

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

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
- --- SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED
June 30, 2001.

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 No. 0-1093

KAMAN CORPORATION

(Exact name of registrant as specified in its charter)

Connecticut

06-0613548

(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

1332 Blue Hills Avenue
Bloomfield, Connecticut 06002

(Address of principal executive offices)

(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 x No

Indicate the number of shares outstanding of each of the issuer's
classes of common stock as of July 31, 2001:

Class A Common	21,773,621
Class B Common	667,814

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KAMAN CORPORATION AND SUBSIDIARIES
PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:
Condensed Consolidated Balance Sheets(In thousands)

Assets	June 30, 2001	December 31, 2000
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~~Current assets:-~~

Cash and cash equivalents	\$ 39,057	\$ 48,157
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~~Accounts receivable (net of
allowance for doubtful~~

accounts of \$4,296 in 2001, \$4,636 in 2000)	186,331	212,374
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~~Inventories:-~~

~~Contracts and other~~

work in process	61,215	65,918
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Finished goods	41,944	41,590
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Merchandise for resale	87,509	190,668	88,640	196,148
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Other current assets	36,525	25,321
Total current assets	452,581	482,000
Property, plant & equip., at cost	169,585	170,895
Less accumulated depreciation and amortization	109,856	107,190
Net property, plant & equipment	59,729	63,705
Other assets	8,044	8,125
	\$520,354	\$553,830
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ 3,892	\$ 3,720
Accounts payable	44,164	58,057
Accrued liabilities	28,520	30,300
Advances on contracts	35,704	41,905
Other current liabilities	35,524	35,244
Income taxes payable		4,116
Total current liabilities	147,804	173,342
Deferred credits	24,798	23,556
Long term debt, excl. current portion	23,226	24,886
Shareholders' equity	324,526	332,046
	\$520,354	\$553,830
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KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued

Item 1. Financial Statements, Continued:

Condensed Consolidated Statements of Operations
(In thousands except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues	\$194,641	\$259,852	\$439,333	\$523,377
Costs and expenses:				
Cost of sales	167,865	196,128	350,557	394,880
Selling, general and administrative expense	47,272	49,439	96,319	100,834
Interest (income)/expense, net	18	(564)	(8)	(914)
Other (income)/expense, net	(2,044)	418	(2,531)	725
	213,111	245,421	444,337	495,525
Earnings (loss) before income taxes	(18,470)	14,431	(5,004)	27,852
Income taxes (benefit)	(5,975)	5,160	(1,250)	10,025
Net earnings (loss)	\$(12,495)	\$ 9,271	\$ (3,754)	\$ 17,827
	=====	=====	=====	=====
Net earnings (loss) per share:				
Basic	\$ (.56)	\$.40	\$ (.17)	\$.77
Diluted*	\$ (.56)	\$.39	\$ (.17)	\$.75
	=====	=====	=====	=====

Dividends declared per share	\$.11	\$.11	\$.22	\$.22
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~~*The calculated diluted per share amounts for 2001 are anti-dilutive,
therefore, amounts shown are equal to the basic per share calculation.~~

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~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

~~Item 1. Financial Statements, Continued:~~

~~Condensed Consolidated Statements of Cash Flows
(In thousands)~~

	For the Six Months Ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net earnings (loss)	\$ (3,754)	\$ 17,827
Depreciation and amortization	5,654	5,777
Net gain on sale of assets	(2,640)	
Accounts receivable	26,043	(42,472)
Inventory	5,480	6,809
Accounts payable	(13,893)	11,789
Advances on contracts	(6,201)	(4,697)
Income taxes payable	(4,116)	(115)
Changes in other current assets and liabilities	(11,614)	(2,865)
Other, net	585	1,566
Cash provided by (used in) operating activities	(4,456)	(6,381)
Cash flows from investing activities:		
Proceeds from sale of assets	4,038	41
Expenditures for property, plant & equipment	(2,991)	(3,779)
Other, net	(44)	(262)
Cash provided by (used in) investing activities	1,003	(4,000)
Cash flows from financing activities:		
Additions (reductions) to notes payable	172	(391)
Reductions to long term debt	(1,660)	(1,660)
Purchase of treasury stock		(833)
Dividends paid	(4,906)	(5,089)
Proceeds from sale of stock	747	769
Cash provided by (used in) financing activities	(5,647)	(7,204)
Net increase (decrease) in cash and cash equivalents	(9,100)	(17,585)
Cash and cash equivalents at beginning of period	48,157	76,249
Cash and cash equivalents at end of period	\$ 39,057	\$ 58,664

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~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

~~Item 1. Financial Statements, Continued:~~

~~Notes to Condensed Consolidated Financial Statements
(In thousands)~~

Basis of Presentation

The December 31, 2000 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 which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented and are of a normal recurring nature, unless otherwise disclosed in this report.

The statements should be read in conjunction with the notes to the consolidated financial statements included in Kaman Corporation's 2000 Annual Report.

Gain From The Sale Of Facilities

Included in "Other (income)/expense, net" for 2001 are the gains from the sale of facilities of \$2,002 for the second quarter and \$2,679 for the six month period.

Cash Flow Items

Cash payments for interest were \$1,135 and \$1,220 for the six months ended June 30, 2001 and 2000, respectively. Cash payments for income taxes for the comparable periods were \$13,281 and \$9,945, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) was \$(3,794) and \$17,754 for the six months ended June 30, 2001 and 2000, respectively. Comprehensive income (loss) was \$(12,398) and \$9,204 for the three months ended June 30, 2001 and 2000, respectively. The changes to net earnings (loss) used to determine comprehensive income (loss) are foreign currency translation adjustments.

KAMAN CORPORATION AND SUBSIDIARIES PART I — FINANCIAL INFORMATION, Continued

Item 1. Financial Statements, Continued:

Notes to Condensed Consolidated Financial Statements (In thousands)

Shareholders' Equity

Changes in shareholders' equity were as follows:

Balance, January 1, 2001	\$332,046
Net earnings (loss)	(3,754)
Foreign currency translation adjustment	(40)
Comprehensive income (loss)	(3,794)
Dividends declared	(4,922)
Employee stock plans	1,196
Balance, June 30, 2001	\$324,526
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Recent Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which are effective July 1, 2001 and January 1, 2002, respectively, for the corporation. SFAS 141 requires all business combinations initiated after June 30, 2001 to use the purchase method of accounting. SFAS 142 will discontinue the amortization of goodwill, including goodwill recorded in past business combinations, upon adoption of this standard. All goodwill and intangible assets will be evaluated on an ongoing basis for impairment in accordance with the provisions of the Statement. Based upon the corporation's initial assessment of these Statements, adoption is not anticipated to have a material impact on the corporation's financial position or results of operations.

KAMAN CORPORATION AND SUBSIDIARIES PART I FINANCIAL INFORMATION, Continued

Item 1. Financial Statements, Continued:

Notes to Condensed Consolidated Financial Statements (In thousands)

Business Segments

Summarized financial information by business segment is as follows:

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2001	2000	2001	2000
<u>Net sales:</u>				
Aerospace	\$ 54,554	\$ 98,893	\$146,712	\$195,350
Industrial Distribution	113,033	133,176	236,104	269,539
Music Distribution	26,751	27,541	56,011	57,925
	<u>\$194,338</u>	<u>\$259,610</u>	<u>\$438,827</u>	<u>\$522,814</u>
<u>Operating profit (loss):</u>				
Aerospace	\$(20,929)	\$ 11,390	\$(10,740)	\$ 22,191
Industrial Distribution	3,582	6,135	8,660	11,645
Music Distribution	563	500	1,882	2,029
	<u>(16,784)</u>	<u>18,025</u>	<u>(198)</u>	<u>35,865</u>
Interest, corporate and other expense, net	(1,686)	(3,594)	(4,806)	(8,013)
Earnings (loss) before income taxes	<u>\$(18,470)</u>	<u>\$ 14,431</u>	<u>\$ (5,004)</u>	<u>\$ 27,852</u>

	June 30,	December 31,
	2001	2000
<u>Identifiable assets:</u>		
Aerospace	\$287,386	\$307,762
Industrial Distribution	128,313	137,297
Music Distribution	53,616	53,444
Corporate	51,039	55,327

~~_____~~
~~_____~~ \$520,354 \$553,830
~~_____~~
~~=====~~ ~~=====~~

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~~_____~~ KAMAN CORPORATION AND SUBSIDIARIES
~~_____~~ PART I FINANCIAL INFORMATION, Continued

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

~~Results of Operations~~

~~In the quarter ended June 30, 2001, the corporation recorded a sales and pre tax earnings adjustment of \$31.2 million, substantially all of which is associated with a change in estimated costs to complete the SH 2G (A) helicopter program for Australia. The cost growth for that program is related to a contract dispute settlement with subcontractor Litton Guidance and Control Systems (now part of Northrop Grumman) regarding its development of an advanced Integrated Tactical Avionics System (ITAS) that is unique to this particular contract. The corporation is currently placing the balance of the ITAS software development work with other subcontractors, which is a principal element of the cost growth.~~

~~As a result, consolidated revenues for the quarter and six months ended June 30, 2001 were \$194.6 million and \$439.3 million (both reduced by the \$31.2 million adjustment) respectively, compared to \$259.9 million and \$523.4 million for the comparable periods of 2000.~~

~~Aerospace segment net sales were \$54.6 million and \$146.7 million (both reduced by the adjustment) for the second quarter and six months period of 2001, respectively, compared to \$98.9 million and \$195.4 million in the same periods of last year. The Aerospace segment's principal programs include helicopter manufacturing, aircraft structures subcontract work and manufacture of components such as self lubricating bearings and driveline couplings for aircraft applications, and advanced technology products.~~

~~The corporation's helicopter programs include the SH 2G multi-mission naval helicopter and the K MAX (registered trademark) medium to heavy lift helicopter. Helicopter programs represented approximately 21 percent (without the adjustment it would be approximately 50%) of segment net sales for the second quarter of 2001, compared to approximately 60 percent for 2000. The lower percentage for the second quarter is due to the adjustment along with some anticipated tapering off in revenues from the SH 2G program as the Australia and New Zealand programs mature.~~

~~The SH 2G helicopter program (which constitutes substantially all of the segment's total helicopter program sales in the second quarter) generally involves retrofit of the corporation's SH 2F helicopters, previously manufactured for the U.S. Navy (and in storage) to the SH 2G configuration. The corporation is currently performing this work under commercial contracts with the governments of Australia and New Zealand.~~

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~~_____~~ KAMAN CORPORATION AND SUBSIDIARIES
~~_____~~ PART I FINANCIAL INFORMATION, Continued

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

~~The program for New Zealand involves five (5) aircraft and support for the Royal New Zealand Navy. The contract has an anticipated value of about \$185 million (US), of which 90 percent has now been recorded as revenue. Two aircraft were shipped during the second quarter and two aircraft are scheduled for shipment during the third quarter, with each aircraft subject to~~

~~final acceptance by the Royal New Zealand Navy. Delivery of the fifth aircraft (which represents the exercise of an option for additional aircraft) is planned for next year.~~

~~The program for Australia involves eleven (11) helicopters with support, including a support services facility, for the Royal Australian Navy. The total contract has an anticipated value of about \$680 million (US). The helicopter production portion of the work is valued at \$559 million, of which 80 percent (including the effect of the adjustment) has been recorded as revenue.~~

~~Due to the need to retain other subcontractors to complete ITAS development, delivery of the full ITAS to Australia will be delayed. The corporation is working with the Royal Australian Navy to develop satisfactory procedures for approval of the new software subcontractor arrangements being made, and thereafter procedures for interim acceptance of the aircraft without the full ITAS and coordination of deliveries of the aircraft (one of which is already in Australia). When fully equipped with ITAS, the SH 2G (A) will provide the most sophisticated, integrated cockpit and weapons system available in an intermediate weight helicopter.~~

~~The corporation believes that international market opportunities for the SH 2G are good, even though the market is highly competitive and influenced by political and economic conditions. The corporation is currently in a competition to provide six search and rescue helicopters for the government of Egypt. The SH 2G size is well suited for operating from the types of ships in service with the Egyptian Navy. In its last procurement for anti submarine warfare helicopters, the Republic of Egypt selected ten SH 2Gs, which have been in service since 1998 and for which the corporation continues to provide on site support. The corporation is also in discussions with the U.S. Navy regarding refurbishment of four of the U.S. Naval Reserve's surplus SH 2G helicopters for the Polish navy, along with future training and support.~~

~~The corporation has taken a consignment of the Navy's inventory of SH 2 spare parts under a multi year agreement that provides~~

~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

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

~~the corporation the ability to utilize certain inventory for support of the corporation's other SH 2 programs.~~

~~On the K MAX helicopter program, the corporation continues its efforts to refocus sales development on global market opportunities in industry and government, including oil and gas exploration, power line and other utility construction, fire fighting, law enforcement, and the movement of equipment.~~

~~Net sales for the portion of the Aerospace segment that performs subcontract work and manufactures aircraft components represented about 58 percent of sales for the second quarter. Without the adjustment, it would be approximately 37 percent compared to approximately 27 percent a year ago. The segment is involved in a number of commercial and defense aviation programs, including production of wing structures and other components for virtually all Boeing commercial aircraft as well as components for the Boeing C 17 transport and F 22 fighter. Work is progressing on two multi year contracts received last year from MD Helicopters, Inc. to supply fuselages for that company's entire line of single engine helicopters and composite rotor blades for its MD Explorer helicopter. The corporation expects to deliver 43 fuselages to MD Helicopters this year and deliveries of rotor blades are scheduled to begin in September. These MD Helicopter contracts have a total potential value of \$175 million. The segment's component manufacturing includes self lubricating bearings for use principally in aircraft flight controls, turbine engines and landing gear, and driveline couplings for helicopters.~~

~~The Aerospace segment also produces advanced technology products, including missile safe, arm and fuzing devices, precision measuring systems, mass memory systems, electromagnetic motors, microwave cabling, and electro optic devices. Net sales for this portion of the segment's business represented about 21 percent of segment sales. Excluding the adjustment, it would be approximately 13 percent, the same as the second quarter last year.~~

~~Industrial Distribution segment net sales were \$113.0 million and \$236.1 million for the second quarter and six months ended June 30, 2001 respectively, compared to \$133.2 million and \$269.5 million for the same periods of 2000. These results reflect conditions in the industrial sector of the U.S. economy. Reduced plant capacity utilization and temporary plant closures have affected the segment, which primarily serves the maintenance and repair needs of its customers. The corporation began implementing programs last year to streamline operations and increase sales and marketing efforts and these steps have helped the segment to remain competitive and profitable in a challenging environment.~~

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~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

~~Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations (Continued)~~

~~Music Distribution net sales were \$26.8 million and \$56.0 million for the quarter and six months ended June 30, 2001 respectively, compared to \$27.5 million and \$57.9 million for the same periods of 2000. Domestic sales continue to be affected by the economic slowdown and overall softening in the music market. International sales are also soft due largely to the economic conditions and currency exchange rate fluctuations in countries where the segment does business. Management expects that, as it has been traditionally, the second half of the year will be a stronger sales period as music retailers increase their buying in preparation for the holiday season.~~

~~As a result of the \$31.2 million sales and earnings adjustment, the corporation's segments, in total, experienced operating losses of \$16.8 million for the quarter and \$198 thousand for the six months ended June 30, 2001, respectively, compared to an operating profit of \$18.0 million and \$35.9 million for the same periods of 2000. Excluding the adjustment, total operating profit was \$14.4 million and \$31 million for the quarter and six month periods of 2001.~~

~~For the Aerospace segment, there were operating losses of \$20.9 million and \$10.7 million for the quarter and six months ended June 30, 2001, respectively. Excluding the adjustment, operating profit was \$10.3 million for the second quarter and \$20.5 million for the first half of 2001. Operating profit for the Aerospace segment was \$11.4 million and \$22.2 million for the second quarter and first half of 2000. These results are predominantly due to the sales and pre-tax earnings adjustment recorded in the second quarter as well as some tapering off of revenue in the SH-2G helicopter program as the Australia and New Zealand programs mature.~~

~~Operating profit for the Industrial Distribution segment was \$3.6 million for the second quarter and \$8.7 million for the six months ended June 30, 2001, compared to \$6.1 million and \$11.6 million for the same periods of 2000, reflecting the effect of reduced sales due to adverse economic conditions. Operating profit for the Music Distribution business was \$563 thousand in the second quarter and \$1.9 million for the first half of 2001 compared to \$500 thousand and \$2.0 million for the same periods of 2000.~~

~~For the quarter and six months ended June 30, 2001, interest income earned from investment of cash approximated interest expense.~~

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~~KAMAN CORPORATION AND SUBSIDIARIES~~
~~PART I FINANCIAL INFORMATION, Continued~~

~~Item 2. Management's Discussion and Analysis of Financial~~
~~Condition and Results of Operations (Continued)~~

~~Other income for 2001 include gains from the sale of facilities of \$2.0 million during the second quarter and \$2.7 million during the six month period ended June 30, 2001.~~

~~As a result of the \$31.2 million sales and earnings adjustment, the corporation has adjusted its 2001 estimated effective tax rate to 25.0 percent, primarily due to reduced tax considerations on the Australia SH 2G program. The consolidated effective income tax rate for the same period last year was 36.0 percent.~~

~~As a result of the adjustment, the corporation experienced net losses of \$12.5 million (\$0.56 loss per share diluted) and \$3.8 million (\$0.17 loss per share diluted) for the second quarter and six months ended June 30, 2001, respectively, compared to net earnings of \$9.3 million (\$0.39 per share diluted) and \$17.8 million (\$0.75 per share diluted) for the same periods a year ago. Excluding the \$31.2 million earnings adjustment and the change in the effective tax rate, second quarter net earnings were \$8.3 million (\$0.36 per share diluted) and \$17.0 million (\$0.74 per share diluted) for the three and six months periods of 2001.~~

~~In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141), and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), which are effective for the corporation on July 1, 2001 and January 1, 2002, respectively. SFAS 141 requires all business combinations initiated after June 30, 2001 to use the purchase method of accounting. SFAS 142 discontinues the amortization of goodwill, including goodwill recorded in past business combinations, upon adoption of the standard. All goodwill and intangible assets will be evaluated on an ongoing basis for impairment in accordance with the provisions of the Statement. Based upon the corporation's initial assessment of SFAS 141 and SFAS 142, their adoption is not anticipated to have a material impact on the corporation's financial position or results of operations.~~

~~Liquidity and Capital Resources~~

~~On an annual basis, the corporation's cash flow from operations has generally been sufficient to finance a significant portion of its working capital and other capital requirements.~~

~~KAMAN CORPORATION AND SUBSIDIARIES~~
~~PART I FINANCIAL INFORMATION, Continued~~

~~Item 2. Management's Discussion and Analysis of Financial~~
~~Condition and Results of Operations (Continued)~~

~~During the first half of 2001, operating activities used cash, in part due to reductions in the Aerospace segment's accounts payable and advances on contracts. This was offset to some extent by a decrease in inventories, largely in the Aerospace segment's K MAX program. Other items include a decrease in accounts receivable, which is generally due to the \$31.2 million sales and earnings adjustment and a reduction in income taxes payable and an increase in other current assets, which relate primarily to the tax benefits associated with the adjustment.~~

~~During the first half of 2001, cash was used in investing activities for items such as acquisition of machinery and computer equipment, which use was more than offset by proceeds~~

~~from the sale of assets during the quarter. Cash used by financing activities was primarily attributable to the payment of dividends to common shareholders and the sinking fund requirement for the corporation's debentures (described below).~~

~~At June 30, 2001, the corporation had \$24.9 million of its 6% convertible subordinated debentures outstanding. The debentures are convertible into shares of Class A common stock at any time on or before March 15, 2012 at a conversion price of \$23.36 per share, generally at the option of the holder. Pursuant to a sinking fund requirement that began March 15, 1997, the corporation redeems approximately \$1.7 million of the outstanding principal of the debentures each year.~~

~~In November 2000, the corporation's board of directors authorized a replenishment of the corporation's stock repurchase program, providing for the repurchase of an aggregate of 1.4 million Class A shares for use in administration of the corporation's stock plans and general corporate purposes. No shares were repurchased during the first half of 2001.~~

~~The corporation had \$39.1 million in cash and cash equivalents at June 30, 2001, with an average of \$39.7 million for the first half of 2001. These funds have been invested in high quality short term investments.~~

~~The corporation maintains a revolving credit agreement involving a group of eight financial institutions. The agreement has a maximum unsecured line of credit of \$225 million, which consists of a \$150 million commitment for five (5) years and a \$75 million commitment under a "364 day" arrangement which is renewable~~

~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

~~Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations (Continued)~~

~~annually for an additional 364 days. The most restrictive of the covenants contained in the agreement requires the corporation to have EBITDA, as defined, at least equal to 300% of interest expense and a ratio of consolidated total indebtedness to total capitalization of not more than 55%. As of June 30, 2001, there were no borrowings under this agreement.~~

~~Letters of credit are generally considered borrowings for purposes of the revolving credit agreement. The governments of Australia and New Zealand made advance payments of \$104.3 million in connection with their SH-2G contracts in 1997 and those payments were fully secured by the corporation through issuance of irrevocable letters of credit. The face amount of these letters of credit remains at \$41.2 million. Reductions are anticipated as certain contract milestones are reached and as the corporation and the Australian government agree upon a modified acceptance and delivery schedule for the SH-2G(A)s.~~

~~Other average bank borrowings for the six months ended June 30, 2001 were \$2.1 million, compared to \$2.6 million for the same period of 2000.~~

~~Management believes that the corporation's cash flow from operations and available unused bank line of credit under its revolving credit agreement will be sufficient to finance its working capital and other capital requirements for the foreseeable future.~~

~~Management also believes that its strong balance sheet provides flexibility for it to identify and pursue appropriate opportunities to expand its businesses.~~

~~This report contains forward looking information relating to the corporation's business and prospects, including the SH-2G and K-MAX helicopter programs, aircraft structures and components, the industrial and music distribution businesses, earnings expectations for future periods 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 and thereafter contract negotiations with government authorities, including foreign governments; 2) political developments in countries where the corporation intends to do business;~~

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~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

~~Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)~~

~~3) standard government contract provisions permitting renegotiation of terms and termination for the convenience of the government; 4) economic and competitive conditions in markets served by the corporation, including industry consolidation in the United States and global economic conditions; 5) negotiation of subcontracts for, and timing of satisfactory completion of, the Australian SH-2G(A) program; 6) timing, degree and scope of market acceptance for products such as a repetitive lift helicopter; 7) U.S. industrial production levels; 8) changes in supplier sales policies; 9) the effect of price increases or decreases; and 10) currency exchange rates, taxes, laws and regulations, inflation rates, general business conditions and other factors. Any forward looking information should be considered with these factors in mind.~~

~~Item 3. Quantitative and Qualitative Disclosures About Market Risk~~

~~The corporation has various market risk exposures that arise from its normal business operations, including currency exchange rates, supplier price changes, and interest rates as well as other factors described in the Forward Looking Statements section of this report.~~

~~The corporation's exposure to currency exchange rates is managed at the corporate and subsidiary operations levels as an integral part of the business.~~

~~The corporation's exposure to supplier sales policies and price changes relates primarily to its distribution businesses and the corporation seeks to manage this risk through its procurement policies and maintenance of favorable relationships with suppliers.~~

~~The corporation's exposure to interest rate risk relates primarily to its financial instruments, which include short-term investments with market interest rates and debt obligations with fixed interest rates. Currently the corporation has limited exposure in this area due to the level of its fixed rate debt obligation and borrowings under its financing arrangements. Where it currently exists, interest rate risk is managed through the use of a combination of fixed rate long term debt and variable rate borrowings under its financing arrangements. Letters of credit for the Australia and New Zealand SH-2G helicopter contracts are generally considered borrowings for~~

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~~KAMAN CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION, Continued~~

~~Item 3. Quantitative and Qualitative Disclosures About Market~~

~~purposes of the corporation's revolving credit agreement; they are not subject to interest rate risk, however, fees are charged based upon the corporation's usage and credit rating.~~

~~There has been no significant change in the corporation's exposure to these market risk factors during the second quarter of 2001. Management believes that any near term change in the market risk factors described above should not materially affect the consolidated financial position, results of operations or cash flows of the corporation.~~

~~————— KAMAN CORPORATION AND SUBSIDIARIES~~

~~————— PART II — OTHER INFORMATION~~

~~Item 5. Other Information~~

~~Kaman Aerospace Corporation and Joseph H. Lubenstein have executed an Employment Agreement and a Change in Control Agreement, both dated July 9, 2001. Mr. Lubenstein became president of Kaman Aerospace Corporation on that date. These agreements are attached as Exhibits 10(a) and 10(b) to this report.~~

~~Kaman Corporation and Walter R. Kozlow have executed a letter agreement dated July 9, 2001 and a Consultant's Agreement dated July 12, 2001. Mr. Kozlow has been an employee of Kaman Aerospace Corporation for 41 years and served as president of Kaman Aerospace Corporation from 1986 to July 9, 2001. Mr. Kozlow now serves as a Senior Executive Advisor to the Corporation and will retire at the end of 2001. These agreements are attached as Exhibits 10(c) and 10(d) to this report.~~

~~Item 6. Exhibits and Reports on Form 8-K.~~

~~————— (a) Exhibits to Form 10-Q: —————~~

~~10(a) Employment agreement between Kaman Aerospace Corporation and Joseph H. Lubenstein, dated July 9, 2001~~

~~10(b) Change In Control Agreement between Kaman Aerospace Corporation and Joseph H. Lubenstein, Dated July 9, 2001~~

~~10(c) Letter Agreement between Kaman Corporation and Walter R. Kozlow, dated July 9, 2001~~

~~10(d) Consultant's Agreement between Kaman Corporation and Walter R. Kozlow, dated July 12, 2001~~

~~(11) Earnings (loss) per share computation~~

~~(b) Report on Form 8-K filed in the second quarter of 2001:~~

~~There have been no reports on Form 8-K filed during the quarter ended June 30, 2001.~~

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~~KAMAN CORPORATION AND SUBSIDIARIES
PART II OTHER INFORMATION~~

~~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: August 14, 2001 By: /s/ Paul R. Kuhn~~

~~Paul R. Kuhn
Chairman, President and
Chief Executive Officer
(Duly Authorized Officer)~~

~~Date: August 14, 2001 By: /s/ Robert M. Garneau~~

~~Robert M. Garneau
Executive Vice President and
Chief Financial Officer~~

~~KAMAN CORPORATION AND SUBSIDIARIES~~

~~Index to Exhibits~~

~~Exhibit 10(a) Employment agreement between Kaman Aerospace Corporation and Joseph H. Lubenstein, dated July 9, 2001 Attached~~

~~Exhibit 10(b) Change In Control Agreement between Kaman Aerospace Corporation and Joseph H. Lubenstein, dated July 9, 2001 Attached~~

~~Exhibit 10(c) Letter Agreement between Kaman Corporation And Walter R. Kozlow, dated July 9, 2001 Attached~~

~~Exhibit 10(d) Consultant's Agreement between Kaman Corporation and Walter R. Kozlow, dated July 12, 2001 Attached~~

~~Exhibit 11 Earnings (Loss) Per Share Computation Attached~~

~~EMPLOYMENT AGREEMENT~~

~~This Agreement is made as of July 9, 2001 (the "Effective Date") by and between Joseph H. Lubenstein ("I", "me", or "my") and Kaman Aerospace Corporation ("Kaman" or "the Company").~~

~~WITNESSETH:~~

~~WHEREAS, the Company and I are establishing an employment relationship; and~~

~~WHEREAS, the parties desire to have the terms and conditions of that relationship definitively described, including in particular the circumstances under which certain severance payments will be due and payable and a commitment regarding non competition following termination of employment under certain circumstances;~~

~~NOW THEREFORE, in consideration of the mutual promises contained in this Agreement, the Company and I agree as follows:~~

~~I. (a) I will abide by all of Kaman's rules and regulations now or hereafter established and agree that the posting of any such rules or regulations on the bulletin boards of the various departments and/or as listed in any employee handbooks will constitute personal notice thereof to me. I understand that no statements made in any such publications or elsewhere shall operate to change the terms and conditions of my employment as described in this Agreement.~~

~~— (b) I understand and agree that I may become aware of certain secret and/or confidential information during the course of my employment and such information includes, but is not limited to, that pertaining to methods, processes, designs, equipment, catalogues, computer disks, customer lists, inventions, sales and operating procedures. I agree that all tangible confidential information such as computer disks, reports, customer lists, etc. are the sole property of Kaman and I agree that upon termination of employment with Kaman, I will return, on demand, any and all confidential information in my possession. During and after my employment, I will disclose to Kaman and will not divulge or appropriate to my own use or to the use of others, including any other employer, any such confidential information or knowledge obtained by me during such employment, whether in tangible or intangible form, including, but not limited to data, plans, decisions, methods, processes, designs, equipment, catalogues, customer lists, inventions, and sales and operating procedures.~~

~~— (c) Recognizing that, by virtue of my employment, I may learn information, not generally available, concerning business methods, customer lists or other trade secrets, I agree that during my employment I will not, directly or indirectly, become connected~~

~~Page 1~~

~~with, promote the interest of, or engage in any other business or activity competing with the business to which my employment relates within the geographical area in which the business of the Company is conducted. I further agree that if any court or arbitrator should find this covenant and agreement against competition not to be reasonable as to the scope of prohibited activities, then such portion of this covenant and agreement held to be unreasonable shall be regarded as severable and stricken from this Agreement, and such covenant and agreement shall be of full force and effect for the activities which are determined not to be unreasonable.~~

~~— (d) I will treat as for Kaman's sole benefit, and fully and promptly disclose and assign to Kaman without additional compensation, all ideas, discoveries, inventions and improvements, patentable or not, which, while I am employed, are made, conceived or reduced to practice by me, alone or with others, during or after usual working hours either on or off my job, and which are related directly or indirectly to Kaman's business or interest or which result from tasks assigned to me by Kaman.~~

~~— (e) I agree, at Kaman's expense, at any time during or after~~

~~my employment, to sign all papers and do such other acts reasonably required of me to protect Kaman's rights to said ideas, discoveries, inventions and improvements, including applying for, obtaining and enforcing patents on said discoveries, inventions, improvements in any and all countries.~~

~~—(f) I represent that there are no agreements, understandings or legal requirements applicable to me which prohibit the execution of this Agreement or prohibit or otherwise limit the performance of my obligations hereunder or my duties as an employee of the Company nor will the execution of this Agreement and the performance of my obligations or duties result in a conflict of interest between me and any other party.~~

~~II. I understand that, as an employee of Kaman, I owe a duty of loyalty to Kaman. As part of this duty of loyalty, I will:~~

~~—(a) avoid personal investment, interests or associations which might interfere with the independent exercise of my judgment on business related matters;~~

~~—(b) not, directly or through a member of my immediate family or otherwise, accept any gratuitous payment, loan, service, or other consideration of value from any party doing or seeking to do business with Kaman;~~

~~—(c) fully disclose all facts concerning services that I, or any other person of whom I have knowledge, may have rendered to any party competing, dealing, or seeking to deal with Kaman, if it is required to determine if a conflict of interest exists; and~~

~~Page 2~~

~~—(d) not buy or sell Kaman Corporation stock if I have information about Kaman Corporation or any of its subsidiaries that is not already available to the public nor will I tell other people about any information of that kind. I understand and acknowledge that Kaman's policies prohibit such behavior and in many cases, it will be in violation of the securities laws.~~

~~III. I understand and agree that my employment with Kaman is an "at will" relationship and such employment and compensation can be terminated, with or without cause, and with or without notice, at any time, at the option of Kaman or me. I understand that this Agreement can be changed only by a written document signed by me and an officer of the Company, or his designee, who is also an officer of Kaman Corporation. No application, brochure, policy statement, procedure, benefit plan, summary, work rules, employee handbook, or any other written or oral communication between the Company and its employees is intended to create an employment contract. I understand and agree that as a condition of my "at will" employment, if any disputes arise out of my termination of employment with the Company that I will first seek to resolve all such disputes by engaging in good faith discussions with appropriate managerial personnel of the Company.~~

~~IV. (a) Notwithstanding any other provision of this Agreement, it is understood that, beginning on the Effective Date of this Agreement and ending on July 8, 2003, if Kaman terminates my employment for any reason (other than due to my willful refusal to perform proper responsibilities of my position or a violation of law on my part) or if I terminate my employment for "good reason", and the Change in Control Agreement dated September 21, 1999~~

~~July 9, 2001~~

~~between Kaman and me is not applicable, that on my last day of employment (the "Termination Date"), the Company will provide me with:~~

~~—1) a lump sum cash payment equal to two (2) times my then current base annual salary rate (which rate cannot be less than the salary rate for the most recently completed calendar year prior to the Termination Date or the salary rate in effect as of the Effective Date, whichever is higher);~~

~~2) a lump sum cash payment equal to two (2) times my most recent cash bonus payment; and the bonus for which I am eligible due to my employment during the calendar year in which the Termination Date occurs, with such bonus to be pro-rated and calculated in accordance with the Kaman Corporation Cash Bonus Plan;~~

~~3) with regard to all restricted stock, stock appreciation rights or stock option awards that I have received, (i) all restrictions with respect to any restricted stock shall lapse, and (ii) all stock appreciation rights and stock options shall become~~

~~Page 3~~

~~fully vested and then canceled in exchange for a cash payment equal to the excess of the fair market value of the shares of Kaman Corporation stock subject to the stock appreciation right or stock option on the Termination Date over the exercise price(s) of such stock appreciation rights or stock options; and~~

~~4) my Company automobile. The book value then attributed to it by the leasing company will be considered a fringe benefit income and that amount will be subject to tax during the calendar year in which the Termination Date occurs.~~

~~In addition to the aforementioned items, the Company will provide me with:~~

~~5) reimbursement for COBRA premium payments for applicable group medical/dental benefits until I accept employment elsewhere, but in any event for not more than twelve (12) months; and~~

~~6) premium payments for one (1) year with regard to the Mass Mutual group universal life insurance policy issued in my name.~~

~~(b) It is understood that I will have "good reason" to terminate my employment with the Company if any one of the following acts, or failures to act, by the Company, occurs:~~

~~1) I am removed from the officer position held by me at the Effective Date; or~~

~~2) I am assigned any duties or responsibilities inconsistent with the officer position held by me at the Effective Date or there is a substantial diminution in the nature or status of my responsibilities from those existing on the Effective Date; or~~

~~3) the Company reduces my annual base salary from that existing on the Effective Date; or~~

~~4) the Company significantly reduces my annual cash bonus from the "modified target bonus opportunity" figure that is calculated each year in accordance with the Kaman Corporation Cash Bonus Plan.~~

~~(c) My right to terminate my employment for good reason shall not be affected by my incapacity due to physical or mental illness. My continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting good reason under this Agreement.~~

~~(d) It is understood that for purposes of any determination regarding the existence of good reason, any claim by me that good reason exists shall be presumed to be correct unless the Company establishes to its Board of Directors by clear and convincing evidence that good reason does not exist.~~

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~~(e) In the event that the items described in Section IV (a) are provided to me pursuant to this Agreement, I agree that for a period of two (2) years following the Termination Date, I will not, directly or indirectly, become connected with, promote the interest of, or engage in any other business or activity competing with the business of the Company within the geographical area in which the business of the Company is conducted.~~

~~— (f) Unless required otherwise by law or government regulation, the parties will maintain the terms and conditions of this Agreement in confidence.~~

~~V. This Agreement supersedes any previous agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which may exist between the parties, except that both parties acknowledge the validity of that certain Change in Control Agreement dated July 9, 2001, between the parties. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of Connecticut. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which I have agreed.~~

~~In Witness Whereof, the parties have executed, or caused this Agreement to be executed, on his or its behalf.~~

~~July 9, 2001~~

~~Date _____ Signature of Employee~~

~~_____ Joseph H. Lubenstein~~

~~Employee's Typed Name~~

~~Acknowledged and Agreed this 9th day of July, 2001.~~

~~Kaman Aerospace Corporation~~

~~By Robert M. Garneau~~

~~Its Vice President~~

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~~CHANGE IN CONTROL AGREEMENT~~

~~THIS AGREEMENT, is made as of July 9, 2001, by and between Kaman Aerospace Corporation, a Delaware corporation (the "Company"), and Joseph H. Lubenstein (the "Executive").~~

~~WHEREAS, the Company considers it essential to the best interests of its shareholder to foster the continued employment of key management personnel; and~~

~~WHEREAS, in furtherance of this objective, the Company and Executive have executed an Employment Agreement dated as of July 9, 2001; and~~

~~WHEREAS, the Board recognizes that the possibility of a Change in Control exists and that such possibility, which will not be addressed by the Employment Agreement, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholder; and~~

~~WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without the potential distractions arising from the possibility of a Change in Control;~~

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

~~1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section of this Agreement.~~

~~2. Term. [Intentionally Omitted]~~

~~3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's continued employment, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described in this Agreement. Except as provided in Section 8.1 of this Agreement, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 5.1, there shall be deemed to have been)~~

~~Page 1~~

~~a termination of the Executive's employment with the Company following a Change in Control. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.~~

~~4. Compensation Other Than Severance Payments.~~

~~4.1 If the Executive's employment shall be terminated for any reason following a Change in Control, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if Section 15 (o)(II) is applicable as an event or circumstance constituting Good Reason, the rate in effect immediately prior to such event or circumstance, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason), including, but not limited to, the bonus for which the Executive is eligible due to his or her employment during the calendar year in which the Date of Termination occurs, with such bonus to be pro rated and~~

~~calculated in accordance with the Kaman Corporation Cash Bonus Plan.~~

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

~~5. Severance Payments.~~

~~5.1 If the Executive's employment is terminated during the thirty six (36) month period following a Change in Control, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then the Company shall pay the Executive the amounts, and provide the Executive the benefits described in this Section 5 ("Severance Payments") in addition to any payments and benefits to which the Executive is entitled under Section 4 of this Agreement. For~~

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~~purposes of this Agreement, the Executive's employment shall be deemed to have been terminated by the Company following a Change in Control, without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control. For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that such position is not correct.~~

~~(a) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to the sum of (i) two (2) times the Executive's base salary as in effect immediately prior to the Date of Termination or, if Section 15 (o)(II) is applicable as an event or circumstance constituting Good Reason, the rate in effect immediately prior to such event or circumstance, and (ii) two (2) times the annual bonus actually paid for the fiscal year ending immediately prior to the fiscal year in which occurs the Date of Termination, pursuant to any annual bonus or incentive plan maintained by or through the Company.~~

~~(b) For the twenty four (24) month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents medical, dental, and accidental death and disability benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence. Benefits otherwise receivable by the Executive pursuant to this Section 5.1(b) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the twenty four (24) month period following the Date of Termination (and any such benefits received by or made~~

~~available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason.~~

~~— (c) Notwithstanding any provision to the contrary in any plan or agreement maintained by or through the Company pursuant to which the Executive has been granted restricted stock, stock options or stock appreciation rights, effective on the Date of Termination, (i) all restrictions with respect to any restricted stock shall lapse, and (ii) all stock appreciation rights and stock options shall become fully vested and then canceled in exchange for a cash payment equal to the excess of the fair market value of the shares of Parent Company stock subject to the stock appreciation right or stock option on the date of the Change in Control, over the exercise price(s) of such stock appreciation rights or stock options.~~

~~— (d) In addition to the retirement benefits to which the Executive is entitled under any tax qualified, supplemental or excess benefit pension plan maintained by or through the Company and any other plan or agreement entered into between the Executive and the Company which is designed to provide the Executive supplemental retirement benefits (the "Pension Plans") or any successor plan thereto, effective upon the Date of Termination, the Executive shall receive vesting credit under the Kaman Corporation Supplemental Employees Retirement Plan ("SERP") equal to two years of Continuous and Credited Service (as defined in the Kaman Corporation Employees' Pension Plan to which the SERP is supplemental).~~

~~— (e) If the Executive would have become entitled to benefits under the Company's post retirement health care plans, as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, had the Executive's employment terminated at any time during the period of twenty four (24) months after the Date of Termination, the Company shall provide such post retirement health care benefits to the Executive and the Executive's dependents commencing on the later of (i) the date on which such coverage would have first become available and (ii) the date on which benefits described in Section 5.1 (b) terminate.~~

~~— (f) The Company shall (i) either prepay all remaining premiums, or establish an irrevocable grantor trust holding an amount of assets sufficient to pay all such remaining premiums (which trust shall be required to pay such premiums), under any~~

~~insurance policy maintained by or through the Company insuring the life of the Executive, that is in effect, and (ii) shall transfer to the Executive any and all rights and incidents of ownership in such arrangements at no cost to the Executive.~~

~~— (g) The Company shall provide the Executive with reimbursement for outplacement services received by the Executive for up to Thirty Thousand Dollars (\$30,000), but only until the first acceptance by the Executive of an offer of employment.~~

~~— (h) The Company shall provide the Executive with his Company automobile. The book value then attributed to it by the leasing company will be considered "fringe benefit" income and that amount will be subject to tax during the calendar year in which the Date of Termination occurs.~~

~~— 5.2 (A) Whether or not the Executive becomes entitled to the Severance Payments, if any of the payments or benefits received or to be received by the Executive in connection with a Change in~~

~~Control or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (such payments or benefits, excluding the Gross Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Company shall pay to the Executive an additional amount (the "Gross Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross Up Payment, shall be equal to the Total Payments.~~

~~—— (B) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash~~

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~~benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the Date of Termination (or if there is no Date of Termination, then the date on which the Gross Up Payment is calculated for purposes of this Section 5.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.~~

~~—— (C) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross Up Payment, the Executive shall repay to the Company, within thirty (30) days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross Up Payment attributable to such reduction (plus that portion of the Gross Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross Up Payment being repaid by the Executive), to the extent that such repayment results in a reduction in the Excise Tax and a dollar for dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at 120% of the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross Up Payment), the Company shall make an additional Gross Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within thirty (30) days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.~~

~~—— 5.3 The Company also shall reimburse the Executive for legal fees and expenses incurred by the Executive in disputing in good~~

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

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~~5.4 The payments provided in subsections (a) and (c) of Section 5.1 shall be made on the last day of the Executive's employment. The payments provided in Section 5.2 of this Agreement shall be made as soon as practicable following the Date of Termination, but in no event later than thirty (30) days following the Date of Termination. If payments are not made in the time frame required by this subsection, interest on the unpaid amounts will accrue at 120% of the rate provided in Section 1274(b)(2)(B) of the Code until the date such payments are actually made. At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).~~

~~6. Termination Procedures and Compensation During Dispute.~~

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

~~6.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination~~

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~~by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).~~

~~6.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 6.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the date on which the dispute is finally resolved, either by mutual~~

~~written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.~~

~~6.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and the Date of Termination is extended in accordance with Section 6.3 of this Agreement, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 6.3 of this Agreement. Amounts paid under this Section 6.4 are in addition to all other amounts due under this Agreement (other than those due under Section 4.1 of this Agreement) and shall not be offset against or reduce any other amounts due under this Agreement.~~

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

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~~8. Successors; Binding Agreement.~~

~~8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in accordance with its terms. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.~~

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

~~9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or~~

~~to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:~~

~~_____ To the Company:~~

~~_____ c/o Kaman Corporation
_____ 1332 Blue Hills Ave., P.O. Box 1
_____ Bloomfield, CT 06002
_____ Attention: Candace A. Clark, Secretary~~

~~_____ Page 9~~

~~_____ 10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and an officer of the Company, or his designee, who is also an officer of the Parent Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of Connecticut. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after its expiration shall survive any such expiration.~~

~~_____ 11. Validity; Counterparts. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.~~

~~_____ 12. Confidentiality. Unless required otherwise by law or government regulation, the parties will maintain the terms and conditions of this Agreement in confidence.~~

~~_____ 13. Settlement of Disputes. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied.~~

~~_____ Page 10~~

~~_____ 14. Arbitration. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Hartford, Connecticut, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in~~

~~connection with this Agreement.~~

~~15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:~~

~~(a) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.~~

~~(b) "Auditor" shall have the meaning set forth in Section 5.2 of this Agreement.~~

~~(c) "Base Amount" shall have the meaning set forth in Section 280G(b)(3) of the Code.~~

~~(d) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.~~

~~(e) "Board" shall mean the Board of Directors of the Company.~~

~~(f) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 6.1 of this Agreement) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the~~

~~Page 11~~

~~Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Board by clear and convincing evidence that Cause exists.~~

~~(g) The first to occur of any one of the following events shall constitute the occurrence of a "Change in Control" for purposes of this Agreement:~~

~~(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of (i) the Parent Company representing 35% or more of the then outstanding securities of the Parent Company generally entitled to vote in the election of directors of the Parent Company, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (II) below, or (ii) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of (i) the Company representing 35% or more of the then outstanding securities of the Company generally entitled to vote in the election of directors of the Company, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or~~

~~(II) there is consummated a merger or consolidation of the Parent Company with any other business entity, other than (i) a merger or consolidation which would result in the securities of the Parent Company generally entitled to vote in the election of directors of the Parent Company outstanding immediately prior to such merger or consolidation 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 Parent Company or any subsidiary of the Parent Company, at least 65% of the securities of the Parent Company or such surviving entity or any parent thereof outstanding immediately after such merger or~~

~~consolidation and generally entitled to vote in the election of directors of the Parent Company or such surviving entity or any parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization of the Parent Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Parent Company representing 35% or more of the then outstanding securities of the Parent Company generally entitled to vote in the election of directors of the Parent Company; or~~

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~~—— (III) there is consummated a merger or consolidation of the Company with any other business entity, other than (i) a merger or consolidation which would result in the securities of the Company generally entitled to vote in the election of directors of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into such securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding such securities under an employee benefit plan of the Company or any Subsidiary of the Company, at least 65% of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation and generally entitled to vote in the election of directors of the Company or such surviving entity or any parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 35% or more of the then outstanding securities of the Company generally entitled to vote in the election of directors of the Company, (iii) any merger or consolidation with another direct or indirect subsidiary of the Parent Company; or (iv) any merger or consolidation of the Company with a Subsidiary of the Company;~~

~~—— (IV) the stockholders of the Parent Company approve a plan of complete liquidation or dissolution of the Parent Company or there is consummated the sale or disposition by the Parent Company of all or substantially all of the Parent Company's assets, other than a sale or disposition by the Parent Company of all or substantially all of the Parent Company's assets to an entity where the outstanding securities generally entitled to vote in the election of directors of the Parent Company immediately prior to the sale continue to represent (either by remaining outstanding or by being converted into such securities of the surviving entity or any parent thereof) 65% or more of the outstanding securities of such entity generally entitled to vote in the election of directors immediately after such sale;~~

~~—— (V) the following individuals cease for any reason to constitute a majority of the number of directors of the board of directors of the Parent Company then serving: individuals who, on the date of this Agreement, constitute the board of directors of the Parent Company and any new director (other than a director 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 Parent Company and whose appointment or election was not approved by at~~

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~~least two thirds (2/3) of the directors of the Parent Company in office immediately prior to any such contest) whose appointment or election by the board of directors of the Parent Company or nomination for election by the Parent Company's stockholders was approved or recommended by a vote of at least two thirds (2/3) of the directors then in office;~~

~~—— (VI) there is consummated the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, of which at least 65% of~~

~~the outstanding securities generally entitled to vote in the election of directors are owned by the Parent Company or a direct or indirect subsidiary of the Parent Company.~~

~~Notwithstanding the foregoing, a Change in Control shall not be deemed to occur in the event of a distribution or spin-off of shares of the capital stock of the Company to the shareholders of the Parent Company and this Agreement shall terminate on the date that such distribution or spin-off is effectuated.~~

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

~~(h) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.~~

~~(i) "Company" shall mean Kaman Aerospace Corporation and, except in determining under Section 15(g) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets.~~

~~(j) "Date of Termination" shall have the meaning set forth in Section 6.2 of this Agreement.~~

~~(k) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full time performance of the Executive's duties.~~

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~~(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.~~

~~(m) "Excise Tax" shall mean any excise tax imposed under Section 4999 of the Code.~~

~~(n) "Executive" shall mean the individual named in the first paragraph of this Agreement.~~

~~(o) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI), or (VII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:~~

~~(I) the assignment to the Executive of any duties inconsistent with the Executive's status as President of the Company or a substantial diminution in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;~~

~~(II) a reduction by the Company in the Executive's annual base salary as in effect on the date of this Agreement or as the same may be increased from time to time;~~

~~(III) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's business travel obligations immediately prior to the Change in Control;~~

~~———— (IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within thirty (30) days of the date such compensation is due;~~

~~———— Page 15~~

~~———— (V) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation (including, but not limited to, the Kaman Corporation Compensation Administration Plan, Kaman Corporation Cash Bonus Plan, and Kaman Corporation 1993 Stock Incentive Plan), unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;~~

~~———— (VI) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's life insurance, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control, the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control, provided, however, that this paragraph shall not be construed to require the Company to provide the Executive with a defined benefit pension plan if no such plan is provided to similarly situated executive officers of the Company or its Affiliates; or~~

~~———— (VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 6.1 of this Agreement; for purposes of this Agreement, no such purported termination shall be effective.~~

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

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~~———— For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that Good Reason does not exist.~~

~~———— (p) "Gross Up Payment" shall have the meaning set forth in Section 5.2 of this Agreement.~~

~~———— (q) "Notice of Termination" shall have the meaning set forth in Section 6.1 of this Agreement.~~

~~———— (r) "Parent Company" shall mean Kaman Corporation and, except in determining under Section 15(g) hereof whether or not any Change in Control of the Parent Company has occurred, shall include~~

~~any successor to its business and/or assets.~~

~~— (s) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Parent Company or the Company or any of their direct or indirect subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the stockholder of the Company in substantially the same proportions and with substantially the same voting rights as their ownership and voting rights with respect to the Company, or (v) Charles H. Kaman or any entity created or controlled by him, provided that he possesses and exercises, in person or by proxy solicited by the board of directors of the Parent Company, the right to vote all securities of the Parent Company generally entitled to vote in the election of directors of the Parent Company, of which he or any such entity is the Beneficial Owner.~~

~~— (t) "Severance Payments" shall have the meaning set forth in Section 5.1 of this Agreement.~~

~~— (u) "Subsidiary" shall mean any corporation of which the Company owns, directly or indirectly, a majority of securities entitled to vote in the election of directors.~~

~~— (v) "Tax Counsel" shall have the meaning set forth in Section 5.2 of this Agreement.~~

~~— (x) "Term" shall mean the period of time described in Section 2 of this Agreement.~~

~~_____ Page 17~~

~~— (y) "Total Payments" shall mean those payments so described in Section 5.2 of this Agreement.~~

~~— IN WITNESS WHEREOF, the parties have executed this agreement as of the date and year first above written.~~

~~Kaman Aerospace Corporation~~

~~_____ By: _____
Joseph H. Lubenstein Name: Robert M. Garneau
_____ Title: Vice President~~

~~Date _____ Date~~

~~Address:~~

~~108 Millington Road
East Haddam, CT 06423~~

~~July 9, 2001~~

~~Mr. Walter R. Kozlow
c/o Kaman Corporation
P.O. Box 1
Bloomfield, CT 06002~~

~~Dear Walt:~~

~~I have already expressed to you my personal thanks for your more than 41 years of service with the Corporation. Your contributions have been pivotal to the success of the organization. I especially appreciate your contribution to the successful conclusion of the search for your successor.~~

~~We have previously discussed the Corporation's willingness to provide you with special consideration for your continued employment beyond your normal retirement date. Now that Joe Lubenstein will be starting as president of Aerospace on this date, this is to confirm our agreement with you that:~~

~~1) Beginning today and ending on December 31, 2001 (the "Advisor Period"), Kaman Corporation ("the Corporation") will retain you in full time employee status, holding the position of Senior Executive Advisor. During the Advisor Period, you will receive monthly salary payments at the annual rate of Three Hundred Twenty Five Thousand Dollars (\$325,000), which payments will be subject to tax and employee benefit withholdings. In this position, you will continue to be eligible for all of your current employee benefits as a senior executive Kaman Corporation. You will retire under the Kaman Corporation Employees' Pension Plan effective January 1, 2002.~~

~~2) Beginning January 1, 2002, the Corporation will enter into a consultant's agreement having a non-cancellable term of two years and providing for a consultant's fee totaling one year's salary and bonus as follows: Your fee for each year will be equal to (1) \$162,500 (being fifty percent of your 2001 base annual salary rate of \$325,000), plus (2) \$80,000 (being fifty percent of your \$160,000 bonus for year 2000, which was the higher of the two most recent cash bonus awards (under the Kaman Corporation Cash Bonus Plan) paid to you prior to your retirement). The agreement will have such other terms as will be mutually agreed.~~

~~3) The Corporation will cause all of your outstanding stock options and stock appreciation rights to fully vest and lapse any remaining restrictions on your outstanding restricted stock awards, effective on December 31, 2001.~~

~~Page 1~~

~~4) You will return to the Corporation your 2000 Lincoln Town Car and a 2002 Lincoln Town Car will be leased through Wheels for you. Effective December 31, 2001, the Corporation will give you the 2002 company automobile. The value then attributed to it by Wheels (i.e., the remaining lease payments) will be considered "fringe benefit" income to you and that amount will be subject to tax in 2001.~~

~~5) Upon your retirement, the Corporation will continue to make regular periodic premium payments for life insurance policies issued under the Senior Executive Life Insurance Program for the remainder of your life (or, if earlier, when the policy becomes fully paid as a result of regular periodic premium payments). These premium payments will be considered "fringe benefit" income to you and that amount will be subject to tax each year. This commitment shall be considered a contractual obligation of the Corporation which shall be assumed by any successor in interest to the Corporation.~~

~~6) The Corporation will reimburse you for the cost of preparing your 2001 personal income tax return.~~

~~7) We have agreed that you will not receive a bonus or stock incentive award for the 2001 year.~~

~~8) Your Employment Agreement and Change in Control Agreements will end, if not already expired or terminated, upon your retirement.~~

~~If this arrangement is acceptable to you, please sign and date this letter in the space provided. When fully signed, this letter and the~~

~~consultant's agreement will constitute our entire agreement regarding
this matter.~~

~~Sincerely,~~

~~Paul R. Kuhn~~

~~Accepted and Agreed this 17th
day of July, 2001.~~

~~Walter R. Kozlow~~

~~Page 2~~

~~Mr. Walter R. Kozlow
July 9, 2001
Page 4~~

~~THIS AGREEMENT, effective this 12th day of July, 2001 by and between Kaman Corporation, a corporation organized and existing under the laws of the State of Connecticut and having its office and principal place of business in Bloomfield, Connecticut (hereinafter called "Kaman"), and Walter R. Kozlow, of 192 Woodward Road, Brooklyn, CT 06234, Social Security Number #### ## ##### (hereinafter called "Consultant").~~

~~WITNESSETH:~~

~~WHEREAS, a portion of Kaman's business relates to aerospace products and technology; and~~

~~WHEREAS, Consultant has special qualifications in the areas of aerospace management, strategic planning, contracting and marketing activities, and related disciplines; and~~

~~WHEREAS, the parties hereto have agreed to utilize Consultant's services as Consultant to the President to advise and consult in connection with Kaman's business in such fields upon conditions hereinafter set forth:~~

~~NOW, THEREFORE, in consideration of the premises, the parties hereto mutually agree as follows:~~

~~1. Services. Consultant shall furnish to Kaman during the Term services commensurate with his knowledge and experience as reasonably requested by Kaman. Services will be provided at such times and locations as shall be mutually agreed between the parties. All services to be performed under this Agreement will be specifically requested by Mr. Paul R. Kuhn or his designee.~~

~~2. Term. The term of this Agreement shall be for a period of two (2) years commencing on January 1, 2002 (the "Term").~~

~~3. Compensation. a) For his services, the Consultant shall be paid a fee equal to Twenty Thousand Two Hundred Eight and 33/100 Dollars (\$20,208.33) per month for the first eleven months of each year during the Term and Twenty Thousand Two Hundred Eight and 37/100 for the twelfth month of each year during the Term. Payments shall be made at the end of each month during the Term. In no event will Consultant engage in, or will any portion of the Consultant's fees paid hereunder, be used for any improper or illegal purpose or activity. Consultant acknowledges receipt of and agrees to comply with Kaman's Standards of Business Ethics and Conduct as applicable to all Kaman employees.~~

~~Page 1~~

~~b) Consultant shall be reimbursed by Kaman for Consultant's out of pocket business expenses incurred in rendering his services, provided such expenses are directly incident to the performance of his services under this Agreement and that such expenses have been approved in advance by Kaman's designated representative. Such expenses shall include airlines fare, hotel bills, entertainment expenses, and other reasonable and proper expenses incurred in performing consulting work for Kaman. Consultant agrees to provide receipts for said expenses.~~

~~c) Consultant shall keep such time records as Kaman may reasonably require. Kaman shall provide Consultant with Internal Revenue Service Form 1099 "U.S. Information Return" annually within the time provided by law for any calendar year coming within the Term. Consultant agrees that he is obligated to pay all appropriate federal, state and local income taxes and sales or other taxes relating to this Agreement and to comply with all federal, state and local laws regarding same and further agrees to indemnify and hold Kaman harmless from any and all liability which may result from Consultant's failure to do so or from Kaman's not withholding amounts for sales or income tax or FICA. It is expressly agreed by and between Consultant and Kaman that the applicable Consultant's fee shall be the total compensation~~

~~due Consultant and Consultant is not eligible for any Kaman benefits including but not limited to insurance programs, workers compensation benefits, medical benefits, vacation pay and personal time. It is understood and agreed that Consultant shall maintain his own insurance coverage, as appropriate, to cover medical, automobile and general liability (and workers compensation, if applicable) in generally acceptable amounts and Consultant shall provide Kaman with certificate or certificates evidencing such coverage at Kaman's request.~~

~~4. Confidentiality. Consultant shall use his best efforts to perform successfully the tasks assigned to him by Kaman and shall not, without the prior written consent of Kaman, directly or indirectly, divulge information concerning or touching upon the work performed by him for Kaman. It is understood that disclosure of information relating to work under Government contracts of a restricted nature to any person not entitled to receive the same, or failure to safeguard all classified matter which may come to the knowledge of Consultant in connection with such work, may subject Consultant to criminal liability under the laws of the United States.~~

~~5. No Conflicts of Interest. Consultant represents that there are no agreements or understandings between Consultant and any other person, partnership or corporation which prohibits the execution of the Agreement or the performance of the obligations hereunder.~~

~~Page 2~~

~~6. Termination. (Intentionally Omitted)~~

~~7. Independent Contractor. The parties intend and agree that Consultant is acting and will act as an independent contractor and not as an employee of Kaman in performance of his services under this Agreement. During the Term, Consultant shall not in any manner be engaged in or concerned with any business competitive with any business related to the consulting activities performed hereunder.~~

~~8. Governing Law; Disputes. This Agreement shall be interpreted under the laws of the State of Connecticut. Any controversy or claim arising out of or relating to this Agreement, or breach hereof shall be settled by arbitration to be held at Hartford, Connecticut in accordance with the rules of the American Arbitration Association and judgment upon the award rendered thereunder by the arbitrator(s) may be entered in any court having jurisdiction thereof.~~

~~9. Entire Agreement; No Assignment. This Agreement constitutes the entire agreement of the parties and shall be binding on or inure to the benefit of the parties hereto. It is understood and agreed that this Agreement is personal to the Consultant and cannot be assigned or otherwise alienated in any manner.~~

~~IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate the day and year first above written.~~

~~KAMAN CORPORATION
Candace A. Clark By Paul R. Kuhn
Witness Its President~~

~~Date July 12, 2001 Date July 12, 2001~~

~~Candace A. Clark Walter R. Kozlow
Witness Consultant~~

~~Date July 17, 2001 Date July 17, 2001~~

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~~Page 1~~

~~KAMAN CORPORATION AND SUBSIDIARIES~~
~~EXHIBIT 11 EARNINGS (LOSS) PER SHARE COMPUTATION~~
(In thousands except per share amounts)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2001	2000	2001	2000
Basic:				
Net earnings (loss)	\$(12,495)	\$ 9,271	\$ (3,754)	\$ 17,827
Weighted average number of shares outstanding	22,377	23,166	22,343	23,146
Net earnings (loss) per share basic	\$ (.56)	\$.40	\$ (.17)	\$.77
Diluted:				
Net earnings (loss)	\$(12,495)	\$ 9,271	\$ (3,754)	\$ 17,827
Elimination of interest expense on 6% subordinated convertible debentures(net after taxes)	280	255	535	522
Net earnings (loss) (as adjusted)	\$(12,215)	\$ 9,526	\$ (3,219)	\$ 18,349
Weighted average number of shares outstanding	22,377	23,166	22,343	23,146
Weighted average shares issuable on conversion of 6% subordinated convertible debentures	1,066	1,136	1,094	1,165
Weighted average shares issuable on exercise of diluted stock options	267	26	257	31
Total	23,710	24,328	23,694	24,342
Net earnings (loss) per share diluted*	\$ (.56)	\$.39	\$ (.17)	\$.75

~~*The calculated diluted per share amounts for 2001 are anti dilutive, therefore, amounts shown are equal to the basic per share calculation.~~