and outstanding and entitled to vote on the matter by applicable law, or such further shareholder approval as may be needed to comply with the requirements of Section 423 of the Code, no amendment shall be made (i) increasing the number of shares approved for this Plan (other than as provided in paragraph 21); (ii) decreasing the purchase price per share; (iii) withdrawing the administration of this Plan from the Committee; or (iv) changing the designation of subsidiaries eligible to participate in the Plan, except adding a subsidiary as provided in paragraph 15(b).

Section 22. Termination of Plan. This Plan and all rights of employees under an offering hereunder shall terminate:

(a) on the date that participating employees' accumulated payroll deductions pursuant to paragraph 6 and amounts reinvested pursuant to paragraph 12 are sufficient to purchase a number of shares equal to or greater than the number of shares remaining available for purchase. If the number of shares so purchasable is greater than the shares remaining available, the available shares shall be allocated by the Committee among such participating employees in such manner as it deems equitable, or

(b) at any time at the discretion of the Board.

Upon termination of the Plan all accumulated payroll deductions of participating employees not applied to the purchase of shares hereunder shall be promptly refunded.

Section 23. Government Regulations. The Corporation's obligation to sell and deliver shares of its common stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such stock.

Section 24. Shares Used to Fund Plan. The Corporation may utilize unissued shares to fund the Plan. Purchases of outstanding shares may also be made pursuant to and on behalf of the Plan, upon such terms as the Corporation may approve, for delivery under the Plan.

Section 25. Qualified Plan. This Plan is intended to qualify as an Employee Stock Purchase Plan as defined in Section 423 of the Code. The term "right" as used herein shall mean "option" as used in Section 423, and is used herein only to avoid confusion with "options" granted under the Kaman Corporation 2003 Stock Incentive Plan.

Section 26. Successor Corporation. The rights and obligations of the Corporation under this Plan shall inure to and be binding upon any successor to all or substantially all of the Corporation's assets and business.

Section 27. Business Days. If any event provided for in this Plan is scheduled to take place on a day which is not a business day then such event shall take place on the immediately preceding business day.

Certification Pursuant to Rule
13a-14 under the Securities and
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 period 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 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: November 5, 2009

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, William C. Denninger, 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 period 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 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: November 5, 2009

By: /s/ William C. Denninger

William C. Denninger
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 October 2, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neal J. Keating, 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
Date: November 5, 2009

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 October 2, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Denninger, 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/ William C. Denninger

William C. Denninger
Senior Vice President and
Chief Financial Officer
Date: November 5, 2009