

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

FORM 10-Q

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

For the quarterly period ended July 1, 2022

Or

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

For the transition period from _____ to _____



Commission File Number: 001-35419

KAMAN CORPORATION

(Exact name of registrant as specified in its charter)

Connecticut

(State or other jurisdiction of incorporation or organization)

06-0613548

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

1332 Blue Hills Avenue, Bloomfield, Connecticut

(Address of principal executive offices)

06002

(Zip Code)

(860) 243-7100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$1 par value)	KAMN	New York Stock Exchange LLC

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

Yes

☒

No

☐

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

Yes

☒

No

☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

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

Yes

☐

No

☒

At July 29, 2022, there were 28,009,838 shares of Common Stock outstanding.

PART I

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

KAMAN CORPORATION AND SUBSIDIARIES

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

	July 1, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 80,244	\$ 140,800
Accounts receivable, net	77,692	73,524
Contract assets	109,290	112,354
Contract costs, current portion	909	850
Inventories	214,688	193,100
Income tax refunds receivable	16,194	13,832
Assets held for sale, current portion	363	—
Other current assets	15,754	12,083
Total current assets	515,134	546,543
Property, plant and equipment, net of accumulated depreciation of \$256,689 and \$251,888, respectively	192,769	197,822
Operating right-of-use assets, net	8,618	11,011
Goodwill	233,135	240,681
Other intangible assets, net	131,403	138,074
Deferred income taxes	15,335	15,717
Contract costs, noncurrent portion	9,865	10,249
Assets held for sale, noncurrent portion	901	—
Investment in Near Earth Autonomy	10,000	—
Other assets	40,937	38,385
Total assets	\$ 1,158,097	\$ 1,198,482
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable – trade	\$ 32,192	\$ 42,134
Accrued salaries and wages	29,306	38,892
Contract liabilities, current portion	2,893	2,945
Operating lease liabilities, current portion	3,896	4,502
Income taxes payable	239	386
Liabilities held for sale, current portion	340	—
Other current liabilities	36,275	32,076
Total current liabilities	105,141	120,935
Long-term debt, excluding current portion, net of debt issuance costs	197,542	189,421
Deferred income taxes	6,354	6,506
Underfunded pension	10,978	21,786
Contract liabilities, noncurrent portion	16,528	16,528
Operating lease liabilities, noncurrent portion	5,398	7,140
Liabilities held for sale, noncurrent portion	230	—
Other long-term liabilities	36,984	39,837
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred stock, \$1 par value, 200,000 shares authorized; none outstanding	—	—
Common stock, \$1 par value, 50,000,000 shares authorized; voting; 30,584,400 and 30,434,269 shares issued, respectively	30,584	30,434
Additional paid-in capital	241,597	248,153
Retained earnings	753,985	750,445
Accumulated other comprehensive income (loss)	(125,202)	(111,385)
Less 2,598,056 and 2,573,896 shares of common stock, respectively, held in treasury, at cost	(122,022)	(121,318)
Total shareholders' equity	778,942	796,329
Total liabilities and shareholders' equity	\$ 1,158,097	\$ 1,198,482

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Net sales	\$ 160,766	\$ 182,394	\$ 318,814	\$ 354,010
Cost of sales	108,659	120,448	216,120	239,159
Gross profit	52,107	61,946	102,694	114,851
Selling, general and administrative expenses	39,250	38,719	78,971	76,847
Research and development costs	5,215	3,238	10,328	7,464
Intangible asset amortization expense	2,439	2,637	4,906	5,274
Costs from transition services agreement	—	999	—	1,704
Restructuring and severance costs	2,927	1,516	3,096	2,868
Loss on sale of business	—	—	—	234
Net (gain) loss on sale of assets	(4)	5	56	15
Operating income	2,280	14,832	5,337	20,445
Interest expense, net	1,993	4,335	4,474	8,586
Non-service pension and post-retirement benefit income	(5,024)	(6,577)	(10,287)	(13,220)
Income from transition services agreement	—	(442)	—	(917)
Other expense, net	690	158	1,194	447
Earnings before income taxes	4,621	17,358	9,956	25,549
Income tax expense	557	5,502	1,864	5,709
Net earnings	\$ 4,064	\$ 11,856	\$ 8,092	\$ 19,840
Earnings per share:				
Basic earnings per share	\$ 0.15	\$ 0.43	\$ 0.29	\$ 0.71
Diluted earnings per share	\$ 0.14	\$ 0.42	\$ 0.29	\$ 0.71
Average shares outstanding:				
Basic	28,005	27,867	27,977	27,841
Diluted	28,059	27,913	28,071	27,890

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Net earnings	\$ 4,064	\$ 11,856	\$ 8,092	\$ 19,840
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments and other	(10,261)	1,719	(15,479)	17,232
Change in pension and post-retirement benefit plan liabilities, net of tax expense of \$269 and \$266 and \$497 and \$516, respectively	900	899	1,662	1,741
Other comprehensive (loss) income	(9,361)	2,618	(13,817)	18,973
Comprehensive (loss) income	<u>\$ (5,297)</u>	<u>\$ 14,474</u>	<u>\$ (5,725)</u>	<u>\$ 38,813</u>

See accompanying notes to condensed consolidated financial statements.

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

	For the Six Months Ended	
	July 1, 2022	July 2, 2021
Cash flows from operating activities:		
Net earnings	\$ 8,092	\$ 19,840
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,654	18,391
Amortization of debt issuance costs	1,024	882
Accretion of convertible notes discount	—	1,484
Provision for doubtful accounts	263	290
Loss on sale of business	—	234
Net loss on sale of assets	56	15
Net loss on derivative instruments	1,646	566
Stock compensation expense	4,811	4,225
Non-cash consideration received for blade exchange	(827)	—
Deferred income taxes	2,050	2,957
Changes in assets and liabilities, excluding effects of acquisitions/divestitures:		
Accounts receivable	(5,430)	53,232
Contract assets	2,936	(4,637)
Contract costs	324	(349)
Inventories	(24,411)	(12,205)
Income tax refunds receivable	(2,365)	1,485
Operating right of use assets	1,748	781
Other assets	(2,817)	1,319
Accounts payable - trade	(9,701)	(24,068)
Contract liabilities	(38)	(18,588)
Operating lease liabilities	(1,703)	(919)
Acquired retention plan payments	—	(25,108)
Other current liabilities	(8,635)	(9,470)
Income taxes payable	(160)	1,532
Pension liabilities	(8,873)	(22,837)
Other long-term liabilities	(2,598)	(3,775)
Net cash used in operating activities	(26,954)	(14,723)
Cash flows from investing activities:		
Proceeds from sale of business, net of cash on hand	—	(3,428)
Expenditures for property, plant & equipment	(10,520)	(8,102)
Investment in Near Earth Autonomy	(10,000)	—
Other, net	1,341	(671)
Net cash used in investing activities	(19,179)	(12,201)
Cash flows from financing activities:		
Purchase of treasury shares	(698)	(390)
Dividends paid	(11,163)	(11,106)
Debt issuance costs	(4,236)	—
Other, net	2,319	876
Net cash used in financing activities	(13,778)	(10,620)
Net decrease in cash and cash equivalents	(59,911)	(37,544)
Effect of exchange rate changes on cash and cash equivalents	(645)	(183)
Cash and cash equivalents and restricted cash at beginning of period (See Note 3)	140,800	136,089
Cash and cash equivalents and restricted cash at end of period	\$ 80,244	\$ 98,362

See accompanying notes to condensed consolidated financial statements.

1. BASIS OF PRESENTATION

Following the sale of the Company's Distribution business in 2019, the Company operated as one segment. In the fourth quarter of 2021, our Chief Operating Decision Maker ("CODM") established a new structure for the Company to better align the Company's businesses to support capital allocation plans, portfolio management and growth. This new structure resulted in the introduction of three reportable segments: Engineered Products, Precision Products and Structures. See Note 5, *Revenue and Segment Information*, for 2022 financial results by segment and a recast of financial results by segment for the three-month and six-month fiscal periods ended July 2, 2021.

During the second quarter of 2022, the Company entered into an asset purchase agreement to sell certain assets and liabilities of its Mexico operations in the Structures segment. As a result of the agreement, the assets and liabilities of the Mexico operations to be sold were reclassified to assets and liabilities held for sale, respectively, as of July 1, 2022 on the Company's Condensed Consolidated Balance Sheet as the criteria set forth in Accounting Standards Codification 205-20, *Presentation of Financial Statements - Discontinued Operations* ("ASC 205-20") for held for sale were met. See Note 3, *Disposals*, to the Condensed Consolidated Financial Statements for further information. This transaction closed on July 29, 2022.

In the opinion of management, the condensed consolidated financial information reflects all adjustments necessary for a fair statement of the Company's financial position, results of operations and cash flows for the interim periods presented, but do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). All such adjustments are of a normal recurring nature, unless otherwise disclosed in this report. Certain amounts in prior year financial statements and notes thereto have been reclassified to conform to current year presentation. The statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The Company has a calendar year-end; however, its first three fiscal quarters follow a 13-week convention, with each quarter ending on a Friday. The second quarters for 2022 and 2021 ended on July 1, 2022, and July 2, 2021, respectively.

2. RECENT ACCOUNTING STANDARDS

Recent Accounting Standards Adopted

In May 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2021-04, "Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Subtopic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)". The objective of this standard update is to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. The guidance clarifies whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as either an adjustment to equity and, if so, the related earnings per share ("EPS") effects, if any, or as an expense and, if so, the manner and pattern of recognition. The standard update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption was permitted, including adoption in an interim period. The Company adopted this standard on January 1, 2022. The adoption of this standard update did not have a material impact on the Company's consolidated financial statements.

2. RECENT ACCOUNTING STANDARDS (CONTINUED)

Recent Accounting Standards Adopted - continued

In August 2020, the FASB issued ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity". The objective of this standard update is to simplify the accounting for certain financial instruments with characteristics of liabilities and equity. The update removes certain separation models between a debt component and equity or derivative component for certain convertible instruments. Entities that previously required separate accounting for conversion features will report less interest expense as those conversion features were recorded as debt discounts which were amortized over the term of the debt. In addition, this ASU adds new disclosure requirements for convertible instruments to improve the decision usefulness and relevance of the information being provided to users of financial statements, clarifies the guidance for determining whether a contract qualifies for a scope exception from derivative accounting, and requires the application of the if-converted method when calculating diluted EPS guidance to improve consistency. The standard update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Early adoption of the standard was permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. An entity should adopt the guidance as of the beginning of its annual fiscal year and can do so using a modified retrospective method or fully retrospective method of transition. On January 1, 2022, the Company adopted ASU 2020-06 using the modified retrospective basis which resulted in a cumulative effect adjustment to the opening balance sheet. The prior period condensed consolidated financial statements have not been retroactively adjusted and continue to be reported under the accounting standard in effect for the period.

The cumulative effect of the adjustments recorded to the opening balance sheet on January 1, 2022 for the adoption of ASU 2020-06 was as follows:

<i>in thousands</i>	<u>Balance at December 31, 2021</u>	<u>Adjustments due to ASU 2020-06</u>	<u>Balance at January 1, 2022</u>
Assets			
Deferred income taxes	\$ 15,717	\$ 1,770	\$ 17,487
Liabilities			
Long-term debt, excluding current portion, net of debt issuance costs	\$ 189,421	\$ 7,624	\$ 197,045
Equity			
Additional paid-in capital	\$ 248,153	\$ (12,489)	\$ 235,664
Retained earnings	\$ 750,445	\$ 6,635	\$ 757,080

Beginning in 2022, the Company will calculate diluted EPS using the if-converted method for its convertible debt instruments, which is not expected to have a material impact on the consolidated results. Historically, the Company used the treasury stock method to calculate diluted EPS for its convertible debt instruments. In the second quarter of 2022, there was no impact as diluted EPS calculated to \$0.14 and \$0.29, respectively, using both the if-converted method and treasury stock method. Refer to Note 13, *Debt*, for further information on the Company's convertible notes.

2. RECENT ACCOUNTING STANDARDS (CONTINUED)

Recent Accounting Standards Yet to be Adopted

In March 2022, the FASB issued ASU 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method". The amendments in this standard update expand the current last-of-layer method of hedge accounting that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio. This standard update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of this update for any entity that has adopted the amendments in ASU 2017-12 for the corresponding period. If an entity adopts the amendments in an interim period, the effect of adopting the amendments related to basis adjustments should be reflected as of the beginning of the fiscal year of adoption. The adoption of this standard update is not expected to have a material impact on the Company's consolidated financial statements; however, the impact will be dependent on future hedging activity.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The amendments in this standard update address diversity and inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination and require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. This standard update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the standard is permitted, including adoption in an interim period. The adoption of this standard update is not expected to have a material impact on the Company's consolidated financial statements; however, the impact will be dependent on future business combinations.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting". The objective of the standard is to address operational challenges likely to arise in accounting for contract modifications and hedge accounting due to reference rate reform. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The standard update is effective for all entities as of March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments for contract modifications by topic or industry subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020. Once elected for a topic or industry subtopic, the amendments in this standard update must be applied prospectively for all eligible contract modifications for that topic or industry subtopic. An entity may elect to apply the amendments for eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. If an entity elects to apply any of the amendments for an eligible hedging relationship existing as of the beginning of the interim period that includes March 12, 2020, any adjustments as a result of those elections must be reflected as of the beginning of that interim period. If an entity elects to apply any of the amendments for a new hedging relationship entered into between the beginning of the interim period that includes March 12, 2020 and March 12, 2020, any adjustments as a result of those elections must be reflected as of the beginning of the hedging relationship. In December 2021, the Company amended its credit agreement to move its LIBOR benchmark for non-USD borrowings to other non-USD benchmark rates. Future USD borrowings under this current Credit Agreement will continue to be based on LIBOR. The impact of the adoption of this standard update is dependent on the Company's contracts modifications as a result of reference rate reform; however, the Company does not expect the adoption of the amendments associated with hedging relationships to have a material impact on the Company's consolidated financial statements.

Subsequent to the issuance of ASU 2020-04, the FASB issued the following update: ASU 2021-01, "Reference Rate Reform (Topic 848) - Scope". The amendments in this update affect the guidance within ASU 2020-04 and are being assessed with ASU 2020-04.

3. DISPOSALS

Mexico Business

In the second quarter of 2022, the Company entered into an asset purchase agreement to sell certain assets and liabilities of its Mexico operations in the Structures segment. Subsequent to the end of the quarter, the transaction closed on July 29, 2022.

The transaction does not meet the criteria set forth in ASC 205-20 for discontinued operations as it does not reflect a significant shift in the Company's strategy. As a result of the asset purchase agreement, the related assets and liabilities of the Mexico operations to be sold were reclassified to assets held for sale and liabilities held for sale, respectively, as of July 1, 2022 on the Company's Condensed Consolidated Balance Sheets as the criteria set forth in ASC 205-20 for held for sale presentation were met.

UK Composites Business

In the fourth quarter of 2020, the Company received approval from its Board of Directors to sell its United Kingdom ("UK") Composites division. The sale of the UK Composites business did not meet the criteria set forth in ASC 205-20 for discontinued operations as it did not reflect a significant shift in the Company's strategy. As a result of the approved plan, the UK Composites division met the criteria set forth in ASC 205-20 for held for sale presentation at December 31, 2020. At December 31, 2020, the assets of the UK Composites business were considered impaired as the estimated fair value of the disposal group was lower than the estimated carrying value of the UK Composites business. As such, the assets of the UK Composites business were written off and the related liabilities of the UK division to be sold were reclassified to liabilities held for sale, as of December 31, 2020 on the Company's Consolidated Balance Sheet. The Company recorded an impairment loss of \$36.3 million in the year ended December 31, 2020. The Company sold its UK Composites division in a transaction that closed on February 2, 2021. In the first quarter of 2021, when the sale was finalized, the Company recorded an additional loss of \$0.2 million, which was included in loss on sale of business on the Company's Condensed Consolidated Statement of Operations for the six-month fiscal period ended July 2, 2021, resulting in a total loss on the sale of the UK Composites business of \$36.5 million.

Cash and cash equivalents and restricted cash at the beginning of the period on the Company's Condensed Consolidated Statement of Cash Flows for the six-month fiscal period ended July 2, 2021 included \$6.6 million of cash that was included in the UK Composites business disposal group. Given the assets of the disposal group were recognized net of the impairment recorded in the year ended December 31, 2020, such amounts were not reflected on the Company's Consolidated Balance Sheet at December 31, 2020.

Distribution Business

On August 26, 2019, the Company completed the sale of its Distribution business. Upon closing, the Company entered into a transition services agreement ("TSA") with the buyer, pursuant to which the Company agreed to support the information technology ("IT"), human resources and benefits, tax and treasury functions of the Distribution business for six to twelve months. The buyer exercised an option to extend the support period for up to one additional year for certain services. During the third quarter of 2021, the TSA expired and all services were completed as of the end of the period. As such, there was no activity associated with the TSA in 2022. Through the term of the TSA, the Company incurred \$18.9 million in costs and earned \$13.0 million in income associated with the TSA. Of these amounts, \$1.0 million and \$1.7 million in costs were incurred and \$0.4 million and \$0.9 million in income was earned in three-month and six-month fiscal periods ended July 2, 2021, respectively. These amounts were included in costs from transition services agreement and income from transition services agreement on the Company's Condensed Consolidated Statements of Operations, respectively.

Since the sale of the Distribution business, cash outflows from the Company to its former Distribution business totaled \$8.7 million through July 1, 2022, which primarily related to Distribution employee and employee-related costs incurred prior to the sale. There were no cash flows from the Company to its former Distribution business in the six-month fiscal periods ended July 1, 2022 and July 2, 2021. Since the sale of the Distribution business, cash inflows from the Company's former Distribution business to the Company totaled \$19.1 million through July 1, 2022, which primarily related to cash received for services performed under the TSA and the \$5.2 million working capital adjustment settled in the first quarter of 2020. Cash inflows from the Company's former Distribution business received in the six-month fiscal period ended July 2, 2021 totaled \$1.5 million. Cash inflows from the former Distribution business were not material in 2022.

4. BUSINESS COMBINATIONS AND INVESTMENTS

Near Earth Autonomy

On June 22, 2022, the Company invested \$10.0 million in Near Earth Autonomy, Inc. ("Near Earth"), in exchange for a minority interest in the outstanding equity of Near Earth and one seat on its Board of Directors. This investment supports Near Earth's mission to accelerate its technology to establish an industry standard in autonomous solutions for the next generation of aviation and leverages the Company's core competency in precision parts manufacturing as the preferred manufacturer of autonomous parts and components for Near Earth. Since 2019, Near Earth has been a partner on the autonomous technology for the Company's *K-MAX TITAN* unmanned aerial system and the *KARGO UAV* unmanned aerial system, a purpose built autonomous medium lift logistics vehicle.

In accordance with ASC 321, *Investments - Equity Securities*, the Company elected to apply the measurement alternative and accounted for the investment as an equity interest, initially measured at cost. The investment was included in Investment in Near Earth Autonomy on the Company's Condensed Consolidated Balance Sheets as of July 1, 2022. Upon observable transaction prices or impairment, the Company will remeasure the investment at fair value.

Aircraft Wheel & Brake

On May 21, 2022, the Company entered into an asset purchase agreement with Parker-Hannifin Corporation ("Parker"), pursuant to which the Company will acquire Parker's Aircraft Wheel and Brake division for a total purchase price of \$440.0 million payable in cash, subject to a customary working capital adjustment. Parker is divesting this portion of its business in order to secure approval from certain governmental authorities in connection with its previously announced offer to acquire Meggitt PLC ("Meggitt").

The Company has obtained a financing commitment, subject to customary conditions, that will provide it with sufficient cash to consummate the closing. The closing of this transaction is expected to occur before December 31, 2022. The timing of closing will be contingent upon the receipt of regulatory approvals, including the European Commission's process with respect to its consideration of Parker's acquisition of Meggitt.

Bal Seal

On January 3, 2020, the Company acquired all of the equity interests of Bal Seal Engineering ("Bal Seal"), of Foothill Ranch, California, at a purchase price of \$317.5 million. Upon closing, the Company funded \$24.7 million associated with employee retention plans at Bal Seal. This amount and related interest was included in restricted cash on the Company's Consolidated Balance Sheets as of December 31, 2020. Eligible participants received an allocation of the escrow balance one year following the acquisition date, which was reflected in the Company's cash flows from operating activities for the six-month fiscal period ended July 2, 2021.

5. REVENUE AND SEGMENT INFORMATION

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

The Engineered Products segment serves the aerospace and defense, industrial and medical markets providing sophisticated proprietary aircraft bearings and components; super precision, miniature ball bearings; and proprietary spring energized seals, springs and contacts.

The Precision Products segment serves the aerospace and defense markets providing precision safe and arming solutions for missile and bomb systems for the U.S. and allied militaries; subcontract helicopter work; restoration, modification and support of the Company's SH-2G Super Seasprite maritime helicopters; manufacture and support of the heavy lift K-MAX® manned helicopter, the *K-MAX TITAN* unmanned aerial system and the *KARGO UAV* unmanned aerial system, a purpose built autonomous medium lift logistics vehicle.

The Structures segment serves the aerospace and defense and medical end markets providing sophisticated complex metallic and composite aerostructures for commercial, military and general aviation fixed and rotary wing aircraft, and medical imaging solutions.

Summarized financial information by business segment is as follows:

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Net sales:				
Engineered Products	\$ 89,765	\$ 78,956	\$ 171,217	\$ 150,735
Precision Products	41,267	71,539	88,816	132,072
Structures	29,734	31,899	58,781	71,203
Net sales	<u>\$ 160,766</u>	<u>\$ 182,394</u>	<u>\$ 318,814</u>	<u>\$ 354,010</u>
Operating income (loss):				
Engineered Products	\$ 15,467	\$ 9,758	\$ 26,509	\$ 14,664
Precision Products	2,550	19,429	5,959	32,482
Structures	(830)	(1,521)	(1,447)	(1,201)
Corporate expense	(11,984)	(10,314)	(22,532)	(20,679)
Other unallocated expenses, net ⁽¹⁾	<u>(2,923)</u>	<u>(2,520)</u>	<u>(3,152)</u>	<u>(4,821)</u>
Operating income	<u>\$ 2,280</u>	<u>\$ 14,832</u>	<u>\$ 5,337</u>	<u>\$ 20,445</u>

⁽¹⁾ Other unallocated expenses, net include costs from the TSA, restructuring and severance costs, loss on sale of business, and net (gain) loss on sale of assets.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Disaggregation of Revenue

The following tables disaggregate segment revenue by major product line:

For the Three Months Ended July 1, 2022				
	Engineered Products	Precision Products	Structures	Total
<i>In thousands</i>				
Defense	\$ 9,342	\$ 6,629	\$ 16,098	\$ 32,069
Safe and Arm Devices	—	21,563	—	21,563
Commercial, Business & General Aviation	37,644	11,895	11,319	60,858
Medical	22,683	—	2,317	25,000
Industrial & Other	20,096	1,180	—	21,276
Total revenue	<u>\$ 89,765</u>	<u>\$ 41,267</u>	<u>\$ 29,734</u>	<u>\$ 160,766</u>
For the Three Months Ended July 2, 2021				
	Engineered Products	Precision Products	Structures	Total
<i>In thousands</i>				
Defense	\$ 11,857	\$ 7,259	\$ 20,664	\$ 39,780
Safe and Arm Devices	—	58,006	—	58,006
Commercial, Business & General Aviation	26,860	4,872	9,398	41,130
Medical	21,025	—	1,837	22,862
Industrial & Other	19,214	1,402	—	20,616
Total revenue	<u>\$ 78,956</u>	<u>\$ 71,539</u>	<u>\$ 31,899</u>	<u>\$ 182,394</u>

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Disaggregation of Revenue - continued

		For the Six Months Ended July 1, 2022			
		Engineered Products	Precision Products	Structures	Total
<i>In thousands</i>					
Defense	\$	18,995	\$ 11,951	\$ 32,353	\$ 63,299
Safe and Arm Devices		—	58,885	—	58,885
Commercial, Business & General Aviation		70,022	15,662	22,132	107,816
Medical		43,832	—	4,296	48,128
Industrial & Other		38,368	2,318	—	40,686
Total revenue	\$	<u>171,217</u>	<u>\$ 88,816</u>	<u>\$ 58,781</u>	<u>\$ 318,814</u>
		For the Six Months Ended July 2, 2021			
		Engineered Products	Precision Products	Structures	Total
<i>In thousands</i>					
Defense	\$	23,085	\$ 14,253	\$ 46,053	\$ 83,391
Safe and Arm Devices		—	99,592	—	99,592
Commercial, Business & General Aviation		51,932	15,774	21,382	89,088
Medical		39,677	—	3,768	43,445
Industrial & Other		36,041	2,453	—	38,494
Total revenue	\$	<u>150,735</u>	<u>\$ 132,072</u>	<u>\$ 71,203</u>	<u>\$ 354,010</u>

Impacts from Current Economy

The U.S. economy is experiencing broad and rapid inflation and rising interest rates, as well as supply issues in material, services and labor due to economic policy, the coronavirus ("COVID-19") pandemic and, more recently, the war in Ukraine. These impacts are likely to persist through 2022 and beyond. We cannot predict the impact on the Company's end markets or input costs nor the ability of the Company to recover cost increases through pricing.

The Company has implemented strategies to limit the risk COVID-19 poses to its operations with a continued focus on the health of its employees and the satisfaction of its customers' requirements. Despite all of these efforts, the effects of the pandemic have adversely impacted our commercial end markets, more specifically Commercial, Business and General Aviation customers. Management is encouraged by the recoveries for these products and the strong order intake seen in the first six months of 2022. The extent and duration of time to which COVID-19 may adversely impact the Company depends on future developments, which continue to be uncertain and unpredictable.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Disaggregation of Revenue - continued

The following table disaggregates total revenue by product types.

	For the Three Months Ended July 1, 2022				For the Three Months Ended July 2, 2021			
	Engineered Products	Precision Products	Structures	Total	Engineered Products	Precision Products	Structures	Total
Original Equipment Manufacturer	43 %	6 %	18 %	67 %	34 %	3 %	18 %	55 %
Aftermarket	13 %	7 %	— %	20 %	9 %	4 %	— %	13 %
Safe and Arm Devices	— %	13 %	— %	13 %	— %	32 %	— %	32 %
Total revenue	56 %	26 %	18 %	100 %	43 %	39 %	18 %	100 %

	For the Six Months Ended July 1, 2022				For the Six Months Ended July 2, 2021			
	Engineered Products	Precision Products	Structures	Total	Engineered Products	Precision Products	Structures	Total
Original Equipment Manufacturer	42 %	5 %	18 %	65 %	34 %	5 %	20 %	59 %
Aftermarket	12 %	5 %	— %	17 %	9 %	4 %	— %	13 %
Safe and Arm Devices	— %	18 %	— %	18 %	— %	28 %	— %	28 %
Total revenue	54 %	28 %	18 %	100 %	43 %	37 %	20 %	100 %

Disaggregation of Research and Development Costs

The following table presents research and development costs by segment:

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Engineered Products	\$ 2,121	\$ 1,781	\$ 4,364	\$ 4,603
Precision Products	2,984	1,436	5,787	2,838
Structures	110	21	177	23
Total research and development costs	\$ 5,215	\$ 3,238	\$ 10,328	\$ 7,464

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other

For contracts in which revenue is recognized over time, the Company performs detailed quarterly reviews of the progress and execution of its performance obligations under these contracts. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by subcontractors, the availability and timing of funding from customers and overhead cost rates, among other variables. Based upon these reviews, the Company will record the effects of adjustments in profit estimates each period. If at any time management determines that in the case of a particular contract total costs will exceed total contract revenue, a provision for the entire anticipated contract loss is recorded at that time.

Net changes in revenue associated with cost growth on the Company's over time contracts were as follows:

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Net increase (decrease) in revenue due to change in profit estimates	\$ 567	\$ (3,446)	\$ 1,472	\$ (581)

In the three-month and six-month fiscal periods ended July 1, 2022, the net increases in revenue were primarily related to favorable cost performance on the joint programmable fuze ("JPF") contract with the U.S. Government ("USG"), partially offset by cost growth on certain structures programs and legacy fuzing contracts.

The net reductions in revenue in the three-month and six-month fiscal periods ended July 2, 2021 were primarily related to cost growth on certain structures programs and missile fuzing contracts, partially offset by favorable cost performance on the completion of the SH-2 program with New Zealand. Additionally, for the six-month fiscal period ended July 2, 2021, the net decrease in revenue was offset by favorable cost performance on the JPF contract with the USG.

Unfulfilled Performance Obligations

Unfulfilled performance obligations ("backlog") represents the transaction price of firm orders for which work has not been performed and excludes unexercised contract options and potential orders under ordering-type contracts. Backlog at July 1, 2022 and December 31, 2021, and the portion of backlog the Company expects to recognize revenue on over the next twelve months is as follows:

	July 1, 2022 ⁽¹⁾	December 31, 2021
	(in thousands)	
Engineered Products	\$ 224,563	\$ 169,144
Precision Products	196,406	180,082
Structures	353,939	351,697
Total Backlog	\$ 774,908	\$ 700,923

⁽¹⁾ The Company expects to recognize revenue on approximately 59% of backlog as of July 1, 2022 over the next twelve months.

6. RESTRUCTURING AND SEVERANCE COSTS

The Company has identified workforce reductions and other reductions in certain general and administrative expenses, which resulted in \$1.9 million and \$2.1 million in restructuring and severance costs in the three-month and six-month fiscal periods ended July 1, 2022. In the three-month and six-month fiscal periods ended July 2, 2021, the Company incurred \$1.5 million and \$2.9 million in restructuring and severance costs. These costs were included in restructuring and severance costs on the Company's Condensed Consolidated Statements of Operations.

Other Matters

In addition to the restructuring and severance costs discussed above, in the three-month and six-month fiscal periods ended July 1, 2022, the Company incurred \$1.0 million in other severance expense.

7. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Trade receivables	\$ 29,274	\$ 19,228
U.S. Government contracts:		
Billed	15,605	14,748
Cost and accrued profit - not billed	275	167
Commercial and other government contracts		
Billed	33,844	36,787
Cost and accrued profit - not billed	—	4,141
Less allowance for doubtful accounts	(1,306)	(1,547)
Accounts receivable, net	<u>\$ 77,692</u>	<u>\$ 73,524</u>

The Company performs ongoing evaluations of its customers' current creditworthiness, as determined by the review of their credit information, to determine if events have occurred subsequent to the recognition of revenue and the related receivable that provide evidence that such receivable will be realized in an amount less than that recognized at the time of sale. Estimates of credit losses are based on historical losses, current economic conditions, geographic considerations, and in some cases, evaluating specific customer accounts for risk of loss.

The following table summarizes the activity in the allowance for doubtful accounts in the six-month fiscal period ended July 1, 2022:

<i>In thousands</i>	
Balance at December 31, 2021	\$ (1,547)
Provision	(257)
Amounts written off	197
Recoveries	297
Changes in foreign currency exchange rates	4
Balance at July 1, 2022	<u>\$ (1,306)</u>

7. ACCOUNTS RECEIVABLE, NET (CONTINUED)

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

	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Contract changes, negotiated settlements and claims for unanticipated contract costs	\$ —	\$ 900

8. CONTRACT ASSETS, CONTRACT COSTS AND CONTRACT LIABILITIES

Activity related to contract assets, contract costs and contract liabilities was as follows:

	July 1, 2022	December 31, 2021	\$ Change	% Change
<i>In thousands</i>				
Contract assets	\$ 109,290	\$ 112,354	\$ (3,064)	(2.7)%
Contract costs, current portion	\$ 909	\$ 850	\$ 59	6.9 %
Contract costs, noncurrent portion	\$ 9,865	\$ 10,249	\$ (384)	(3.7)%
Contract liabilities, current portion	\$ 2,893	\$ 2,945	\$ (52)	(1.8)%
Contract liabilities, noncurrent portion	\$ 16,528	\$ 16,528	\$ —	— %

Contract Assets

The decrease in contract assets was primarily due to higher amounts billed in the current period on the JPF program, the Sikorsky BLACK HAWK program and the AH-1Z program compared to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations for work performed and not yet billed on certain structures programs and an aftermarket precision products program. There were no significant impairment losses related to the Company's contract assets during the three-month and six-month fiscal periods ended July 1, 2022 and July 2, 2021.

Contract assets includes amounts for matters such as contract changes, negotiated settlements and claims for unanticipated contract costs. These amounts were as follows:

	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Contract changes, negotiated settlements and claims for unanticipated contract costs	\$ —	\$ 682

Contract Costs

At July 1, 2022 and December 31, 2021, costs to fulfill a contract were \$10.8 million and \$11.1 million, respectively. These amounts were included in contract costs, current portion and contract costs, noncurrent portion on the Company's Condensed Consolidated Balance Sheets at July 1, 2022 and December 31, 2021. There were no costs to obtain a contract at July 1, 2022 and December 31, 2021.

Contract costs, current portion at July 1, 2022 remained relatively flat compared to the balance at December 31, 2021. This was primarily attributable to the reclassification of a portion of costs to fulfill certain structures programs from contract costs, noncurrent portion, mostly offset by the amortization of contract costs. For the three-month and six-month fiscal periods ended July 1, 2022, amortization of contract costs was \$0.2 million and \$0.3 million, respectively. For the three-month and six-month fiscal periods ended July 2, 2021, amortization of contract costs was \$3.2 million and \$5.1 million, respectively.

8. CONTRACT ASSETS, CONTRACT COSTS AND CONTRACT LIABILITIES (CONTINUED)

Contract Costs - continued

The decrease in contract costs, noncurrent portion was attributable to the reclassification of costs on certain structures programs to contract costs, current portion.

Contract Liabilities

Contract liabilities, current portion remained relatively flat compared to the balance at December 31, 2021. This was primarily due to revenue recognized on our seals, springs and contacts, mostly offset by advances received for the JASSM program and certain fuzing programs. Revenue recognized related to contract liabilities, current portion was \$0.7 million and \$1.2 million in the three-month and six-month fiscal periods ended July 1, 2022, respectively. Revenue recognized related to contract liabilities, current portion was \$20.5 million and \$29.9 million in the three-month and six-month fiscal periods ended July 2, 2021, respectively.

Contract liabilities, noncurrent portion at July 1, 2022 remained flat compared to the balance at December 31, 2021. For the three-month and six-month fiscal periods ended July 1, 2022 and July 2, 2021, the Company did not recognize revenue against contract liabilities, noncurrent portion. Refer to Note 15, *Commitments and Contingencies*, for further information on the Company's offset agreements.

9. FAIR VALUE MEASUREMENTS

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

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

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

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

	July 1, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
In thousands				
Debt ⁽¹⁾	\$ 199,500	\$ 186,832	\$ 191,876	\$ 213,222

⁽¹⁾ These amounts are classified within Level 2.

The above fair values were computed based on quoted market prices and discounted future cash flows (observable inputs), as applicable. Differences from carrying values are attributable to interest rate changes subsequent to when the transactions occurred.

The fair values of cash and cash equivalents, accounts receivable, net and accounts payable - trade approximate their carrying amounts due to the short-term maturities of these instruments. The Company's cash and cash equivalents at July 1, 2022 and December 31, 2021 included \$55.6 million and \$65.5 million, respectively, of Level 1 money market funds.

9. FAIR VALUE MEASUREMENTS (CONTINUED)

Recurring Fair Value Measurements

The Company holds derivative instruments for foreign exchange contracts that are measured at fair value using observable market inputs such as forward rates and its counterparties' credit risks. Based on these inputs, the derivative instruments are classified within Level 2 of the valuation hierarchy. At July 1, 2022 and December 31, 2021, the derivative instruments were included in other current assets and other current liabilities on the Company's Condensed Consolidated Balance Sheets. Based on the Company's continued ability to trade and enter into forward contracts and interest rate swaps, the Company considers the markets for its fair value instruments to be active.

The Company evaluated the credit risk associated with the counterparties to these derivative instruments and determined that as of July 1, 2022, such credit risks had not had an adverse impact on the fair value of these instruments.

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

Forward Exchange Contracts

The Company holds forward exchange contracts designed to hedge forecasted transactions denominated in foreign currencies and to minimize the impact of foreign currency fluctuations on the Company's earnings and cash flows. Some of these contracts are designated as cash flow hedges. The Company will include in earnings amounts currently included in accumulated other comprehensive income (loss) upon recognition of cost of sales related to the underlying transaction. These contracts were not material to the Company's Condensed Consolidated Balance Sheets as of July 1, 2022 and December 31, 2021. The activity related to these contracts was not material to the Company's Condensed Consolidated Financial Statements for the three-month and six-month fiscal periods ended July 1, 2022 and July 2, 2021.

11. INVENTORIES

Inventories consisted of the following:

	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Raw materials	\$ 22,661	\$ 19,123
Contracts and other work in process (including certain general stock materials)	155,214	138,737
Finished goods	36,813	35,240
Inventories	<u>\$ 214,688</u>	<u>\$ 193,100</u>

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

	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Contract changes, negotiated settlements and claims for unanticipated contract costs	\$ —	\$ 552

11. INVENTORIES (CONTINUED)

At July 1, 2022 and December 31, 2021, \$68.8 million and \$69.2 million, respectively, of K-MAX® inventory was included in contracts and other work in process inventory and finished goods on the Company's Condensed Consolidated Balance Sheets. Management believes that approximately \$46.7 million of the K-MAX® inventory will be sold after July 1, 2023, based upon the anticipation of additional aircraft manufacturing and the requirements to support the fleet for the foreseeable future.

At July 1, 2022 and December 31, 2021, \$6.4 million and \$6.0 million, respectively, of SH-2G(I) inventory was included in contracts and other work in process inventory on the Company's Condensed Consolidated Balance Sheets. Management believes that approximately \$4.5 million of the SH-2G(I) inventory will be sold after July 1, 2023. This balance represents spares requirements and inventory to be used on SH-2G programs.

12. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

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

	Engineered Products		Precision Products		Structures	Total
<i>In thousands</i>						
Gross balance at December 31, 2021	\$	199,306	\$	41,375	\$ 66,559	\$ 307,240
Accumulated impairment		—		—	(66,559)	(66,559)
Net balance at December 31, 2021		199,306		41,375	—	240,681
Additions		—		—	—	—
Impairments		—		—	—	—
Foreign currency translation		(7,546)		—	—	(7,546)
Ending balance at July 1, 2022	\$	191,760	\$	41,375	\$ —	\$ 233,135
Accumulated impairment at end of period	\$	—	\$	—	\$ (66,559)	\$ (66,559)

Other Intangible Assets

Other intangible assets consisted of:

		At July 1, 2022		At December 31, 2021	
	Amortization Period	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<i>In thousands</i>					
Customer lists / relationships	6-38 years	\$ 125,278	\$ (36,831)	\$ 127,206	\$ (35,096)
Developed technologies	7-20 years	44,449	(15,313)	45,170	(13,591)
Trademarks / trade names	15-40 years	16,555	(2,790)	16,982	(2,659)
Non-compete agreements and other	1-15 years	4,497	(4,486)	4,629	(4,617)
Patents	17 years	523	(479)	523	(473)
Total		\$ 191,302	\$ (59,899)	\$ 194,510	\$ (56,436)

The changes in the gross amounts of the Company's other intangible assets were primarily due to changes in foreign currency exchange rates.

13. DEBT

Convertible Notes

During May 2017, the Company issued \$200.0 million aggregate principal amount of convertible senior unsecured notes due May 2024 (the "2024 Notes") pursuant to an indenture (the "Indenture"), dated May 12, 2017, between the Company and U.S. Bank National Association, as trustee. In connection therewith, the Company entered into certain capped call transactions that cover, collectively, the number of shares of the Company's common stock underlying the 2024 Notes.

On May 12, 2017, the Company issued \$175.0 million in principal amount of 2024 Notes, in a private placement offering. On May 24, 2017, the Company issued an additional \$25.0 million in principal amount of 2024 Notes pursuant to the initial purchasers' exercise of their over-allotment option, resulting in the issuance of an aggregate \$200.0 million principal amount of 2024 Notes. The 2024 Notes bear 3.25% interest per annum on the principal amount, payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2017. The 2024 Notes will mature on May 1, 2024, unless earlier repurchased by the Company or converted. The Company will settle any conversions of the 2024 Notes in cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election.

The sale of the Distribution business in the third quarter of 2019 was deemed to be a "Fundamental Change" and a "Make-Whole Fundamental Change" pursuant to the terms and conditions of the indenture governing the 2024 Notes. As a result, the sale triggered the right of the holders of our 2024 Notes to require us to repurchase all of the 2024 Notes, or any portion thereof that is a multiple of \$1,000 principal amount on September 27, 2019. The aggregate principal amount of the 2024 Notes validly tendered and not validly withdrawn was \$0.5 million, representing 0.25% of all outstanding notes. Holders of such notes receive the purchase price equal to 100% of the principal amount of the 2024 Notes being purchased, plus accrued and unpaid interest.

The following table illustrates the conversion rate at the date of issuance of the 2024 Notes:

2024 Notes	
Conversion Rate per \$1,000 principal amount ⁽¹⁾	15.3227
Conversion Price ⁽²⁾	65.2626
Contingent Conversion Price ⁽³⁾	84.8413
Aggregate shares to be issued upon conversion ⁽⁴⁾	3,056,879

⁽¹⁾ Represents the number of shares of Common Stock hypothetically issuable per each \$1,000 principal amount of 2024 Notes, subject to adjustments upon the occurrence of certain specified events in accordance with the terms of the Indenture.

⁽²⁾ Represents \$1,000 divided by the conversion rate as of such date. The conversion price reflects the strike price of the embedded option within the 2024 Notes. If the Company's share price exceeds the conversion price at conversion, the noteholders would be entitled to receive additional consideration either in cash, shares or a combination thereof, the form of which is at the sole discretion of the Company.

⁽³⁾ Prior to November 1, 2023, the notes are convertible only in the following circumstances: (1) during any fiscal quarter commencing after July 1, 2017, and only during any such fiscal quarter, if the last reported sale price of the Company's common stock was greater than or equal to 130% of the applicable conversion price for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter, (2) during the five consecutive business day period following any ten consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of 2024 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day or (3) upon the occurrence of specified corporate events. On or after November 1, 2023, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. If the Company undergoes a fundamental change (as defined in the Indenture), holders of the notes may require the Company to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount to be repurchased, plus any accrued and unpaid interest. As of July 1, 2022, none of the conditions permitting the holders of the 2024 Notes to convert had been met. Therefore, the 2024 Notes are classified as long-term debt.

⁽⁴⁾ This represents the number of shares hypothetically issuable upon conversion of 100% of the outstanding aggregate principal amount of the 2024 Notes at each date; however, the terms of the 2024 Notes state that the Company may pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election. The Company currently intends to settle the aggregate principal amount in cash. Amounts due in excess of the principal, if any, also may be settled in cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election.

13. DEBT (CONTINUED)

Convertible Notes - continued

In connection with the 2024 Notes offering, the Company entered into capped call transactions with certain of the initial purchasers or their respective affiliates. These transactions are intended to reduce the potential dilution to the Company's shareholders and/or offset the cash payments the Company is required to make in excess of the principal amount upon any future conversion of the notes in the event that the market price per share of the Company's common stock is greater than the strike price of the capped call transactions, with such reduction and/or offset subject to a cap based on the cap price of the capped call transactions. Under the terms of the capped call transactions, the strike price (\$65.2626) and the cap price (\$88.7570) are each subject to adjustment in certain circumstances. In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates entered into various derivative transactions with respect to the Company's common stock concurrently with or shortly after the pricing of the notes. The capped call transactions, which cost an aggregate \$20.5 million, were recorded as a reduction of additional paid-in capital.

ASC Topic 815 - Derivatives and Hedging ("ASC 815") provides that contracts are initially classified as equity if (1) the contract requires physical settlement or net-share settlement, or (2) the contract gives the company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The settlement terms of our capped call transactions require net-share settlement. Based on the guidance in ASC 815, the capped call transactions were recorded as a reduction of equity as of the trade date. ASC 815 states that a reporting entity shall not consider contracts to be derivative instruments if the contract issued or held by the reporting entity is both indexed to its own stock and classified in shareholders' equity in its balance sheet. The Company concluded the capped call transactions should be accounted for in shareholders' equity and are, therefore, not to be considered a derivative instrument.

At issuance, ASC 470-20 "Debt with Conversion and Other Options" ("ASC 470-20") clarified the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. ASC 470-20 specified that an issuer of such instruments should separately account for the liability and equity components of the instruments in a manner that reflects the issuer's non-convertible debt borrowing rate which interest costs are to be recognized in subsequent periods. The note payable principal balance for the 2024 Notes at the date of issuance of \$200.0 million was bifurcated into the debt component of \$179.5 million and the equity component of \$20.5 million. The difference between the note payable principal balance and the fair value of the debt component representing the debt discount was being accreted to interest expense over the term of the 2024 Notes. The fair value of the debt component was recognized using a 5.0% discount rate, representing the Company's borrowing rate at the date of issuance for a similar debt instrument without a conversion feature with an expected life of seven years. At January 1, 2022, the Company adopted ASU 2020-06, which removed certain separation models between a debt component and equity component for certain convertible instruments. As a result, the convertible notes balance consists solely of a debt component as of the adoption. Refer to Note 2, *Recent Accounting Standards*, for further information on the cumulative effect adjustment recorded at adoption.

The Company incurred \$7.4 million of debt issuance costs in connection with the sale of the 2024 Notes, which was allocated between the debt and equity components of the instrument at issuance. Of the total amount, \$0.7 million was recorded as an offset to additional paid-in capital. The balance, \$6.7 million, was recorded as a contra-debt balance and was being amortized over the term of the 2024 Notes. As a result of the adoption of ASU 2020-06, the amount recorded to additional paid-in capital was reclassified to retained earnings in the cumulative effect adjustment recorded on January 1, 2022. The remaining balance of debt issuance costs is being amortized over the term of the convertible notes. Total amortization expense for the three-month and six-month fiscal periods ended July 1, 2022 and July 2, 2021 was \$0.3 million and \$0.5 million, respectively.

13. DEBT (CONTINUED)

Convertible Notes - continued

The carrying amount of the equity component and the principal amount of the liability component, the unamortized discount and the net carrying value of the liability are as follows:

	2024 Notes	
	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Principal amount of liability	\$ 199,500	\$ 199,500
Unamortized discount ⁽¹⁾	—	7,624
Carrying value of liability	\$ 199,500	\$ 191,876
Equity component ⁽¹⁾	\$ —	\$ 20,408

⁽¹⁾At January 1, 2022, the Company adopted ASU 2020-06, which removed certain separation models between a debt component and equity component for certain convertible instruments. Refer to Note 2, *Recent Accounting Standards*, for further information on the cumulative effect adjustment recorded at adoption.

Because the embedded conversion option is indexed to the Company’s own stock and would be classified in shareholders’ equity, it does not meet the criterion under ASC 815 that would require separate accounting as a derivative instrument.

Interest expense associated with the 2024 Notes consisted of the following:

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Contractual coupon rate of interest	\$ 1,621	\$ 1,621	\$ 3,242	\$ 3,242
Accretion of convertible notes discount ⁽¹⁾	—	747	—	1,484
Interest expense - convertible notes	\$ 1,621	\$ 2,368	\$ 3,242	\$ 4,726

⁽¹⁾In accordance with ASU 2020-06, entities that previously required separate accounting for conversion features will report less interest expense as those conversion features were recorded as debt discounts which were amortized over the term of the debt. Refer to Note 2, *Recent Accounting Standards*, for further information on the adoption of ASU 2020-06.

The weighted average interest rate on long-term borrowings outstanding as of July 1, 2022 and December 31, 2021 was 3.25% in both periods.

13. DEBT (CONTINUED)

Revolving Credit Agreement

On December 13, 2019, the Company closed an amended and restated \$800.0 million Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent, which matures on December 13, 2024. Capitalized terms used but not defined within this Note 13, *Debt*, have the meanings ascribed thereto in the Credit Agreement. The Credit Agreement was further amended on December 8, 2021 to move its LIBOR benchmark for non-USD borrowings to other non-USD benchmark rates. Future USD borrowings under this current Credit Agreement will continue be based on LIBOR. On May 31, 2022, the Credit Agreement was further amended to, among other things, adjust the Total Net Leverage Ratio financial covenant in anticipation of the consummation of the announced acquisition of Parker's Aircraft Wheel and Brake division. Prior to the amendment, the Credit Agreement included a requirement that the Consolidated Total Net Leverage Ratio could not be greater than 4.00 to 1.00, with an election to increase the maximum to 4.50 to 1.00 for four consecutive quarters, in connection with a Material Permitted Investment. The financial covenant now requires for any period of four consecutive fiscal quarters ending on or after the closing date of the acquisition of Parker's Aircraft Wheel and Brake division ("closing date"), the Consolidated Total Net Leverage Ratio, as defined in the Credit Agreement, cannot be greater than 5.00 to 1.00 for any period of four consecutive quarters ending on or prior to the first anniversary of the closing date, 4.75 to 1.00 for any period of four consecutive quarters ending after the first anniversary and on or prior to second anniversary of the closing date, and 4.50 to 1.00 for any period of four consecutive quarters ending after the second anniversary of the closing date. In addition, the amendment adjusted the definitions of "permitted acquisition", "pro forma" and the "limited condition acquisition" provision, as applicable, to the acquisition of Parker's Aircraft Wheel and Brake division.

Debt issuance costs in connection with the Credit Agreement have been capitalized and are being amortized over the term of the agreement. In 2019, we incurred \$3.6 million of debt issuance costs in connection with the amendment and restatement of the Credit Agreement. An additional \$4.2 million of debt issuance costs were incurred in connection with the amendment of the Credit Agreement in 2022. Total amortization expense for the three-month fiscal periods ended July 1, 2022 and July 2, 2021 was \$0.3 million and \$0.2 million, respectively. Total amortization expense for the six-month fiscal periods ended July 1, 2022 and July 2, 2021 was \$0.5 million and \$0.4 million, respectively.

14. PENSION PLANS

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

	For the Three Months Ended			
	Qualified Pension Plan		SERP	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Service cost ⁽¹⁾	\$ 882	\$ (649)	\$ —	\$ —
Interest cost on projected benefit obligation	4,349	3,558	22	14
Expected return on plan assets	(10,564)	(11,314)	—	—
Amortization of net loss	1,154	1,147	15	18
Net pension (income) cost	<u>\$ (4,179)</u>	<u>\$ (7,258)</u>	<u>\$ 37</u>	<u>\$ 32</u>

⁽¹⁾ In the second quarter of 2021, the Company elected to use the alternative method to calculate the Pension Benefit Guaranty Corporation premium. The change resulted in a \$3.9 million decrease to the 2021 premium, which is included in the service cost. Due to this election and the reduction of the premium, the Company reversed \$1.0 million of service cost in the three-month fiscal period ended July 2, 2021, which was previously incurred in the first quarter of 2021.

14. PENSION PLANS (CONTINUED)

	For the Six Months Ended			
	Qualified Pension Plan		SERP	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Service cost	\$ 1,682	\$ 651	\$ —	\$ —
Interest cost on projected benefit obligation	8,599	7,083	44	29
Expected return on plan assets	(21,089)	(22,589)	—	—
Amortization of net loss	2,129	2,222	30	35
Net pension (income) cost	<u>\$ (8,679)</u>	<u>\$ (12,633)</u>	<u>\$ 74</u>	<u>\$ 64</u>

No contributions are expected to be made to the qualified pension plan during 2022. The Company contributed \$0.3 million to the SERP through the end of the second quarter of 2022 and plans to contribute an additional \$0.2 million to the SERP in 2022. For the 2021 plan year, the Company contributed \$10.0 million to the qualified pension plan and \$2.7 million to the SERP.

15. COMMITMENTS AND CONTINGENCIES

Pension Freeze

Effective December 31, 2015, the Company's qualified pension plan was frozen with respect to future benefit accruals. Under USG Cost Accounting Standard ("CAS") 413, the Company must determine the USG's share of any pension curtailment adjustment calculated in accordance with CAS. Such adjustments can result in an amount due to the USG for pension plans that are in a surplus position or an amount due to the contractor for plans that are in a deficit position. During the fourth quarter of 2016, the Company accrued a \$0.3 million liability representing its estimate of the amount due to the USG based on the Company's pension curtailment adjustment calculation, which was submitted to the USG for review in December 2016. The Company maintained its accrual at \$0.3 million as of July 1, 2022. There can be no assurance that the ultimate resolution of this matter will not have a material adverse effect on the Company's results of operations, financial position and cash flows.

New Hartford Property

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

The Company's estimate of its portion of the cost to assess the environmental conditions and remediate this site is \$2.3 million, all of which has been accrued. The remediation has been nearly completed and the Company continues to monitor the results of the remediation. The total amount paid to date in connection with these environmental remediation activities is \$1.7 million. At July 1, 2022, the Company had \$0.6 million accrued for these environmental remediation activities. A portion (\$0.1 million) of the accrual related to this property is included in other current liabilities and the balance is included in other long-term liabilities. The remaining balance of the accrual reflects the total anticipated cost of completing these environmental remediation activities. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, the Company is unable to estimate the amount of such additional costs, if any, at this time.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Bloomfield Property

In connection with the Company’s 2008 purchase of the portion of the Bloomfield campus that Kaman Aerospace Corporation had leased from NAVAIR, the Company assumed responsibility for environmental remediation at the facility as may be required under the Transfer Act and is currently remediating the property under the guidance of the Connecticut Department of Environmental Protection. The assumed environmental liability of \$10.3 million was determined by taking the undiscounted estimated remediation liability of \$20.8 million and discounting it at a rate of 8%. This remediation process will take many years to complete. The total amount paid to date in connection with these environmental remediation activities is \$15.4 million. At July 1, 2022, the Company had \$1.9 million accrued for these environmental remediation activities. A portion (\$0.2 million) of the accrual related to this property is included in other current liabilities, and the balance is included in other long-term liabilities. Although it is reasonably possible that additional costs will be paid in connection with the resolution of this matter, the Company is unable to estimate the amount of such additional costs, if any, at this time.

Offset Agreement

The Company has entered into offset agreements as a condition to obtaining orders from a foreign customer for the Company’s JPF product. Offset agreements are designed to return economic value to the foreign country by requiring the Company to engage in activities supporting local defense or commercial industries, promoting a balance of trade, developing in-country technology capabilities or addressing other local development priorities. Such agreements may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects and the purchase by third parties of supplies from in-country vendors. The agreements may also be satisfied through the Company’s use of cash for activities, such as subcontracting with local partners, purchasing supplies from in-country vendors, providing financial support for in-country projects and making investments in local ventures. At July 1, 2022, the aggregate amount of the Company’s offset agreements had an outstanding notional value of approximately \$220.9 million. The amount ultimately applied against offset agreements is based on negotiations with the customer and may require cash outlays that represent only a fraction of the notional value in the offset agreement.

The Company continues to work with the customer to further define the requirements to satisfy the offset agreements. Offset programs typically extend over several years and may provide for penalties in the event the Company fails to perform according to offset requirements. The satisfaction of the offset requirements will be determined by the customer. In the event the offset requirements of the contract are not met, the Company could be liable for potential penalties up to \$18.8 million payable to the customer. Failure to satisfy the offset requirements could also negatively impact the Company’s ability to attract future orders from this customer. The Company considers these potential penalties to be a reduction to the transaction price in its determination of the value of the performance obligations within these contracts. At July 1, 2022, \$16.5 million in contract liabilities associated with the potential penalties of the offset requirements were included on the Company’s Condensed Consolidated Balance Sheets.

Guarantee

During 2020, the Company and the USG entered into a Guaranty Agreement, pursuant to which the Company agreed to guarantee the full, complete and satisfactory performance of its subsidiary, Kaman Precision Products, Inc. ("KPPI") under all current and future contracts with the USG. As of the date of this filing, the only contract in place between KPPI and the USG relates to the production and sale of the JPF. KPPI is currently fulfilling the requirements of Option 16. The guarantee was provided in lieu of a periodic financial capability review by the Financial Capacity Team ("FCT") of the Defense Contract Management Agency ("DCMA"). The Company is unable to estimate the maximum potential amount of future payments under the guarantee as it is dependent on costs incurred by the USG in the event of default. Although the Company believes the risk of default is low given the maturity and operational performance of the JPF program, there can be no assurance that the guarantee will not have a material adverse effect on the Company’s results of operations, financial position and cash flows.

16. COMPUTATION OF EARNINGS PER SHARE

The computation of basic earnings per share is based on net earnings divided by the weighted average number of shares of common stock outstanding for each period. The computation of diluted earnings per share reflects the common stock equivalency of dilutive options granted to employees under the Company's stock incentive plan, shares issuable on redemption of its convertible notes and shares issuable upon redemption of outstanding warrants.

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands, except per share amounts</i>				
Net earnings	\$ 4,064	\$ 11,856	\$ 8,092	\$ 19,840
Basic:				
Weighted average number of shares outstanding	28,005	27,867	27,977	27,841
Basic earnings per share	\$ 0.15	\$ 0.43	\$ 0.29	\$ 0.71
Diluted⁽¹⁾:				
Weighted average number of shares outstanding	28,005	27,867	27,977	27,841
Weighted average shares issuable on exercise of dilutive stock options	54	46	94	49
Total	28,059	27,913	28,071	27,890
Diluted earnings per share	\$ 0.14	\$ 0.42	\$ 0.29	\$ 0.71

⁽¹⁾As a result of the adoption of ASU 2020-06, the Company began calculating diluted earnings per share using the if-converted method for its convertible debt instruments in 2022. Prior to the adoption, the Company calculated diluted earnings per share for its convertible debt instruments using the treasury stock method. The Company adopted ASU 2020-06 using the modified retrospective approach; therefore, prior period results have not been retroactively adjusted. Refer to Note 2, *Recent Accounting Standards*, for further information on the adoption of ASU 2020-06.

Equity awards

For the three-month and six-month fiscal periods ended July 1, 2022, respectively, 720,540 and 682,971 shares issuable under equity awards granted to employees were excluded from the calculation of diluted earnings per share as they were anti-dilutive based on the average stock price during the periods. For the three-month and six-month fiscal periods ended July 2, 2021, respectively, 482,339 and 461,649 shares issuable under equity awards granted to employees were excluded from the calculation of diluted earnings per share as they were anti-dilutive based on the average stock price during the periods.

2024 Convertible Notes

For the three-month and six-month fiscal periods ended July 1, 2022, 3,056,879 shares issuable under Convertible Notes due 2024 were excluded from the diluted earnings per share calculation because their effect was antidilutive. For the three-month and six-month fiscal period ended July 2, 2021, shares issuable under the Convertible Notes due 2024 were excluded from the diluted earnings per share calculation because the conversion price was more than the average market price of the Company's stock during the periods.

17. SHARE-BASED ARRANGEMENTS

The Company accounts for stock options, restricted stock awards ("RSAs"), restricted stock units and performance stock units ("PSUs") as equity awards and measures the cost of all share-based payments, including stock options, at fair value on the grant date and recognizes this cost in the statement of operations. The Company also has an employee stock purchase plan, which is accounted for as a liability award. Compensation expense for stock options, RSAs, restricted stock units and PSUs is recognized on a straight-line basis over the vesting period of the awards. Throughout the course of the vesting period, the Company monitors the achievement level for the ROIC metric of the PSUs compared to the ROIC target and adjusts the number of shares expected to be earned, and the related compensation expense recorded thereafter, to reflect the most probable outcome. Share-based compensation expense recorded for the three-month and six-month fiscal periods ended July 1, 2022 was \$2.7 million and \$4.8 million, respectively. Of these amounts, \$0.1 million was recorded to restructuring and severance costs in both periods, and the remaining amounts were recorded to selling, general and administrative expenses on the Company's Condensed Consolidated Statements of Operations. Share-based compensation expense recorded for the three-month and six-month fiscal periods ended July 2, 2021 was \$2.5 million and \$4.2 million, respectively. Of these amounts, \$0.2 million was recorded to restructuring and severance costs in both periods, and the remaining amounts were recorded to selling, general and administrative expenses on the Company's Condensed Consolidated Statements of Operations.

Stock option activity was as follows:

	For the Three Months Ended July 1, 2022		For the Six Months Ended July 1, 2022	
	Options	Weighted - average exercise price	Options	Weighted - average exercise price
Options outstanding at beginning of period	733,493	\$ 55.29	746,240	\$ 55.14
Granted	—	\$ —	—	\$ —
Exercised	—	\$ 42.86	(9,676)	\$ 41.90
Forfeited or expired	(6,802)	\$ 53.53	(9,873)	\$ 40.41
Options outstanding at July 1, 2022	726,691	\$ 55.32	726,691	\$ 55.32

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. No options were granted in the six-month fiscal period ended July 1, 2022. The following table indicates the weighted-average assumptions used in estimating fair value for the six-month fiscal period ended July 2, 2021:

	For the Six Months Ended July 2, 2021
Expected option term (years)	4.9
Expected volatility	35.7 %
Risk-free interest rate	0.5 %
Expected dividend yield	1.6 %
Per share fair value of options granted	\$14.89

17. SHARE-BASED ARRANGEMENTS (CONTINUED)

Restricted stock award and restricted stock unit activity were as follows:

	For the Three Months Ended July 1, 2022		For the Six Months Ended July 1, 2022	
	Restricted Stock	Weighted-average grant date fair value	Restricted Stock	Weighted-average grant date fair value
Restricted Stock outstanding at beginning of period	164,791	\$ 47.96	135,351	\$ 53.53
Granted	19,900	\$ 43.15	100,015	\$ 41.94
Vested	(28,731)	\$ 44.84	(75,329)	\$ 49.80
Forfeited or expired	(3,760)	\$ 50.00	(7,837)	\$ 51.51
Restricted Stock outstanding at July 1, 2022	152,200	\$ 47.87	152,200	\$ 47.87

Performance stock unit activity was as follows:

	For the Three Months Ended July 1, 2022		For the Six Months Ended July 1, 2022	
	Performance Stock	Weighted-average grant date fair value	Performance Stock	Weighted-average grant date fair value
Performance Stock outstanding at beginning of period	184,405	\$ 60.98	70,163	\$ 70.17
Granted ⁽¹⁾	—	\$ —	117,885	\$ 54.87
Vested	—	\$ —	—	\$ —
Forfeited or expired	(4,285)	\$ 61.38	(7,928)	\$ 61.32
Performance Stock outstanding at July 1, 2022	180,120	\$ 60.55	180,120	\$ 60.55

⁽¹⁾ The PSUs granted in 2022 and 2021 assumed a 100% achievement level.

The fair value of the PSUs based on TSR was estimated on the date of grant using a Monte-Carlo simulation model. The following table indicates the weighted-average assumptions used in estimating fair value:

	For the Six Months Ended	
	July 1, 2022	July 2, 2021
Expected term (years)	2.9	2.9
Expected volatility	39.4 %	41.3 %
Risk-free interest rate	1.7 %	0.2 %
Expected dividend yield	1.9 %	1.4 %
Per share fair value of performance stock granted	\$ 68.10	\$ 84.49

18. SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in shareholders' equity for the three-month fiscal periods ended July 1, 2022, and July 2, 2021, were as follows:

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<i>In thousands</i>				
Beginning balance	\$ 786,748	\$ 767,219	796,329	746,438
Comprehensive (loss) income	(5,297)	14,474	(5,725)	38,813
Dividends declared (per share of common stock, \$0.20 and \$0.20 and \$0.40 and \$0.40, respectively)	(5,597)	(5,565)	(11,187)	(11,127)
Employee stock plans and related tax benefit	481	648	1,266	1,528
Purchase of treasury shares	(123)	(46)	(698)	(390)
Share-based compensation expense	2,730	2,482	4,811	4,225
Impact of change in accounting standard	—	—	(5,854)	(275)
Ending balance	<u>\$ 778,942</u>	<u>\$ 779,212</u>	<u>\$ 778,942</u>	<u>\$ 779,212</u>

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

	For the Three Months Ended	
	July 1, 2022	July 2, 2021
<i>In thousands</i>		
Foreign currency translation and other:		
Beginning balance	\$ 3,554	\$ 14,796
Net (gain) loss on foreign currency translation	(10,261)	1,719
Other comprehensive income (loss), net of tax	(10,261)	1,719
Ending balance	<u>\$ (6,707)</u>	<u>\$ 16,515</u>
Pension and other post-retirement benefits⁽¹⁾:		
Beginning balance	\$ (119,395)	\$ (129,262)
Amortization of net loss, net of tax expense of \$269 and \$266, respectively	900	899
Other comprehensive income, net of tax	900	899
Ending balance	<u>\$ (118,495)</u>	<u>\$ (128,363)</u>
Total accumulated other comprehensive loss	<u>\$ (125,202)</u>	<u>\$ (111,848)</u>

⁽¹⁾ These accumulated other comprehensive income components are included in the computation of net periodic pension cost.
(See Note 14, *Pension Plans* for additional information.)

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

	For the Six Months Ended	
	July 1, 2022	July 2, 2021
<i>In thousands</i>		
Foreign currency translation and other:		
Beginning balance	\$ 8,772	\$ (717)
Net gain on foreign currency translation	(15,479)	(5,603)
Reclassification to net income ⁽¹⁾	—	22,835
Other comprehensive income (loss), net of tax	(15,479)	17,232
Ending balance	\$ (6,707)	\$ 16,515
Pension and other post-retirement benefits⁽²⁾:		
Beginning balance	\$ (120,157)	\$ (130,104)
Amortization of net loss, net of tax expense of \$497 and \$516, respectively	1,662	1,741
Other comprehensive income, net of tax	1,662	1,741
Ending balance	\$ (118,495)	\$ (128,363)
Total accumulated other comprehensive loss	<u>\$ (125,202)</u>	<u>\$ (111,848)</u>

⁽¹⁾ The foreign currency translation reclassified to net income relates to the sale of the Company's UK Composites business. This balance was included in the loss accrual recorded in impairment on assets held for sale on the Company's Consolidated Statement of Operations in the year ended December 31, 2020 (see Note 3, *Disposals*, for additional information).

⁽²⁾ These accumulated other comprehensive income components are included in the computation of net periodic pension cost.
(See Note 14, *Pension Plans* for additional information.)

19. INCOME TAXES

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Effective Income Tax Rate	12.1 %	31.7 %	18.7 %	22.3 %

The effective income tax rate represents the combined federal, state and foreign tax effects attributable to pretax earnings for the period. The decrease in the effective tax rate for the three-month and six-month fiscal periods ended July 1, 2022 to the corresponding rates in the prior year were driven by state tax benefits and lower net earnings in the current period. In addition, for the three-month fiscal period, the decrease was primarily caused by a discrete benefit recorded in the prior period related to the sale of the Company's former UK Composites business.

20. SUBSEQUENT EVENTS

In the second quarter of 2022, the Company entered into an asset purchase agreement to sell certain assets and liabilities of its Mexico operations in the Structures segment. Subsequent to the end of the quarter, the transaction closed on July 29, 2022. See Note 3, *Disposals*, to the Condensed Consolidated Financial Statements for further information.

The Company has evaluated subsequent events through the issuance date of these financial statements. Other than the matter noted above, no material subsequent events were identified that require disclosure.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide readers of our condensed consolidated financial statements with the perspectives of management. It presents, in narrative and tabular form, information regarding our financial condition, results of operations, liquidity and certain other factors that may affect our future results, and is designed to enable the readers of this report to obtain an understanding of our businesses, strategies, current trends and future prospects. It should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K") and the Condensed Consolidated Financial Statements included in Item 1 of this Form 10-Q.

OVERVIEW OF BUSINESS

Kaman Corporation ("the Company") conducts business through three business segments:

- The Engineered Products segment serves the aerospace and defense, industrial and medical markets providing sophisticated, proprietary aircraft bearings and components; super precision, miniature ball bearings; and proprietary spring energized seals, springs and contacts.
- The Precision Products segment serves the aerospace and defense markets providing precision safe and arming solutions for missile and bomb systems for the U.S. and allied militaries; subcontract helicopter work; restoration, modification and support of our SH-2G Super Seasprite maritime helicopters; manufacture and support of our heavy lift K-MAX® manned helicopter, the *TITAN* UAV aerial system and the *KARGO* UAV unmanned aerial system, a purpose built autonomous medium lift logistics vehicle.
- The Structures segment serves the aerospace and defense and medical end markets providing sophisticated complex metallic and composite aerostructures for commercial, military and general aviation fixed and rotary wing aircraft, and medical imaging solutions.

Executive Summary

In the second quarter, consolidated net sales decreased by 11.9% to \$160.8 million compared to the prior year, primarily due to a reduction in sales on our safe and arm devices, partially offset by higher sales in our commercial, business and general aviation products. Gross margin as a percentage of sales decreased in the quarter to 32.4% compared to 34.0% in the prior year period, due to cost growth on our Sikorsky UH-60 BLACK HAWK program and a decline in profitability on our K-MAX® program. Selling, general and administrative expenses ("S,G&A") increased by 1.4% primarily due to \$2.0 million in higher corporate development costs associated with the agreement to purchase Parker-Hannifin Corporation's ("Parker") Aircraft Wheel and Brake division. Operating income in the period decreased as a result of the drivers discussed above, higher severance costs and an increase in research and development costs, partially offset by the absence of costs related to the transition services agreement ("TSA").

Other financial highlights

- Net earnings were \$4.1 million and \$8.1 million for the three-month and six-month fiscal periods ended July 1, 2022, respectively, \$7.8 million and \$11.7 million lower than the comparable fiscal periods in the prior year, respectively. These reductions were primarily driven by a decrease in operating income and lower non-service pension and post-retirement benefit income, partially offset by lower interest expense. The resulting GAAP diluted earnings per share was \$0.14 and \$0.29 in the three-month and six-month fiscal periods ending July 1, 2022.
- Cash used in operating activities during the six-month fiscal period ended July 1, 2022, was \$27.0 million, \$12.2 million more than the cash used in the comparable fiscal period in the prior year. This change was largely driven by timing of collection of payments on outstanding receivables in the prior year, more specifically significant receipts on joint programmable fuze ("JPF") direct commercial sales ("DCS") receivables, partially offset by the absence of approximately \$25.1 million in nonrecurring payments to eligible participants of Bal Seal's employee retention plans implemented prior to our acquisition.
- Total unfulfilled performance obligations ("backlog") increased 10.6% to \$774.9 million compared to total backlog at December 31, 2021, driven by new orders of our bearings products and seals, springs and contacts, partially offset by revenue recognized for the period.

Recent events

- In July 2022, Carroll K. Lane was appointed segment lead of the Precision Products segment.
- In June 2022, we invested \$10.0 million in Near Earth Autonomy, Inc. ("Near Earth"), in exchange for a minority interest in its outstanding equity and one seat on its Board of Directors.
- In June 2022, Niharika Taskar Ramdev was appointed to our Board of Directors.
- In May 2022, we entered into an asset purchase agreement with Parker, pursuant to which we will acquire its Aircraft Wheel and Brake division for a total purchase price of \$440.0 million, subject to adjustments, payable in cash.
- In April 2022, our Board of Directors approved a share repurchase program authorizing the repurchase of up to \$50.0 million of our common stock.

Impacts from Current Economy

We are currently operating in a period of global economic uncertainty, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Ukraine and Russia, the coronavirus ("COVID-19") pandemic and inflation and rising interest rates. U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions, including the military conflict in Ukraine and the resulting sanctions imposed on Russia. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in credit and capital markets, increases in commodity prices, supply chain interruptions, as well as the potential for increased risk of cyber disruptions. We are continuing to monitor the situation in Ukraine, including its global effects, and assessing its potential impact on our business, including the timing of our sales as certain customers purchase safety stock for their own supply chains. Although our business has not been materially impacted by the ongoing military conflict in Ukraine as of the date of this filing, it is impossible to predict the extent to which our operations, or those of our customers or suppliers, will be impacted, or the ways in which the conflict may impact our business, cash flows or results of operations.

We also continue to monitor the impact of COVID-19 on all aspects of our business and across the geographies in which we operate and serve customers, as well as the extent to which it has impacted and will continue to impact our customers, suppliers and other business partners. We are operating below pre-pandemic levels for our commercial aerospace products and we have seen some disruptions to our supply chain, such as delays in materials and components used in our manufacturing process; however, we continue to meet the demands of our customers. We are encouraged by the recoveries for these products and the strong order intake we saw in the first six months of 2022; however, the developments related to COVID-19 variants make it difficult to predict the timing and magnitude of the recovery.

The U.S. economy is experiencing broad and rapid inflation and rising interest rates, as well as supply issues in material, services and labor due to economic policy, the pandemic and, more recently, the war in Ukraine. These impacts are likely to persist through 2022 and beyond. We cannot predict the impact on the Company's end markets or input costs nor the ability of the Company to recover cost increases through pricing.

RESULTS OF OPERATIONS

Refer to Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Quarterly Report on Form 10-Q for the period ended July 2, 2021 for a discussion of changes for the earliest periods presented.

Net Sales

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Net sales	\$ 160,766	\$ 182,394	\$ 318,814	\$ 354,010
\$ change	(21,628)	4,504	(35,196)	(31,202)
% change	(11.9)%	2.5 %	(9.9)%	(8.1)%
Sales of disposed businesses that did not qualify for discontinued operations	—	—	—	1,704
Organic sales	\$ 160,766	\$ 182,394	\$ 318,814	\$ 352,306
\$ change	(21,628)		(33,492)	
% change	(11.9)%		(9.5)%	

For the Three Months Ended

Net sales for the three-month fiscal period ended July 1, 2022 decreased when compared to the corresponding period in 2021. The decrease in sales was attributable to \$30.3 million in lower sales in our Precision Products segment and \$2.2 million in lower sales at our Structures segment. The decrease in the Precision Products segment was primarily driven by a \$35.2 million reduction in JPF sales due to lower volume in the current year. This decrease was due in part to a \$10.7 million JPF DCS delivery we had anticipated making in the second quarter of 2022 which we now expect to occur in the third quarter. This shift to the third quarter does not change our expectations for JPF for the full year. These decreases were partially offset by an increase in sales at our Engineered Products segment. Foreign currency exchange rates relative to the U.S. dollar had an unfavorable impact of \$4.0 million on net sales. See Segment Results of Operations and Financial Condition below for further discussion of segment net sales.

The table below summarizes the changes in organic net sales by product line for the three-month fiscal period ended July 1, 2022, compared to the corresponding period in 2021.

Product Line	Increase (Decrease)	\$ (in millions)	%
Defense	↓	\$(7.7)	(19.4)%
Safe and Arm Devices	↓	\$(36.4)	(62.8)%
Commercial, Business and General Aviation	↑	\$19.7	48.0%
Medical	↑	\$2.1	9.4%
Industrial	↑	\$0.7	3.2%

For the Six Months Ended

Net sales for the six-month fiscal period ended July 1, 2022 decreased when compared to the corresponding period in 2021, primarily due to a 9.5% decrease in organic sales and \$1.7 million in lower sales due to the sale of our former United Kingdom ("UK") Composites business in early 2021. The decrease in organic sales was attributable to \$43.3 million in lower sales in our Precision Products segment and \$10.7 million in lower organic sales at our Structures segment. The decrease in the Precision Products segment was primarily driven by a \$37.8 million reduction in JPF sales due to lower volume in the current year, as discussed above. These decreases were partially offset by an increase in sales at our Engineered Products segment. Foreign currency exchange rates relative to the U.S. dollar had an unfavorable impact of \$6.0 million on net sales. See Segment Results of Operations and Financial Condition below for further discussion of segment net sales.

The table below summarizes the changes in organic net sales by product line for the six-month fiscal period ended July 1, 2022, compared to the corresponding period in 2021.

Product Line	Increase (Decrease)	\$ (in millions)	%
Defense	↓	\$(19.1)	(23.2)%
Safe and Arm Devices	↓	\$(40.7)	(40.9)%
Commercial, Business and General Aviation	↑	\$19.4	22.0%
Medical	↑	\$4.7	10.8%
Industrial	↑	\$2.2	5.7%

Gross Profit

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Gross profit	\$ 52,107	\$ 61,946	\$ 102,694	\$ 114,851
\$ change	(9,839)	5,278	(12,157)	(9,519)
% change	(15.9)%	9.3 %	(10.6)%	(7.7)%
% of net sales	32.4 %	34.0 %	32.2 %	32.4 %

For the Three Months Ended

Gross profit decreased for the three-month fiscal period ended July 1, 2022, as compared to the corresponding period in 2021. This decrease was primarily attributable to reductions in JPF sales as discussed above, lower sales and associated gross profit on our defense bearings products, and lower gross margin on certain structures programs. These decreases, totaling \$17.6 million, were partially offset by higher sales and associated gross profit on our springs, seals and contacts, commercial bearings products and aftermarket parts.

Gross profit as a percentage of sales decreased for the three-month fiscal period ended July 1, 2022, as compared to the corresponding period in 2021. This decrease was primarily attributable to cost growth on our Sikorsky UH-60 BLACK HAWK program and a decline in profitability of our K-MAX® program. These decreases were partially offset by improved performance on certain composite programs.

For the Six Months Ended

Gross profit decreased for the six-month fiscal period ended July 1, 2022, as compared to the corresponding period in 2021. This decrease was primarily attributable to reductions in JPF sales as discussed above and lower sales and associated gross profit on our defense bearings products and our K-MAX® program. These decreases, totaling \$26.7 million, were partially offset by higher sales and associated gross profit on commercial bearings products, aftermarket parts and on our springs, seals and contacts used in medical implantables and medical devices.

Gross profit as a percentage of sales remained relatively flat for the six-month fiscal period ended July 1, 2022, as compared to the corresponding period in 2021. This was primarily attributable to the mix of JPF sales in the period and cost growth on our Sikorsky UH-60 BLACK HAWK program and a decline in profitability of our K-MAX® program, mostly offset by improved performance on certain composite programs.

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

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
S,G&A	\$ 39,250	\$ 38,719	\$ 78,971	\$ 76,847
\$ change	531	323	2,124	(14,877)
% change	1.4 %	0.8 %	2.8 %	(16.2)%
% of net sales	24.4 %	21.2 %	24.8 %	21.7 %

S,G&A remained relatively flat for the three-month fiscal period ended July 1, 2022, when compared to the corresponding period in 2021. This was primarily attributable to \$2.0 million in higher corporate development costs associated with the agreement to purchase Parker's Aircraft Wheel and Brake division and an increase in group insurance costs, mostly offset by a decrease in compensation expense as we realize the benefits from our cost reduction efforts in the prior year.

S,G&A increased for the six-month fiscal period ended July 1, 2022, when compared to the corresponding period in 2021. This was primarily attributable to \$2.1 million in higher corporate development costs associated with the agreement to purchase Parker's Aircraft Wheel and Brake division, an increase in group insurance and higher travel expenses as restrictions imposed to limit the spread of COVID-19 are lifting. These increases were partially offset by a decrease in compensation expense as we realize the benefits from our cost reduction efforts in the prior year.

Costs from Transition Service Agreement

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Costs from transition services agreement	\$ —	\$ 999	\$ —	\$ 1,704

Upon closing the sale of our former Distribution business, the Company entered into a TSA with the buyer, pursuant to which the Company agreed to support the information technology ("IT"), human resources and benefits, tax and treasury functions of the Distribution business for six to twelve months. The buyer exercised an option to extend the support period for up to one additional year for certain services. During the third quarter of 2021, the TSA expired and all services were completed as of the end of the period. As such, there were no costs incurred associated with TSA and no income earned from the TSA in the three-month and six-month fiscal periods ended July 1, 2022. The Company incurred \$1.0 million and \$1.7 million in costs associated with the TSA, which were partially offset by \$0.4 million and \$0.9 million in income earned from the TSA in the three-month and six-month fiscal periods ended July 2, 2021, respectively. The income earned from the TSA was included below operating income in income from transition services agreement on the Company's Condensed Consolidated Statement of Operations.

Restructuring and Severance Costs

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Restructuring and severance costs	\$ 2,927	\$ 1,516	\$ 3,096	\$ 2,868

The Company has identified workforce reductions and other reductions in certain general and administrative expenses which resulted in \$1.9 million and \$2.1 million in restructuring and severance costs in the three-month and six-month fiscal periods ended July 1, 2022, respectively. In the three-month and six-month fiscal periods ended July 2, 2021, the Company incurred \$1.5 million and \$2.9 million in restructuring and severance costs associated with cost reduction efforts. These costs were included in restructuring and severance costs on the Company's Condensed Consolidated Statements of Operations. Actions taken throughout 2021 and 2022 have started to generate savings in the first half of 2022, with total annualized cost savings of approximately \$11.9 million being realized by 2024.

In addition to the restructuring and severance costs discussed above, in the three-month and six-month fiscal periods ended July 1, 2022, the Company incurred \$1.0 million in other severance expense.

Loss on Sale of Business

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Loss on sale of business	\$ —	\$ —	\$ —	\$ 234

In 2020, we received approval from our Board of Directors to sell our UK Composites business. In the fourth quarter of 2020, we accrued a loss of \$36.3 million on the anticipated sale. In the first quarter of 2021, we closed on a transaction to sell the UK Composites business. We recorded an additional loss of \$0.2 million in the first quarter of 2021 when the sale was finalized.

Operating Income

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Operating income	\$ 2,280	\$ 14,832	\$ 5,337	\$ 20,445
\$ change	(12,552)	17,602	(15,108)	27,637
% change	(84.6)%	635.5 %	(73.9)%	384.3 %
% of net sales	1.4 %	8.1 %	1.7 %	5.8 %

Operating income decreased for the three-month and six-month fiscal periods ended July 1, 2022, as compared to the corresponding periods in 2021. These decreases were primarily driven by lower operating income at the Precision Products segment and higher severance costs, partially offset by higher operating income at the Engineered Products segment and the absence of costs related to the TSA. In the three-month and six-month fiscal periods ended July 1, 2022, foreign currency exchange rates relative to the U.S. dollar had an unfavorable impact of \$0.2 million and \$0.3 million, respectively, on operating income. See Segment Results of Operations and Financial Condition below for further discussion of segment operating income.

Interest Expense, Net

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Interest expense, net	\$ 1,993	\$ 4,335	\$ 4,474	\$ 8,586

Interest expense, net, generally consists of interest charged on our Credit Agreement, which includes a revolving credit facility, our convertible notes and the amortization of debt issuance costs, offset by interest income. The decrease in interest expense, net for the three-month and six-month fiscal periods ended July 1, 2022 was primarily attributable to lower interest expense associated with our deferred compensation plan and \$0.8 million and \$1.5 million in lower interest on our convertible notes, respectively, which was a result of the adoption of Accounting Standard Update ("ASU") 2020-06 on January 1, 2022. Refer to Note 2, *Recent Accounting Standards*, for further information on the adoption of ASU 2020-06.

Effective Income Tax Rate

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Effective income tax rate	12.1 %	31.7 %	18.7 %	22.3 %

The effective income tax rate represents the combined federal, state and foreign tax effects attributable to pretax earnings for the period. The decrease in the effective tax rate for the three-month and six-month fiscal periods ended July 1, 2022 to the corresponding rates in the prior year were driven by state tax benefits and lower net earnings in the current period. In addition, for the three-month fiscal period, the decrease was primarily caused by a discrete benefit recorded in the prior period related to the sale of the Company's former UK Composites business.

SEGMENT RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Engineered Products Segment

Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Net sales	\$ 89,765	\$ 78,956	\$ 171,217	\$ 150,735
\$ change	10,809	7,018	20,482	(6,979)
% change	13.7 %	9.8 %	13.6 %	(4.4)%
Operating income	\$ 15,467	\$ 9,758	\$ 26,509	\$ 14,664
\$ change	5,709	4,106	11,845	(1,568)
% change	58.5 %	72.6 %	80.8 %	(9.7)%
% of net sales	17.2 %	12.4 %	15.5 %	9.7 %

Net Sales

Net sales for the three-month and six-month fiscal periods ended July 1, 2022 increased compared to the corresponding periods in 2021, driven by higher sales volume of our commercial bearings products, aftermarket parts and springs, seals and contacts used in medical implantables and industrial applications. These improvements, totaling \$14.5 million and \$23.5 million, respectively, were partially offset by lower sales volume of our defense bearings products.

Operating Income

Operating income for the three-month and six-month fiscal periods ended July 1, 2022 increased when compared to 2021, primarily due to higher sales and associated gross profit on our seals, springs and contacts used in medical implantables, aftermarket parts and commercial bearings products. These increases in gross profit of \$9.6 million and \$15.4 million, respectively, were partially offset by lower sales volume and associated gross profit of our defense bearings products.

Precision Products Segment

Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Net sales	\$ 41,267	\$ 71,539	\$ 88,816	\$ 132,072
\$ change	(30,272)	5,047	(43,256)	(1,282)
% change	(42.3)%	7.6 %	(32.8)%	(1.0)%
Operating income	\$ 2,550	\$ 19,429	\$ 5,959	\$ 32,482
\$ change	(16,879)	1,017	(26,523)	(1,523)
% change	(86.9)%	5.5 %	(81.7)%	(4.5)%
% of net sales	6.2 %	27.2 %	6.7 %	24.6 %

Net Sales

Net sales for the three-month and six-month fiscal periods ended July 1, 2022 decreased when compared to 2021, primarily due to reductions of \$35.2 million and \$37.8 million, respectively, in JPF sales due to lower volume in the current year. These decreases were due in part to a \$10.7 million JPF DCS delivery we had anticipated making in the second quarter of 2022 which we now expect to occur in the third quarter. This shift to the third quarter does not change our expectations for JPF for the full year. Additionally contributing to the decrease was lower sales on certain legacy fuzing programs. These decreases were partially offset by higher sales on the AMRAAM® fuzing program. In the three-month fiscal period, these decreases were also partially offset by the sale of a K-MAX® aircraft in the current period.

Operating Income

Operating income for the three-month and six-month fiscal periods ended July 1, 2022 decreased when compared to 2021, primarily attributable to \$15.3 million and \$23.4 million in lower gross profit, respectively, driven by the impact of JPF sales discussed above and higher research and development costs for the KARGO UAV unmanned aerial system. Additionally, in the six-month fiscal period ended July 1, 2022, lower gross profit on the K-MAX® program and the SH-2G program for New Zealand contributed to the decline in operating income.

Major Programs/Product Lines

Below is a discussion of significant changes in major programs within the Precision Products segment during the first six months of 2022. See our 2021 Form 10-K, including Item 1A, "Risk Factors", for a complete discussion of our major programs.

FMU-152 A/B – JPF

We manufacture the JPF, an electro-mechanical bomb safe and arming device, which allows the settings of a weapon to be programmed in flight. Sales of these fuzes can be direct to the USG, Foreign Military Sales ("FMS") through the USG and Direct Commercial Sales ("DCS") to foreign militaries that, although not funded by or sold through the USG, require regulatory approvals from the USG.

A total of 4,019 fuzes were delivered to our customers during the second quarter of 2022, bringing the year-to-date total to 10,039 fuzes for the six-month fiscal period ended July 1, 2022. We expect to deliver 25,000 to 30,000 fuzes in 2022. Total JPF backlog at July 1, 2022 was \$65.5 million, down from \$103.4 million at December 31, 2021. Of the \$65.5 million in backlog at July 1, 2022, no amounts require the receipt of export approvals, licenses or authorizations from the USG before we are permitted to ship the fuzes outside of the United States.

Our JPF program continues to move through its product lifecycle, reflecting the previously announced decision of the United States Air Force ("USAF") to move to the FMU-139 D/B (which we do not produce) as its primary fuze system. During 2022, we completed the requirements under Option 15, which related solely to the procurement of fuzes by 25 foreign militaries and, and, in 2022, we began to satisfy the requirements under Option 16 which has an expected total value of approximately \$43.0

million. Similar to Option 15, this order relates solely to the procurement of fuzes by or in support of foreign militaries and does not include any sales to the USAF. Option 16 extends FMU-152 A/B production into 2023. We have been advised by our customer that Option 16 will be the last order under our JPF contract with the USG. While we do not expect the close-out of our JPF contract with the USG to adversely impact our ability to continue to market the FMU-152 A/B directly to foreign militaries in direct commercial sales transactions, in the event the foreign militaries move to the FMU-139 D/B, our financial condition and results of operations would be materially adversely impacted. We are currently in discussions with a Middle Eastern customer for one or more follow-on orders aggregating to a minimum of \$45.0 million. The final value of these orders will be dependent on volume and pricing agreed upon in the completed contracts. If received, these orders would continue to extend the life of the program. DCS orders are subject to export approvals, licenses, or authorizations. The timing and receipt of any such export approvals, licenses, or authorizations are subject to political and geopolitical conditions that are beyond our control.

Structures Segment

Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
	(in thousands)			
Net sales	\$ 29,734	\$ 31,899	\$ 58,781	\$ 71,203
\$ change	(2,165)	(7,561)	(12,422)	(22,941)
% change	(6.8)%	(19.2)%	(17.4)%	(24.4)%
Operating loss	\$ (830)	\$ (1,521)	\$ (1,447)	\$ (1,201)
\$ change	691	285	(246)	(2,749)
% change	45.4 %	(15.8)%	(20.5)%	(177.6)%
% of net sales	(2.8)%	(4.8)%	(2.5)%	(1.7)%

Net Sales

Net sales for the three-month and six-month fiscal periods ended July 1, 2022 decreased when compared to 2021, primarily due to the wind down of the AH-1Z program, lower sales on certain composites programs and the disruption of incoming material due to a fire at one of the suppliers for our Sikorsky UH-60 BLACK HAWK program. Additionally, in the six-month fiscal period, lower sales on the A-10 program and the absence of sales from our former UK Composites business contributed to the decrease. These decreases, totaling \$8.3 million and \$18.1 million, respectively, were partially offset by higher sales on our programs with Rolls Royce, the Sikorsky Combat Rescue Helicopter program, certain structures programs and our imaging program.

Operating Loss

The Structures segment incurred a lower operating loss for the three-month fiscal period ended July 1, 2022 compared to the comparable period in 2021. This change was primarily due to higher sales and gross profit on our Sikorsky Combat Rescue Helicopter program, our imaging program, and certain composite programs. These increases in gross profit of \$1.7 million were partially offset by lower sales and associated gross profit on the Sikorsky UH-60 BLACK HAWK program and the AH-1Z program.

The Structures segment incurred a higher operating loss for the six-month fiscal period ended July 1, 2022 compared to the comparable period in 2021. This change was primarily due to lower sales and associated gross profit on the AH-1Z program, our Sikorsky UH-60 BLACK HAWK program and certain composite programs. These decreases in gross profit of \$3.2 million were partially offset by higher sales and gross profit on our programs with Rolls Royce, the Sikorsky Combat Rescue Helicopter program, and certain composite programs.

Backlog

	July 1, 2022	December 31, 2021
	(in thousands)	
Engineered Products	\$ 224,563	\$ 169,144
Precision Products	196,406	180,082
Structures	353,939	351,697
Total Backlog	<u>\$ 774,908</u>	<u>\$ 700,923</u>

The increase in backlog during the first six months of 2022 was primarily attributable to new orders for our bearings products, our seals, springs and contacts, and our SLAM-ER fuzing program. These increases were partially offset by revenue recognized on the JPF program with the USG and deliveries of our bearings products and springs, seals and contacts.

LIQUIDITY AND CAPITAL RESOURCES

Discussion and Analysis of Cash Flows

We assess liquidity in terms of our ability to generate cash to fund working capital requirements and investing and financing activities. Significant factors affecting liquidity include: cash flows generated from or used by operating activities, capital expenditures, investments in our business and programs, acquisitions, divestitures, dividends, availability of future credit, share repurchase programs, adequacy of available bank lines of credit, and factors that might otherwise affect the company's business and operations generally, as described under the heading "Risk Factors" and "Forward-Looking Statements" in Item 1A of Part I of our 2021 Form 10-K.

A summary of our consolidated cash flows is as follows:

	For the Six Months Ended		
	July 1, 2022	July 2, 2021	2022 vs. 2021
	(in thousands)		
Total cash provided by (used in):			
Operating activities	\$ (26,954)	\$ (14,723)	\$ (12,231)
Investing activities	(19,179)	(12,201)	(6,978)
Financing activities	(13,778)	(10,620)	(3,158)
Free Cash Flow ^(a)			
Net cash provided by (used in) operating activities	\$ (26,954)	\$ (14,723)	\$ (12,231)
Expenditures for property, plant and equipment	(10,520)	(8,102)	(2,418)
Free cash flow	<u>\$ (37,474)</u>	<u>\$ (22,825)</u>	<u>\$ (14,649)</u>

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

Net cash used in operating activities was \$27.0 million for the six-month fiscal period ended July 1, 2022, \$12.2 million more than cash used in the comparable period in 2021. This change was largely driven by the timing of collection of payments on outstanding receivables, more specifically significant receipts on JPF DCS receivables in the prior year, and lower net earnings in the current period, partially offset by the absence of approximately \$25.1 million in nonrecurring payments to eligible participants of Bal Seal's employee retention plans, a \$10.0 million pension contribution paid in the prior year and the timing of accounts payable.

Net cash used in investing activities was \$19.2 million for the six-month fiscal period ended July 1, 2022, \$7.0 million more than cash used in the comparable period in 2021. This change was primarily attributable to our \$10.0 million investment in Near Earth Autonomy in the current period and higher capital expenditures, partially offset by the cash impact of the sale of our former UK Composites business in the prior year.

Net cash used in financing activities was \$13.8 million for the six-month fiscal period ended July 1, 2022, \$3.2 million more than cash used in the comparable period in 2021. This change was primarily due to debt issuance costs associated with the amendment to our revolving credit agreement, described more fully in Note 13, *Debt*.

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

- the matters described in Note 15, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements, including the cost of existing environmental remediation matters;
- contributions to our qualified pension plan and Supplemental Employees' Retirement Plan ("SERP");
- deferred compensation payments to officers;
- interest payments on outstanding debt;
- income tax payments;
- costs associated with acquisitions and corporate development activities, including the funding of our Aircraft Wheel and Brake acquisition;
- finance and operating lease payments;
- capital expenditures;
- research and development expenditures;
- repurchase of common stock under share repurchase programs;
- payment of dividends;
- costs associated with the start-up of new programs; and
- the timing of payments and the extension of payment terms by our customers.

Financing Arrangements

We continue to rely upon bank financing as an important source of liquidity for our business activities, including acquisitions. We believe this, when combined with cash generated from operating activities, will be sufficient to support our anticipated future cash requirements; however, we may decide to borrow additional funds or raise additional equity capital to support other business activities, including potential future acquisitions. We regularly monitor credit market conditions to identify potential issues that may adversely affect, or provide opportunities for, the securing and/or advantageous pricing of additional financing, if any, that may be necessary to continue with our growth strategy and finance working capital requirements. Refer to Note 14, *Debt*, in the Notes to the Consolidated Financial Statements, included in Item 8, Financial Statements and Supplementary Data, of the 2021 Form 10-K for further information on our Financing Arrangements.

Convertible Notes

During May 2017, we issued \$200.0 million aggregate principal amount of convertible senior unsecured notes due May 2024 (the "2024 Notes") pursuant to an indenture, dated May 12, 2017, between the Company and U.S. Bank National Association, as trustee (as amended by the First Supplemental Indenture thereto, dated July 15, 2019, the "Indenture"). In connection therewith, we entered into certain capped call transactions that cover, collectively, the number of shares of the Company's common stock underlying the 2024 Notes. The 2024 Notes bear 3.25% interest per annum on the principal amount, payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2017. The 2024 Notes will mature on May 1, 2024, unless earlier repurchased by the Company or converted. We will settle any conversions of the 2024 Notes in cash, shares of the Company's common stock or a combination of cash and shares of common stock, at our election.

The sale of our former Distribution business in the third quarter of 2019 was deemed to be a "Fundamental Change" and a "Make-Whole Fundamental Change" pursuant to the terms and conditions of the indenture governing the 2024 Notes. As a result, the sale triggered the right of the holders of our 2024 Notes to require us to repurchase all of the 2024 Notes, or any portion thereof that is a multiple of \$1,000 principal amount on September 27, 2019. The aggregate principal amount of the 2024 Notes validly tendered and not validly withdrawn was \$0.5 million, representing approximately 0.25% of all outstanding notes. Holders of such notes received the repurchase price equal to 100% of the principal amount of the 2024 Notes being purchase, plus accrued and unpaid interest.

We incurred \$7.4 million of debt issuance costs in connection with the sale of the 2024 Notes, which were allocated between the debt and equity components of the instrument at issuance. Of the total amount, \$0.7 million was recorded as an offset to additional paid-in capital. The balance, \$6.7 million, was recorded as a contra-debt balance and was being amortized over the term of the 2024 Notes. As a result of the adoption of ASU 2020-06, the amount recorded to additional paid-in capital was reclassified to retained earnings in the cumulative effect adjustment recorded on January 1, 2022. The remaining balance of debt issuance costs is being amortized over the term of the convertible notes. Total amortization expense for the three-month

and six-month fiscal periods ended July 1, 2022 and July 2, 2021 was \$0.3 million and \$0.5 million, respectively. Refer to Note 2, *Recent Accounting Standards*, for further information on the adoption and impacts of ASU 2020-06.

Credit Agreement

On December 13, 2019, the Company closed an amended and restated \$800.0 million Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent. The Credit Agreement matures on December 13, 2024 and consists of revolving commitments of \$800.0 million. Capitalized terms used but not defined within this discussion of the Credit Agreement have the meanings ascribed thereto in the Credit Agreement, which with amendments is included as Exhibit 10.43 to our 2021 Form 10-K.

Interest rates on amounts outstanding under the Credit Agreement are variable based on LIBOR. The LIBOR benchmark has been the subject of national, international, and other regulatory guidance and proposals for reform. These reforms may cause LIBOR to perform differently than in the past, and LIBOR may ultimately cease to exist. Alternative benchmark rate(s) may replace LIBOR and could affect the Company's debt securities, derivative instruments, receivables, debt payments and receipts. An alternative rate may create additional basis risk for market participants as an alternative index is utilized alongside LIBOR. Key regulatory authorities have requested that banks cease entering into new contracts that use USD LIBOR as a reference rate, and do not permit new or existing non-USD LIBOR borrowings, by no later than December 31, 2021. Additionally, the Alternative Reference Rates Committee has recommended replacing USD LIBOR with the Secured Overnight Financing Rate ("SOFR"), which is calculated by short-term repurchase agreements. There can be no guarantee that SOFR will become widely used, or that any alternatives may or may not be developed.

In 2021, the Company amended its Credit Agreement to move its LIBOR benchmark for non-USD borrowings to other non-USD benchmark rates. Future USD borrowings under our current Credit Agreement will continue be based on LIBOR. At this time, it is not possible to predict the effect of any changes to LIBOR, the phase out of LIBOR or any establishment of alternative benchmark rates. Any new benchmark rate will likely not replicate LIBOR exactly, which could impact our contracts that terminate after 2023. There is uncertainty about how applicable law, the courts or the Company will address the replacement of LIBOR with alternative rates on variable rate retail loan contracts and other contracts that do not include alternative rate fallback provisions.

On May 31, 2022, the Credit Agreement was further amended to, among other things, adjust the Total Net Leverage Ratio financial covenant in anticipation of the consummation of the announced acquisition of Parker's Aircraft Wheel and Brake division. Refer to Note 13, *Debt*, for further information on this amendment.

No amounts were outstanding under the revolving credit facility in the second quarter of 2022; therefore, the interest rate for the period was 0%. We are required to pay a quarterly commitment fee on the unused revolving loan commitment amount at a rate ranging from 0.150% to 0.250% per annum, based on the Senior Secured Net Leverage Ratio. Fees for outstanding letters of credit range from 1.125% to 1.625%, based on the Senior Secured Net Leverage Ratio. There were no bank borrowings during the six-month fiscal period ended July 1, 2022 and the year ended December 31, 2021.

The following table shows the amounts available for borrowing under the Company's revolving credit facility:

	July 1, 2022	December 31, 2021
<i>In thousands</i>		
Total facility	\$ 800,000	\$ 800,000
Amounts outstanding, excluding letters of credit	—	—
Amounts available for borrowing, excluding letters of credit	800,000	800,000
Letters of credit under the credit facility ⁽¹⁾⁽²⁾	51,630	92,646
Amounts available for borrowing	\$ 748,370	\$ 707,354
Amounts available for borrowing subject to EBITDA, as defined by the Credit Agreement ⁽³⁾	\$ 283,416	\$ 409,914

⁽¹⁾ The Company has entered into standby letters of credit issued on the Company's behalf by financial institutions, and directly issued guarantees to third parties primarily related to advances received from customers and the guarantee of future performance on certain contracts. Letters of credit generally are available for draw down in the event the Company does not perform its obligations.

⁽²⁾ Of these amounts, \$46.1 million and \$86.3 million letters of credit relate to a JPF DCS contract in the periods ended July 1, 2022 and December 31, 2021.

⁽³⁾ Amounts available for borrowing subject to EBITDA reflect the minimum borrowing capacity under EBITDA, subject to adjustments. On May 31, 2022, the Credit Agreement was further amended to, among other things, adjust the Total Net Leverage Ratio financial covenant in anticipation of the consummation of the announced acquisition of Parker's Aircraft Wheel and Brake division. If our Total Net Leverage Ratio was adjusted to 5.00 to 1.00 as of July 1, 2022, the amount available for borrowing subject to EBITDA would be \$395.5 million. Refer to Note 13, *Debt*, for further information on this amendment.

Debt issuance costs in connection with the Credit Agreement have been capitalized and are being amortized over the term of the agreement. In 2019, we incurred \$3.6 million of debt issuance costs in connection with the amendment and restatement of the Credit Agreement. An additional \$4.2 million of debt issuance costs were incurred in connection with the amendment of the Credit Agreement in 2022. Total amortization expense for the three-month fiscal periods ended July 1, 2022 and July 2, 2021 was \$0.3 million and \$0.2 million, respectively. Total amortization expense for the six-month fiscal periods ended July 1, 2022 and July 2, 2021 was \$0.5 million and \$0.4 million, respectively.

Other Sources/Uses of Capital

Near Earth Autonomy

Concurrent with the \$10.0 million investment we made into Near Earth Autonomy, we entered into a Master Technology Maturation Agreement for a five-year initial term. The agreement requires the Company to contract with Near Earth Autonomy for a minimum spend of \$1.0 million per year of the Company's own funds or \$2.0 million per year from any source of revenue arranged by the Company.

Letters of Credit

Of the standby letters of credit under our credit facility, \$46.1 million in letters of credit relate to a JPF DCS contract, including the offset agreement. In the event that we default on the contract and we are unable to fulfill our contractual obligations, our customer has the ability to draw on the letters of credit.

Pension Plans

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

No contributions are expected to be made to the qualified pension plan during 2022. The Company contributed \$0.3 million to the SERP through the end of the second quarter of 2022 and plans to contribute an additional \$0.2 million to the SERP in 2022. For the 2021 plan year, the Company contributed \$10.0 million to the qualified pension plan and \$2.7 million to the SERP.

Effective December 31, 2015, our qualified pension plan was frozen with respect to future benefit accruals. Under USG Cost Accounting Standard ("CAS") 413, we must calculate the USG's share of any pension curtailment adjustment calculated resulting from the freeze. Such adjustments can result in an amount due to the USG for pension plans that are in a surplus

position or an amount due to the contractor for plans that are in a deficit position. During the fourth quarter of 2016, we accrued a \$0.3 million liability representing our estimate of the amount due to the USG based on our pension curtailment calculation, which was submitted to the USG for review in December 2016. We have maintained our accrual at \$0.3 million as of July 1, 2022. There can be no assurance that the ultimate resolution of this matter will not have a material adverse effect on our results of operations, financial position and cash flows.

Share-based Arrangements

As of July 1, 2022, future compensation costs related to non-vested stock options, restricted stock grants and performance stock grants is \$12.9 million. The Company anticipates that this cost will be recognized over a weighted-average period of 2.1 years.

Stock Repurchase Plans

On April 20, 2022, we announced that our Board of Directors approved a share repurchase program ("2022 Share Repurchase Program") authorizing the repurchase of up to \$50.0 million of the common stock, par value \$1.00 per share, of the Company. We repurchase shares to offset the annual issuance of shares under our employee stock plans, but the timing and actual number of shares repurchased will depend on a variety of factors including stock price, market conditions, corporate and regulatory requirements, capital availability and other factors, including acquisition opportunities. This plan replaces the authorization approved in April 2015.

NON-GAAP FINANCIAL MEASURES

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

Organic Sales

Organic Sales is defined as "Net Sales" less sales derived from acquisitions completed or businesses disposed of that did not qualify for accounting as a discontinued operation during the previous twelve months. We believe that this measure provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, which can obscure underlying trends. We also believe that presenting Organic Sales separately provides management and investors with useful information about the trends impacting our operations and enables a more direct comparison to other businesses and companies in similar industries. Management recognizes that the term "Organic Sales" may be interpreted differently by other companies and under different circumstances.

Organic Sales (in thousands)

	For the Three Months Ended		For the Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Net sales	\$ 160,766	\$ 182,394	\$ 318,814	\$ 354,010
Acquisition sales	—	—	—	—
Sales of disposed businesses that did not qualify for discontinued operations	—	—	—	1,704
Organic Sales	<u>\$ 160,766</u>	<u>\$ 182,394</u>	<u>\$ 318,814</u>	<u>\$ 352,306</u>

Free Cash Flow

Free Cash Flow is defined as GAAP "Net cash provided by (used in) operating activities" in a period less "Expenditures for property, plant & equipment" in the same period. Management believes Free Cash Flow provides an important perspective on our ability to generate cash from our business operations and, as such, that it is an important financial measure for use in evaluating the Company's financial performance. Free Cash Flow should not be viewed as representing the residual cash flow available for discretionary expenditures such as dividends to shareholders or acquisitions, as it may exclude certain mandatory expenditures such as repayment of maturing debt and other contractual obligations. Management uses Free Cash Flow internally to assess overall liquidity.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes outside the ordinary course of business in our contractual obligations or off-balance sheet arrangements during the first six months of 2022. See our 2021 Form 10-K for a discussion of our contractual obligations and off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management’s Discussion and Analysis and the Notes to Consolidated Financial Statements in the Company’s 2021 Form 10-K describe the critical accounting estimates and significant accounting policies used in preparing the Consolidated Financial Statements. Actual results in these areas could differ from management’s estimates.

RECENT ACCOUNTING STANDARDS

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the Company’s exposure to market risk during the first six months of 2022. See the Company’s 2021 Form 10-K for a discussion of the Company’s exposure to market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934, as amended, as of July 1, 2022. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of July 1, 2022, our disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

There was no change to our internal control over financial reporting that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

General

From time to time, as a normal incident of the nature and kinds of businesses in which the Company and its subsidiaries are, and were, engaged, various claims or charges are asserted and legal proceedings are commenced by or against the Company and/or one or more of its subsidiaries. Claimed amounts may be substantial but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. We record accruals for losses related to those matters that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, are recognized when they are realized and legal costs generally are expensed when incurred.

We evaluate, on a quarterly basis, developments in legal proceedings that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. Our loss contingencies are subject to substantial uncertainties, however, including for each such contingency the following, among other factors: (i) the procedural status of the case; (ii) whether the case has or may be certified as a class action suit; (iii) the outcome of preliminary motions; (iv) the impact of discovery; (v) whether there are significant factual issues to be determined or resolved; (vi) whether the proceedings involve a large number of parties and/or claims in multiple jurisdictions or jurisdictions in which the relevant laws are complex or unclear; (vii) the extent of potential damages, which are often unspecified or indeterminate; and (viii) the status of settlement discussions, if any, and the settlement postures of the parties. Because of these uncertainties, management has determined that, except as otherwise noted below, the amount of loss or range of loss that is reasonably possible in respect of each matter described below (including any reasonably possible losses in excess of amounts already accrued), is not reasonably estimable.

While it is not possible to predict the outcome of these matters with certainty, based upon available information, management believes that all settlements, arbitration awards and final judgments, if any, which are considered probable of being rendered against us in legal proceedings and that can be reasonably estimated are accrued for at July 1, 2022. Despite this analysis, there can be no assurance that the final outcome of these matters will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

As of July 1, 2022, neither the Company nor any of its subsidiaries was a party, nor was any of its or their property subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Company and its subsidiaries. Additional information relating to certain of these matters is set forth in Note 15, *Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements.

Environmental Matters

The Company and its subsidiaries are subject to numerous U.S. federal, state and international environmental laws and regulatory requirements and are involved from time to time in investigations or litigation of various potential environmental issues concerning activities at our facilities or former facilities or remediation as a result of past activities (including past activities of companies we have acquired). From time to time, we receive notices from the U.S. Environmental Protection Agency or equivalent state or international environmental agencies that we are a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the “Superfund Act”) and/or equivalent laws. Such notices assert potential liability for cleanup costs at various sites, which may include sites owned by us, sites we previously owned and treatment or disposal sites not owned by us, allegedly containing hazardous substances attributable to us from past operations. While it is not possible to predict the outcome of these proceedings, in the opinion of management, any payments we may be required to make as a result of all such claims in existence at July 1, 2022, will not have a material adverse effect on our business, financial condition and results of operations or cash flows.

Item 1A. Risk Factors

Investors should carefully review and consider the information regarding certain factors that could materially affect our business, results of operations, financial condition and cash flows as set forth under Item 1A. “Risk Factors” in our 2021 Form 10-K. Except as set forth below, we do not believe there have been any material changes to the risk factors previously disclosed in our 2021 Form 10-K, but we may disclose changes to such factors or disclose additional factors from time to time in future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely impact our business, results of operations, financial position and cash flows.

Our business, results of operations, financial condition and cash flows have been and are expected to continue to be adversely impacted by the ongoing COVID-19 pandemic.

The COVID-19 pandemic has created significant disruption and uncertainty in the global economy. The public health issues resulting from COVID-19 and the precautionary measures instituted by governments and businesses to mitigate its spread, such as quarantines, travel restrictions, business curtailments and school closures, have resulted in business and manufacturing disruptions, plant closures, inventory shortages, delivery delays, supply chain disruptions, and order reductions, cancellations and deferrals, all of which have adversely affected our business, results of operations, financial condition and cash flows. Although we continue to meet the demands of our customers, we have seen some disruptions in our supply chain, such as delays in materials and components used in our manufacturing process, and we continue to operate below pre-pandemic levels for our commercial aerospace products. We are encouraged by the recoveries for these products and the strong order intake we saw in the first six months of 2022; however, the extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, the severity and duration of the pandemic and the effectiveness of actions taken globally to contain or mitigate its effects. Even after the COVID-19 pandemic has subsided, we may experience adverse impacts to our business due to any resulting economic recession or depression. Additionally, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets which has, and may continue to, adversely impact our stock price and our ability to access capital markets. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this report and the Company's 2021 Form 10-K, such as those relating to our products and financial performance.

Our future operating results will be impacted by changes in global economic and political conditions.

Our future operating results and liquidity are expected to be impacted by changes in general economic and political conditions which may affect, among other things, the following:

- The availability of credit and our ability to obtain additional or renewed bank financing, the lack of which could have a material adverse impact on our business, financial condition and results of operations and may limit our ability to invest in capital projects and planned expansions or to fully execute our business strategy;
- Market rates of interest, any increase in which would increase the interest payable on some of our borrowings and adversely impact our cash flow;
- Inflation, which has caused our suppliers to raise prices that we may not be able to pass on to our customers, which could adversely impact our business, including competitive position, market share and margins;
- The investment performance of our pension plan, as well as the associated discount rate, any adverse changes in which may result in a deterioration in the funded status of the plan and an increase in required contributions and plan expense;
- The relationship between the U.S. dollar and other currencies, any adverse changes in which could negatively impact our financial results;
- The ability of our customers to pay for products and services on a timely basis, any adverse change in which could negatively impact sales and cash flows and require us to increase our bad debt reserves;
- The volume of orders we receive from our customers, any adverse change in which could result in lower operating profits as well as less absorption of fixed costs due to a decreased business base;
- The ability of our suppliers to meet our demand requirements, maintain the pricing of their products or continue operations, any of which may require us to find and qualify new suppliers;
- The issuance and timely receipt of necessary export approvals, licenses and authorizations from the U.S. Government, the lack or untimely receipt of which could have a material adverse effect on our business, financial condition and results of operations;
- The political stability and leadership of countries where our customers and suppliers reside, including military activity, training and threat levels, any adverse changes in which could negatively impact our financial results, such as the effects of the ongoing war in Ukraine. These effects include adverse impacts on energy availability and prices, natural materials availability and pricing, sanctions, loss of company markets and financial market impacts; and
- The volatility in equity capital markets which may continue to adversely affect the market price of our common shares, which may affect our ability to fund our business through the sale of equity securities and retain key employees through our equity compensation plans.

While general economic and political conditions have not impaired our ability to access credit markets and finance our operations to date, there can be no assurance that we will not experience future adverse effects that may be material to our cash flows, competitive position, financial condition, results of operations or our ability to access capital.

FORWARD-LOOKING STATEMENTS

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

Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and other factors that may cause the Company's actual results and financial condition to differ materially from those expressed or implied in the forward-looking statements. Such risks, uncertainties and other factors include, among others: (i) changes in domestic and foreign economic and competitive conditions in markets served by the Company, particularly the defense, commercial aviation and industrial production markets; (ii) changes in government and customer priorities and requirements (including cost-cutting initiatives, government and customer shut-downs, the potential deferral of awards, terminations or reductions of expenditures to respond to the priorities of Congress and the Administration, or budgetary cuts resulting from Congressional actions or automatic sequestration); (iii) the global economic impact of the COVID-19 pandemic; (iv) changes in geopolitical conditions in countries where the Company does or intends to do business; (v) the successful conclusion of competitions for government programs (including new, follow-on and successor programs) and thereafter successful contract negotiations with government authorities (both foreign and domestic) for the terms and conditions of the programs; (vi) the timely receipt of any necessary export approvals and/or other licenses or authorizations from the USG; (vii) timely satisfaction or fulfillment of material contractual conditions precedents in customer purchase orders, contracts, or similar arrangements; (viii) the existence of standard government contract provisions permitting renegotiation of terms and termination for the convenience of the government; (ix) the successful resolution of government inquiries or investigations relating to our businesses and programs; (x) risks and uncertainties associated with the successful implementation and ramp up of significant new programs, including the ability to manufacture the products to the detailed specifications required and recover start-up costs and other investments in the programs; (xi) potential difficulties associated with variable acceptance test results, given sensitive production materials and extreme test parameters; (xii) the receipt and successful execution of production orders under the Company's existing USG JPF contract, including the exercise of all contract options and receipt of orders from allied militaries, but excluding any next generation programmable fuze programs, as all have been assumed in connection with goodwill impairment evaluations; (xiii) the continued support of the existing K-MAX® helicopter fleet, including sale of existing K-MAX® spare parts inventory and the receipt of orders for new aircraft sufficient to recover our investments in the K-MAX® production line; (xiv) the accuracy of current cost estimates associated with environmental remediation activities; (xv) the profitable integration of acquired businesses into the Company's operations; (xvi) the ability to recover from cyber-based or other security attacks, information technology failures or other disruptions; (xvii) changes in supplier sales or vendor incentive policies; (xviii) the ability of our suppliers to satisfy their performance obligations, including any supply chain disruptions; (xix) the effects of price increases or decreases; (xx) the effects of pension regulations, pension plan assumptions, pension plan asset performance, future contributions and the pension freeze, including the ultimate determination of the USG's share of any pension curtailment adjustment calculated in accordance with CAS 413; (xxi) future levels of indebtedness and capital expenditures; (xxii) the continued availability of raw materials and other commodities in adequate supplies and the effect of increased costs for such items; (xxiii) the effects of currency exchange rates and foreign competition on future operations; (xxiv) changes in laws and regulations, taxes, interest rates, inflation rates and general business conditions; (xxv) future repurchases and/or issuances of common stock; (xxvi) the occurrence of unanticipated restructuring costs or the failure to realize anticipated savings or benefits from past or future expense reduction actions; (xxvii) the ability to recruit and retain skilled employees; and (xxviii) other risks and uncertainties set forth herein and in our 2021 Form 10-K.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases of common stock by the Company during the three-month fiscal period ended July 1, 2022:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (b)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan(b) (in thousands)
April 2, 2022 - April 29, 2022	1,949	\$ 42.08	—	\$50,000
April 30, 2022 - May 27, 2022	—	\$ —	—	\$50,000
May 28, 2022 - July 1, 2022	1,105	\$ 36.88	—	\$50,000
Total	3,054			

(a) During the second quarter of 2022 the Company purchased 3,054 shares in connection with employee tax withholding obligations as permitted by our equity compensation plans, which are SEC Rule 16b-3 qualified compensation plans. These were not purchases under our publicly announced program.

(b) On April 20, 2022, the Company announced that its Board of Directors approved a \$50.0 million share repurchase program. This plan replaces the authorization approved in April 2015. For additional information, see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Other Sources/Uses of Capital" in this Form 10-Q for the three-month fiscal period ended July 1, 2022.

Item 6. Index To Exhibits

2.1	Asset Purchase Agreement , dated May 21, 2022, by and among Parker-Hannifin Corporation, an Ohio corporation, Kaman Newco, LLC, a Delaware limited liability company, and, solely for purposes of Section 10.18 of such Agreement, Kaman Aerospace Group, Inc., a Connecticut corporation. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated May 21, 2022, File No. 001-35419) ⁽¹⁾ .	Previously Filed
10.1	Amendment No. 2 , dated May 31, 2022, to the Second Amended and Restated Credit and Guaranty Agreement, dated as of December 31, 2019, by and among Kaman Corporation and JPMorgan Chase, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 31, 2022, File No. 001-35419).	Previously Filed
10.2	Form of Change in Control Agreement by and between the Company and certain of its executive officers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 8, 2022, File No. 001-35419).*	Previously Filed
10.2(a)	Schedule identifying agreements substantially identical to the form of Change in Control Agreement filed as Exhibit 10.2 hereto.*	Filed Herewith
10.3	Form of Nonqualified Stock Option Agreement under the Amended and Restated Kaman Corporation 2013 Management Incentive Plan , for awards granted on or after June 8, 2022.*	Filed Herewith
10.4	Separation and General Release of Claims Agreement between the Company and Darlene R. Smith , dated as of July 7, 2022.*	Filed Herewith
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14 under the Securities Exchange Act of 1934	Filed Herewith
31.2	Certification of Chief Executive Officer Pursuant to Rule 13a-14 under the Securities Exchange Act of 1934	Filed Herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101	

* Management contract or compensatory plan.

⁽¹⁾ Schedules and exhibits omitted pursuant to Item 601(a)(5) of Regulation S-K. Copies of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

SIGNATURES

Kaman Corporation and Subsidiaries

Signatures

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

KAMAN CORPORATION

Registrant

Date: August 4, 2022

By:

/s/ Ian K. Walsh

Ian K. Walsh
Chairman, President and
Chief Executive Officer

Date: August 4, 2022

By:

/s/ James G. Coogan

James G. Coogan
Senior Vice President and
Chief Financial Officer

**SCHEDULE IDENTIFYING AGREEMENTS SUBSTANTIALLY IDENTICAL TO THE FORM
OF CHANGE IN CONTROL AGREEMENT**

In accordance with Instruction 2 to Item 601 of Regulation S-K, Kaman Corporation has omitted filing Change in Control Agreements with each of the executive officers listed below, which agreements are substantially identical in all material respects to the form of Change in Control Agreement filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 8, 2022, with the changes noted below:

Executive Officer	Applicability of Language for Executive that already has a Change in Control Agreement? (Y/N)	Multiple for purposes of Section 5.1(a)(i) and (ii)
Ian K. Walsh	Y	Three (3) times
James G. Coogan	Y	Two (2) times
Shawn G. Lisle	Y	Two (2) times
Russell J. Bartlett	N	Two (2) times
Kristen M. Samson	N	Two (2) times
Megan A. Morgan	N	Two (2) times
Rafael Z. Cohen	N	Two (2) times
Carroll K. Lane	N	Two (2) times

NONQUALIFIED STOCK OPTION AGREEMENT
(Under the Kaman Corporation
Amended and Restated 2013 Management Incentive Plan)

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "Agreement"), is made and entered into as of the ____ day of _____, 20____, by and between KAMAN CORPORATION, a Connecticut corporation with its principal office in Bloomfield, Connecticut (the "Company"), and [«FIRST_NAME» «MI» «LAST_NAME»] (the "Participant").

Grant Date: ____[Insert Date]____

Option Price per Share: ____[Insert Price per Share]____

Number of Option Shares: ____[Insert Number of Option Shares]____

Expiration Date: ____[Insert Date]____

1. Grant of Option. Subject to the terms and conditions set forth in this Agreement, the Company hereby grants to the Participant, effective as of the Grant Date set forth above (the "Grant Date"), the right and option (the "Option"), exercisable during the period commencing on the Grant Date and ending on the Expiration Date set forth above (the "Expiration Date"), to purchase from the Company from time to time, up to but not exceeding in the aggregate the total number of shares of Common Stock of the Company equal to the number of Option Shares set forth above (the "Option Shares"); provided, however, that the exercise of the Option shall be restricted as set forth in Section 2 of this Agreement. This Option is granted under, and is subject to all of the terms and provisions of, the Kaman Corporation Amended and Restated 2013 Management Incentive Plan (the "Plan"). All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

2. Terms and Conditions of Option. The following terms and conditions shall apply to the Option:

(a) Option Price. The purchase price of each Share subject to the Option shall be the Option Price Per Share set forth above (the "Option Price"), being the closing price of a Share as reported by the New York Stock Exchange on the most recent trading day immediately preceding the Grant Date.

(b) Type of Option. The Option is a Nonqualified Stock Option (as defined in the Plan), which shall not be deemed to meet the requirements of an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended, or any successor provision.

(c) Acceptance of Option. No later than sixty (60) days after the Grant Date, the Participant must accept the Option by executing and delivering a counterpart copy of this Agreement to the Chief Human Resources Officer of the Company at the Company's principal executive offices located in Bloomfield, Connecticut. By accepting the Option, the Participant acknowledges receipt of a copy of the Plan and this Agreement. The Participant represents and

warrants that the Participant has read and understands the terms and provisions of the Plan and this Agreement, and the Participant hereby agrees to be bound by such terms and provisions.

(d) Period of Option. The Option shall have a term of ten (10) years from the Grant Date; provided, however, that unless the Option shall have already expired by its terms, the Option or the unexercised portion thereof (to the extent exercisable on the date of termination of employment) shall terminate at the close of business on the day three (3) months following the date on which the Participant ceases to be employed by the Company or a Subsidiary, unless a longer period is provided under subsection (g) of this Section in the case of death, Disability or Retirement. Notwithstanding the foregoing, if the Participant's employment is terminated for "Cause" (as defined below), the unexercised portion of this Option shall terminate on the date the Participant ceases to be employed by the Company or a Subsidiary. For purposes of this Option, "Cause" means (i) the willful refusal by the Participant to perform proper responsibilities of the Participant's position with the Company or a Subsidiary, (ii) a violation of law by the Participant which adversely affects the assets, financial position or reputation of the Company or a Subsidiary, or (iii) a violation by the Participant of any code of ethics, code of conduct or similar policy maintained by the Company or a Subsidiary. A Participant's service shall be deemed to have terminated for Cause if, after the Participant's service has terminated, facts and circumstances are discovered that would have justified a termination for Cause.

(e) Exercise of Option. The Option shall be exercisable with respect to one-third (33.33%) of the Shares subject thereto on _____, 20____, and shall be exercisable as to an additional one-third (33.33%) of such Shares on _____ of each of the next succeeding two (2) years, on a cumulative basis, so that the Option, or any unexercised portion thereof, shall be fully exercisable on and after _____, 20____. The Participant may not exercise the Option or any part thereof unless at the time of such exercise the Participant shall be employed by the Company or a Subsidiary and shall have been so employed continuously since the Grant Date, except leaves of absence approved by the Committee; provided, however, that a Participant may exercise the Option during the periods described in subsections (d) and (g) of this Section following such continuous employment unless the Option shall have already expired by its terms. The Option shall be exercised in the manner set forth in Section 3 of this Agreement. Any obligation of the Company to issue the Shares as to which such Option is being exercised shall be conditioned upon the Company's ability at nominal expense to issue such Shares in compliance with all applicable statutes, rules or regulations of any governmental authority. The Company may secure from the Participant any assurances or agreements that the Committee, in its sole discretion, shall deem necessary or advisable in order that the issuance of such Shares shall comply with any such statutes, rules or regulations.

(f) Nontransferability. The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution, and the Option shall be exercisable, during the Participant's lifetime, only by the Participant.

(g) Death, Disability or Retirement.

(i) In the event of the death, Disability or Retirement of the Participant while in the employ of the Company or a Subsidiary, the Option may be exercised within the period of five (5) years succeeding such Participant's death, Disability or Retirement, but in no event later than the Expiration Date, by the person or persons designated in the Participant's will for that purpose or in the absence of any such designation, by the legal representative of the Participant's estate, or by the Participant or the Participant's legal representative, as the case may be.

(ii) During any period following termination of employment by reason of death, Disability or Retirement during which the Option may be exercisable as provided in subsection (g)(i) above, such Option shall continue to vest in accordance with its terms and be and become exercisable as if employment had not ceased.

(iii) As used in this Agreement, the term "Retirement" means the termination of a Participant's employment with the Company or a Subsidiary other than for Cause (a) after attaining age 62 with at least five years of employment service or (b) after attaining age 65, the term "Disability" or "Disabled" means permanent and total disability as defined by Code Section 22(e)(3), and the term "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor Code, and related rules, regulations and interpretations.

(h) Shareholder Rights. The Participant shall not be entitled to any rights as a shareholder with respect to any Shares subject to the Option prior to the date of issuance to the Participant of such Shares.

3. Manner of Exercise of Option.

(a) The Option shall be exercised by delivering to the Company from time to time a signed statement of exercise specifying the number of Shares to be purchased, together with cash or a check made payable to the order of the Company for an amount equal to the aggregate Option Price of such Shares. Payment in full or in part may also be made by delivery of (i) irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the aggregate Option Price, or (ii) previously owned Shares not then subject to restrictions under any Company plan (but which may include shares of Common Stock the disposition of which constitutes a disqualifying disposition for purposes of obtaining incentive stock option treatment for federal tax purposes), (iii) Shares otherwise receivable upon the exercise of this Option, provided, however, that in the event that, in any given instance, the exercise of this Option by withholding Shares otherwise receivable would be unlawful, unduly burdensome or otherwise inappropriate, the Company may require that such exercise be accomplished in another acceptable manner, (iv) any other legal consideration that the Company may deem appropriate, or (v) any combination of the foregoing. For purposes of this Section 3, any such surrendered Shares shall be valued at the closing price of the Company's Common Stock on the New York Stock Exchange on the most recent trading day preceding the date of exercise on which sales of the Shares occurred.

(b) The issuance of optioned Shares shall be conditioned on the Participant having either (i) paid, or (ii) made provisions satisfactory to the Committee for the payment of, all applicable tax withholding obligations. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. In addition, the Company in its discretion, but only upon the written request of the Participant, may permit the Participant to satisfy any and all applicable federal, state, local and foreign income tax withholding requirements (including Participant's FICA or employment tax obligations) occasioned by the exercise thereof by the surrender of Shares otherwise to be received on the exercise of such Option. For purposes of this subsection (b), such surrendered Shares shall be valued at the closing price of the Company's Common Stock in the New York Stock Exchange on the most recent trading day preceding the date of exercise on which sales of the Shares occurred.

(c) Within twenty (20) days after such exercise of the Option in whole or in part, the Company shall use commercially reasonable efforts to cause the Shares with respect to which the Option shall be so exercised to be issued in uncertificated form in the Participant's name, provided that, if the stock transfer books of the Company are closed for the whole or any part of said twenty (20) day period, then such period shall be extended accordingly. Each purchase of Shares hereunder shall be a separate and divisible transaction and a completed contract in and of itself.

4. Stock Reservations. The Company shall at all times during the term of this Agreement reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement, and shall pay all original issue taxes, if any, on the exercise of the Option, and all other fees and expenses necessarily incurred by the Company in connection therewith.

5. Termination of Option. If the Participant shall no longer be a full-time salaried employee of the Company or a Subsidiary, the Participant's employment being terminated for any reason other than death, Disability or Retirement, any unexercised portion of the Option shall terminate at the close of business on the day three (3) months following the date of the termination of Participant's employment, unless such Option shall have already expired by its terms. This Option shall be exercisable, if at all, during such three (3) month period only to the extent exercisable on the date of termination of employment. For purposes of this Option, a transfer of the employment of Participant from the Company to a Subsidiary, or vice versa, or from one Subsidiary to another Subsidiary, shall not be deemed a termination of employment. Notwithstanding the foregoing, if the Participant's employment is terminated for Cause, any unexercised portion of this Option shall immediately terminate on the date his or her employment terminates.

6. Effect on Changes in Capital Structure. The existence of the Option shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part

of its assets or business, or any other corporate act or proceedings, whether of a similar character or otherwise.

7. Dilution or Other Adjustments. In the event that prior to issuance by the Company of all the Shares subject to the Option, the Company shall have effected one or more stock splits, stock dividends, mergers, reorganizations, consolidations, combinations or exchanges of shares, recapitalizations or similar capital adjustments, the Board of Directors of the Company shall equitably adjust the number, kind and Option price of the Shares remaining subject to the Option in order to avoid dilution or enlargement of Option rights.

8. Compliance with Laws. Notwithstanding any of the provisions hereof, the Participant agrees for himself/herself and his/her legal representatives, legatees and distributees that the Option shall not be exercisable, and that the Company shall not be obligated to issue any Shares hereunder, if the exercise of said Option or the issuance of such Shares shall constitute a violation by the Option holder or the Company of any provision of any law or regulation of any governmental authority.

9. Notices.

(a) Any notice to the Company pursuant to any provision of this Agreement will be deemed to have been delivered when delivered in person to the President or Secretary of the Company, when deposited in the United States mail, addressed to the President or Secretary of the Company, at the Company's corporate offices, when delivered to the President or Secretary of the Company by electronic mail, or when delivered to such other address as the Company may from time to time designate in writing.

(b) Any notice to the Participant pursuant to any provision of this Agreement will be deemed to have been delivered when delivered to the Participant in person, when deposited in the United States mail, addressed to the Participant at the address on the shareholder records of the Company, when delivered to the Participant by electronic mail, or when delivered to such other address as the Participant may from time to time designate in writing.

10. Administration and Interpretation. The administration of the Option shall be subject to such rules and regulations as the Committee deems necessary or advisable for the administration of the Plan. The determination or the interpretation and construction of any provision of the Option by the Committee shall be final and conclusive upon all concerned, unless otherwise determined by the Board of Directors of the Company. The Option shall at all times be interpreted and applied in a manner consistent with the provisions of the Plan, and in the event of any inconsistency between the terms of the Option and the terms of the Plan, the terms of the Plan shall control, the terms of the Plan being incorporated herein by reference. By accepting this Agreement, the Participant hereby consents to the collection, use, disclosure, and transfer (including overseas) of the Participant's personal data in connection with, or as necessary or appropriate for, the administration of this award and the Plan under which it is issued, including without limitation to Solium Capital LLC and Morgan Stanley Smith Barney LLC (collectively with their respective affiliates, "Shareworks"), service providers which are assisting the Company with the implementation and administration of the Plan. The Company may select one or more different service providers or additional service providers and share

personal data with such other service providers in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service providers, with such agreement being a condition to the ability to participate in the Plan and access any Participant portal that may be provided by service provider.

11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

12. Electronic Delivery. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other agreements, forms and communications) in connection with this and any other prior or future incentive award or program made or offered by the Company or its predecessors or successors. Electronic delivery of a document to the Participant may be via a Company e-mail system or by reference to a location on a Company intranet site to which the Participant has access.

13. Compensation Recovery. The Company may cancel, forfeit or recoup any rights or benefits of, or payments to, the Participant hereunder, including but not limited to any Shares issued by the Company following the exercise of the Option under this Agreement or the proceeds from the sale of any such Shares, under any future compensation recovery policy that it may establish and maintain from time to time, to meet listing requirements that may be imposed in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise. The Company shall delay the exercise of its rights under this Section for the period as may be required to preserve equity accounting treatment.

14. Taxes; Limitation on Excess Parachute Payments. The settlement of this Award is conditioned on the Participant making arrangements reasonably satisfactory to the Company for the withholding of all applicable federal, state, local or foreign taxes as may be required under applicable law. The Participant shall bear all expense of, and be solely responsible for, all federal, state, local or foreign taxes due with respect to any payment received under this Agreement. Notwithstanding any other provision in this Agreement to the contrary, any payment or benefit received or to be received by the Participant in connection with a Change in Control or the termination of employment (whether payable under the terms of this Agreement or any other plan, arrangement or agreement with the Company or one of its Subsidiaries (collectively, the "Payments") that would constitute a "parachute payment" within the meaning of Section 280G of the Code, shall be reduced to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), but only if, by reason of such reduction, the net after-tax benefit received by the Participant shall exceed the net after-tax benefit that would be received by the Participant if no such reduction was made. Whether and

how the limitation under this Section 14 is applicable shall be determined under the Section 280G Rules set forth in Exhibit A, which shall be enforceable as if set forth in this Agreement.

15. Changes to Award Administration. Notwithstanding any other provision herein to the contrary, the Company or the Custodian may provide an alternative process for delivery to the Custodian of an executed copy of this Agreement, and may change the method and process for the issuance, recordation and delivery of the Option Shares to or for the benefit of Participant and for the maintenance of Participant's account. Without limiting the generality of the foregoing, the Company or the Custodian may select one or more service providers, including the Transfer Agent and Shareworks, to assist with the maintenance and administration of the Plan and Participant's account, and may deliver the Option Shares in book-entry form and/or through electronic delivery of the Option Shares to a brokerage account for the benefit of the Participant. Participant hereby agrees that Section 10 and this Section 15 shall apply to all other outstanding awards granted to Participant under the Plan, any predecessor plan or the Kaman Corporation 2003 Stock Incentive Plan, including any awards granted pursuant to Restricted Share Agreements, Non-Statutory Stock Option Agreements, Performance Share Unit Agreements, and Restricted Share Unit Agreements, as if this provision were set out in such award agreements.

IN WITNESS WHEREOF, the parties have executed this Nonqualified Stock Option Agreement, or caused this Agreement to be executed, as of the date first written above.

KAMAN CORPORATION

By: _____
Name:
Title:

PARTICIPANT

[«FIRST_NAME» «MI» «LAST_NAME»]

To Nonqualified Stock Option Agreement

The following rules shall apply for purposes of determining whether and how the limitations provided under Section 14 are applicable to the Participant.

1. The “net after-tax benefit” shall mean (i) the Payments (as defined in Section 14) which the Participant receives or is then entitled to receive from the Company or a Subsidiary or Affiliate that would constitute “parachute payments” within the meaning of Section 280G of the Code, less (ii) the amount of all federal, state and local income and employment taxes payable by the Participant with respect to the foregoing calculated at the highest marginal income tax rate for each year in which the foregoing shall be paid to the Participant (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing), less (iii) the amount of Excise Tax imposed with respect to the payments and benefits described in (i) above.

2. All determinations under Section 14 of this Agreement and this Exhibit A will be made by an accounting firm or law firm that is selected for this purpose by the Company’s Chief Executive Officer prior to a Change in Control (the “280G Firm”). All fees and expenses of the 280G Firm shall be borne by the Company. The Company will direct the 280G Firm to submit any determination it makes under Section 14 of this Agreement and this Exhibit A and detailed supporting calculations to both the Participant and the Company as soon as reasonably practicable.

3. If the 280G Firm determines that one or more reductions are required under Section 14 of this Agreement, the 280G Firm shall also determine which Payments shall be reduced (first from cash payments and then from non-cash benefits, in each such case first from amounts not subject to Section 409A of the Code and then from amounts subject to Section 409A of the Code, with the Payments that otherwise would be made last in time reduced first) to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code, and the Company shall pay such reduced amount to the Participant.

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

Participant is subject to tax under Section 4999 of the Code or generate a refund of tax imposed under Section 4999 of the Code. If the 280G Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the 280G Firm will notify the Participant and the Company of that determination and the amount of that Underpayment will be paid to the Participant promptly by the Company.

5. The Participant will provide the 280G Firm access to, and copies of, any books, records, and documents in the Participant's possession as reasonably requested by the 280G Firm, and otherwise cooperate with the 280G Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 14 of this Agreement and this Exhibit A.

SEPARATION AND GENERAL RELEASE OF CLAIMS AGREEMENT

Kaman Aerospace Corporation, a Connecticut corporation ("**Company**") on behalf of itself, its subsidiaries, and other corporate affiliates, and each of their respective present and former employees, officers, directors, owners, shareholders and agents, individually and in their official capacities (collectively, the "**Company Group**") and **Darlene R. Smith**, on behalf of herself, her heirs, executors, administrators, successors, and assigns (collectively referred to throughout this Agreement as "**Employee**"), enter into this Separation and General Release of Claims Agreement ("**Agreement**") and agree as set forth herein effective July 5, 2022 ("**Effective Date**"). The Company and the Employee are each referred to herein as a "**Party**" and collectively the "**Parties**".

1. Separation From Employment.

- (a) Employee's last day of full-time, active employment with the Company will be January 4, 2023 ("**Separation Date**"). After the Separation Date, the Employee will not represent herself as being an employee, officer, agent, or representative of the Company, the Company Group, or any of their respective subsidiaries or corporate affiliates for any purpose. Except as otherwise set forth in this Agreement, including the consideration described in Section 2 herein, the Separation Date is the employment termination date for the Employee for all purposes, meaning the Employee is not entitled to any further compensation, monies, or other benefits from the Company, including coverage under any benefit plans or programs sponsored by the Company, as of the Separation Date; and
- (b) Effective on the Separation Date the Employee shall and hereby does relinquish and resign from, any and all offices, committee memberships, fiduciary capacities and positions held with or on behalf of the Company, the Company Group, and their respective subsidiaries, affiliates and divisions, including without limitation, the following:
 - Kaman Aerospace Corporation
 - Kaman EMEA, Inc.
 - Kaman Precision Products, Inc.
- (c) From the Effective Date through the Separation Date, Employee will assume the title and responsibilities of Vice President and General Manager, Kaman Precision Products and shall receive the same level of base salary, incentive compensation and benefits, respectively, which were in effect immediately prior to the Effective Date.

2. Consideration.

- (a) In consideration for Employee's (i) timely execution of this Agreement and non-revocation of the same, (ii) full compliance with this Agreement, including Employee's waiver and release of claims in Section 3 as of the Effective Date, and (iii) execution of the Reaffirmation Agreement

substantially in the form attached hereto as Exhibit A (“**Reaffirmation Agreement**”) within twenty-one (21) days following the Separation Date, the Company agrees to provide the following compensation and benefits to which Employee would not otherwise be entitled:

- i. The Company shall pay Employee a lump sum payment of \$291,200, less applicable withholdings (“**Separation Pay**”), which is equal to 52 weeks of wages.
- ii. Employee shall be eligible for the annual cash incentive award for the full 2022 performance year under the Kaman Corporation Management Incentive Plan, payable at the time and upon such terms that annual cash incentive awards are paid to other senior executives following the Board of Directors approval in 2023.
- i. Commencing upon the Separation Date and continuing for 18 months, through July 4, 2024, the Company will pay the premiums for medical, dental, vision care, and MERP coverage elected by the Employee under COBRA which cover her (and her eligible dependent), subject to the Employee’s completion of applicable enrollment paperwork mailed directly by Kaman’s, third party COBRA administrator, WEX, Inc. In the event the Employee obtains other employment that offers substantially similar or improved benefits, as to any particular medical, dental or vision plan, such continuation of coverage by the Company will cease. The continuation of benefits under this section shall reduce and count against the Employee’s rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). The Employee and the Company intend that the benefits described in this section shall not constitute deferral of compensation.
- ii. The Company will vest as of the Separation Date Employee’s unvested restricted stock awards and unvested non-statutory stock options, respectively, granted under the MIP.
- iii. Notwithstanding any provision of the MIP to the contrary, the unexercised portions of the Employee’s vested non-statutory options granted under the MIP may be exercised within the period of five (5) years succeeding the Separation Date but in no event later than the original expiration date.
- iv. The number of performance share units (PSUs) earned for which the performance period has not yet completed as of the Separation Date shall be determined at the end of each respective performance period in accordance with the Company’s actual financial performance, and the earned PSUs,

if any, shall become vested on a pro rata basis by multiplying a fraction, the numerator of which shall be the number of calendar days from the beginning of the performance period to the date of the Separation Date and the denominator of which shall be the total number of calendar days during the Performance Period.

- v. Employee shall be eligible for participation in the Company's Deferred Compensation Plan for the entire 2022 calendar year, including eligibility for any supplemental deferred compensation contribution from the Company.
- vi. In addition, the Company shall pay the Employee an additional amount of \$10,000, less applicable withholdings, representing reimbursement for executive outplacement agency services the Employee may incur.
- (b) Employee shall be solely responsible for, and is legally bound to make payment of, any taxes determined to be due and owing (including penalties and interest related thereto) by her to any federal, state, local or regional taxing authority as a result of any consideration that Employee receives under this Agreement. The Parties agree that the Company shall withhold federal, state and municipal taxes from payments made to Employee under this Agreement, as required by applicable law.
- (c) In the event that Employee dies prior to the Separation Date, the consideration provided for in this Paragraph 2 and its subparagraphs shall become due and payable to Employee's estate.
- (d) The Employee understands, acknowledges, and agrees that these benefits exceed what the Employee is otherwise entitled to receive on separation from employment, and that these benefits are being given as consideration in exchange for executing and not revoking this Agreement and the general release contained herein and for complying with the terms of this Agreement. The Employee further acknowledges that the Employee is not entitled to any additional payment or consideration not specifically referenced in this Agreement.
- (e) If Employee applies for unemployment benefits after the Separation Date, the Company shall not actively contest it. However, the Company will respond truthfully, completely, and timely to any inquiries by the applicable unemployment commission concerning the termination of Employee's employment.

3. General Release, Claims Not Released and Related Provisions.

- (a) **General Release of Claims.** In exchange for the consideration provided in

this Agreement and except as provided herein, the Employee and the Employee's heirs, executors, representatives, agents, insurers, administrators, successors and assigns (collectively, the "**Releasors**") irrevocably and unconditionally fully and forever waive, release, and discharge the Company Group, including each member of the Company Group's parents, subsidiaries, divisions, affiliates, predecessors, successors, and assigns, and all of their respective current and former employees, attorneys, officers, directors, shareholders and agents, both individually and in their business capacities, and their employee benefit plans and programs and their administrators and fiduciaries, in their corporate and individual capacities (collectively, the "**Releasees**") from any and all claims, demands, actions, causes of actions, obligations, judgments, rights, fees, damages, debts, obligations, liabilities, and expenses (inclusive of attorneys' fees) of

any kind whatsoever (collectively, "**Claims**"), whether known or unknown, from the beginning of time to the date of the Employee's execution of this Agreement, including, without limitation, any claims under any federal, state, local, or foreign law, that Releasors may have, have ever had or may in the future have arising out of, or in any way related to the Employee's hire, benefits, employment, termination, or separation from employment with the Company and any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter, including, but not limited to:

- i. any and all Claims under the following laws and their respective implementing regulations that may be legally waived and released: Title VII of the Civil Rights Act of 1964, as amended; Sections 1981 through 1988 of Title 42 of the United States Code; the Civil Rights Act of 1991; the Employee Retirement Income Security Act of 1974 (ERISA), as amended (with respect to unvested benefits); the Immigration Reform and Control Act of 1986; the Americans with Disabilities Act of 1990, as amended; the Rehabilitation Act of 1973; the Age Discrimination in Employment Act of 1967 (ADEA), as amended; the Worker Adjustment and Retraining Notification (WARN) Act, as amended; the Occupational Safety and Health Act, as amended; the Uniform Services Employment and Reemployment Rights Act (USERRA); the Fair Credit Reporting Act, as amended; the Sarbanes-Oxley Act, to the extent permitted by law; the Dodd-Frank Wall-Street Reform and Consumer Protection Act, to the extent permitted by law; the Family and Medical Leave Act of 1993, as amended; the Equal Pay Act of 1963, as amended; the National Labor Relations Act (NLRA); and the Genetic Information Nondiscrimination Act of 2008 (GINA), as amended;
- ii. any and all Claims under any federal, state, local, municipal, foreign or other law, rule, regulation, code, ordinance or other source of legal rights that may be legally waived and released,

including but not limited to the Connecticut Human Rights and Opportunities Act, which includes the Connecticut Fair Employment Practices Act, the Connecticut Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers Compensation Claim, the Connecticut Equal Pay Law, the Connecticut Family and Medical Leave Law, the Connecticut Whistleblower Law, the Connecticut Age Discrimination and Employee Benefits Law, the Connecticut Electronic Monitoring of Employees Law, the Connecticut Wage Laws, the Connecticut OSHA, the Connecticut Reproductive Hazards Law, the Connecticut AIDS Testing and Confidentiality Law, the Connecticut Statutory Provision Regarding Protection of Social Security Numbers and Personal Information, the Connecticut Statutory Provision Regarding Concerning Consumer Privacy and Identity Theft, the Connecticut Paid Sick Leave law, the Connecticut Wage laws, the Connecticut Drug Testing law, the Connecticut Whistleblower law, the Connecticut Free Speech law, the Connecticut Electronic Monitoring of Employees law, the Connecticut law preventing the use of credit scores by certain employers in hiring decisions, the Tennessee Human Rights Act (THRA), the Tennessee Disability Act (TDA) and the Tennessee Public Protection Act (TPPA); and

- iii. any and all Claims under any public policy, contract (oral or written, express or implied), tort or common law;
- iv. any and all Claims under any statute, common law, agreement or other basis for seeking or recovering any costs, fees or other expenses, including but not limited to attorneys' fees and/or costs;
- v. any and all Claims for compensation of any type whatsoever, including but not limited to claims for salary, wages, bonuses, commissions, incentive compensation, vacation, and severance that may be legally waived and released;
- vi. any and all Claims arising under tort, contract, and quasi- contract law, including but not limited to claims of breach of an expressed or implied contract, tortious interference with contract or prospective business advantage, breach of the covenant of good faith and fair dealing, promissory estoppel, detrimental reliance, invasion of privacy, nonphysical injury, personal injury or sickness or any other harm, wrongful or retaliatory discharge, fraud, defamation, slander, libel, false imprisonment, and negligent or intentional infliction of emotional distress; and
- vii. any and all Claims for monetary or equitable relief, including

but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs, and disbursements, punitive damages, liquidated damages, and penalties.

- (b) **Specific Release of ADEA Claims.** In further consideration of the payments and benefits provided to Employee in this Agreement, the Releasors hereby irrevocably and unconditionally fully and forever waive, release, and discharge the Releasees from any and all Claims, whether known or unknown, from the beginning of time to the date of Employee's execution of this Agreement arising under the Age Discrimination in Employment Act ("ADEA"), as amended, and its implementing regulations. By signing this Agreement, Employee hereby acknowledges and confirms that:
- i. Employee has read this Agreement in its entirety and understands all of its terms;
 - ii. by this Agreement, Employee has been advised in writing of the right to consult with an attorney of Employee's choosing before executing this Agreement;
 - iii. Employee knowingly, freely, and voluntarily assents to the terms and conditions set out in this Agreement including, without limitation, the waiver, release, and covenants contained in it;
 - iv. Employee is executing this Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which Employee is otherwise entitled;
 - v. Employee was given at least twenty-one (21) days to consider the terms of this Agreement and consult with an attorney of Employee's choice, although Employee may sign it sooner if desired and changes to this Agreement, whether material or immaterial, do not restart the running of the 21-day period;
 - vi. Employee understands that she has seven (7) days from signing this Agreement to revoke the release in this paragraph by delivering notice of revocation to Shawn G. Lisle, Senior Vice President and General Counsel, Kaman Corporation, 1332 Blue Hills Drive, Bloomfield, CT 06002 by email to Shawn.Lisle@kaman.com or by overnight delivery before the end of such seven-day period;
 - vii. Employee understands that the release contained in this paragraph does not apply to rights and claims that may arise

after Employee signs this Agreement; and

viii. this Agreement shall not become effective until the eighth (8th) day after Employee and the Company sign, without revoking, this Agreement (the “Expiry Date”). No payment due to Employee under this Agreement shall be made or begin before the Expiry Date.

- (c) **Claims Not Released.** Nothing in this Agreement, including the general release and waiver of claims, excludes, and Employee does not waive, release, or discharge: (1) any right to file an administrative charge or complaint with the Equal Employment Opportunity Commission or other similar federal or state administrative agencies, although Employee waives any right to monetary relief related to such a charge or administrative complaint to the extent permitted by applicable law; (2) claims which cannot be waived by law, such as but not limited to claims for unemployment benefit rights and workers’ compensation; (3) indemnification rights Employee has against the Company Group; and (4) any rights to vested benefits, such as pension, retirement, equity, or welfare benefits, the rights to which are governed by the terms of the applicable plan documents and award agreements.
- (d) **Company Group Release of Employee.** In exchange for Releasers’ waiver and release of Claims against the Releasees, Employer and Company Group each expressly waive, release and discharge any and all claims, demands, causes of action, obligations, judgments, damages and liabilities against Employee that may be waived, released and discharged by law with the exception of claims, demands, causes of action, obligations, judgments, damages and liabilities arising out of or attributable to: (i) intentional malicious acts or material omissions by Employee taking place after the Parties’ execution of this Agreement; (ii) Employee’s breach of any terms and conditions of this Agreement; and (iii) any criminal activities involving fraud or theft by Employee during Employee’s employment with Employer and for which Employee is convicted by a court of law.

4. **Acknowledgments and Affirmations.** Employee specifically understands, acknowledges, affirms, and agrees that:

- (a) Employee has not filed, caused to be filed, or presently is a party to any claim against Releasees;
- (b) Except as expressly provided herein, Employee has been paid and/or has received all compensation, wages, bonuses, severance, commissions, incentive compensation and/or benefits that are due and payable to Employee under the terms of any agreement, policy, practice, program or plan;
- (c) Employee has been granted all leaves to which Employee was entitled

under the Family and Medical Leave Act or related state or local leave or disability accommodation laws;

- (d) Employee has no known workplace injuries or occupational diseases;
- (e) Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud;
- (f) All of the Company's decisions regarding Employee's pay and benefits through the Separation Date were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law;
- (g) Employee has read this Agreement in its entirety and understands all of its terms;
- (h) Employee has been advised to consult with an attorney before executing this Agreement;
- (i) Employee knowingly, freely, and voluntarily assents to all of this Agreement's terms and conditions including, without limitation, the waiver, release, and covenants contained in it;
- (j) Employee is signing this Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which the Employee is otherwise entitled; and
- (k) Employee is not waiving or releasing rights or claims that may arise after the Employee signs this Agreement.

5. Obligations and Covenants Regarding Confidential Information.

(a) Acknowledgements.

- i. Employee understands, acknowledges, affirms, and agrees that the intellectual services Employee provided to the Company Group are unique, special, or extraordinary.
- ii. The Employee further understands and acknowledges that the restrictive covenants below are necessary to protect the Company Group's legitimate business interests in its Confidential Information and goodwill and in the Employee's unique, special, or extraordinary services. The Employee further understands and acknowledges that the Company Group's ability to reserve these for the exclusive knowledge and use of the Company Group is of great competitive importance and commercial value to the Company Group and that the Company Group

would be irreparably harmed if the Employee violates the restrictive covenants below.

(b) Confidential Information.

- i. Employee understands, acknowledges, affirms, and agrees that during the course of Employee's employment by the Company, Employee has had access to and learned about confidential, secret and proprietary documents, materials and other information, in tangible and intangible form, of and relating to the Company Group and Company Group's existing and prospective customers, suppliers, investors and other associated third parties ("**Confidential Information**"). Employee further understands and acknowledges that this Confidential Information and Company Group's ability to reserve it for the Company Group's exclusive knowledge and use is of great competitive importance and commercial value to the Company Group, and that any improper use or disclosure of the Confidential Information by Employee might cause the Company Group to incur financial costs, loss of business advantage, liability under confidentiality agreements with third parties, civil damages and criminal penalties.
- ii. For purposes of this Agreement, Confidential Information includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, strategic plans, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer software, applications, operating systems, software design, web design, work-in-process, databases, manuals, records, systems, material, sources of material, supplier information, vendor information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, payroll information, staffing information, personnel information, employee lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, sketches, market studies, sales information, revenue, costs, formulae, notes, communications, product plans, designs, styles, models, ideas, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, specifications, customer information, customer lists, distributor lists, and buyer lists or of any

existing or prospective customer, supplier, investor or other associated third party of the Company Group, or of any other person or entity that has entrusted information to the Company Group in confidence.

- iii. The Employee understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.
- iv. The Employee understands and agrees that Confidential Information developed by Employee in the course of Employee's employment with Company shall be subject to the terms and conditions of this Agreement as if Company furnished the same Confidential Information to Employee in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to Employee, provided that such disclosure is through no direct or indirect fault of Employee or any person(s) acting on Employee's behalf.

(c) Employee Covenants Regarding Disclosure and Use. Employee agrees and covenants:

- i. To treat all Confidential Information as strictly confidential;
- ii. Not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever, including other employees of Company Group who do not have a need to know and authority to know and use the Confidential Information in connection with the business of the Company Group and, in any event, not to anyone outside of the direct employ of Company Group except as required in the performance of any of Employee's remaining authorized employment duties to Company and only with the prior consent of an authorized officer acting on behalf of Company Group in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and
- iii. Not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control

of Company Group, except as required in the performance of any of Employee's remaining authorized employment duties to Company or with the prior consent of an authorized officer acting on behalf of Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent). Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order. Employee shall promptly provide written notice of any such order to an authorized officer of Company.

- iv. That Employee's obligations under this Agreement with regard to any particular Confidential Information shall commence immediately and shall continue during and after Employee's employment by Company until such time as such Confidential Information has become public knowledge other than as a result of Employee's breach of this Agreement or breach by those acting in concert with Employee or on Employee's behalf.

(d) Permitted Disclosures.

- i. Nothing in this Agreement prohibits or prevents Employee from filing a charge with, or participating, testifying, or assisting in, any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency, nor does anything in this Agreement preclude, prohibit, or otherwise limit, in any way, Employee's rights and abilities to contact, communicate with, report matters to, or otherwise participate in any whistleblower program administered by any such agencies.
- ii. Nothing in this Agreement prohibits or restricts Employee (or Employee's attorney) from filing a charge or complaint with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other securities regulatory agency or self-regulatory authority, the Equal Employment Opportunity Commission (EEOC), the National Labor Relations Board (NLRB), the Occupational Safety and Health Administration (OSHA), or any other federal or state regulatory authority ("**Government Agencies**"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies without notice to the Company. This Agreement does not limit Employee's right to receive an award for

information provided to any Government Agencies.

- iii. Nothing in this Agreement in any way prohibits or is intended to restrict or impede Employee from discussing the terms and conditions of her employment with co-workers or exercising protected rights under Section 7 of the National Labor Relations Act or exercising protected rights to the extent that such rights cannot be waived by agreement, or otherwise disclosing information as permitted by law.

(e) Notice of Immunity Under the Defend Trade Secrets Act of 2016.

Notwithstanding any other provision of this Agreement:

- i. Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (B) in a complaint or other document that is filed under seal in a lawsuit or other proceeding.
- ii. If Employee files a lawsuit for retaliation by Company for reporting a suspected violation of law, Employee may disclose Company's trade secrets to Employee's attorney and use the trade secret information in the court proceeding if the Employee: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

6. **Non-Solicitation and Non-Competition Covenant.** In recognition of the consideration provided for in this Agreement and the Confidential Information Employee had access to during and a result of her employment by the Company, and continuing for a period of twelve (12) months following the Separation Date:

- (a) Employee agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of, any person then employed by the Company or its affiliates.
- (b) Employee agrees and covenants not to directly or indirectly solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, telefax, and/or instant message), attempt to contact or meet with the current or former customers of Company or its affiliates for purposes of offering or accepting goods or services similar to or competitive with those offered by Company or its affiliates. This restriction shall only apply to: (1) current or former customers that Employee contacted in any way through the Separation Date; (2) current or former customers about whom Employee has trade secret, confidential or non-public information; and (3) current or former customers about whom Employee has information that is not available publicly.

- (c) Employee agrees and covenants not to engage in Prohibited Activity with, on behalf of, or for the benefit of (1) any business enterprise engaged in the design, development, manufacture or sale of advanced-technology manned and unmanned air vehicles, (2) any business enterprise engaged in the design, development, manufacture or sale of fuzing, safe and arm, or flight termination products and systems, or (3) any business enterprise engaged in the design, development, manufacture or sale of high performance displacement, speed, or detection measurement (individually and collectively, “**Prohibited Entities**”).
- i. For purposes of this non-compete clause, “**Prohibited Activity**” includes activity that may require or inevitably require disclosure of trade secrets, proprietary information or Confidential Information. “Prohibited Activity” is limited to knowledge, functions, services or responsibilities substantially similar to those that Employee had knowledge about, performed, or for which Employee was responsible while employed by the Company.
 - ii. Nothing in this Paragraph 9 shall prohibit Employee from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation; provided that such ownership represents a passive investment and that Employee is not a controlling person of, or a member of a group that controls, such corporation.
 - iii. This Paragraph 9 does not, in any way, restrict or impede Employee from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency; provided that such compliance does not exceed that required by the law, regulation or order. Employee shall promptly provide written notice of any such order to Megan Morgan, VP, and Chief Human Resources Officer, Kaman Corporation, 1332 Blue Hills Avenue, Bloomfield, CT 06002.

The Company may, in its sole discretion, elect to waive, reduce or modify the non-competition and/or non-solicitation provisions set forth in this Paragraph 7; however, Employee understands that the Company is under no obligation to waive, reduce or modify the scope, nature, duration or extent of the obligations set forth in this Paragraph 7. Any request by Employee for such a waiver, reduction, or modification must be made in writing and in advance of any Prohibited Activity and be delivered to Megan Morgan, VP and Chief Human Resources Officer, Kaman Corporation, 1332 Blue Hills Avenue, Bloomfield, CT 06002, with a copy delivered to General Counsel, Kaman Corporation, 1332 Blue Hills Avenue, Bloomfield, CT 06002.

7. **Confidentiality of Agreement.** The Employee agrees not to disclose any information regarding the underlying facts leading up to or the existence or substance of this

Agreement, including the dollar amounts herein, except to her spouse or civil union partner (if applicable), tax advisor, financial consultant and/or an attorney with whom she chooses to consult regarding her consideration of this Agreement or pursuant to court order, subpoena or as otherwise required by law. Employee represents that she has instructed or will instruct her spouse or civil union partner (if applicable), tax advisor, financial consultant and/or an attorney to keep the dollar amounts, other consideration, and all the terms of this Agreement in strictest confidence and to not disclose them to anyone.

8. Return of Property.

- (a) Employee agrees that she will return all of the Company Group's property, documents, and any Confidential Information in her possession or control, including but not limited to her Company-issued computer, software, telephones, books, records, electronically stored files and documents, physical files and documents, employee identification cards, manuals, hotspot device(s), tokens, keys, access badge(s), credit cards, access codes, and passwords no later than the Separation Date.
- (b) Nothing in this Paragraph 8 will prevent Employee from retaining any documents in Employee's possession or control concerning Employee's employee benefits and Employee's compensation.
- (c) Immediately upon Employee's execution of this Agreement, Employee shall promptly delete all Confidential Information from any computer hard drive, computer system, tablet, memory stick, flash drive, mobile phone, camera or similar devices within Employee's possession or control that is not located on Company's premises.
- (d) Employee affirms that she is in possession of all of her personal property that she had at the Company's premises and that the Company is not in possession of any of her personal property.

9. **Nondisparagement.** Employee and the Company (for purposes of this Section 9, "the Company" shall mean only the officers and directors of the Company Group and not any other employees) each agree not to make any public statements that disparage the other party, or in the case of the Company, its respective affiliates (including parents and subsidiaries), officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) or otherwise as required by law shall not be subject to this Section 9. This Paragraph 9 does not in any way restrict or impede Employee from exercising protected rights, including rights under the National Labor Relations Act (NLRA) or the federal securities laws, including the Dodd-Frank Act, to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such

compliance does not exceed that required by the law, regulation, or order. Employee shall promptly provide written notice of any such order to Shawn Lisle, Senior Vice President and General Counsel, Kaman Corporation, 1332 Blue Hills Avenue, Bloomfield, CT 06002.

10. **Reformation and Severability.** In the event that any provision of this Agreement is held in any jurisdiction to be invalid, prohibited, or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity, or enforceability of such provision in any other jurisdiction. Regardless of the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable, in such jurisdiction, it shall as to such jurisdiction be either automatically deemed to be so narrowly drawn, or any court of competent jurisdiction is hereby authorized to redraw it in that manner, without invalidating the remaining provisions of this Agreement in any other jurisdiction.

11. **No Waiver.** Waiver by the Company of any breach of this Agreement shall not constitute a waiver of any succeeding breach or a modification or waiver of the particular provision(s) so breached.

12. **Equitable Remedies.** Employee acknowledges that the restrictions contained in this Agreement are necessary to protect trade secrets and to protect the business and goodwill of the Company and its affiliates and are considered to be reasonable for such purposes. Employee agrees that any breach of this Agreement is likely to cause the Company or the Company Group substantial and irrevocable damage that is difficult to measure. Therefore, in the event of any breach or threatened breach, the Employee agrees that the Company and/or the Company Group, in addition to such other remedies which may be available, shall have the right to seek a temporary or permanent injunction of other equitable relief from a court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. Any equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available relief.

The Parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

13. **Governing Law, Interpretation and Jurisdiction.** This Agreement shall be governed and conformed in accordance with the laws of the State of Connecticut without regard to its conflict of laws provision. The Parties agree that the courts of the State of Connecticut situated in Hartford County, Connecticut shall be the exclusive forum for any disputes between the Employee and the Company. In the event of a breach of any provision of this Agreement, either party may institute an action specifically to enforce any term or terms of this Agreement or to seek any damages for breach. In the event any provision of this Agreement is declared to be illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, excluding the general release language, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

14. **Cooperation.** The Parties agree that certain matters in which the Employee has been involved during the Employee's employment may need the Employee's cooperation with the Company Group in the future. Accordingly, for a period of three (3) months after the Separation Date, to the extent reasonably requested by the Company, the Employee shall cooperate with the Company in connection with matters arising out of the Employee's service to the Company; provided that the Company shall make reasonable efforts to minimize disruption of the Employee's other activities. The Company shall reimburse the Employee for reasonable expenses incurred in connection with this cooperation and, to the extent that the Employee is required to spend substantial time on such matters, the Company shall compensate the Employee at an hourly rate of \$200 per hour.

15. **Non-admission of Wrongdoing.** The Parties agree that neither this Agreement nor the furnishing of the consideration for this Agreement shall be deemed or construed at any time for any purpose as an admission by the Company or the Releasees of wrongdoing or noncompliance with any federal, state, city, or local rule, ordinance, constitution, statute, contract, public policy, wage and hour law, wage payment law, tort law, common law, or any other unlawful conduct, liability, wrongdoing, or breach of any duty whatsoever. The Company specifically disclaims and denies any wrongdoing or liability to Employee.

16. **Amendment.** This Agreement may not be modified, altered or changed except in writing and signed by both Parties wherein specific reference is made to this Agreement.

17. **Assignment.** To the extent permitted by state law, the Company may assign this Agreement to any subsidiary or corporate affiliate, or to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. The Employee shall not assign this Agreement or any part hereof. Any purported assignment by the Employee shall be null and void from the initial date of purported assignment.

18. **Entire Agreement.** This Agreement sets forth the entire agreement between the Parties hereto, and fully supersedes any prior agreements or understandings between the Parties; provided, however, that this Agreement is intended to supplement, and not supersede, any signed written agreements entered into by Employment during Employee's employment with the Company regarding the protection of trade secrets and confidential information. Employee acknowledges that Employee has not relied on any representations, promises, understandings, course of conduct or agreements of any kind made to Employee in connection with Employee's decision to accept this Agreement, except for those set forth in this Agreement.

19. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

EMPLOYEE IS ADVISED THAT EMPLOYEE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO CONSIDER THIS AGREEMENT. EMPLOYEE ALSO IS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EMPLOYEE'S SIGNING OF THIS AGREEMENT. IF EMPLOYEE SIGNS THE AGREEMENT, SHE MUST

PERSONALLY DELIVER THE SIGNED AGREEMENT TO SHAWN G. LISLE, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, KAMAN CORPORATION, 1332 BLUE HILLS AVENUE, BLOOMFIELD, CONNECTICUT 06002.

EMPLOYEE MAY REVOKE THIS AGREEMENT FOR A PERIOD OF SEVEN (7) CALENDAR DAYS FOLLOWING THE DAY EMPLOYEE SIGNS THIS AGREEMENT. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED, IN WRITING, TO SHAWN G. LISLE AND STATE, "I HEREBY REVOKE MY ACCEPTANCE OF OUR AGREEMENT." THE REVOCATION MUST BE PERSONALLY DELIVERED TO SHAWN G. LISLE, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, KAMAN CORPORATION, 1332 BLUE HILLS AVENUE, BLOOMFIELD, CONNECTICUT 0600 AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THIS AGREEMENT. THIS AGREEMENT SHALL BECOME FINAL AND BINDING ON THE EIGHTH (8TH) DAY FOLLOWING EMPLOYEE'S EXECUTION PROVIDED EMPLOYEE HAS NOT REVOKED SAME.

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

EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST RELEASEES.

The Parties knowingly and voluntarily sign this Agreement as of the last date set forth below:

Kaman Aerospace Corporation

/s/ Darlene Smith
Darlene R. Smith

By: /s/ Heather Giordano
Typed Name: Heather Giordano
Title: Vice President, Human Resources

Dated: 7/7/2022

Dated: 7/7/2022

EXHIBIT A REAFFIRMATION AGREEMENT

This Reaffirmation Agreement (“**Reaffirmation**”) is made by and between **Darlene R. Smith**, on behalf of herself, her heirs, executors, administrators, successors, and assigns (collectively referred to throughout this Reaffirmation as “**Employee**”) and **Kaman Aerospace Corporation**, on behalf of itself, its affiliates, subsidiaries, divisions, and each of their successors and assigns (the “**Company**”) after Employee’s Separation Date. Employee reaffirms that certain Separation and General Release of Claims Agreement dated as of __, 2023, by and between herself and the Company (“**Separation Agreement**”). Capitalized terms used in this Reaffirmation and not otherwise defined herein shall have the meaning ascribed thereto in the Separation Agreement.

WHEREAS, the Company and Employee agreed to the Separation Agreement under which Employee concluded her employment with the Company, pursuant to which this Reaffirmation Agreement was included and incorporated therein; and

WHEREAS, the Company and Employee agreed to execute this Reaffirmation Agreement, which provides for certain consideration to be paid to Employee as described in the Separation Agreement and which further sets forth an agreement regarding the Company’s and Employee’s rights and obligations with respect to each other following the Separation Date.

NOW THEREFORE, in consideration of the mutual covenants contained in this Reaffirmation Agreement, the Company and Employee agree as follows:

1. **Separation Date.** Employee's Separation Date from the Company was January 4, 2023.
2. **Consideration.** In consideration of Employee’s agreement to be bound by the terms of this Reaffirmation Agreement, and Employee’s compliance with the promises made herein, the Company agrees that, following Employee’s execution and non-revocation of this Reaffirmation Agreement, Company shall provide Employee with the consideration set forth in Paragraph 2 of the Separation Agreement.
3. **No Consideration Absent Execution of this Reaffirmation.** Employee understands and agrees that she would not receive the consideration set forth in Paragraph 2 of the Separation Agreement, except for her execution of this Reaffirmation Agreement and the fulfillment of the promises contained herein.
4. **General Release of Claims.** Specifically, and without limitations to the continuing enforceability of other provisions of the Separation Agreement, in exchange and as a condition precedent to Employee’s receipt of the consideration set forth in Paragraph 2 of the Separation Agreement, Employee and the Employee’s heirs, executors, representatives, agents, insurers, administrators, successors and assigns (collectively referred to throughout the remainder of this Reaffirmation Agreement as, the “**Releasors**”) knowingly and voluntarily release and forever discharge the Company, its affiliates, subsidiaries, divisions, predecessors, insurers, successors

Employee Initials _____

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and assigns, and each of their current and former employees, attorneys, officers, directors and agents thereof, both individually and in their business capacities, and their employee benefit plans and programs and their administrators and fiduciaries (collectively referred to throughout the remainder of this Reaffirmation Agreement as “**Releasees**”), of and from any and all claims, demands, actions, causes of actions, obligations, judgments, rights, fees, damages, debts, obligations, liabilities, and expenses (inclusive of attorneys’ fees) of any kind whatsoever (collectively referred to throughout the remainder of this Reaffirmation Agreement as “**Claims**”) known and unknown, asserted or unasserted, which Employee has or may have against Releasees as of the date of execution of this Reaffirmation Agreement, including, without limitation, any claims under any federal, state, local, or foreign law, that Releasees may have, have ever had or may in the future have arising out of, or in any way related to the Employee’s hire, benefits, employment, termination, or separation from employment with the Company and any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter, including, but not limited to:

- a. any and all claims under Title VII of the Civil Rights Act of 1964, as amended, Sections 1981 through 1988 of Title 42 of the United States Code, the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended (with respect to unvested benefits), the Immigration Reform and Control Act of 1986, the Americans with Disabilities Act of 1990, as amended, the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 (“ADEA”), as amended, the Worker Adjustment and Retraining Notification Act, as amended, the Occupational Safety and Health Act, as amended, to the extent permitted by law, the Fair Credit Reporting Act, as amended, the Sarbanes-Oxley Act, to the extent permitted by law, the Dodd-Frank Wall-Street Reform and Consumer Protection Act, to the extent permitted by law, the Family and Medical Leave Act of 1993, as amended, the Equal Pay Act of 1963, as amended, and the Genetic Information Nondiscrimination Act of 2008 (“GINA”), as amended;
- b. any state, local, municipal, foreign or other law, rule, regulation, code, ordinance or other source of legal rights that may be legally waived and released, including but not limited to the Connecticut Human Rights and Opportunities Act, which includes the Connecticut Fair Employment Practices Act, the Connecticut Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers Compensation Claim, the Connecticut Equal Pay Law, the Connecticut Family and Medical Leave Law, the Connecticut Whistleblower Law, the Connecticut Age Discrimination and Employee Benefits Law, the Connecticut Electronic Monitoring of Employees Law, the Connecticut Wage Laws, the Connecticut OSHA, the Connecticut Reproductive Hazards Law, the Connecticut AIDS Testing and Confidentiality Law, the Connecticut Statutory Provision Regarding Protection of Social Security Numbers and Personal Information, the Connecticut Statutory Provision Regarding Concerning Consumer Privacy and Identity Theft, the Connecticut Paid Sick Leave law, the Connecticut Wage laws, the Connecticut Drug Testing law, the Connecticut Whistleblower law, the Connecticut Free Speech law, the Connecticut

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Electronic Monitoring of Employees law, and the Connecticut law preventing the use of credit scores by certain employers in hiring decisions;

- c. any and all claims under any public policy, contract (oral or written, express or implied), tort or common law;
- d. any and all claims under any statute, common law, agreement or other basis for seeking or recovering any costs, fees or other expenses, including but not limited to attorneys' fees and/or costs;
- e. any and all claims for compensation of any type whatsoever, including but not limited to claims for salary, wages, bonuses, commissions, incentive compensation, vacation, and severance that may be legally waived and released;
- f. any and all claims arising under tort, contract, and quasi-contract law, including but not limited to claims of breach of an expressed or implied contract, tortious interference with contract or prospective business advantage, breach of the covenant of good faith and fair dealing, promissory estoppel, detrimental reliance, invasion of privacy, nonphysical injury, personal injury or sickness or any other harm, wrongful or retaliatory discharge, fraud, defamation, slander, libel, false imprisonment, and negligent or intentional infliction of emotional distress; and
- g. any and all claims for monetary or equitable relief, including but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs, and disbursements.

5. **Specific Release of ADEA Claims.** In furtherance of the consideration provided to Employee, the Releasors hereby irrevocably and unconditionally fully and forever waive, release, and discharge the Releasees from any and all Claims, whether known or unknown, from the beginning of time to the date of the Employee's execution of this Reaffirmation Agreement arising under the Age Discrimination in Employment Act ("ADEA"), as amended, and its implementing regulations. By signing this Reaffirmation Agreement, Employee hereby acknowledges and confirms that:

- a. Employee has read this Reaffirmation Agreement in its entirety and understands all of its terms;
- b. Employee has been advised in writing of the right to consult with an attorney of Employee's choosing before executing this Reaffirmation Agreement;
- c. the Employee knowingly, freely, and voluntarily assents to all of the terms and conditions set out in this Reaffirmation Agreement including, without limitation, the waiver, release, and covenants contained in it;

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- d. the Employee is executing this Reaffirmation Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which the Employee is otherwise entitled;
- e. the Employee was given at least twenty-one (21) days to consider the terms of this Reaffirmation Agreement and consult with an attorney of the Employee's choice, although the Employee may sign it sooner if desired and changes to this Reaffirmation Agreement, whether material or immaterial, do not restart the running of the 21-day period;
- f. the Employee understands that she has seven (7) days from signing this Reaffirmation to revoke the release in this paragraph by delivering notice of revocation to Shawn G. Lisle Senior Vice President and General Counsel, Kaman Corporation, 1332 Blue Hills Drive, Bloomfield, CT 06002 by email to Shawn.Lisle@kaman.com or by overnight delivery before the end of such seven-day period;
- g. the Employee understands that the release contained in this paragraph does not apply to rights and claims that may arise after the Employee signs this Reaffirmation Agreement; and
- h. this Reaffirmation Agreement shall not become effective until the eighth (8th) day after Employee and the Company sign, without revoking, this Reaffirmation Agreement (referred to throughout the remainder of this Reaffirmation Agreement as the "**Reaffirmation Effective Date**"). No payment due to Employee under this Reaffirmation Agreement shall be made or begin before the Reaffirmation Effective Date.

6. **Claims Not Released.** Nothing in this Reaffirmation Agreement, including the general release and waiver of claims, excludes, and Employee does not waive, release, or discharge: (a) any right to file an administrative charge or complaint with the Equal Employment Opportunity Commission or other similar federal or state administrative agencies, although the Employee waives any right to monetary relief related to such a charge or administrative complaint to the extent permitted by applicable law; (b) claims which cannot be waived by law, such as but not limited to claims for unemployment benefit rights and workers' compensation; (c) indemnification rights the Employee has against the Company; and (d) any rights to vested benefits, such as pension, retirement, equity, or welfare benefits, the rights to which are governed by the terms of the applicable plan documents and award agreements.

7. **Permitted Disclosures.** Nothing in this Reaffirmation Agreement prohibits or prevents Employee from filing a charge with, or participating, testifying, or assisting in, any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency, nor does anything in this Reaffirmation Agreement preclude, prohibit, or otherwise limit, in any way, Employee's rights and abilities to contact, communicate with, report matters to, or otherwise participate in any whistleblower program administered by any such agencies.

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Nothing in this Reaffirmation prohibits or restricts Employee (or Employee's attorney) from filing a charge or complaint with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other securities regulatory agency or self-regulatory authority, the Equal Employment Opportunity Commission (EEOC), the National Labor Relations Board (NLRB), the Occupational Safety and Health Administration (OSHA), or any other federal or state regulatory authority (referred to throughout the remainder of this Reaffirmation Agreement as the "**Government Agencies**"). Employee further understands that this Reaffirmation Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies without notice to the Employer. This Reaffirmation Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

Nothing in this Reaffirmation Agreement in any way prohibits or is intended to restrict or impede Employee from discussing the terms and conditions of her employment with co-workers or exercising protected rights under Section 7 of the National Labor Relations Act or exercising protected rights to the extent that such rights cannot be waived by agreement, or otherwise disclosing information as permitted by law.

8. Notice of Immunity Under the Defend Trade Secrets Act of 2016. Notwithstanding any other provision of this Reaffirmation Agreement:

- a. Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document that is filed under seal in a lawsuit or other proceeding.
- b. If Employee files a lawsuit for retaliation by Company for reporting a suspected violation of law, Employee may disclose Company's trade secrets to Employee's attorney and use the trade secret information in the court proceeding if the Employee: (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order.

9. Collective/Class Action Waiver. If any claim is not subject to release and to the extent permitted by law, Employee waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Releasee identified in this Reaffirmation Agreement is a party

10. Acknowledgements and Affirmations.

- a. Employee is not waiving any rights she may have to Employee's own vested accrued employee benefits under the Company's health, welfare, or retirement benefit plans as of the Separation Date; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Reaffirmation Agreement; and (d) enforce this Reaffirmation Agreement.
- b. Nothing in this Reaffirmation Agreement prohibits or prevents Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before any federal, state, or local government agency. However, to the maximum extent permitted by law, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover any individual monetary relief or other individual remedies.
- c. If any claim is not subject to release, to the extent permitted by law, Employee waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Releasee identified in this Reaffirmation Agreement is a party.
- d. Employee also affirms that, except as expressly provided herein, Employee has been paid and/or has received all compensation, wages, bonuses, severance, commissions, incentive compensation and/or benefits that are due and payable to Employee under the terms of any agreement, policy, practice, program or plan.
- e. Employee affirms that Employee has been granted all leaves to which Employee was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws. Employee further affirms that Employee has no known workplace injuries or occupational diseases.
- f. Employee also affirms that Employee has not divulged any proprietary or confidential information of the Company and will continue to maintain the confidentiality of such information consistent with the Company's policies, any agreement signed by Employee, including, if applicable, any proprietary information and inventions agreement, which is expressly incorporated herein by reference, and/or common law.
- g. Employee further affirms that Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud.

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- h. Employee affirms that all of the Company's decisions regarding Employee's pay and benefits through the date of Employee's Separation Date were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law.
- i. In the event that any paragraph or provision of this Reaffirmation Agreement shall be held to be illegal or unenforceable, such paragraph or provision shall be severed from this Reaffirmation Agreement and the entire Reaffirmation Agreement shall not fail on account thereof, but shall otherwise remain in full force and effect.

11. **Entire Agreement.** The Separation Agreement, which is incorporated herein, and the Reaffirmation Agreement set forth the entire agreement between Employee and Company, and fully supersede any prior agreements or understandings between Employee and Company; provided, however, that this Reaffirmation Agreement is intended to supplement, and not supersede, any signed written agreements entered into by Employee during her employment with Company regarding the protection of trade secrets and confidential information. Employee acknowledges that Employee has not relied on any representations, promises, understandings, course of conduct or agreements of any kind made to Employee in connection with Employee's decision to accept the Separation Agreement and this Reaffirmation Agreement, except for those set forth in the Separation Agreement and this Reaffirmation Agreement.

12. **Counterparts.** This Reaffirmation Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

EMPLOYEE IS ADVISED THAT EMPLOYEE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO CONSIDER THIS REAFFIRMATION AGREEMENT. EMPLOYEE ALSO IS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EMPLOYEE'S SIGNING OF THIS REAFFIRMATION AGREEMENT. IF EMPLOYEE SIGNS THE REAFFIRMATION AGREEMENT, SHE MUST DELIVER THE SIGNED REAFFIRMATION AGREEMENT TO SHAWN G. LISLE, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, KAMAN CORPORATION, 1332 BLUE HILLS AVENUE, BLOOMFIELD, CONNECTICUT 06002.

EMPLOYEE MAY REVOKE THIS REAFFIRMATION AGREEMENT FOR A PERIOD OF SEVEN (7) CALENDAR DAYS FOLLOWING THE DAY EMPLOYEE SIGNS THIS REAFFIRMATION AGREEMENT. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED, IN WRITING, TO SHAWN G. LISLE AND STATE, "I HEREBY REVOKE MY ACCEPTANCE OF OUR REAFFIRMATION AGREEMENT." THE REVOCATION MUST BE PERSONALLY DELIVERED TO SHAWN G. LISLE, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, KAMAN CORPORATION, 1332 BLUE HILLS AVENUE, BLOOMFIELD, CONNECTICUT 06002 AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THIS REAFFIRMATION AGREEMENT. THIS REAFFIRMATION AGREEMENT SHALL BECOME FINAL AND BINDING ON THE EIGHTH (8TH) DAY FOLLOWING EMPLOYEE'S EXECUTION PROVIDED EMPLOYEE HAS NOT REVOKED SAME.

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

EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS REAFFIRMATION AGREEMENT INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST RELEASEES.

The Parties knowingly and voluntarily sign this Reaffirmation Agreement as of the date(s) set forth below:

Darlene R. Smith

Dated:

Kaman Aerospace Corporation

By: _____

Typed Name:

Title:

Dated:

Note: To be signed and dated within 21 days after the Separation Date.

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

I, Ian K. Walsh, certify that:

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

Date: August 4, 2022

By: /s/ Ian K. Walsh
Ian K. Walsh
Chairman, President and
Chief Executive Officer

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

I, James G. Coogan, certify that:

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

Date: August 4, 2022

By: /s/ James G. Coogan
James G. Coogan
Senior Vice President and
Chief Financial Officer

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

In connection with the Quarterly Report of Kaman Corporation (the "Corporation") on Form 10-Q for the quarter ended July 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian K. Walsh, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

By: /s/ Ian K. Walsh
Ian K. Walsh
Chairman, President and
Chief Executive Officer
August 4, 2022

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

In connection with the Quarterly Report of Kaman Corporation (the "Corporation") on Form 10-Q for the quarter ended July 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Coogan, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

By: /s/ James G. Coogan
James G. Coogan
Senior Vice President
and Chief Financial Officer
August 4, 2022
