

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002

OR

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

For the transition period from to
Commission File No. 0-1093

KAMAN CORPORATION

(Exact Name of Registrant)

Connecticut 06-0613548

(State of Incorporation) (I.R.S. Employer Identification No.)

1332 Blue Hills Avenue, Bloomfield, Connecticut 06002

(Address of principal executive offices)

Registrant's telephone number, including area code-

(860) 243-7100

Securities registered pursuant to Section 12(b) of the Act: None

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

-Class A Common Stock, Par Value \$1.00

-6% Convertible Subordinated Debentures Due 2012

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months

(or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated herein by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [] .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes (X) No ()

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

\$351,907,817 as of June 30, 2002.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date (February 1, 2003).

Class A Common 21,804,152 shares

Class B Common 667,814 shares

DOCUMENTS INCORPORATED HEREIN BY REFERENCE

Portions of the Corporation's 2002 Annual Report to Shareholders are incorporated herein by reference and filed as Exhibit 13 to this Report.

PART I

ITEM 1. BUSINESS

Kaman Corporation, incorporated in 1945, reports information for itself and its subsidiaries (collectively, the "corporation") in the following business segments: Aerospace, Industrial Distribution, and Music Distribution.

The Aerospace segment serves commercial as well as domestic and foreign defense markets with a variety of products, including the SH-2G Super Seasprite naval helicopter and the K-MAX medium-to-heavy lift helicopter; aircraft structures and components for commercial and military aircraft, including specialized aircraft bearings; and various advanced technology products for specialized applications, including missile and bomb fuzing devices. The Industrial Distribution segment provides bearings and power transmission, motion control, material handling and electrical components as well as value-added services to a highly diversified cross-section of North American industry. The Music Distribution segment serves domestic and foreign markets with a wide variety of musical instruments and accessories for amateur and professional musicians.

AEROSPACE

In the Aerospace segment, programs involving helicopter manufacturing, spare parts and support represented approximately 31% of 2002 sales, compared to approximately 41% in 2001. Aerostructure and helicopter subcontract work along with production of components such as self-lubricating bearings and driveline couplings for aircraft applications represented about 48% of segment sales in 2002, compared to about 42% in 2001. Advanced technology products represented approximately 21% of segment sales in 2002, compared to 17% in 2001.

In the second quarter of 2002, the corporation recorded a pre-tax charge of \$86.0 million attributable to the Aerospace segment (of which \$52.7 million was non-cash), which included a \$25.0 million charge for cost growth associated with the Australia SH-2G(A) program; \$50.0 million for the write-down of K-MAX helicopter assets, principally inventories; and \$11.0 million for the anticipated costs to phase out operations at the Corporation's Moosup, Connecticut manufacturing facility by the end of 2003. In the second quarter of 2001, the corporation recorded a \$31.2 million sales and pre-tax earnings adjustment related to cost growth in the Australia helicopter program.

The segment's helicopter programs include the SH-2G multi-mission naval helicopter and the K-MAX (registered trademark)

medium-to-heavy external lift helicopter. The SH-2G helicopter represents the vast majority of the segment's helicopter program sales and generally consists of retrofit of the corporation's SH-2F helicopters to the SH-2G configuration or refurbishment of existing SH-2G helicopters. The SH-2, including its F and G configurations, was originally manufactured for the U.S. Navy.

The SH-2G aircraft is currently in service with the Egyptian Air Force and the Royal New Zealand Navy. The corporation is continuing performance of programs for Australia and Poland.

The retrofit program for New Zealand, which involved five aircraft with support, is essentially complete. During 2002, four aircraft were accepted and put into service by the New Zealand government. The fifth and final aircraft, which was purchased under an option to the original contract, has been delivered and is now in the customer's flight acceptance test process. The contract has an anticipated value of about \$189 million (US) of which about 98% was recorded as sales through December 31, 2002.

Work continued during 2002 on the SH-2G(A) retrofit program for Australia. This program involves eleven helicopters with support, including a support services facility, for the Royal Australian Navy (RAN). The total contract has an anticipated value of about \$711 million (US) and the helicopter production portion of the program is valued at approximately \$590 million (US) of which about 91% was recorded as sales through December 31, 2002. This program is now in a loss position due to the previously mentioned charge taken in second quarter of 2002 and pre-tax sales and earnings adjustment taken in the second quarter of 2001. Both items are related to cost growth in the program stemming largely from a contract dispute with the original subcontractor responsible for development of the aircraft's Integrated Tactical Avionics System (ITAS) hardware and software (a feature unique to the Australia program). Settlement of that dispute in 2001 resulted in the need to hire replacement subcontractors for the balance of the ITAS software development and the corporation's assumption of final integration testing responsibility. An additional loss accrual was recognized in the fourth quarter of 2002 in connection with higher overhead rates across all active programs in the corporation's Kaman Aerospace subsidiary.

Ten of the Australia aircraft are substantially complete; the corporation has retained the eleventh aircraft for test purposes. All of the aircraft lack the full ITAS software and the replacement subcontractors are in the process of completing this element of the program. The corporation and the RAN have reached agreement on a plan for phased acceptance of the aircraft and completion of aircraft deliveries. Under the agreement, phased acceptance is contingent upon the RAN's

satisfaction with the corporation's progress with respect to certain important project milestones during 2003. The corporation currently expects that the software will be fully completed, installed and operational on all of the Australia aircraft by the end of 2004.

The corporation is continuing work on a small contract to refurbish four existing SH-2G aircraft previously in service with the U.S. Navy Reserves to operate aboard two Polish Navy frigates in multi-mission roles such as surface surveillance and anti-submarine warfare. The program involves reactivation of the aircraft, training, and logistics support, including delivery of initial spares components. Reactivation of two aircraft was completed in the fourth quarter of 2002 and they have been accepted. Reactivation of the other two aircraft is underway and is scheduled for completion by the end of 2003.

During 2002, the corporation continued to provide on-site support in the Republic of Egypt for ten SH-2G helicopters that were delivered in 1998 under that country's foreign military

sale agreement with the U.S. Navy.

The corporation is also participating in a competition to supply up to six search and rescue helicopters to Egypt, proposing to supply remanufactured SH-2Gs for that requirement. The corporation's involvement in this process began in early 1999. Based upon discussions with Egyptian officials during recent visits, management believes that the selection process is being further delayed and is not likely to result in an award announcement in 2003.

The corporation is actively pursuing other opportunities for the SH-2G helicopter in the international defense market. This market is highly competitive and heavily influenced by economic and political conditions. However, management continues to believe that the aircraft is in a good competitive position to meet the specialized needs of navies around the world that operate smaller ships for which the SH-2G is ideally sized.

The corporation also maintains a consignment of the U.S. Navy's inventory of SH-2 spare parts under a multi-year agreement that provides the corporation the ability to utilize certain inventory for support of its SH-2G programs.

The corporation also manufactures the K-MAX medium-to-heavy lift helicopter that can be used in a variety of applications, including fire fighting, logging, construction, and logistics support. The program began in 1994 and has experienced significant market difficulties in the past several years. In the second quarter of 2002, based upon a current market evaluation of the aircraft, management made a determination that

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it would produce further aircraft only upon firm order by a customer and would pursue both a sale and short-term lease program for existing new and used K-MAX aircraft inventory. During 2002, three used aircraft were leased and two used aircraft (one of which had been under lease) were sold under that program. In connection with the decision made in the second quarter, the corporation wrote down the value of existing aircraft, excess spare parts, and equipment inventories. Development costs for the aircraft were expensed in the past. On a going forward basis, the corporation intends to maintain adequate inventories and personnel to support the fleet.

In the second quarter of 2002, management made the decision to phase out the corporation's aircraft manufacturing plant in Moosup, Connecticut by the end of 2003. This is the oldest and least efficient of the corporation's facilities and the work performed there will be relocated to other company facilities. In connection with this closure, the corporation expects that the employment of approximately 400 individuals located in Bloomfield and Moosup, Connecticut will be eliminated.

The Aerospace segment also performs aerostructure and helicopter subcontract work for a variety of aerospace manufacturing programs and produces proprietary self-lubricating bearings. This business is an area of strategic emphasis for the corporation, however performance was adversely affected by weakness in the commercial aerospace market during 2002.

Aerostructures subcontract work involves commercial and military aircraft programs. Current programs include production of wing structures for virtually all Boeing commercial aircraft and the C-17 military transport. In the third quarter of 2002, the corporation received a follow-on contract from Boeing for C-17 structural components. The contract runs through June 2007 and has a potential value of \$67.5 million. During the second quarter of 2002, the corporation received a new contract from Boeing under which the segment will receive and assemble additional parts from other suppliers and ship higher-level assemblies to Boeing. These assemblies will become part of aircraft fuselages, wings and tail structures for Boeing 747, 757, 767, and 777 families of commercial airplanes.

In addition, the corporation acquired Plastic Fabricating Company, Inc., a Wichita, Kansas manufacturer of composite parts and assemblies for aerospace applications, in December 2001.

This acquisition has complemented the segment's existing composites and metal bonding operations and provided the segment with a presence in one of the largest aerospace manufacturing areas in the United States.

Helicopter subcontract work involves commercial helicopter programs. Current work includes multi-year contracts that were

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awarded in 2000 for production of fuselages and rotor systems for various MD Helicopters, Inc. (MDHI) aircraft. Total orders received from MDHI continue to run at significantly lower sales rates than originally anticipated due to lower than expected demand. The corporation has developed a large investment in these contracts (including receivables, start-up costs, and other program expenditures) and has experienced difficulty with receipt of payments from MDHI. Management is concerned about this exposure and is working with MDHI in an effort to address their payment issues.

The segment's proprietary self-lubricating bearings are used in aircraft flight controls, turbine engines and landing gear as well as driveline couplings for helicopters. During 2002, this business continued to be affected by the drop-off in commercial and regional aircraft manufacturing, although the effect has been offset to some degree by increases in commercial aftermarket and military programs. In July 2002, the corporation acquired RWG Frankenjura-Industrie Flugwerkklager GmbH ("RWG"), a privately held German aerospace bearing manufacturer. RWG complements the corporation's proprietary line of bearings and provides a presence in European aerospace markets. RWG had sales of about US \$10 million in 2001 and its largest customer is Airbus Industrie.

The Aerospace segment also produces advanced technology products and this portion of the segment's business is benefiting from increased defense spending. These products involve systems, devices and assemblies for a variety of military and commercial applications, including safe, arm and fuzing devices for several missile and bomb programs; high reliability memory systems for airborne, shipboard, and ground-based programs; precision non-contact measuring systems for industrial and scientific use; and electro-optic systems for mine detection and other applications.

Advanced technology products is also an area of strategic emphasis for the corporation. In July 2002, the corporation completed its acquisition of the assets and certain liabilities of Dayron (a division of DSE, Inc.), a weapons fuze manufacturer, located in Orlando, Florida. Dayron manufactures bomb fuzes for a variety of munitions programs, and has the contract to develop a fuze for the U.S. Air Force and Navy Joint Programmable Fuze (JPF) program. As a result of qualification test results received during the first quarter of 2003, the corporation is evaluating the need for certain changes to the fuze and its production process. In addition, a new government requirement has been identified for which the corporation expects to receive a contract modification in the near term. Management currently expects to complete changes, if any, and resume final qualification testing by early in the third quarter of 2003.

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In the third quarter of 2002, the corporation was selected to participate on a Northrop-Grumman led team for a U.S. Navy program to design and develop the Rapid Airborne Mine Clearance System, a helicopter-borne clearance capability system for near surface and surface moored sea mines that will provide airborne mine defense for carrier battle groups and amphibious ready groups. The corporation will be responsible for the laser-based target sensor subsystem development. The 36-month subcontract is valued at approximately \$7.6 million. In October 2002, the corporation was selected to participate with the University of Arizona to build a collimator used for testing large optical systems in a vacuum environment. The corporation's portion of the five-year contract is valued at about \$12.8 million, with the majority of the work expected to occur in 2003.

During the past twelve months, the corporation sold two non-core portions of the Aerospace segment. Specifically, in the second quarter of 2002, the corporation sold its microwave products line. That product line was associated with the former Kaman Sciences Corp. subsidiary which was sold in 1997. Microwave product sales were about \$7.5 million in 2001. In January 2003, the corporation sold its Electromagnetics Development Center (EDC), an electric motor and drive business that had sales of approximately \$14 million in 2002. The EDC is part of the industry team selected by the U.S. Navy to design the integrated electric drive system for the Navy's DD(X) next generation surface vessel.

Also during 2002, a common lean thinking methodology was adopted in manufacturing and office environments across the segment and results have included elimination of production time and parts travel, and required square footages for the segment's activities. The application of lean thinking principles continues.

Due to the lack of new helicopter production orders, in combination with the wind down of the New Zealand and Australia SH-2G programs and weakness in the commercial aerospace market, significant measures are being taken in the corporation's Kaman Aerospace subsidiary in order to attempt to bring operating overheads in line with a lower business base. These steps have included the charge already described to phase out operations at the Moosup, Connecticut production facility and continuing reductions in the segment's workforce. As a result of lower production levels, active programs must absorb overhead expenditures at higher rates, and in the fourth quarter of 2002 these increased overhead rates resulted in higher costs, lower program profitability and loss accruals for a few long-term programs, including certain Boeing work, and the additional loss accrual for the Australia SH-2G program that was previously described.

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INDUSTRIAL DISTRIBUTION

This segment, one of the nation's larger industrial distributors, offers more than 1.5 million items as well as value-added services to a base of more than 50,000 customers spanning nearly every sector of U.S. industry. Distributed items are supplied by some 1,400 manufacturers and include bearings and power transmission, motion control, materials handling, fluid power and linear motion components. The segment's top ten suppliers (listed alphabetically) include Baldor Electric, Emerson (EMT), Falk Corporation, Gates Rubber, Rexnord, Rockwell Automation, SKF, Thompson Industries, Timken, and the Torrington Company.

The segment serves 67 of the top 100 industrial markets in the United States with a system of strategically located warehouses and service centers. Additional facilities are located in Canada and Mexico through which the segment serves local customers and large enterprises whose plants span North America.

In executing the segment's strategy to expand its geographic coverage through both acquisitions and internal growth, the segment acquired a majority of the assets and certain liabilities of A-C Supply, Inc., located in the upper Midwest, in 2001 and a 60% equity interest in Delamac de Mexico S.A. de C.V. ("Delamac"), a distributor of industrial products headquartered in Mexico City, in the first quarter of 2002. These acquisitions have expanded the segment's presence into new geographical areas and improved its ability to serve national account customers. In addition, during 2002, the segment opened two locations in Roanoke and Lynchburg, Virginia and one location in Omaha, Nebraska.

The segment's value-added services and systems assist customers to lower costs and improve their processes. Services include same or next day delivery for most customers across North America, current order accuracy from its warehouses at over 99%, and trained, knowledgeable customer service personnel. The segment was named Supplier of the Year by Frito Lay North

America in 2002 and was designated 2002 Majority Supplier of the Year for minority business utilization by Procter & Gamble.

During 2002, the segment launched a new, updated version of its e-commerce website. The new site provides a computer-to-computer link that features a complete electronic catalog, allowing on-line ordering and payment, and supporting inventory management. This website increases customer convenience and reduces paperwork and costs.

The segment's business is influenced by industrial production levels and has been adversely affected by conditions in the manufacturing sector that have existed since late 2000. These

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difficult economic conditions are continuing, however cost reduction activity helped the segment to remain profitable in 2002. And particularly in this economic environment, the industry's practice of providing vendor incentives was an important contributor to the segment's operating profits.

In the past, this segment has been one of numerous defendants in a few "John Doe" type legal proceedings, and generally relating to parts allegedly supplied to the U.S. Navy's shipyard in San Diego, California by a predecessor company over 25 years ago, that may have contained asbestos. The corporation settled those few claims for nominal amounts with contribution by insurance carriers. In the third quarter of 2002, however, the corporation experienced an increase in such claims. Management believes that the segment has good defenses to these claims, which it will assert and does not currently expect that this situation will have a material adverse effect on the corporation.

MUSIC DISTRIBUTION

This segment is America's largest independent distributor of musical instruments and accessories, offering more than 10,000 products to retailers of all sizes, from national chains to independent shops, for musicians of all capabilities and skill levels. The segment had good results for 2002, reflecting sustained levels of consumer spending in the music retail market.

Products include proprietary items such as the segment's own Ovation (registered trademark) and Hamer (registered trademark) guitars as well as Takamine (registered trademark) guitars offered under an exclusive North American distribution agreement; and distributed products such as TOCA (registered trademark) Latin style hand percussion instruments, Gibraltar percussion hardware, Sabian* cymbals and Gretsch* Drums. In October 2002, the segment acquired Latin Percussion, Inc., a leading global distributor of a wide range of Latin hand percussion instruments.

To ensure high quality while offering value at different price points, the segment's products are manufactured both in the United States and abroad.

The segment serves the needs of music retailers with an advanced distribution system and processes that are designed to assure speed and accuracy. Customers have access to the segment's website as well as phone, fax and e-mail ordering systems. The website provides electronic exchange of invoices and statements and customers can download high resolution images of the segment's products for their own marketing purposes. During 2002, the segment implemented a new inventory replenishment system in order

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to strengthen inventory management and further improve just in time delivery schedules.

In the third quarter of 2002, one of the Music Distribution segment's larger chain store customers, Mars Music, filed for Chapter 11 bankruptcy protection. The corporation's exposure as an unsecured creditor has been reserved for.

*Sabian and Gretsch are registered trademarks of others.

AVAILABLE INFORMATION

The corporation's website address is www.kaman.com. The corporation's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K as well as amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, together with Section 16 insider beneficial stock ownership reports, are available free of charge through the website as soon as reasonably practicable after they are electronically filed or furnished to the Securities and Exchange Commission. The information contained in the corporation's website is not intended to be incorporated into this Annual Report on Form 10-K.

FINANCIAL INFORMATION

Information concerning each segment's performance for the last three fiscal years is included in the Segment Information section of the corporation's 2002 Annual Report to Shareholders (Exhibit 13 to this Form 10-K) and such section is incorporated herein by reference.

PRINCIPAL PRODUCTS AND SERVICES

Following is information for the three preceding fiscal years concerning the percentage contribution of each business segment's products and services to the corporation's consolidated net sales:

	Years Ended December 31		
	2000	2001	2002
	-----	-----	-----
Aerospace	37.0%	34.4%	31.3%
Industrial Distribution	50.6%	51.8%	54.2%
Music Distribution	12.5%	13.8%	14.5%
Total	100.0%	100.0%	100.0%

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RESEARCH AND DEVELOPMENT EXPENDITURES

~~Government sponsored research expenditures by the Aerospace segment were \$9.8 million in 2002, \$6.7 million in 2001, and \$10.2 million in 2000. Independent research and development expenditures were \$5.4 million in 2002, \$4.7 million in 2001, and \$5.5 million in 2000.~~

BACKLOG

~~Program backlog of the Aerospace segment was approximately \$370.0 million at December 31, 2002 (\$10.4 million of which was attributable to the EDC division of the Aerospace segment, which was sold on January 15, 2003), \$364.9 million at December 2001, and \$439.9 million at December 31, 2000.~~

~~The corporation anticipates that approximately 54.6% of its backlog at the end of 2002 will be performed in 2003. Approximately 31.3% of the backlog at the end of 2002 is related to U.S. government contracts or subcontracts which are included in backlog to the extent that funding has been appropriated by Congress and allocated to the particular contract by the relevant procurement agency. Virtually all of these funded government contracts have been signed.~~

GOVERNMENT CONTRACTS

~~During 2002, approximately 90.9% of the work performed by the corporation directly or indirectly for the U.S. government was performed on a fixed price basis and the balance was performed on a cost reimbursement basis. Under a fixed price contract, the price paid to the contractor is negotiated at the outset of the contract and is not generally subject to~~

~~adjustment to reflect the actual costs incurred by the contractor in the performance of the contract. Cost reimbursement contracts provide for the reimbursement of allowable costs and an additional negotiated fee.~~

~~The corporation's United States government contracts and subcontracts contain the usual required provisions permitting termination at any time for the convenience of the government with payment for work completed and associated profit at the time of termination.~~

~~COMPETITION~~

~~The Aerospace segment operates in a highly competitive environment with many other organizations, some of which are substantially larger and have greater financial and other resources. The corporation competes with other helicopter manufacturers on the basis of price, performance, and mission capabilities; and also on the basis of its experience as a~~

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~~manufacturer of helicopters, the quality of its products and services, and the availability of facilities, equipment and personnel to perform contracts. Consolidation in the industry has increased the level of international competition for helicopter programs. The corporation's FAA certified K MAX helicopters compete with military surplus helicopters and other used commercial helicopters employed for lifting, as well as with alternative methods of meeting lifting requirements. The corporation competes for its subcontract aerostructures, helicopter structures and components business on the basis of price and quality; product endurance and special performance characteristics; proprietary knowledge; and the reputation of the corporation. The corporation competes for its advanced technology fuzing business primarily on the basis of technical competence, product quality, and to some extent, price; and also on the basis of its experience as a developer and manufacturer of fuzes for particular weapon types and the availability of facilities, equipment and personnel. The corporation is also affected by the political and economic circumstances of its potential foreign customers.~~

~~Industrial distribution operations are subject to a high degree of competition from several other national distributors, two of which are substantially larger than the corporation; and from many regional and local firms. Competitive forces have intensified due to weakness in the U.S. manufacturing sector that has existed since late 2000, the growth of major competitors through consolidation and the increasing importance of large national or North American accounts.~~

~~Music distribution operations compete with domestic and foreign distributors. Certain musical instrument products manufactured by the corporation are subject to competition from U.S. and foreign manufacturers as well. The corporation competes in these markets on the basis of service, price, performance, and inventory variety and availability. The corporation also competes on the basis of quality and market recognition of its music products and has established trademarks and trade names under which certain of its music products are produced, as well as under private label manufacturing in a number of foreign countries.~~

~~FORWARD LOOKING STATEMENTS~~

~~This report contains forward looking information relating to the corporation's business and prospects, including the SH 2G and K MAX helicopter programs, aerostructures and helicopter subcontract programs and components, advanced technology products, including fuzes for the JPF program, the industrial and music distribution businesses, operating cash flow, and other matters that involve a number of uncertainties that may cause actual results to differ materially from expectations. Those uncertainties include, but are not limited to: 1) the successful~~

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~~conclusion of competitions and thereafter contract negotiations with government authorities, including foreign governments,~~

including specifically the Egypt helicopter competition; 2) political developments in countries where the corporation intends to do business; 3) standard government contract provisions permitting renegotiation of terms and termination for the convenience of the government; 4) economic and competitive conditions in markets served by the corporation, including industry consolidation in the United States and global economic conditions; 5) attainment of remaining project milestones and satisfactory completion of the Australian SH-2G(A) program; 6) recovery of the corporation's investment in the MD Helicopter, Inc. contracts; 7) actual costs for moving equipment and re-certifying products and processes in connection with phase out of the Moosup, Connecticut facility; 8) JPF program final qualification test results and receipt of production orders; 9) achievement of enhanced business base in the Aerospace segment in order to better absorb overhead rates; 10) successful sale or lease of existing K MAX inventory; 11) profitable integration of acquired businesses into the corporation's operations; 12) U.S. industrial production levels; 13) changes in supplier sales policies; 14) the effect of price increases or decreases; and 15) currency exchange rates, taxes, changes in laws and regulations, interest rates, inflation rates, general business conditions and other factors. Any forward looking information should be considered with these factors in mind.

EMPLOYEES

As of December 31, 2002, the Corporation employed 3,615 individuals throughout its business segments and corporate headquarters as follows:

Aerospace	1,729
Industrial Distribution	1,439
Music Distribution	376
Corporate Headquarters	71
	3,615

PATENTS AND TRADEMARKS

The corporation holds patents reflecting scientific and technical accomplishments in a wide range of areas covering both basic production of certain products, including aerospace products and musical instruments, as well as highly specialized devices and advanced technology products in defense related and commercial fields.

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Although the corporation's patents enhance its competitive position, management believes that none of such patents or patent applications is singularly or as a group essential to its business as a whole. The corporation holds or has applied for U.S. and foreign patents with expiration dates that range through the year 2022.

These patents are allocated among the corporation's business segments as follows:

Segment	U.S. PATENTS		FOREIGN PATENTS	
	Issued	Pending	Issued	Pending
Aerospace	39	2	14	4
Industrial Distribution	0	0	0	0
Music Distribution	31	2	37	63
	70	4	51	67

Registered trademarks of Kaman Corporation include Adamas, Applause, Hamer, KAFlex, KArOn, K MAX, Magic Lantern, Ovation, LP and Latin Percussion. In all, the corporation maintains 298 U.S. and foreign trademarks with 46 applications pending, most of which relate to music products in the Music Distribution segment.

COMPLIANCE WITH ENVIRONMENTAL PROTECTION LAWS

~~— In the opinion of management, based on the corporation's knowledge and analysis of relevant facts and circumstances, compliance with any environmental protection laws is not likely to have a material adverse effect upon the capital expenditures, earnings or competitive position of the corporation.~~

~~— The corporation is subject to the usual reviews, inspections and enforcement actions by various federal and state environmental and enforcement agencies and has entered into agreements and consent decrees at various times in connection with such reviews. One such matter, Roeque vs. Kaman, is discussed in Item 3 (Legal Proceedings). In addition, the Corporation engages in various environmental studies and investigations and, where legally required to do so, undertakes appropriate remedial actions at facilities owned or controlled by it, either voluntarily or in connection with the acquisition, disposal or operation of such facilities. Also on occasion the corporation has been identified as a potentially responsible party ("PRP") by the U.S. Environmental Protection Agency ("EPA") in connection with the EPA's investigation of certain third party facilities. In each instance, the corporation has provided appropriate responses to all requests for information that it has~~

~~Page 13~~

~~received, and the matters have been resolved either through de minimis settlements, consent agreements, or through no further action being taken by the EPA or the applicable state agency with respect to the corporation. One such matter involved the Barkhamsted Landfill site located in New Hartford, Connecticut (the "Barkhamsted site") which the corporation has previously reported in its report on Form 10-Q for the quarter ended June 30, 2002, Document No. 0000054381-02-000022 filed with the Securities and Exchange Commission on August 14, 2002. The Corporation, together with other PRPs has entered into a consent decree with the EPA settling its involvement and responsibility for remediation of the site for a non material amount, subject to certain contingencies which the corporation believes are reasonable. Such consent decree and settlement is in the process of being finalized in accordance with EPA procedures. With respect to any other such matters which may currently be pending, the corporation has been able to determine, based on its current knowledge, that resolution of such matters is not likely to have a material adverse effect on the future financial condition of the corporation.~~

~~— In arriving at this conclusion, the corporation has taken into consideration site specific information available regarding total costs of any work to be performed, and the extent of work previously performed. Where the corporation has been identified as a PRP at a particular site, the corporation, using information available to it, also has reviewed and considered a number of other factors, including: (i) the financial resources of other PRPs involved in each site, and their proportionate share of the total volume of waste at the site; (ii) the existence of insurance, if any, and the financial viability of the insurers; and (iii) the success others have had in receiving reimbursement for similar costs under similar policies issued during the periods applicable to each site.~~

FOREIGN SALES

~~— Fourteen percent (14%) of the sales of the corporation made in 2002 were to customers located outside the United States. In 2002, the corporation continued its efforts to develop international markets for its products and foreign sales (including sales for export). The corporation also continued to perform work under contracts with the Commonwealth of Australia and the Government of New Zealand for the supply of retrofit SH 2G helicopters. Additional information required by this item is included in the Segment Information section of the corporation's 2002 Annual Report to Shareholders (Exhibit 13 to this Form 10-K) which section is incorporated herein by reference.~~

ITEM 2. PROPERTIES

The corporation occupies approximately 3,507 thousand square feet of space throughout the United States and in Australia, Canada, Germany and Mexico, and distributed as follows:

SEGMENT	SQUARE FEET (in thousands as of 12/31/02)
Aerospace	1,788
Industrial Distribution	1,213
Music Distribution	466
Corporate Headquarters	40
Total	3,507

The Aerospace segment's principal facilities are located in Arizona, Connecticut, Florida, and Kansas; other facilities including offices and smaller manufacturing and assembly operations are located in several other states and in Dachsbach, Germany. These facilities are used for manufacturing, research and development, engineering and office purposes. The U.S. Government owns 154 thousand square feet of the space occupied by Kaman Aerospace Corporation in Bloomfield, Connecticut in accordance with a Facilities Lease Agreement with a five (5) year term expiring in March 2003. The Corporation is currently in the process of requesting a two year extension of this lease. The corporation also occupies a facility in Nowra, New South Wales, Australia under a contract providing for a ten (10) year term expiring in June, 2010. The corporation is also in the process of closing one Aerospace segment facility located in Moosup, Connecticut (the "Moosup facility"). The closure is expected to be completed by the end of 2003. In addition, approximately 49,000 square feet of space listed above is attributable to the EDC division, which was sold on January 15, 2003.

The Industrial Distribution segment's facilities are located throughout the United States with principal facilities located in California, Connecticut, New York, Kentucky and Utah. Additional Industrial Distribution segment facilities are located in Mexico and British Columbia, Canada. These facilities consist principally of regional distribution centers, branches and office space with a portion used for fabrication and assembly work.

The Music Distribution segment's facilities in the United States are located in Connecticut, California, New Jersey and Tennessee. An additional Music Distribution facility is located in Ontario, Canada. These facilities consist principally of regional distribution centers and office space. Also included are facilities used for manufacturing musical instruments. Ap-

proximately 36,000 square feet of space listed above is attributable to a warehouse which was closed on February 28, 2003.

The corporation occupies a 40 thousand square foot Corporate headquarters building in Bloomfield, Connecticut.

The corporation's facilities are suitable and adequate to serve its purposes and substantially all of such properties are currently fully utilized with the exception of the Moosup facility and the helicopter assembly space located in Bloomfield. Many of the properties, especially within the Industrial Distribution segment, are leased.

ITEM 3. LEGAL PROCEEDINGS

The corporation is continuing settlement discussions with the Connecticut Department of Environmental Protection regarding the matter referred to as Recque vs. Kaman previously reported by the corporation in its report on Form 10-K for fiscal year ended December 31, 2000, Document No.0000054381-01-500002 filed with the Securities and Exchange Commission on March 15, 2001. The

~~complaint in this matter alleges certain regulatory violations (the majority of which are administrative in nature) at facilities located in Connecticut related to routine inspections which took place between 1988 and 1998. The complaint seeks civil penalties and injunctive relief. Management believes that in all cases where corrective action was required at the time of such inspections, such action was promptly taken.~~

~~On June 25, 2002, a motion was filed in the United States District Court for the District of Oregon in the case of Robert G. Baker v. Kaman Aerospace Corporation, K-MAX Corporation, and Kamatics Corporation (all subsidiaries of the Corporation) seeking to amend the complaint in this action to include a claim for punitive damages in the amount of \$25 million. The original complaint was filed on April 2, 2001 by Mr. Baker as a claim for \$10 million in damages for economic and non-economic injuries arising out of an accident involving one of the corporation's K-MAX helicopters alleged to have been caused by the failure of a clutch assembly on the aircraft. This matter was previously reported by the Corporation in its report on Form 10-Q for the quarter ended June 30, 2002, Document No. 0000054381-02-000022 filed with the Securities and Exchange Commission on August 14, 2002. The parties agreed to settle the matter in December 2002 and the case was dismissed in January 2003. The suit filed by the hull insurer in the same accident was also settled in January 2003. Both of these matters were covered by insurance. There are two additional cases pending in which loss of use and property damages sustained in two other accidents involving K-MAX helicopters are alleged to have been caused by similar equipment failures. These claims are also covered by insurance.~~

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~~The corporation believes that none of the foregoing legal proceedings, either individually or in the aggregate, is, or will be, material to the business of the corporation.~~

~~Other legal proceedings or enforcement actions relating to environmental matters are discussed in the section entitled Compliance with Environmental Protection Laws.~~

~~ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS~~

~~There were no matters submitted to a vote of security holders during the fourth quarter of 2002.~~

~~PART II~~

~~ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS~~

~~MARKET FOR CLASS A COMMON STOCK~~

~~The Class A Common Stock of the corporation is traded on the NASDAQ Stock Market under the symbol "KAMNA". The corporation's Class B Common Stock is not actively traded.~~

~~HOLDERS OF COMMON STOCK~~

~~As of March 3, 2003, there were approximately 5,580 holders of record of the corporation's Class A Common Stock and 72 holders of record of the corporation's Class B Common Stock.~~

~~INVESTOR SERVICES PROGRAM~~

~~Shareholders of Kaman Class A common stock are eligible to participate in the Mellon Investor Services Program administered by Mellon Bank, N.A. which offers a variety of services including dividend reinvestment. A booklet describing the program may be obtained by writing to the program's Administrator, Mellon Investor Services, P.O. Box 590, Ridgefield Park, NJ 07660.~~

QUARTERLY CLASS A COMMON STOCK INFORMATION

	High	Low	Close	Dividend
2002				
First	\$17.61	\$13.46	\$16.95	\$.11
Second	18.81	14.82	16.76	.11
Third	17.50	11.00	12.25	.11
Fourth	13.75	9.42	11.00	.11
2001				
First	\$19.50	\$13.31	\$16.38	\$.11
Second	18.18	14.70	17.70	.11
Third	17.95	12.26	13.24	.11
Fourth	16.38	10.90	15.60	.11

QUARTERLY DEBENTURE INFORMATION (6% Conv. Subordinated)

	High	Low	Close
2002			
First	\$ 99.00	\$91.00	\$99.00
Second		No Trades	
Third		No Trades	
Fourth	100.00	91.00	95.00
2001			
First	\$ 92.00	\$82.00	\$ 92.00
Second	98.00	90.00	98.00
Third	99.00	98.00	99.00
Fourth	96.00	90.00	96.00

NASDAQ market quotations reflect inter dealer prices, without retail mark up, mark down, or commission and may not necessarily represent actual transactions.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS:-

	Number of securities to be issued upon exercise of outstanding warrants and rights	Weighted average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category			

(a)

(b)

(c)

Equity compensation
plans approved by
security holders:

— Stock Incentive Plan	1,218,800	\$ 14.08	321,700
— Employees Stock Purchase Plan			865,300

Equity compensation
plans not approved by
security holders

0	0	0
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Total	1,218,800	\$ 14.08	1,187,000
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ANNUAL MEETING

The Annual Meeting of Shareholders of the corporation will be held on Tuesday, April 15, 2003 at 11:00 a.m. in the offices of the corporation, 1332 Blue Hills Avenue, Bloomfield, Connecticut 06002. Holders of all classes of Kaman securities are invited to attend, however it is expected that matters on the agenda for the meeting will require the vote of Class B shareholders only.

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ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is included in the Five-Year Selected Financial Data section of the corporation's 2002 Annual Report to Shareholders (Exhibit 13 to this Form 10-K) and that section is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is included in the Management's Discussion and Analysis section of the corporation's 2002 Annual Report to Shareholders (Exhibit 13 to this Form 10-K) and that section is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The corporation's exposure to interest rate risk relates primarily to its financial instruments, and is managed principally through the use of long term debt obligations with fixed interest rates and revolving credit facilities with variable interest rates. Fees and interest rates charged on revolving credit commitments and borrowings are based upon borrowing levels, market interest rates, and the corporation's credit rating. Letters of credit are generally considered borrowings for purposes of the corporation's revolving credit agreement.

The corporation's primary interest rate risk is derived from its outstanding variable rate revolving credit facilities. Changes in market interest rates or the corporation's credit rating would impact the interest rates on these facilities. There was some increase in the corporation's exposure to this market risk factor during 2002, as bank borrowings increased principally due to

~~planned acquisitions. At December 31, 2002, the result of a hypothetical 1% increase in the average cost of the corporation's revolving credit facilities would have increased the loss before income taxes by \$181,000.~~

~~The corporation has manufacturing, sales, and distribution facilities in certain locations throughout the world and makes investments and conducts business transactions denominated in~~

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~~various currencies, including the U.S. dollar, Euro, Canadian dollar, Mexican peso, and Australian dollar. The corporation's exposure to currency exchange rates is managed at the corporate and subsidiary operations levels as an integral part of the business. Management believes that any near term changes in currency exchange rates would not materially affect the consolidated financial position, results of operations or cash flows of the corporation.~~

~~The corporation's exposure to supplier sales policies and price changes relates primarily to its distribution businesses and the corporation seeks to manage this risk through its procurement policies and maintenance of favorable relationships with suppliers. Management believes that any near term changes in supplier sales policies and price changes would not materially affect the consolidated financial position, results of operations or cash flows of the corporation.~~

~~ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA~~

~~Information required by this item is included in the Consolidated Financial Statements, Notes to Consolidated Financial Statements and Selected Quarterly Financial Data sections of the corporation's 2002 Annual Report to Shareholders (Exhibit 13 to this Form 10-K) and such sections are incorporated herein by reference.~~

~~ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE~~

~~None.~~

~~PART III~~

~~ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT~~

~~Following is information concerning each Director and executive officer of Kaman Corporation including name, age, position with the corporation, and business experience during the last five years:~~

Brian E. Barents	Mr. Barents, 59, has been a Director since 1996. He is the retired President and Chief Executive Officer of Galaxy Aerospace Corp. Prior to that he was President and Chief Executive Officer of Learjet, Inc. He is also a director of Eclipse Aerospace Corp.
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T. Jack Cahill	Mr. Cahill, 54, has held various positions with Kaman Industrial Technologies Corporation, a subsidiary of the corporation, since 1975, and has been President of that subsidiary since 1993.
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E. Reeves Callaway, III	Mr. Callaway, 55, has been a Director since 1995. He is the Chief Executive Officer of The Callaway Companies, an
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~~engineering services firm.~~

~~Frank C. Carlucci Mr. Carlucci, 72, has been a Director since 1989. Prior to that he served as U.S. Secretary of Defense. He is the Chairman Emeritus of The Carlyle Group, merchant bankers. Mr. Carlucci is also a director of Ashland, Inc., Neurogen Corporation, Pharmacia Corp., United Defense, LP, and Texas Biotechnology Corporation.~~

~~Laney J. Chouest, M.D. Dr. Chouest, 49, has been a Director since 1996. He is Owner Manager of Edison Chouest Offshore, Inc.~~

~~Gandace A. Clark Ms. Clark, 48, has been Senior Vice President, Chief Legal Officer and Secretary since 1996. Prior to that she served as Vice President and Counsel. Ms. Clark has held various positions with the corporation since 1985.~~

~~John A. DiBiaggio Dr. DiBiaggio, 70, has been a Director since 1984. He is now President Emeritus of Tufts University, having served as President until the fall of 2001. Prior to that he was President and Chief Executive Officer of Michigan State University.~~

~~Ronald M. Galla Mr. Galla, 51, has been Senior Vice President and Chief Information Officer since 1995. Prior to that he served as Vice President and director of the corporation's Management Information Systems, a position which he held since 1990. Mr. Galla has been director of the corporation's Management Information Systems since 1984.~~

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~~Robert M. Garneau Mr. Garneau, 59, has been Executive Vice President and Chief Financial Officer since 1995. Previously he served as Senior Vice President, Chief Financial Officer and Controller. Mr. Garneau has held various positions with the corporation since 1981.~~

~~Huntington Hardisty Admiral Hardisty (USN-Ret.), 74, is the retired President of Kaman Aerospace International Corporation, a subsidiary of the corporation. He has been a Director since 1991 and served as a consultant to the corporation until February 28, 2003. He retired from the U.S. Navy in 1991 having served as Commander in Chief for the U.S. Navy Pacific Command since 1988.~~

~~Edwin A. Huston Mr. Huston, 64, became a director at the 2002 Annual Meeting of Shareholders. Mr. Huston is the retired Vice Chairman of Ryder System, Incorporated, an international logistics and transportation solutions company. He served as Senior Executive Vice President Finance and Chief Financial Officer of that company from 1986 to 1999. Mr. Huston is a director of Unisys Corporation, Answerthink, Inc. and Enterasys Networks, Inc.~~

~~C. William Kaman II Mr. Kaman, 51, has been a Director since 1992 and is Vice Chairman of the board of directors of the corporation.~~

He is the retired Chairman and CEO of AirKaman of Jacksonville, Inc., an entity unaffiliated with the corporation. Previously he was Executive Vice President of the corporation and President of Kaman Music Corporation, a subsidiary of the corporation.

John C. Kornegay Mr. Kornegay, 53, has been President of Kamatics Corporation, a subsidiary of the corporation, since 1999, and has held various positions with Kamatics Corporation since 1988.

Eileen S. Kraus Ms. Kraus, 64, has been a Director since 1995. She is the retired

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Chairman of Fleet Bank Connecticut. She is a director of The Stanley Works and Rogers Corporation.

Paul R. Kuhn Mr. Kuhn, 61, has been a Director since 1999. He has been President and Chief Executive Officer of the corporation since August 1999 and was appointed to the additional position of Chairman in 2001. From 1998 to 1999 he was Senior Vice President, Operations, Aerospace Engine Business, for Coltec Industries, Inc. Prior to that he was Group Vice President, Coltec Industries, Inc. and President of its Chandler Evans division. He is a director of the Connecticut Business and Industry Association.

Joseph H. Lubenstein Mr. Lubenstein, 55, became President of Kaman Aerospace Corporation, a subsidiary of the corporation, in 2001. Prior to that, he served for many years in a variety of senior management positions at Pratt & Whitney, a subsidiary of United Technologies Corporation, most recently as Vice President Quality and Vice President Materials.

Walter H. Monteith, Jr. Mr. Monteith, 72, has been a Director since 1987. He is the retired Chairman of Southern New England Telecommunications Corporation.

Wanda L. Rogers Mrs. Rogers, 70, has been a Director since 1991. She is President and Chief Executive Officer of Rogers Helicopters, Inc. She is also a director of both Central Valley Community Bancorp and its subsidiary, Clovis Community Bank.

Robert H. Saunders, Jr. Mr. Saunders, 61, became President of Kaman Music Corporation, a subsidiary of the corporation, in 1998. Prior to that, he served as Senior Vice President of the corporation from 1995 and also held the position of Senior Executive Vice President of Kaman Music Corporation during a portion of that period.

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Richard J. Swift Mr. Swift, 58, became a director at the 2002 Annual Meeting of Shareholders. Mr. Swift is currently Chairman of the Financial Accounting Standards Advisory

~~Council. In 2001, he retired as
Chairman, President and Chief
Executive Officer of Foster Wheeler Ltd.,
a provider of design, engineering,
construction, and other services, a
position he held since 1994. Prior to
that, Mr. Swift held various positions
at Foster Wheeler, having joined the
company in 1972. Mr. Swift is a
director of Ingersoll Rand Company Ltd.
and Public Service Enterprise Group
Incorporated.~~

~~Each Director and executive officer has been elected for a
term of one year and until his or her successor is elected.
The terms of all Directors and executive officers are expected
to expire as of the Annual Meeting of the Shareholders and
Directors of the corporation to be held on April 15, 2003.~~

~~Section 16(a) Beneficial Ownership Reporting Compliance~~

~~Based upon information provided to the corporation by
persons required to file reports under Section 16(a) of the
Securities Exchange Act of 1934, no Section 16(a) reporting
delinquencies occurred in 2002, except that Admiral Hardisty
reported on a Form 5 filed for the year 2002 a gift of 500 shares
of Class A common stock made to his spouse on August 29, 2001
which should have been reported on Form 5 for the year 2001.~~

~~ITEM 11. EXECUTIVE COMPENSATION~~

~~A) GENERAL. The following tables provide certain information
relating to the compensation of the corporation's Chief
Executive Officer and its four other most highly compensated
executive officers.~~

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~~B) SUMMARY COMPENSATION TABLE~~

Annual Compensation				Long Term Compensation				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and				Other				All
Principal	Salary	Bonus	Annual	RSA	Options/SARs	LTIP	Comp.	
Position	Year	(\$)	(\$)	Comp.	(\$)(1)	(#Shares)	Payments	(\$)(2)
<hr/>								
P. R. Kuhn	2002	800,000	240,000		174,000	21,000/	13,497	
Chairman,						52,000		
President and								
Chief	2001	762,500	300,000		261,000	25,000/	15,630	
Executive						65,000		
Officer	2000	650,000	570,000		154,688	20,000/	11,924	
						50,000		
<hr/>								
R.M. Garneau	2002	470,000	118,000		101,500	12,000/	23,655	
Executive						29,000		
Vice Pres	2001	450,000	150,000		163,125	12,500/	25,056	
ident and						40,000		
Chief	2000	425,000	310,000		77,344	10,000/	25,181	
Financial						30,000		
Officer								

J.H. Lubenstein					
President,	2002	325,000	65,000	72,500	9,000/ 7,766
Kaman					22,000
Aerospace	2001	300,000	160,000	406,875	45,000/ 2,875
Corporation					45,000
	2000		(3)		
T.J.Cahill	2002	280,000	56,000	58,000	7,000/ 12,229
President,					18,000
Kaman	2001	280,000	90,000	97,875	9,000/ 15,077
Industrial					20,000
Technologies	2000	260,000	160,000	41,250	6,000/ 15,670
Corporation					15,000
R.H.Saunders Jr.					
President,	2002	245,000	196,000	50,750	6,000/ 18,384
Kaman Music					15,000
Corporation	2001	235,000	85,000	81,563	8,000/ 15,681
					15,000
	2000	210,000	110,000	41,250	6,000/ 13,832
					10,000

1. As of December 31, 2002, aggregate restricted stock holdings and their year end value were: P.R. Kuhn, 53,800 shares valued at

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\$591,800; R.M. Garneau, 22,200 shares valued at \$244,200; J.H. Lubenstein, 25,000 shares valued at \$275,000; T.J.Cahill, 13,200 shares valued at \$145,200; and R.H. Saunders, Jr., 12,100 shares valued at \$133,100. Restrictions generally lapse at the rate of 20% per year for all awards, beginning one year after the grant date provided recipient remains an employee of the corporation or a subsidiary. Awards reported in this column are as follows: P. R. Kuhn, 12,000 shares in 2002, 16,000 shares in 2001, and 15,000 shares in 2000; R. M. Garneau, 7,000 shares in 2002, 10,000 shares in 2001, and 7,500 shares in 2000; J.H. Lubenstein, 5,000 shares in 2002, and 25,000 shares in 2001; T. J. Cahill, 4,000 shares in 2002, 6,000 shares in 2001, and 4,000 shares in 2000; R. H. Saunders, Jr., 3,500 shares in 2002, 5,000 shares in 2001, and 4,000 in 2000. Dividends are paid on the restricted stock.

2. Amounts reported in this column consist of: P.R. Kuhn, \$7,173 — Senior executive life insurance program ("Executive Life"), \$5,000 — employer matching contributions to the Kaman Corporation Thrift and Retirement Plan (the "Thrift Plan employer match"); \$1,324 — medical expense reimbursement program ("MERP"); R.M. Garneau, \$5,940 — Executive Life, \$851 — Officer 162 Insurance Program, \$5,000 — Thrift Plan employer match, \$2,155 — MERP, \$9,700 — all supplemental employer contributions under the Kaman Corporation Deferred Compensation Plan ("supplemental employer contributions"); J. H. Lubenstein, \$2,766 — Executive Life, \$5,000 — Thrift Plan employer match; T. J. Cahill, \$3,153 — Executive Life, \$5,000 — Thrift Plan employer match, \$676 — MERP, \$3,400 — supplemental employer contributions; R.H. Saunders, Jr., \$6,585 — Executive Life, \$5,000 — Thrift Plan employer match, \$3,491 — MERP, \$3,308 — supplemental employer contributions.

3. Mr. Lubenstein joined the Corporation in July 2001.

~~C) OPTION/SAR GRANTS IN THE LAST FISCAL YEAR:~~

				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term*		
Individual Grants						
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	% of Total Options/ SARs**					
	Options/ Granted to SARs** Employees	Exercise or Granted in Fiscal	Base Price	Expiration		
Name	(#)	Year	(\$/Sh)	Date	5%(\$)	10%(\$)
P. R. Kuhn	21,000/ 52,000	9.93/ 38.24	14.5000	2/12/12	665,685	1,686,976
R. M. Garneau	12,000/ 29,000	5.67/ 21.32	14.5000	2/12/12	373,878	947,480
J. H. Luben- stein	9,000/ 22,000	4.26/ 16.18	14.5000	2/12/12	282,688	716,387
T. J. Cahill	7,000/ 18,000	3.31/ 13.24	14.5000	2/12/12	227,974	577,732
R. H. Saunders	6,000/ 15,000	2.84/ 11.03	14.5000	2/12/12	191,498	485,295

*The information provided herein is required by Securities and Exchange Commission rules and is not intended to be a projection of future common stock prices.

**Stock Appreciation Rights ("SARs") are payable in cash only, not in shares of common stock.

Options and SARs relate to the corporation's Class A common stock and generally vest at the rate of 20% per year, beginning one year after the grant date provided the recipient remains an employee of the corporation or a subsidiary.

~~D) STOCK OPTION EXERCISES IN THE LAST FISCAL YEAR, AND
FISCAL YEAR END OPTION VALUES.~~

		Number of Shares under lying		Value of Unexercised in the money options*	
		Unexercised options		at FY end (\$)	
		Shares acquired on		Value exercisable/ unexercisable	
Name	Exercise(#)	Value realized	exercisable/ unexercisable	exercisable/ unexercisable	
(a)	(b)	(c)	(d)	(e)	
P. R. Kuhn	none		73,000/93,000	\$ 5,500/8,250	

R. M. Garneau	26,500	\$213,038	27,900/33,100	\$ 2,750/4,125
J. H. Lubenstein	none		9,000/45,000	0/ 0
T. J. Cahill	none		40,200/22,300	\$ 7,275/2,475
R. H. Saunders	none		17,600/19,400	\$ 3,525/2,475

~~*Difference between the 12/31/02 Fair Market Value and the exercise price.~~

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~~STOCK APPRECIATION RIGHT ("SAR") EXERCISES IN THE LAST FISCAL YEAR
AND YEAR-END SAR VALUES.~~

			Value of
		Number of	Unexercised
		Unexercised	in the money
		SARs	SARs*
SARs	at FY end (#)	at FY end (\$)	
acquired on	Value	exercisable/	exercisable/
Name	Exercise(#)	realized	unexercisable
(a)	(b)	(c)	(d)
			(e)

P. R. Kuhn	none	none	141,000/206,000	\$13,750/20,625
R. M. Garneau	75,000	\$386,250	73,000/ 93,500	\$ 8,250/12,375
J. H. Lubenstein	none	none	9,000/ 58,000	0/ 0
T. J. Cahill	"	"	75,000/ 50,500	\$ 4,125/ 6,188
R. H. Saunders	"	"	10,000/ 35,000	\$ 2,750/ 4,125

~~*Difference between the 12/31/02 Fair Market Value and the exercise price(s).~~

~~E) LONG TERM INCENTIVE PLAN AWARDS: Except as described above, no long term incentive plan awards were made to any named executive officer in the last fiscal year.~~

~~F) PENSION AND OTHER DEFINED BENEFIT DISCLOSURE. The following table shows estimated annual benefits payable at normal retirement age to participants in the corporation's Pension Plan at various compensation and years of service levels using the benefit formula applicable to Kaman Corporation. Pension benefits are calculated based on 60 percent of the average of the highest five consecutive years of "covered compensation" out of the final ten years of employment less 50 percent of the primary social security benefit, reduced proportionately for years of service less than 30 years:~~

PENSION PLAN TABLE					
Years of Service					
Remuneration*	15	20	25	30	35
125,000	32,523	43,581	53,988	65,046	65,046
150,000	40,023	53,631	66,438	80,046	80,046
175,000	47,523	63,681	78,888	95,046	95,046
200,000	55,023	73,731	91,338	110,046	110,046
225,000	62,523	83,781	103,788	125,046	125,046
250,000	70,023	93,831	116,238	140,046	140,046
300,000	85,023	113,931	141,138	170,046	170,046
350,000	100,023	134,031	166,038	200,046	200,046
400,000	115,023	154,131	190,938	230,046	230,046
450,000	130,023	174,231	215,838	260,046	260,046
500,000	145,023	194,331	240,738	290,046	290,046
750,000	220,023	294,831	365,238	440,046	440,046
1,000,000	295,023	395,331	489,738	590,046	590,046
1,250,000	370,023	496,831	614,238	740,046	740,046
1,500,000	445,023	596,331	738,738	890,046	890,046
1,750,000	520,023	696,831	863,238	1,040,046	1,040,046
2,000,000	595,023	797,331	988,738	1,190,046	1,190,046

*Remuneration: Average of the highest five consecutive years of "Covered Compensation" out of the final ten years of service.

~~"Covered Compensation" means "W 2 earnings" or "base earnings", if greater, as defined in the Pension Plan. W 2 earnings for pension purposes consist of salary (including 401(k) and Section 125/129 Plan contributions but not deferrals under a non-qualified Deferred Compensation Plan), bonus and taxable income attributable to restricted stock awards, stock appreciation rights, and the cash out of employee stock options. Salary and bonus amounts for the named executive officers for 2002 are as shown on the Summary Compensation Table. Compensation deferred under the corporation's non-qualified deferred compensation plan is included in Covered Compensation here because it is covered by~~

~~the corporation's unfunded supplemental employees' retirement plan for the participants in that plan.~~

~~Current Compensation covered by the Pension Plan for any named executive whose Covered Compensation differs by more than 10% from the compensation disclosed for that executive in the Summary Compensation Table: Mr. Kuhn, \$1,354,066; Mr. Garneau, \$1,119,821; Mr. Cahill, \$444,501; Mr. Lubenstein, \$579,000; Mr. Saunders, \$382,129.~~

~~Federal law imposes certain limitations on annual pension benefits under the Pension Plan. For the named executive officers who are participants, the excess will be paid under the Corporation's unfunded supplemental employees' retirement plan.~~

~~The executive officers named in Item 11(b) are participants in the plan and as of December 31, 2002, had the number of years of credited service indicated: Mr. Kuhn 8.0; Mr. Garneau 21.5 years; Mr. Cahill 27.7 years; Mr. Lubenstein 2.7 years; Mr. Saunders 7.0.~~

~~Benefits are computed generally in accordance with the benefit formula described above.~~

~~G) COMPENSATION OF DIRECTORS. Effective January 1, 2002, non-employee members of the Board of Directors of the corporation receive an annual retainer of \$25,000 and a fee of \$1,200 for attending each meeting of the Board and each meeting of a Committee of the Board, except that the Chairman of each committee receives a fee of \$1,600 for attending each meeting of that Committee. The Vice Chairman is entitled to a fee of \$2,500 per meeting when serving as the Chairman. Such fees may be received on a deferred basis. In addition, each non-employee director will receive a Restricted Stock Award for 500 shares (issued pursuant to the corporation's Stock Incentive Plan), providing for immediate vesting upon election as a director at the corporation's 2003 Annual Meeting of Shareholders.~~

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~~H) EMPLOYMENT CONTRACTS AND TERMINATION, SEVERANCE AND CHANGE OF CONTROL ARRANGEMENTS. The corporation has entered into Employment Agreements and Change in Control Agreements with certain executive officers, copies of which were filed as exhibits to the following filings made by the corporation with the Securities and Exchange Commission: Form 10-Q (Document 54381-99-14) filed on November 12, 1999; Form 10-K (Document No. 54381-00-03 filed on March 21, 2000; and Form 10-Q (Document 54381-00-500006) filed on November 14, 2000. Form 10-Q filed August 14, 2001 (Document No. 0000054381-01-500011 and Form 10-Q filed November 14, 2001 (Document No. 0000054381-01-500016. The employment agreements do not have a fixed term and generally provide for a severance payment to be made to any such officer if he or she is terminated from employment (other than for willful failure to perform proper job responsibilities or violations of law) or if he or she leaves employment for good reason (e.g., due to a diminution in job responsibilities). The change in control agreements generally provide that, for a three year period following a change in control of Kaman Corporation or, in certain cases, a subsidiary thereof, a severance payment will be made to any such officer if his or her employment ends following the change in control (unless the termination was for cause, the officer dies or becomes disabled or if he or she leaves employment without good reason). The change in control agreements do not have a fixed term.~~

~~Admiral Hardisty's consulting agreement with the Corporation, which was renewed for a period of one year effective March 1, 2002 at a per diem rate of \$1,000.00 expired on February 28, 2003. A copy of such agreement was attached as Exhibit 10(f)(I) to the Corporation's Form 10-K for fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission on March 15, 2002.~~

~~The corporation has also entered into an agreement with Walter Kozlow retaining him as a consultant for a~~

~~period of two years following his retirement from regular employment effective December 31, 2001 at an annual rate of \$242,500. A copy of such agreement was attached to the corporation's Form 10-Q filed with the Securities and Exchange Commission on August 14, 2001.~~

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~~Except as disclosed in Item 13, and except as described above and in connection with the corporation's Pension Plan and the corporation's non-qualified Deferred Compensation Plan, the corporation has no other employment contract, plan or arrangement with respect to any named executive officer which relates to employment termination for any reason, including resignation, retirement or otherwise, or a change in control of the corporation or a change in any such executive officer's responsibilities following a change of control, which exceeds or could exceed \$100,000.~~

~~I) Not Applicable.~~

~~J) COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS.~~

~~1) The following persons served as members of the Personnel and Compensation Committee of the Corporation's Board of Directors during the last fiscal year: Brian E. Barents, E. Reeves Callaway, III, Frank C. Carlucci, Laney J. Chouest, M.D., Wanda L. Rogers, and Richard J. Swift.~~

~~None of these individuals was an officer or employee of the corporation or any of its subsidiaries during either the last fiscal year or any portion thereof in which he or she served as a member of the Personnel and Compensation Committee.~~

~~2) During the last fiscal year no executive officer of the corporation served as a director of or as a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as a director of, or on the Personnel and Compensation Committee of the corporation.~~

~~K) Not Applicable.~~

~~L) Not Applicable.~~

~~ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT~~

~~(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS.~~

~~Following is information about persons known to the corporation to be beneficial owners of more than five percent (5%) of the Corporation's voting securities. Ownership is direct unless otherwise noted.~~

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Class of	Number of Shares	Beneficially Owned
Common	Name and Address	as of February 1, Percentage

Class B	Charles H. Kaman	258,375(1),(2)	38.69%
	Kaman Corporation		
	1332 Blue Hills Avenue		
	Bloomfield, CT 06002		
	Holder's of Mr. Kaman's	(2)	
	Power of Attorney		
	c/o John C. Yavis, Jr.		
	Murtha Cullina LLP		
	CityPlace I		
	185 Asylum Street		
	Hartford, CT 06105		
Class B	Newgate Associates	199,802(3),(4)	29.91%
	Limited Partnership		
	c/o Murtha Cullina, LLP		
	CityPlace I		
	185 Asylum Street		
	Hartford, CT 06103		
	Voting Trustees pursuant	(4)	
	to a Voting Trust		
	Agreement, dated as of		
	August 14, 2000		
	c/o John C. Yavis, Jr.		
	Murtha Cullina LLP		
	CityPlace I		
	185 Asylum Street		
	Hartford, CT 06105		
Class B	C. William Kaman, II	64,446(5)	9.65%
	5367 Florence Point Drive		
	Fernandina Beach, FL 32034		
Class B	Robert D. Moses	51,177(6)	7.66%
	Farmington Woods		
	Avon, CT 06001		

(1) Excludes 1,471 shares held by Mrs. Kaman. Mr. Kaman shares beneficial ownership of these shares with the holders of a Power of Attorney, as described in note (2) below.

(2) The power to vote Mr. Kaman's shares of Class B common stock is shared through a durable power of attorney (the "Power of Attorney") with certain individuals who have the authority to vote Mr. Kaman's shares by majority vote. These individuals are: John S. Murtha, a director emeritus of the corporation and of counsel to the Hartford, Connecticut law firm, Murtha Cullina LLP, counsel to the corporation, Robert M. Garneau, Executive Vice President and Chief Financial Officer of the corporation, Roberta C. Kaman, Mr. Kaman's wife, C. William Kaman II, Mr. Kaman's son and a director and Vice Chairman of the Board of the corporation, Steven W. Kaman, Mr. Kaman's son, and Cathleen H. Kaman Wood, Mr. Kaman's daughter.

(3) These shares are subject to a voting trust agreement dated August 14, 2000 (the "Voting Trust"), as described in note (4) below. Newgate shares beneficial ownership of such shares with the voting trustees of such trust, as described in note (4) below.

(4) The power to vote the shares of Newgate Associates Limited Partnership is vested in eleven voting trustees (the "Voting Trustees") under the Voting Trust, which has a term of ten (10) years, subject to renewal. The Voting Trustees consist of the six (6) individuals identified in footnote (2) above and the following five (5) individuals: T. Jack

~~Cahill, President of Kaman Industrial Technologies Corporation, a subsidiary of the corporation, Paul R. Kuhn, Chairman, President, and Chief Executive Officer of the corporation, Huntington Hardisty and Eileen S. Kraus, directors of the corporation, and John C. Yavis, Jr., a partner of Murtha Cullina LLP, counsel to the corporation.~~

~~(5) Excludes 4,800 shares held as trustee for the benefit of certain family members.~~

~~(6) Includes 39,696 shares held by a partnership controlled by Mr. Moses.~~

~~(b) SECURITY OWNERSHIP OF MANAGEMENT. The following is information concerning beneficial ownership of the corporation's stock by each Director of the corporation, each executive officer of the corporation named in the Summary Compensation Table, and all Directors and executive officers of the corporation as a group. Ownership is direct unless otherwise noted.~~

Name	Class of Common Stock	Number of Shares	Percentage of Class
		Beneficially Owned as of February 1, 2003	
Brian E. Barents	Class A	3,000	*
T. Jack Cahill	Class A	101,856(1)	*
E. Reeves Callaway	Class A	3,000	*
Frank C. Carlucci	Class A	6,000(2)	*
Laney J. Chouest	Class A	4,923	*
John A. DiBiaggio	Class A	3,000	*
Robert M. Garneau	Class A	106,518(3)	*
	Class B	24,404	3.48%
Huntington Hardisty	Class A	(4)	*
Edwin A. Huston	Class A	1,000	*
G. William Kaman, II	Class A	60,388(5)	*
	Class B	64,446(6)	9.65%
Paul R. Kuhn	Class A	228,869(7)	*
	Class B	3,288	*
Eileen S. Kraus	Class A	3,922	*
Joseph H. Lubenstein	Class A	49,800(8)	*
Walter H. Monteith, Jr.	Class A	3,200	*
Wanda L. Rogers	Class A	3,000	*
Robert H. Saunders, Jr.	Class A	45,922(9)	*
	Class B	720	*
Richard J. Swift	Class A	1,000	*
All Directors and Executive Officers	Class A	730,058(10)	3.35%
as a group **	Class B	94,020	14.08%

* Less than one percent.

** Excludes 22,400 Class A shares held by spouses of certain Directors and executive officers.

~~(1) Includes 47,600 shares subject to stock options exercisable or which will become exercisable within 60 days~~

~~(2) Includes 6,000 shares held jointly with Mrs. Carlucci.~~

~~(3) Includes 38,100 shares subject to stock options exercisable or which will become exercisable within 60 days~~

~~(4) Excludes 22,400 shares held by Mrs. Hardisty.~~

~~(5) Excludes 89,891 shares held by Mr. Kaman as Trustee, in which shares Mr. Kaman disclaims any beneficial ownership.~~

- ~~(6) Excludes 4,800 shares held by Mr. Kaman as Trustee in which shares Mr. Kaman disclaims any beneficial ownership.~~
- ~~(7) Includes 106,200 shares subject to stock options exercisable or which will become exercisable within 60 days.~~
- ~~(8) Includes 19,800 shares subject to stock options exercisable or which will become exercisable within 60 days.~~
- ~~(9) Includes 23,800 shares subject to stock options exercisable or which will become exercisable within 60 days.~~
- ~~(10) Includes 294,200 shares subject to stock options which will become exercisable within 60 days.~~

~~ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS~~

~~During 2002, the corporation obtained legal services in the amount of \$1,013,910 from the Hartford, Connecticut law firm of Murtha Cullina LLP of which Mr. John S. Murtha, is of counsel and Mr. John C. Yavis, Jr. is a partner. Mr. Murtha, a director emeritus of the corporation, is currently one of six holders of a power of attorney described in footnote (2) to the table entitled "Security Ownership of Certain Beneficial Owners", and a voting trustee of the Voting Trust described in footnote (4) of such table. Mr. Yavis currently serves as a voting trustee of the Voting Trust and as the general partner of Newgate Associates Limited Partnership.~~

~~PART IV~~

~~ITEM 14. DISCLOSURE CONTROLS AND PROCEDURES~~

~~Evaluation of Disclosure Controls and Procedures. Within the ninety days prior to the date of this report, management, with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the corporation's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14 or 15d-14. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded, as of February 3, 2003, that the corporation's disclosure controls and procedures are effective in providing assurance that information required to be disclosed by the corporation in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported upon in a timely manner. We note, however, that even the most well designed and executed controls systems are subject to inherent limitations and as a result, the control system cannot provide absolute assurance that its objectives will be met under all potential future conditions.~~

~~Changes in Internal Controls. There have been no significant changes in the corporation's internal controls or in other factors that could significantly affect these controls and procedures subsequent to February 3, 2003.~~

~~ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K~~

- ~~(a)(1) FINANCIAL STATEMENTS.~~
~~See Item 8 concerning financial statements appearing as Exhibit 13 to this Report.~~
- ~~(a)(2) FINANCIAL STATEMENT SCHEDULES.~~
~~An index to the financial statement schedules immediately precedes such schedules.~~
- ~~(a)(3) EXHIBITS.~~
~~An index to the exhibits filed or incorporated by~~

~~reference immediately precedes such exhibits.~~

~~(b) REPORTS ON FORM 8-K: A report on Form 8-K was filed with the Securities and Exchange Commission on October 21, 2002, File No. 333-66179, Document No. 0000054381-02-0000026 concerning the corporation's acquisition of Latin Percussion, Inc.~~

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~~SIGNATURES~~

~~Pursuant to the requirements of Section 13 or 15(d) 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, in the Town of Bloomfield, State of Connecticut, on this 26th day of March, 2003.~~

~~KAMAN CORPORATION
(Registrant)~~

~~/s/ Paul R. Kuhn
By Paul R. Kuhn, Chairman, President
and Chief Executive Officer~~

~~Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.~~

~~Signature: Title: Date:~~

~~/s/ Paul R. Kuhn
Paul R. Kuhn Chairman, President, and March 26, 2003
Chief Executive Officer
and Director~~

~~/s/ Robert M. Garneau
Robert M. Garneau Executive Vice President March 26, 2003
and Chief Financial Officer
(Principal Financial and
Accounting Officer)~~

~~/s/ Paul R. Kuhn
Paul R. Kuhn March 26, 2003
Attorney in Fact for:~~

~~Brian E. Barents Director
E. Reeves Callaway, III Director
Frank C. Carlucci Director
John A. DiBiaggio Director
Huntington Hardisty Director
Edwin A. Huston Director
C. William Kaman, II Director
Eileen S. Kraus Director
Walter H. Monteith, Jr. Director
Wanda L. Rogers Director~~

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~~CERTIFICATIONS~~

~~I, Paul R. Kuhn, certify that:~~

~~1. I have reviewed this annual report on Form 10-K of Kaman Corporation;~~

~~2. Based on my knowledge, this annual 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 annual report;~~

~~3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:~~

~~a) designed such disclosure controls and procedures 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 annual report is being prepared;~~

~~b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and~~

~~c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;~~

~~5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):~~

~~a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and~~

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~~b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and~~

~~6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.~~

Date: ~~March 26, 2003~~ By: ~~/s/ Paul R. Kuhn~~

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

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CERTIFICATIONS

I, Robert M. Garneau, certify that:

1. ~~I have reviewed this annual report on Form 10-K of Kaman Corporation;~~

2. ~~Based on my knowledge, this annual 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 annual report;~~

3. ~~Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:~~

~~a) designed such disclosure controls and procedures 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 annual report is being prepared;~~

~~b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and~~

~~c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;~~

5. ~~The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the~~

~~registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):~~

~~a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and~~

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~~b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and~~

~~6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.~~

~~Date: March 26, 2003 By: /s/ Robert M. Garneau~~

~~Robert M. Garneau
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer)~~

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~~KAMAN CORPORATION AND SUBSIDIARIES~~

~~Index to Financial Statement Schedules~~

~~Report of Independent Auditors~~

~~Financial Statement Schedules:~~

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~~REPORT OF INDEPENDENT AUDITORS~~

~~KPMG LLP
Certified Public Accountants
One Financial Plaza
Hartford, Connecticut 06103~~

~~The Board of Directors and Shareholders
Kaman Corporation:~~

~~Under date of January 28, 2003, we reported on the consolidated balance sheets of Kaman Corporation and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2002, as contained in the 2002 annual report to shareholders. These consolidated financial statements and our report thereon are included in the annual report on Form 10-K for 2002. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.~~

~~In our opinion, such schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.~~

~~/s/ KPMG LLP~~

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KAMAN CORPORATION AND SUBSIDIARIES
SCHEDULE V VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

YEAR ENDED DECEMBER 31, 2002

Additions

	BALANCE	CHARGED TO			BALANCE
	JANUARY 1,	COSTS AND			DECEMBER 31,
DESCRIPTION	2002	EXPENSES	OTHERS	DEDUCTIONS	2002
Allowance for doubtful accounts	\$3,939	\$1,024	\$ 110(B)	\$2,220(A)	\$2,853
	=====	=====	=====	=====	=====
Accumulated amortization of goodwill	\$1,817	\$ (C)	\$	\$	\$1,817
	=====	=====	=====	=====	=====

YEAR ENDED DECEMBER 31, 2001

Additions

	BALANCE	CHARGED TO			BALANCE
	JANUARY 1,	COSTS AND			DECEMBER 31,
DESCRIPTION	2001	EXPENSES	OTHERS	DEDUCTIONS	2001
Allowance for doubtful accounts	\$4,636	\$ 868	\$277(B)	\$1,842(A)	\$3,939
	=====	=====	=====	=====	=====
Accumulated amortization of goodwill	\$1,708	\$ 109	\$	\$	\$1,817
	=====	=====	=====	=====	=====

YEAR ENDED DECEMBER 31, 2000

Additions

	BALANCE	CHARGED TO			BALANCE
	JANUARY 1,	COSTS AND			DECEMBER 31,
DESCRIPTION	2000	EXPENSES	OTHERS	DEDUCTIONS	2000
Allowance for doubtful accounts	\$4,519	\$1,490	\$	\$1,373(A)	\$4,636
	=====	=====	=====	=====	=====
Accumulated amortization of goodwill	\$1,598	\$ 110	\$	\$	\$1,708
	=====	=====	=====	=====	=====

(A) Write off of bad debts, net of recoveries.

(B) Additions to allowance for doubtful accounts attributable to acquisitions.

(C) In accordance with FASB 142, no amortization expense for goodwill has been recorded in 2002.

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KAMAN CORPORATION

INDEX TO EXHIBITS

Exhibit 3a The Amended and Restated by reference
Certificate of Incorporation
of the corporation, as amended,
has been filed with the Securities
and Exchange Commission on form
S 8POS on May 11, 1994, as
Document No. 94-20.

Exhibit 3b The By Laws of the corporation by reference
as amended on February 9, 1999
has been filed with the Securities
and Exchange Commission on Form
10-K on March 16, 1999, as
Document No. 99-03, and as amended
by Document No. 0000054381-02-000022
filed on August 14, 2002.

Exhibit 4a Indenture between the corporation by reference
and Manufacturers Hanover Trust
Company, as Indenture Trustee,
with respect to the Corporation's
6% Convertible Subordinated Debentures,
has been filed as Exhibit 4.1 to
Registration Statement No. 33-
11599 on Form S-2 of the corporation
filed with the Securities and Exchange
Commission on January 29, 1987.

Exhibit 4b Revolving Credit Agreement by reference
between the corporation and The
Bank of Nova Scotia and Fleet
National Bank as Co Administrative
Agents and Bank One, N.A. as the
Documentation Agent and The Bank of
Nova Scotia and Fleet Securities, Inc.
as the Co Lead Arrangers and Various
Financial Institutions dated as of
November 13, 2000 filed as Exhibit 4
to form 10-Q filed with the Securities
and Exchange Commission on November 14,
2000, Document No. 0000054381-00-500006,
as amended by Document No. 0000054381-02-
000022 filed on August 14, 2002.

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Exhibit 4c Credit Agreement between the attached
corporation, RWG Frankenjura-
Industrie Flugwerklager GmbH, and
Wachovia Bank, N.A., dated July 29,
2002. Schedules and Exhibits to the
Credit Agreement, which are listed in
its Table of Contents, are omitted but
will be provided to the Commission upon
request.

Exhibit 4d The corporation is party to certain
long term debt obligations, such
as real estate mortgages, copies
of which it agrees to furnish to
the Commission upon request.

Exhibit 10a The Kaman Corporation 1993 Stock attached
Incentive Plan as amended effective
February 25, 2003.

Exhibit 10b The Kaman Corporation Employees by reference
Stock Purchase Plan as amended
effective November 19, 1997 has been
filed as an exhibit to the Corporation's
Form 10-K Document No. 0000054381-98-09
filed with the Securities and
Exchange Commission on March 16, 1998,

~~as amended by Document No. 0000054381-98-13
filed on March 27, 1998.~~

~~Exhibit 10c Kaman Corporation Supplemental by reference
Employees' Retirement Plan, as
amended has been filed as an exhibit
to the Corporation's Form 10-K,
Document No. 0000054381-02-000005
filed with the Securities and Exchange
Commission on March 14, 2002.~~

~~Exhibit 10d Amended and Restated Deferred attached
Compensation Plan (Effective as of
November 12, 2002, except where
otherwise indicated).~~

~~Exhibit 10e(i) Kaman Corporation Cash Bonus Plan by reference
(Amended and Restated Effective as
of January 1, 2002) and First
Amendment thereto was filed as an
exhibit to the Corporation's Form 10-K
Document No. 0000054381-02-000005,
filed with the Securities and Exchange
Commission on March 14, 2002.~~

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~~Exhibit 10e(ii) Second Amendment to Kaman attached
Corporation Cash Bonus Plan
(Amended and Restated Effective as
of January 1, 2002).~~

~~Exhibit 10f Employment Agreements and Change in by reference
Control Agreements with certain
executive officers have been filed
as exhibits to the following
filings by the corporation with the
Securities and Exchange Commission:
Form 10-Q (Document No. 54381-99-14)
filed November 12, 1999; Form 10-K
(Document No. 54381-00-03) filed
March 21, 2000; Form 10-Q
(Document No. 54381-00-500006)
filed November 14, 2000; and Form 10-Q
(Document No. 54381-01-500015) filed
November 14, 2001.~~

~~Exhibit 10f(I) Agreement between Kaman Aerospace by reference
Corporation and Huntington
Hardisty effective March 1, 2002
has been filed as exhibit to the
Corporation's Form 10-K, Document
No. 0000054381-02-000005 filed with
the Securities and Exchange Commission
on March 14, 2002.~~

~~Exhibit 10g Notice of change of control by reference
filed as Exhibit 99 to the
corporation's Form 8-K dated
August 16, 2000 as Document
No. 54381-00-000010.~~

~~Exhibit 11 Statement regarding computation attached
of per share earnings.~~

~~Exhibit 13 Portions of the Corporation's attached
2002 Annual Report to
Shareholders as required by
Item 8.~~

~~Exhibit 21 Subsidiaries. attached~~

~~Exhibit 23 Consent of Independent Auditors. attached~~

~~Exhibit 24 Power of attorney under which attached
this report has been signed on
behalf of certain directors.~~

~~Exhibit 99.1 Certification of Chief Executive Officer attached~~

~~Exhibit 99.2 Certification of Chief Financial Officer attached~~

~~EXHIBIT 4e~~

~~9,500,000 EURO~~

~~CREDIT AGREEMENT~~

~~dated as of July 29, 2002,~~

~~by and among~~

~~KAMAN CORPORATION,~~

~~as Borrower,~~

~~RWG FRANKENJURA INDUSTRIE FLUGWERKLAGER GMBH,~~

~~as Borrower,~~

~~and~~

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EXHIBITS

Exhibit A 1	Form of Revolving Credit Note
Exhibit A 2	Form of Term Note
Exhibit B	Form of Notice of Borrowing
Exhibit C	Form of Notice of Prepayment
Exhibit D	Form of Notice of Continuation

CREDIT AGREEMENT

~~THIS CREDIT AGREEMENT, dated the 29th day of July, 2002 by and among WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Lender, KAMAN CORPORATION, a Connecticut corporation, as borrower and guarantor, and RWG FRANKENJURA-INDUSTRIE FLUGWERKLAGER GMBH, a German corporation domiciled in Dachsbach, as borrower.~~

STATEMENT OF PURPOSE

~~The Borrowers have requested that the Lender enter into this Agreement to make available (a) an Eight Million Five Hundred Thousand Euros (8,500,000 Euros) term loan facility to the Domestic Borrower and (b) a One Million Euros (1,000,000 Euros) revolving credit facility to the German Borrower, each as described herein on the terms and conditions set forth herein.~~

~~NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the~~

Lender and the Borrowers hereby agree as follows:

~~ARTICLE I~~
~~DEFINITIONS~~

~~SECTION 1.1 Definitions. Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Revolving Credit Agreement (as defined below); provided, that, all definitions and other provisions of the Revolving Credit Agreement which are incorporated herein by reference shall be construed in such a manner so as to give such incorporated terms legal effect and meaning hereunder. More specifically, any references to the terms defined in both the Revolving Credit Agreement and this Agreement, shall be deemed references to such terms as defined herein, in each case to the extent necessary to give any such incorporated provisions legal effect and meaning hereunder. In addition, the following terms when used in this Agreement shall have the meanings assigned to them below:~~

~~"Acquisition" means the purchase of 100% of the outstanding capital stock of RWG Frankenjura Industrie Flugwerklager GmbH pursuant to the Acquisition Agreement.~~

~~"Acquisition Agreement" means the Purchase Agreement dated as of July 15, 2002, by and among Robert Wirth, Siegbert Höllederer, Lothar Schuster and Christine Schuster, the shareholders of RWG Frankenjura Industrie Flugwerklager GmbH, as sellers, and Kaman Aerospace Group, Inc., as buyer.~~

~~Page 1~~

~~"Affiliate" means, with respect to any Person, any other Person (other than a Subsidiary of the Borrower) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any of its Subsidiaries. The term "control" means (a) the power to vote five percent (5%) or more of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of any other power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.~~

~~"Agreed Currency" shall have the meaning set forth in Section 11.16.~~

~~"Agreement" means this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.~~

~~"Applicable Law" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.~~

~~"Applicable Margin" means, for purposes of calculating (a) the Euro LIBOR Rate and the Euro Base Rate for purposes of Section 4.1, (b) the commitment fee for purposes of Section 4.3(b) or (c) the facility fee for purposes of Section 4.3(a), a percentage based upon the then applicable credit rating from S&P with respect to the Domestic Borrower's Public Senior Debt (whether or not any is outstanding) as follows:~~

~~Applicable Commitment Applicable Facility S&P Margin for Fee for Margin for Fee
for Term Loan Term Loan Revolving Revolving Commitment Credit Credit Loans
Commitment~~
~~A .875% 0.150% 0.725% 0.150% >= BBB+ 1.000% 0.190% 0.810% 0.190% >= BBB 1.255%
0.225% 0.900% 0.225% >= BBB 1.375% 0.250% 1.125% 0.250% >= BB+ 1.750% 0.375%
1.375% 0.375% The Applicable Margin shall be adjusted on the Business Day after
any announcement, change, or withdrawal of S&P's rating of the Domestic
Borrower's Public Senior Debt: provided, that if at any Page 2 time any Public
Senior Debt is not rated by S&P, such Public Senior Debt shall, for purposes of
this definition, be deemed to have been rated one level above the then applicable
highest rating ascribed to the Domestic Borrower's Subordinated Debt by S&P;
provided, further, that if at any time neither the Subordinated Debt nor the
Public Senior Debt of the Domestic Borrower is rated by S&P, or if at any time~~

S&P is not in the business of rating debt securities such as the Domestic Borrower's Subordinated Debt or Public Senior Debt, then the S&P rating of the Domestic Borrower's Public Senior Debt shall, for purposes of this definition, be deemed to be rated less than BB+. The Domestic Borrower covenants and agrees with the Lender to at all times use its best efforts to cause S&P to issue credit ratings (either publicly or in the form of letters to the Lender) for its Public Senior Debt and/or its Subordinated Debt (whether or not any such Public Senior Debt or Subordinated Debt is outstanding). "Borrowers" means the collective reference to the Domestic Borrower and the German Borrower. "Business Day" means any day (other than a Saturday or Sunday) on which banks are generally open for business in New York City and prime banks in London generally provide quotations for deposits denominated in Euros. "Closing Date" means the date of this Agreement or such later Business Day upon which each condition described in Section 6.2 shall be satisfied or waived in all respects in a manner acceptable to the Lender, in its sole discretion. "Code" means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended or modified from time to time. "Conversion Date" shall have the meaning set forth in Section 11.16. "Credit Facility" means, collectively, the Revolving Credit Facility and the Term Loan Facility. "Default" means any of the events specified in Section 10.1 which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default. "Dollars" or "\$" means, unless otherwise qualified, dollars in lawful currency of the United States. "Domestic Borrower" means Kaman Corporation, a Connecticut corporation, in its capacity as borrower under the Term Loan Facility. Page 3 "EMU" means economic and monetary union as contemplated in the Treaty on European Union. "EMU Legislation" means legislative measures of the Council of European Union for the introduction of, change over to or operation of the Euro. "Euro" or the sign "Euro" means the single currency to which the Participating Member States of the European Union have converted. "Euro Base Rate" means a fluctuating rate per annum, charged monthly in arrears, as quoted by the Lender's London Branch, from time to time. "Euro Base Rate Loan" means any Revolving Credit Loan bearing interest based upon the Euro Base Rate. "Euro LIBOR Rate" means a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Lender pursuant to the following formula: Euro LIBOR Rate = Euro LIBOR 1.00 Reserve Requirement For the purposes of this definition: (a) "Euro LIBOR" means the rate of interest per annum determined on the basis of the rate for deposits in Euros for a period equal to the applicable Interest Period which appears on the Telerate screen 3750 at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period (in each case, rounded upward, if necessary, to the nearest one hundredth of one percent (1/100%)); provided that if, for any reason, such rate does not appear on Telerate screen 3750, then "Euro LIBOR" shall be determined by the Lender to be the arithmetic average (rounded upward, if necessary, to the nearest one hundredth of one percent (1/100%)) of the rate per annum at which deposits in Dollars in which the applicable Loan is denominated would be offered by first class banks in the London interbank market to the Lender at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period and in an amount substantially equal to the amount of the applicable Loan; and (b) "Reserve Requirement" means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including, without limitation, any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City. Each calculation by the Lender of the Euro LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error. "Euro LIBOR Rate Loan" means any Revolving Credit Loan bearing interest based upon the Euro LIBOR Rate. "Event of Default" means any of the events specified in Section 10.1, provided that any requirement for passage of time, giving of notice, or any other condition, has been satisfied. "GAAP" means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrower and its Subsidiaries throughout the period indicated and (subject to Section 11.9) consistent with the prior financial practice of the Borrower and its Subsidiaries. "German Borrower" means RWG Frankenjura Industrie Flugwerklager GmbH, a German corporation domiciled in Dachsbach, in its capacity as borrower under the Revolving Credit Facility. "Governmental Approvals" means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities. "Governmental Authority" means any nation, province, state or political subdivision thereof, and any government or any Person exercising executive, legislative, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing. "Guaranteed Obligations" shall have the meaning set forth in Section 9.1. "Guaranty" means the unconditional guaranty agreement of the Domestic Borrower set forth in Article IX. "Interest Period" shall have the meaning assigned thereto in Section 4.1(b). "Judgment Currency" shall have the meaning set forth in Section 11.16 of this Agreement. "Lender" means Wachovia Bank, National Association, a national banking association, and

its successors and assigns. "Loans" means the collective reference to the Revolving Credit Loans and the Term Loans and "Loan" means any of such Loans.

Page 5 "Loan Documents" means, collectively, this Agreement, the Notes, the Guaranty and each other document, instrument, certificate and agreement executed and delivered by the Borrowers or any Subsidiary thereof in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as may be amended, restated, supplemented or otherwise modified from time to time. "Notes" means the collective reference to the Revolving Credit Note and the Term Note and "Note" means any of such Notes. "Notice of Borrowing" shall have the meaning assigned thereto in Section 2.2(a). "Notice of Continuation" shall have the meaning assigned thereto in Section 4.2. "Notice of Prepayment" shall have the meaning assigned thereto in Section 2.3(c). "Obligations" means the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrowers to the Lender, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the other Loan Documents or any other document made, delivered or given in connection therewith, whether on account of principal, interest, fees indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Lender) or otherwise; provided that the parties hereto acknowledge and agree that the term "Obligations" is not intended to include the "Obligations" (as such term is defined in the Revolving Credit Agreement) under the Revolving Credit Agreement. "Operating Accounts" means the collectively reference to (a) the operating account (account no. 05050166) of the Domestic Borrower maintained with the Lender and (b) the operating account (account no. 05051166) of the German Borrower maintained with the Lender. "Other Taxes" shall have the meaning assigned thereto in Section 5.3(b). "Participating Member State" means each state so described in any EMU Legislation. "Person" means an individual, corporation, limited liability company, partnership, association, trust, business trust, joint venture, joint stock company, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or any other form of entity or group thereof. Page 6 "Regulatory Change" means any change after the date of this Agreement in United States federal, state, foreign or Bank of England laws or regulations or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including the Lender, or its overseas branches or affiliates, of or under any United States federal, state, foreign or Bank of England laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof, excluding, however, any such change which results in an adjustment of the rate at which Reserve Requirements are imposed against eurocurrency liabilities and the effect of which is reflected in a change in the Euro LIBOR Rate as provided in the definitions of such terms in this Article I. "Responsible Officer" means any of the following: the chief executive officer or chief financial officer of the Domestic Borrower or any other officer of the Domestic Borrower reasonably acceptable to the Lender. "Revolving Credit Agreement" means that certain Revolving Credit Agreement dated as of November 13, 2000, by and among the Domestic Borrower, the banks party thereto, The Bank of Nova Scotia and Fleet National Bank, as co-administrative agents, and Bank One, N.A., as documentation agent, as amended by Amendment No. 1 dated as of June 28, 2002, and as may be further amended, restated, supplemented or otherwise modified from time to time; provided that no amendment, restatement, supplement or other modification shall be effective with respect to the terms thereof incorporated herein by reference unless such amendment, restatement, supplement or other modification is approved by the Lender. "Revolving Credit Commitment" means the obligation of the Lender to make Revolving Credit Loans to the account of the German Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed One Million Euros (1,000,000 Euros), as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof. "Revolving Credit Facility" means the revolving credit facility established pursuant to Article II. "Revolving Credit Loans" means any revolving loan made to the German Borrower pursuant to Section 2.1, and all such revolving loans collectively as the context requires. "Revolving Credit Maturity Date" means the earliest of (a) November 11, 2005, (b) the date of termination by the German Borrower pursuant to Section 2.5 or (c) the date of termination by the Lender pursuant to Section 10.2. Page 7 "Revolving Credit Note" means the Revolving Credit Note of even date herewith made by the German Borrower payable to the Lender in the form of Exhibit A-1 hereto, evidencing the Revolving Credit Facility, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part. "Subsidiary" means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by or the management is otherwise controlled by such Person (irrespective of whether, at the time, capital stock or other ownership interests of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified references to "Subsidiary" or "Subsidiaries" herein shall refer to those of the Borrower. "Taxes" shall have the meaning assigned thereto in Section

5.3(a). "Term Loan Commitment" means the obligation of the Lender to make the Term Loan to the account of the Domestic Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed Eight Million Five Hundred Thousand Euros (8,500,000 Euro), as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof. "Term Loan" means the term loan to be made to the Domestic Borrower by the Lender pursuant to Section 3.1 of this Agreement. "Term Loan Facility" shall mean the term loan facility established pursuant to Article III. "Term Loan Maturity Date" means the earliest of (a) November 11, 2005, (b) the date of termination by the Domestic Borrower pursuant to Section 3.4, or (c) the date of termination by the Lender pursuant to Section 10.2. "Term Note" means the Term Note of even date herewith made by the Domestic Borrower payable to the Lender in the form of Exhibit A-2 hereto, evidencing the Term Loan Facility, and any amendments, modifications and supplements thereto, any substitute therefor, and any replacement, restatements, renewals or extensions thereof, in whole or in part. Page 8 "Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act of 1986 and the Maastricht Treaty (signed February 7, 1992), as amended from time to time. "UCC" means the Uniform Commercial Code as in effect in the State of Connecticut, as amended or modified from time to time. "United States" means the United States of America. SECTION 1.2 General. Unless otherwise specified, a reference in this Agreement to a particular article, section, subsection, Schedule or Exhibit is a reference to that article, section, subsection, Schedule or Exhibit of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. SECTION 1.3 Other Definitions and Provisions (a) Use of Capitalized Terms. Unless otherwise defined therein, all capitalized terms defined in this Agreement shall have the defined meanings when used in this Agreement, the Notes and the other Loan Documents or any certificate, report or other document made or delivered pursuant to this Agreement. (b) References to the Borrowers. Unless otherwise specified or otherwise required by the context, all references to the Domestic Borrower and its Subsidiaries or the German Borrower and its Subsidiaries shall be deemed to be references to such entities after giving effect to the Acquisition. (c) Revolving Credit Agreement. The terms and conditions of each article, section or subsection of the Revolving Credit Agreement which are incorporated in this Agreement by reference shall continue as such terms and conditions are set forth in the Revolving Credit Agreement on the Closing Date hereof irrespective of any termination of the Revolving Credit Agreement. (d) Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Page 9 ARTICLE II REVOLVING CREDIT FACILITY SECTION 2.1 Revolving Credit Loans. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, the Lender agrees to make Revolving Credit Loans to the German Borrower from time to time from the Closing Date through, but not including, the Revolving Credit Maturity Date as requested by the German Borrower in accordance with the terms of Section 2.2; provided, that the aggregate principal amount of all outstanding Revolving Credit Loans (after giving effect to any amount requested) shall not exceed the Revolving Credit Commitment. Subject to the terms and conditions hereof, the German Borrower may borrow, repay and reborrow Revolving Credit Loans hereunder until the Revolving Credit Maturity Date. SECTION 2.2 Procedure for Advances of Revolving Credit Loans (a) Requests for Borrowing. The German Borrower shall give the Lender irrevocable prior written notice substantially in the form attached hereto as Exhibit B (a "Notice of Borrowing") not later than 11:00 a.m. (London time) (i) on the same Business Day as each Euro Base Rate Loan and (ii) at least three (3) Business Days before each Euro LIBOR Rate Loan, of its intention to borrow, specifying (A) the date of such Revolving Credit Loan, which shall be a Business Day, (B) whether such Revolving Credit Loan is to be a Euro LIBOR Rate Loan or Euro Base Rate Loan, (C) the amount of such Revolving Credit Loan, which in the case of a Euro LIBOR Rate Loan shall be in an aggregate principal amount of 100,000 Euro or a whole multiple of 100,000 Euro in excess thereof, and (D) in the case of a Euro LIBOR Rate Loan, the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 11:00 a.m. (London time) shall be deemed received on the next Business Day. (b) Disbursement of Revolving Credit. Not later than 2:00 p.m. (London time) on the proposed borrowing date, the Lender will make available to the German Borrower the Revolving Credit Loan to be made on such borrowing date. The German Borrower hereby irrevocably authorizes the Lender to disburse the proceeds of each borrowing requested pursuant to this Section 2.2 in immediately available funds by crediting or wiring such proceeds to the applicable Operating Account of the German Borrower or as may be otherwise agreed upon by the German Borrower and the Lender from time to time. Page 10 SECTION 2.3 Repayment of Loans. (a) Repayment on Maturity Date. The German Borrower hereby agrees to repay the outstanding principal amount of all Revolving Credit Loans in full on the Revolving Credit Maturity Date, together with all accrued but unpaid interest thereon. (b) Mandatory Repayment of Revolving Credit Loans. If at any time the outstanding principal amount of all Revolving Credit Loans exceeds the Revolving Credit Commitment, the German Borrower agrees to repay immediately upon notice from the Lender, by payment to the Lender, Revolving Credit Loans in an amount equal to such excess. (c) Optional Repayments. The German Borrower may at any

time and from time to time repay Revolving Credit Loans, in whole or in part, upon at least three (3) Business Days' irrevocable notice to the Lender with respect to Euro LIBOR Rate Loans and upon at least one (1) Business Day's irrevocable notice to the Lender with respect to Euro Base Rate Loans, substantially in the form attached hereto as Exhibit C (a "Notice of Prepayment") specifying the date and amount of repayment and whether the repayment is of Euro LIBOR Rate Loans or Euro Base Rate Loans, or a combination thereof, and, if of a combination thereof, the amount allocable to each. If any such notice is given, the amount specified in such notice shall be due and payable on the date set forth in such notice. Partial repayments of Euro LIBOR Rate Loans shall be in an aggregate amount of 100,000 Euro or a whole multiple of 100,000 Euro in excess thereof. Each such repayment shall be accompanied by any amount required to be paid pursuant to Section 5.5.

~~SECTION 2.4 Revolving Credit Note. The Lender's Revolving Credit Loans and the obligation of the German Borrower to repay such Revolving Credit Loans shall be evidenced by a Revolving Credit Note executed by the German Borrower payable to the order of the Lender.~~

~~SECTION 2.5 Permanent Reduction of the Revolving Credit Commitment. (a) Voluntary Reduction. The German Borrower shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice to the Lender, to permanently reduce, without premium or penalty, (i) the entire Revolving Credit Commitment at any time or (ii) portions of the Revolving Credit Commitment, from time to time, in an aggregate principal amount not less than 100,000 Euro or any whole multiple of 100,000 Euro in excess thereof.~~

~~Page 11 (b) Reduction Upon Termination of Revolving Credit Agreement. Upon (i) any voluntary or mandatory termination or expiration of the Revolving Credit Agreement or (ii) any amendment, restatement or other modification of the Revolving Credit Agreement the effect of which is to terminate the rights and obligations of Wachovia Bank, National Association (formerly known as First Union National Bank) as a "Bank" thereunder, the Revolving Credit Commitment shall terminate and the German Borrower shall repay the outstanding principal amount of all outstanding Revolving Credit Loans, together with all accrued but unpaid interest thereon. (c) Corresponding Payment. Each permanent reduction permitted or required pursuant to this Section 2.5 shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Revolving Credit Loans after such reduction to the Revolving Credit Commitment as so reduced. Any reduction of the Revolving Credit Commitment to zero shall be accompanied by payment of all outstanding Revolving Credit Loans and shall result in the termination of the Revolving Credit Commitment and the Revolving Credit Facility. Such repayment shall be accompanied by any amount required to be paid pursuant to Section 5.5.~~

~~SECTION 2.6 Purpose. The German Borrower shall use the proceeds of the Revolving Credit Loans for working capital and general corporate purposes.~~

~~ARTICLE III TERM LOAN FACILITY~~

~~SECTION 3.1 Term Loan. Subject to the terms and conditions of this Agreement, the Lender severally agrees to make the Term Loan to the Domestic Borrower in up to five (5) draws as requested by the Domestic Borrower in accordance with the terms of Section 3.2; provided, that (a) the first of such draws (the "Initial Draw") shall be made on the Closing Date in the principal amount of 7,500,000 Euro, (b) each of the remaining draws (the "Subsequent Draws") shall only be made at the times and in the amounts required pursuant to Section 2 of the Acquisition Agreement, (c) all of the Subsequent Draws shall be made on or before the second anniversary of the Closing Date, (d) each of the Subsequent Draws shall be in a minimum principal amount of 200,000 Euro or a whole multiple of 50,000 Euro in excess thereof, (e) the aggregate principal amount of all of the Subsequent Draws shall not exceed 1,000,000 Euro, and (f) the Term Loan Commitment shall terminate on the second anniversary of the Closing Date (regardless of whether the Domestic Borrower has~~

~~Page 12 utilized the total amount of the Term Loan Commitment) or, if earlier, upon the full utilization of the Term Loan Commitment or otherwise as set forth herein.~~

~~SECTION 3.2 Procedure for Advance of Term Loan. The Domestic Borrower shall give the Lender an irrevocable Notice of Borrowing prior to 11:00 a.m. (London time) at least three (3) Business Days before each draw under the Term Loan, of its intention to borrow, specifying (a) the date of such borrowing, which shall be a Business Day, (b) the amount of such borrowing, (c) the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 11:00 a.m. (London time) shall be deemed received on the next Business Day. The Domestic Borrower hereby irrevocably authorizes the Lender to disburse the proceeds of the Term Loan in immediately available funds by crediting or wiring such proceeds to the Operating Account of the Domestic Borrower or as may be otherwise agreed upon by the Domestic Borrower and the Lender from time to time.~~

~~SECTION 3.3 Repayment of Term Loan. The Borrower shall repay the aggregate outstanding principal amount of the Term Loan in full, together with accrued interest thereon, on the Term Loan Maturity Date.~~

~~SECTION 3.4 Prepayments of Term Loan. (a) Optional Prepayment of Term Loan. The Borrower shall have the right at any time and from time to time, upon delivery to the Lender of a Notice of Prepayment at least three (3) Business Days prior to any repayment, to prepay the Term Loan in whole or in part without premium or penalty except as provided in Section 5.5. Each optional prepayment of the Term Loan hereunder shall be in an aggregate principal amount of at least 100,000 Euro or any whole multiple of 100,000 Euro in excess thereof. Each repayment shall be accompanied by any amount required to be paid pursuant to Section 5.5. (b) Prepayment Upon Termination of Revolving Credit Agreement. Upon (i) any voluntary or mandatory termination or expiration of the Revolving Credit Agreement or (ii) any amendment, restatement or other modification of the Revolving Credit Agreement the effect of which is to~~

terminate the rights and obligations of Wachovia Bank, National Association (formerly known as First Union National Bank) as a "Bank" thereunder, the Term Loan Commitment shall terminate and the Domestic Borrower shall repay the outstanding principal amount of the Term Loan in full, together with all accrued but unpaid interest thereon. Amounts prepaid under the Term Loan pursuant to this Section 3.4 may not be reborrowed and will constitute a permanent reduction Page 12 in such Term Loan Commitment. Each prepayment shall be accompanied by any amount required to be paid pursuant to Section 5.5. SECTION 3.5 Term Notes. The Term Loan and the obligation of the Domestic Borrower to repay such Term Loan shall be evidenced by a separate Term Note executed by the Borrower payable to the order of the Lender. SECTION 3.6 Purpose. The Domestic Borrower shall use the proceeds of the Term Loan (a) to finance the Acquisition and (b) to repay certain outstanding indebtedness of the German Borrower. ARTICLE IV GENERAL LOAN PROVISIONS SECTION 4.1 Interest. (a) Interest Rate Options. Subject to the provisions of this Section 4.1, (i) the Term Loan shall bear interest at the Euro LIBOR Rate plus the Applicable Margin and (ii) Revolving Credit Loans shall bear interest at the Domestic Borrower's option of the Euro LIBOR Rate and the Euro Base Rate, in each case, plus the Applicable Margin. The applicable Borrower shall select the rate of interest and Interest Period, if any, applicable to any Loan at the time a Notice of Borrowing is given pursuant to Section 2.2 or Section 3.2, as applicable, or at the time a Notice of Continuation is given pursuant to Section 4.2. (b) Interest Periods. In connection with each Euro LIBOR Rate Loan, the applicable Borrower, by giving notice at the times described in Section 2.2 and Section 3.2, respectively, shall elect an interest period (each, an "Interest Period") to be applicable to such Euro LIBOR Rate Loan, which Interest Period shall be a period of one (1), two (2), three (3), or six (6) months; provided that: (i) the Interest Period shall commence on the date of advance of any Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires; (ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, that if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day; Page 14 (iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period; (iv) no Interest Period shall extend beyond the Revolving Credit Maturity Date or the Term Loan Maturity Date, as applicable; and (v) there shall be no more than five (5) Interest Periods in effect at any time. (c) Default Rate. Subject to Section 10.3, at the discretion of the Lender, upon the occurrence and during the continuance of an Event of Default, all outstanding Loans shall bear interest at a rate per annum of two percent (2%) in excess of the rate then applicable to such Loans. Interest shall continue to accrue on the Notes after the filing by or against the applicable Borrower of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign. (d) Interest Payment and Computation. (i) Interest on each Euro Base Rate Loan shall be payable in arrears on the last Business Day of each calendar quarter, and on the Revolving Credit Maturity Date, and (ii) interest on each Euro LIBOR Rate Loan shall be payable in arrears on the last day of each Interest Period applicable thereto, and if such Interest Period extends over three (3) months, at the end of each three (3) month interval during such Interest Period. All interest rates, fees and commissions provided hereunder shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed. (e) Maximum Rate. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder or under any of the Notes charged or collected pursuant to the terms of this Agreement or pursuant to any of the Notes exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lender has charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lender shall, at the Lender's option, (i) promptly refund to the applicable Borrower any interest received by the Lender in excess of the maximum lawful rate or (ii) apply such excess to the principal balance of the Obligations of such Borrower on a pro rata basis. It is the intent hereof that the Borrowers not pay or contract to pay, and Page 15 that the Lender not receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrowers under Applicable Law. SECTION 4.2 Continuation of Loans. Upon the expiration of any Interest Period, the applicable Borrower may continue such Loans by giving the Lender irrevocable prior written notice in the form attached as Exhibit D (a "Notice of Continuation") not later than 11:00 a.m. (London time) three (3) Business Days before the day on which a proposed continuation of such Loan is to be effective specifying (a) the Loans to be continued, and the last day of the Interest Period therefor, (b) the effective date of such continuation (which shall be a Business Day), (c) the principal amount of such Loans to be continued, and (d) the Interest Period to be applicable to such continued Loan. Upon the expiration of the Interest Period for any Euro LIBOR Rate Loan, if the applicable

~~Borrower fails to deliver a Notice of Continuation, (i) if such Loan is a Revolving Credit Loan, such Loan shall be automatically converted to a Euro Base Rate Loan and (ii) if such Loan is the Term Loan, such Loan shall be automatically continued as a Euro LIBOR Loan with a one (1) month Interest Period.~~

~~SECTION 4.3 Fees. (a) Facility Fee. Commencing on the Closing Date, the German Borrower shall pay to the Lender a non-refundable facility fee at a rate per annum equal to the Applicable Margin times the Revolving Credit Commitment. The facility fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement and on the Revolving Credit Maturity Date. (b) Commitment Fee. Commencing on the Closing Date, the Domestic Borrower shall pay to the Lender a non-refundable commitment fee at a rate per annum equal to the Applicable Margin on the average daily unused portion of the Term Loan Commitment. The commitment fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement and on the Term Loan Maturity Date. (c) Upfront Fee. The Domestic Borrower shall pay to the Lender a non-refundable upfront fee in an amount equal to \$75,000 on the Closing Date.~~

~~SECTION 4.4 Manner of Payment. Each payment by the Borrowers on account of the principal of or interest on the Loans or of any fee, commission or other amounts payable to the Lender under this Agreement or any Note shall be made not later than 1:00 p.m. (London time) on the date specified for payment under Page 16 this Agreement to the Lender in Euros, in immediately available funds and shall be made without any set off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. (London time) on such day shall be deemed a payment on such date for the purposes of Section 10.1, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m. (London time) shall be deemed to have been made on the next succeeding Business Day for all purposes. Subject to Section 4.1(b)(ii), if any payment under this Agreement or any Note shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day and such extension of time shall in such case be included in computing any interest if payable along with such payment.~~

~~SECTION 4.5 Crediting of Payments and Proceeds. In the event that any Borrower shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to Section 10.2, all payments received by the Lender upon the Notes and the other Obligations and all net proceeds from the enforcement of the Obligations shall be applied: (a) first to all expenses then due and payable by the applicable Borrower hereunder and under the other Loan Documents, (b) then to all indemnity obligations then due and payable by the Borrowers hereunder and under the other Loan Documents, (c) then to all Lender's commitment and other fees and commissions then due and payable, (d) then to accrued and unpaid interest on the Notes, (e) then to the principal amount of the Notes, in that order.~~

~~ARTICLE V SPECIAL PROVISIONS AS TO EURO LIBOR RATE; TAXES AND YIELD PROTECTION~~

~~SECTION 5.1 Additional Costs. (a) If, as a result of any Regulatory Change, (i) the basis of taxation of payments to the Lender of the principal of or interest on the Loans, the Notes or any other amounts payable under this Agreement in respect thereof (other than taxes imposed on the overall net income of the Lender for loans of such type by the jurisdiction in which the Lender has its principal office) is changed; or (ii) any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, the Lender are imposed, modified or deemed applicable; or Page 17 (iii) any other condition affecting this Agreement, the Loans or the Notes is imposed on the Lender; and the Lender reasonably determines that, by reason thereof, the cost to the Lender of making or maintaining the Loans at the Euro LIBOR Rate is increased, or any amount receivable by the Lender hereunder in respect of the Loans or the Notes while bearing interest at the Euro LIBOR Rate is reduced, in each case by an amount deemed by the Lender to be material (such increases in cost and reductions in amounts receivable being herein called "Increased Costs"), then the Borrowers shall pay to the Lender upon its request such additional amount or amounts as will compensate the Lender for such Increased Costs. The Lender will notify the Borrowers of any event occurring after the date hereof which will entitle the Lender to compensation pursuant to this Section 5.1(a) as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. If the Lender requests compensation under this Section 5.1(a), the Borrowers may, by notice to the Lender, require that the Lender furnish to the Borrowers a statement setting forth the basis for requesting such compensation and the method for determining the amount thereof. (b) Determinations by the Lender for purposes of this Section 5.1 of the effect of any Regulatory Change on its costs of making or maintaining the Loans at the Euro LIBOR Rate or on amounts receivable by it in respect of the Loans bearing interest at the Euro LIBOR Rate, and of the additional amounts required to compensate the Lender in respect of any Increased Costs, shall be conclusive, provided that such determinations are made reasonably and in good faith.~~

~~SECTION 5.2 Capital Requirements. If either (a) the introduction of, or any change in, or in the interpretation of, any Applicable Law or (b) compliance with any guideline or request from any central bank or comparable agency or other Governmental Authority (whether or not having the force of law), has or would have the effect of reducing the rate of return on the capital of, or has affected or would affect the amount of capital required to be maintained by the Lender or any corporation controlling the Lender as a consequence of, or with reference to the Loans and other commitments of this type, below the rate which the Lender or such other~~

corporation could have achieved but for such introduction, change or compliance, then within five (5) Business Days after written demand by the Lender, the Borrowers shall pay to the Lender from time to time as specified by the Lender additional amounts sufficient to compensate the Lender or other corporation for such reduction. Page 18 A certificate as to such amounts submitted to the Borrowers by the Lender, shall, in the absence of manifest error, be presumed to be correct and binding for all purposes. SECTION 5.3 Taxes. (a) Payments Free and Clear. Any and all payments by the Borrowers hereunder or under the Notes shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholding, and all liabilities with respect thereto excluding, (i) in the case of the Lender, income and franchise taxes imposed by the jurisdiction under the laws of which the Lender is organized or is or should be qualified to do business or any political subdivision thereof and (ii) in the case of the Lender, income and franchise taxes imposed by the jurisdiction of the Lender's lending office or any political subdivision thereof (all such non excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable hereunder or under any Note to the Lender, (A) the sum payable shall be increased as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional sums payable under this Section 5.3) the Lender receives an amount equal to the amount such party would have received had no such deductions or withholdings been made, (B) such Borrower shall make such deductions or withholdings, (C) such Borrower shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with Applicable Law, and (D) such Borrower shall deliver to the Lender evidence of such payment to the relevant taxing authority or other Governmental Authority in the manner provided in Section 5.3(d). (b) Stamp and Other Taxes. The Borrowers shall pay any present or future stamp, registration, recordation or documentary taxes or any other similar fees or charges or excise or property taxes, levies of the United States or any state or political subdivision thereof or any applicable foreign jurisdiction which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Loans, the other Loan Documents, or the perfection of any rights or security interest in respect thereto (hereinafter referred to as "Other Taxes"). (c) Indemnity. The Borrowers shall indemnify the Lender for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 5.3) paid by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Page 19 Taxes or Other Taxes were correctly or legally asserted. Such indemnification shall be made within thirty (30) days from the date the Lender makes written demand therefor. (d) Evidence of Payment. Within thirty (30) days after the date of any payment of Taxes or Other Taxes, the Borrowers shall furnish to the Lender, the original or a certified copy of a receipt evidencing payment thereof or other evidence of payment satisfactory to the Lender. (e) Survival. Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 5.3 shall survive the payment in full of the Loans and the termination of this Agreement. SECTION 5.4 Regulatory Limitation. In the event, as a result of increases in the value of the Euro against the Dollar or for any other reason, the obligation of the Lender to make Loans (taking into account the dollar amount of the obligations of the Borrowers under the Loan Documents and all other indebtedness required to be aggregated under 12 U.S.C.A. 84, as amended, the regulations promulgated thereunder and any other applicable law) is determined by the Lender to exceed its then applicable legal lending limit under 12 U.S.C.A. 84, as amended, and the regulations promulgated thereunder, or any other applicable law, the amount of the Loans the Lender shall be obligated to make or issue hereunder shall immediately be reduced to the maximum amount which the Lender may legally advance (as determined by the Lender), and the Borrowers shall reduce, or cause to be reduced, complying to the extent practicable with the remaining provisions hereof, the obligations of the Borrowers under the Loan Documents which are outstanding hereunder by an amount sufficient to comply with such maximum amounts. SECTION 5.5 Indemnity. The Borrowers hereby indemnify the Lender against any loss or expense which may arise or be attributable to the Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain the Loans (a) as a consequence of any failure by any Borrower to make any payment when due of any amount due hereunder in connection with any Loan, or (b) due to any payment or prepayment of any Loan on a date other than the last day of any Interest Period. If the Lender requests indemnification under this Section 5.5, the Lender shall furnish to the applicable Borrower a certificate setting forth the basis and amount of such request, which certificate shall be prima facie evidence of the matters stated therein. Determinations by the Lender of the amount of any claim for indemnification under this Section 5.5 shall be made on a reasonable basis and in good faith, based upon the assumption that the Lender funded the Loans in the London interbank market, and using any reasonable attribution or averaging methods which Page 20 the Lender deems appropriate and practical. This covenant shall survive termination of this Agreement and payment of the outstanding Obligations. SECTION 5.6 Mitigation Obligations. If the Lender requests compensation under Sections 5.1, 5.2 or 5.3, then the Lender shall use

~~reasonable efforts to designate a different lending office for funding or booking the loans or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of the Lender, such designation or assignment (a) would eliminate or reduce amounts payable pursuant to Sections 5.1, 5.2 or 5.3, and (b) would not subject the Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to the Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by the Lender in connection with any such designation or assignment. The Borrowers' indemnification obligations under Section 5.5 shall apply to the transactions described in this Section 5.6. SECTION 5.7 Further Assurances. The terms and provisions of this Agreement will be subject to such reasonable changes of construction as determined by the Lender to reflect the implementation of any EMU Legislation in any Participating Member State or any market conventions relating to the fixing and/or calculation of interest being changed or replaced and to reflect market practice at that time, and subject thereto, to put the Lender and the Borrowers in the same position, so far as possible, that they would have been if such implementation had not occurred. In connection therewith, the Borrowers agree, at the request of the Lender, at the time of or at any time following the implementation of any EMU Legislation in any Participating Member State or any market conventions relating to the fixing and/or calculation of interest being changed or replaced, to enter into an agreement amending this Agreement in such manner as the Lender shall reasonably request solely to reflect such changes. ARTICLE VI CLOSING; CONDITIONS OF CLOSING AND BORROWING SECTION 6.1 Closing. The closing shall take place at the offices of Kennedy Covington Lobdell & Hickman, L.L.P. at 10:00 a.m. on July 29, 2002, or on such other place, date and time as the parties hereto shall mutually agree. SECTION 6.2 Conditions to Closing and Initial Loans. The obligation of the Lender to close this Agreement and to make the initial loans, is subject to the satisfaction of each of the following conditions: Page 21 (a) Executed Loan Documents. This Agreement, the Revolving Credit Note, the Term Note, together with any other applicable Loan Documents, shall have been duly authorized, executed and delivered to the Lender by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist thereunder, and the Borrowers shall have delivered original counterparts thereof to the Lender. (b) Closing Certificates; etc. (i) Officer's Certificate of the Borrowers. The Lender shall have received a certificate from a Responsible Officer of the Domestic Borrower, on behalf of itself and the German Borrower, in form and substance satisfactory to the Lender, to the effect that all representations and warranties of the Borrowers contained in this Agreement and the other Loan Documents and the purchase agreement entered into in connection with the Acquisition are true, correct and complete; that the Borrowers are not in violation of any of the covenants contained in this Agreement and the other Loan Documents; that, after giving effect to the transactions contemplated by this Agreement, no Default or Event of Default has occurred and is continuing; and that the Borrowers have satisfied each of the closing conditions. (ii) Certificate of Secretary of the Domestic Borrower. The Lender shall have received a certificate of the secretary or assistant secretary of the Domestic Borrower certifying as to the incumbency and genuineness of the signature of each officer of the Domestic Borrower executing Loan Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (A) the articles of incorporation of the Domestic Borrower and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation, (B) the bylaws of the Domestic Borrower as in effect on the date of such certifications, (C) resolutions duly adopted by the Board of Directors of the Domestic Borrower authorizing the borrowings contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (D) a certificate as of a recent date of the good standing of the Domestic Borrower from the Secretary of State of Connecticut. (iii) Certificate of Managing Director of the German Borrower. The Lender shall have received a certificate of a managing director of the German Borrower certifying that attached thereto is a true, correct and complete copy of (A) the articles of association of the German Borrower and all amendments thereto and (B) resolutions duly adopted by the shareholder of the German Borrower appointing the current managing directors of the German Borrower. Page 22 (iv) Opinions of Counsel. The Lender shall have received favorable opinions of counsel to the Borrowers addressed to the Lender with respect to the Borrowers, the Loan Documents and such other matters as the Lender shall request. (c) Consents; Defaults. (i) Governmental and Third Party Approvals. The Borrower shall have obtained all necessary approvals, authorizations and consents of any Person and of all Governmental Authorities and courts having jurisdiction with respect to the transactions contemplated by this Agreement and the other Loan Documents. (ii) No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Lender's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement and such other Loan Documents. (iii) No Event of Default. No Default or Event of Default shall have occurred and be continuing. (d) Financial Matters. (i) Financial Statements. The Lender shall have received the audited financial statements of the German~~

Borrower for the most recent fiscal year end, all in form and substance satisfactory to the Lender. (ii) Financial Condition Certificate. The Domestic Borrower shall have delivered to the Lender a certificate, in form and substance satisfactory to the Lender, and certified as accurate by a Responsible Officer of the Domestic Borrower, on behalf of itself and the German Borrower, (A) that after giving effect to the effectiveness of this Agreement and the Loans hereunder, the Domestic Borrower and its Subsidiaries are in pro forma compliance with the terms of the Revolving Credit Agreement, and (B) attached thereto are calculations evidencing compliance on a pro forma basis with the covenants contained in Article VI of the Revolving Credit Agreement. (iii) Payment at Closing; Fee Letters. The Borrower shall have paid to the Lender the fees set forth or referenced in Section 4.3 and any other accrued and unpaid fees or commissions due hereunder (including, without limitation, legal fees and expenses) and to any other Person such amount as may be due Page 23 thereto in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Loan Documents. (iv) Operating Accounts. The Borrowers shall have established the Operating Accounts on terms and conditions acceptable to the Lender. (e) Miscellaneous. (i) Acquisition. The Acquisition shall be consummated prior to or contemporaneously with the closing of this Agreement on terms and conditions reasonably satisfactory to the Lender. (ii) RWG Facilities. Each of the German Borrower's existing loans or credit facilities shall be repaid in full and terminated and all collateral security therefor shall be released, and the Lender shall have received a pay off letter with respect to each such loan or credit facility in form and substance satisfactory to the Lender; provided, however, that any and all such loans or credit facilities may be repaid in full with the proceeds of the initial Term Loan and terminated and all such collateral security released simultaneously with the Closing Date. (iii) Notice of Borrowing. The Lender shall have received a Notice of Borrowing from the applicable Borrower in accordance with Section 2.2 and Section 3.2, as applicable. (iv) Other Documents. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to the Lender. The Lender shall have received copies of all other documents, certificates and instruments reasonably requested thereby, with respect to the transactions contemplated by this Agreement. SECTION 6.3 Conditions to All Loans. The obligation of the Lender to make any Loans (including the initial Loans) is subject to the satisfaction of the following conditions precedent on the relevant borrowing or continuation date: (a) Continuation of Representations and Warranties. The representations and warranties contained in Article VII shall be true and correct on and as of such borrowing date with the same effect as if made on and as of such date, except for any representation and warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier date. Page 24 (b) No Existing Default. No Default or Event of Default shall have occurred and be continuing on the borrowing date with respect to such Loan or after giving effect to the Loans to be made on such date. (c) Notices. The Lender shall have received a Notice of Borrowing from the Borrower in accordance with this Agreement. ARTICLE VII REPRESENTATIONS AND WARRANTIES SECTION 7.1 Representations and Warranties. To induce the Lender to enter into this Agreement and to make the Loans, the Borrowers hereby represent and warrant to the Lender that each and every representation and warranty set forth in Article II of the Revolving Credit Agreement is true, correct and complete in all material respects with respect to each of the Borrowers. Each and every representation and warranty set forth in Article II of the Revolving Credit Agreement shall be deemed to be a representation and warranty under this Agreement with respect to each of the Borrowers; provided that: (a) references therein to the term "Agreement" shall be deemed to refer to this Agreement, references therein to the term "Credit Documents" shall be deemed to referred to the Loan Documents hereunder, references therein to the term "Notes" shall be deemed to referred to the Notes hereunder, references therein to the term "Loans" shall be deemed to refer to borrowings of Loans hereunder, and any other references or other provisions therein which are incorporated herein by reference shall be construed in such a manner so as to give such incorporated terms legal effect and meaning hereunder; (b) the German Borrower makes no representations or warranties regarding the applicability or compliance with GAAP for any period prior to the Closing Date; and (c) the German Borrower shall be deemed to make the representations and warranties set forth in Article II of the Revolving Credit Agreement only to the extent the provisions of such representations and warranties are applicable to Subsidiaries of the Domestic Borrower that are organized under the laws of a jurisdiction other than the United States or any State thereof. SECTION 7.2 Survival of Representations and Warranties, Etc. All representations and warranties incorporated into this Agreement pursuant to Section 7.1 and all representations and warranties contained in any certificate or any of the Loan Documents (including, but not limited to, any such representation Page 25 and warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date, shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lender or any borrowing hereunder. ARTICLE VIII COVENANTS SECTION 8.1 Affirmative, Negative and Financial

Covenants. Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, the Borrowers will, and will cause each of their Subsidiaries to, comply with each and every covenant and agreement set forth in Articles IV, V and VI of the Revolving Credit Agreement; provided that the German Borrower shall be required to comply with the covenants and agreements contained in Article IV of the Revolving Credit Agreement only to the extent the provisions of such covenants and agreements are applicable to Subsidiaries of the Domestic Borrower that are organized under the laws of a jurisdiction other than the United States or any State thereof. SECTION 8.2 Annual Financial Statements of the German Borrower. Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, the German Borrower will furnish or cause to be furnished to the Lender, as soon as practicable and in any event within (a) one hundred twenty (120) days after the end of the fiscal year ended December 31, 2002 and (b) ninety (90) days after the end of each subsequent fiscal year, an unaudited consolidated and consolidating balance sheet of the German Borrower and its Subsidiaries as of the close of such fiscal year and unaudited consolidated and consolidating statements of income, retained earnings and cash flows for the fiscal year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the corresponding period in the preceding fiscal year and prepared by the German Borrower in accordance with GAAP (to the extent applicable following the Closing Date) and certified by the chief financial officer of the German Borrower to present fairly in all material respects the financial condition of the German Borrower and its Subsidiaries on a consolidated and consolidating basis as of their respective dates and the results of operations of the German Borrower and its Subsidiaries for the respective periods then ended, subject to normal year end adjustments. Page 26 ARTICLE IX UNCONDITIONAL GUARANTY SECTION 9.1 Guaranty of Obligations. The Domestic Borrower hereby unconditionally guarantees to the Lender the prompt payment and performance of all Obligations of the German Borrower, whether primary or secondary (whether by way of endorsement or otherwise), whether now existing or hereafter arising, whether or not from time to time reduced or extinguished (except by payment thereof) or hereafter increased or incurred, whether or not recovery may be or hereafter becomes barred by the statute of limitations, whether enforceable or unenforceable as against the German Borrower, whether or not discharged, stayed or otherwise affected by any bankruptcy, insolvency or other similar law or proceeding, whether created directly with the Lender or acquired by the Lender through assignment, endorsement or otherwise, whether matured or unmatured, whether joint or several, as and when the same become due and payable (whether at maturity or earlier, by reason of acceleration, mandatory repayment or otherwise), in accordance with the terms of any such instruments evidencing any such Obligations, including all renewals, extensions or modifications thereof (all Obligations of the German Borrower, including all of the foregoing, being hereinafter collectively referred to as the "Guaranteed Obligations"). SECTION 9.2 Nature of Guaranty. The Domestic Borrower agrees that this Guaranty is a continuing, unconditional guaranty of payment and performance and not of collection, and that its obligations under this Guaranty shall be primary, absolute and unconditional, irrespective of, and unaffected by: (a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement or any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party; (b) any structural change in, restructuring of or other similar change of any Borrower or any Subsidiary thereof; (c) the absence of any action to enforce this Guaranty, this Agreement or any other Loan Document or the waiver or consent by the Lender with respect to any of the provisions of this Guaranty, this Agreement or any other Loan Document; (e) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor; it being agreed by the Domestic Borrower that its obligations under this Guaranty shall not be discharged until the final and Page 27 indefeasible payment and performance, in full, of the Guaranteed Obligations and the termination of the Revolving Credit Commitment. The Domestic Borrower expressly waives all rights it may now or in the future have under any statute, or at law or in equity, or otherwise, to compel the Lender to proceed in respect of the Guaranteed Obligations against any Borrower or any other party or against any security for or other guaranty of the payment and performance of the Guaranteed Obligations before proceeding against, or as a condition to proceeding against, the Domestic Borrower. The Domestic Borrower further expressly waives and agrees not to assert or take advantage of any defense based upon the failure of the Lender to commence an action in respect of the Guaranteed Obligations against any Borrower or any other party or any security for the payment and performance of the Guaranteed Obligations. The Domestic Borrower agrees that any notice or directive given at any time to the Lender which is inconsistent with the waivers in the preceding two sentences shall be null and void and may be ignored by the Lender, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Guaranty for the reason that such pleading or introduction would be at variance with the written terms of this Guaranty, unless the Lender has specifically agreed otherwise in writing. The foregoing waivers are of the essence of the transaction contemplated by the Loan Documents and, but for this Guaranty and such waivers, the Lender would decline to enter into this Agreement. SECTION 9.3 Demand by the Lender. In addition to the terms set forth in Section 9.2, and in no manner imposing any limitation on such terms, if all or any portion of the then outstanding Guaranteed Obligations

~~under this Agreement are declared to be immediately due and payable, then the Domestic Borrower shall, upon demand in writing therefor by the Lender to the Domestic Borrower, pay all or such portion of the outstanding Guaranteed Obligations then declared due and payable. Payment by the Domestic Borrower shall be made to the Lender, to be credited and applied upon the Guaranteed Obligations, in immediately available funds to an account designated by the Lender or at any address that may be specified in writing from time to time by the Lender. SECTION 9.4 Waivers. In addition to the waivers contained in Section 9.2, the Domestic Borrower waives, and agrees that it shall not at any time insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshalling of assets or redemption laws, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by the Domestic Borrower of its obligations under, or the enforcement by the Lender of, this Guaranty. The Domestic Borrower further hereby waives diligence, presentment, Page 28 demand, protest and notice of whatever kind or nature with respect to any of the Guaranteed Obligations and waives the benefit of all provisions of law which are or might be in conflict with the terms of this Guaranty. The Domestic Borrower represents, warrants and agrees that its obligations under this Guaranty are not and shall not be subject to any counterclaims, offsets or defenses of any kind against the Lender or the Borrowers whether now existing or which may arise in the future. SECTION 9.5 Modification of Loan Documents etc. If the Lender shall, in compliance with the terms and conditions of this Agreement, at any time or from time to time: (a) change or extend the manner, place or terms of payment of, or renew or alter all or any portion of, the Guaranteed Obligations; (b) take any action under or in respect of the Loan Documents in the exercise of any remedy, power or privilege contained therein or available to it at law, in equity or otherwise, or waive or refrain from exercising any such remedies, powers or privileges; (c) amend or modify, in any manner whatsoever, the Loan Documents; (d) extend or waive the time for performance by the Domestic Borrower, the German Borrower or any other Person of, or compliance with, any term, covenant or agreement on its part to be performed or observed under a Loan Document (other than this Guaranty), or waive such performance or compliance or consent to a failure of, or departure from, such performance or compliance; (e) take and hold security or collateral for the payment of the Guaranteed Obligations or sell, exchange, release, dispose of, or otherwise deal with, any property pledged, mortgaged or conveyed, or in which the Lender has been granted a lien, to secure any indebtedness of the Domestic Borrower or the German Borrower to the Lender; (f) release anyone who may be liable in any manner for the payment of any amounts owed by the Domestic Borrower or the German Borrower to the Lender; (g) modify or terminate the terms of any intercreditor or subordination agreement pursuant to which claims of other creditors of the Domestic Borrower or the German Borrower are subordinated to the claims of the Lender; or Page 29 (h) apply any sums by whomever paid or however realized to any amounts owing by the Domestic Borrower or the German Borrower to the Lender on account of the Obligations in such manner as the Lender shall determine in its reasonable discretion; then the Lender shall not incur any liability to the Domestic Borrower as a result thereof, and no such action shall impair or release the obligations of the Domestic Borrower under this Guaranty. SECTION 9.6 Reinstatement. The Domestic Borrower agrees that, if any payment made by any Borrower or any other Person applied to the Obligations is at any time annulled, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of any collateral are required to be returned by the Lender to any Borrower, its estate, trustee, receiver or any other party, including, without limitation, the Domestic Borrower, under any Applicable Law or equitable cause, then, to the extent of such payment or repayment, the Domestic Borrower's liability hereunder (and any lien or collateral securing such liability) shall be and remain in full force and effect, as fully as if such payment had never been made, and, if prior thereto, this Guaranty shall have been canceled or surrendered (and if any lien or collateral securing the Domestic Borrower's liability hereunder shall have been released or terminated by virtue of such cancellation or surrender), this Guaranty (and such lien or collateral) shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of the Domestic Borrower in respect of the amount of such payment (or any lien or collateral securing such obligation). SECTION 9.7 No Subrogation. Until all amounts owing to the Lender on account of the Obligations are paid in full and the Revolving Credit Commitment is terminated, the Domestic Borrower hereby waives any claims or other rights which it may now or hereafter acquire against any Borrower that arise from the existence or performance of the Domestic Borrower's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, any right to participate in any claim or remedy of the Lender against any Borrower or any collateral which the Lender now have or may hereafter acquire, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise, including without limitation, the right to take or receive from any Borrower, directly or indirectly, in cash or other property or by set off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to the Domestic Borrower on account of such rights at any time when all Page 30 of the Obligations shall not have been paid in full, such amount shall be held by the~~

~~Domestic Borrower in trust for the Lender, segregated from other funds of the Domestic Borrower, and shall, forthwith upon receipt by the Domestic Borrower, be turned over to the Lender in the exact form received by the Domestic Borrower (duly indorsed by the Domestic Borrower to the Lender, if required) to be applied against the Obligations, whether matured or unmatured, in such order as set forth herein.~~

~~ARTICLE X DEFAULT AND REMEDIES SECTION 10.1 Events of Default. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise: (a) Default in Payment of Principal of the Loans. Any Borrower shall default in any payment of principal of any Loan or any Note when and as due (whether at maturity, by reason of acceleration or otherwise). (b) Other Payment Default. Any Borrower shall default in the payment when and as due (whether at maturity, by reason of acceleration or otherwise) of interest on any Loan or any Note or the payment of any other Obligation, and such default shall continue unremedied for three (3) Business Days. (c) Misrepresentation. Any representation or warranty made or deemed to be made by any Borrower under this Agreement, any Loan Document or any amendment hereto or thereto, shall at any time prove to be incorrect or misleading in any material respect when made or deemed made. (d) Cross Default to Revolving Credit Agreement. Any Default or Event of Default shall have occurred under the Revolving Credit Agreement. SECTION 10.2 Remedies. Upon the occurrence of an Event of Default, the Lender may, by notice to the Borrowers, declare the principal of and interest on the Loans and the Notes at the time outstanding, and all other amounts owed to the Lender under this Agreement or any of the other Loan Documents and all other Obligations, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the other Loan Documents to the contrary notwithstanding, and terminate the Credit Facility and any right of the Borrowers to request Page 31 borrowings thereunder; provided, that upon the occurrence of an Event of Default specified in Section 7.1(g) of the Revolving Credit Agreement, the Credit Facility shall be automatically terminated and all Obligations shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or in any other Loan Document to the contrary notwithstanding. SECTION 10.3 Rights and Remedies Cumulative; Non Waiver; etc.~~

~~The enumeration of the rights and remedies of the Lender set forth in this Agreement is not intended to be exhaustive and the exercise by the Lender of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the Loan Documents or that may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed to be a waiver of any Event of Default. No course of dealing between the Borrower and the Lender or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default.~~

~~ARTICLE XI MISCELLANEOUS SECTION 11.1 Notices (a) Method of Communication. Except as otherwise provided in this Agreement, all notices and communications hereunder shall be in writing (for purposes hereof, the term "writing" shall include information in electronic format such as electronic mail and internet web pages), or by telephone subsequently confirmed in writing. Any notice shall be effective if delivered by hand delivery or sent via electronic mail, posting on an internet web page, telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, telecopy, (ii) on the next Business Day if sent by recognized overnight courier service and (iii) on the third Business Day following the date sent by certified mail, Page 32 return receipt requested. A telephonic notice to the Lender as understood by the Lender will be deemed to be the controlling and proper notice in the event of a discrepancy with or failure to receive a confirming written notice. (b) Addresses for Notices. Notices to any party shall be sent to it at the following addresses, or any other address as to which all the other parties are notified in writing. If to the Borrowers: Kaman Corporation 1332 Blue Hills Avenue Bloomfield, Connecticut 06002 Attention: Robert M. Garneau Executive Vice President & Chief Financial Officer Facsimile No.: (860) 243 7354 If to the Lender: Wachovia Bank, National Association 3 Bishopsgate London EC2N 3AB Attention: Ian Morrison, Director Telephone No.: 01144 207 216 1606 Facsimile No.: 011 44 207 929 4644 With copies to: Wachovia Securities 301 South College Street, 5th Floor Charlotte, North Carolina, 28288 Attention: Rob Sevin Telephone No.: (704) 383 7546 Telecopy No.: (704) 374 4793 (c) Lender's Office. The Lender hereby designates its office located at the address set forth above, or any subsequent office which shall have been specified for such purpose by written notice to the Borrowers to which payments due are to be made and at which Loans will be disbursed. SECTION 11.2 Expenses; Indemnity. The Borrowers will (a) pay all out of pocket expenses (including, without limitation, all costs of electronic or internet distribution of any information~~

hereunder) of the Lender in connection with (i) the preparation, execution and delivery of this Agreement and each other Loan Document, whenever the same shall be executed and delivered, including, without limitation, all out of pocket syndication and due diligence expenses and reasonable fees and disbursements of counsel for the Lender and (ii) the preparation, execution and delivery of any waiver, amendment or consent by the Lender relating to this Agreement or any other Loan Document, including, without limitation, reasonable fees and disbursements of counsel for the Lender, (b) pay all reasonable out of pocket expenses of the Lender actually incurred in connection with the Page 33 administration and enforcement of any rights and remedies of the Lender under the Credit Facility, including, without limitation, in connection with any workout, restructuring, bankruptcy or other similar proceeding, enforcing any Obligations of, or collecting any payments due from, any Borrower or guarantor by reason of an Event of Default (including in connection with the consulting with appraisers, accountants, engineers, attorneys and other Persons concerning the nature, scope or value of any right or remedy of the Lender hereunder or under any other Loan Document or any factual matters in connection therewith), which expenses shall include without limitation the reasonable fees and disbursements of such Persons, and (c) defend, indemnify and hold harmless the Lender and its parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any losses, penalties, fines, liabilities, settlements, damages, costs and expenses, suffered by any such Person in connection with any claim (including, without limitation, any environmental claims), investigation, litigation or other proceeding (whether or not the Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document, or any documents, reports or other information provided to the Lender or contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including, without limitation, reasonable attorney's and consultant's fees; provided that that the Borrowers shall have the option to participate in the defense of any such claim, no settlement of any such claim will be made without the Borrowers' consent, and the Borrowers shall have no obligation under this Section 11.2 to the extent that any of the foregoing result solely from gross negligence or willful misconduct of the party seeking indemnification therefor. SECTION 11.3 Set off. In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon and after the occurrence of any Event of Default and during the continuance thereof, the Lender is hereby authorized by the Borrowers at any time or from time to time, without notice to the Borrowers or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Lender to or for the credit or the account of any Borrower against and on account of the Obligations irrespective of whether or not (a) the Lender shall have made any demand under this Agreement or any of the other Loan Documents or (b) the Lender shall have declared any or all of the Obligations to be due and payable and although such Obligations shall be contingent or unmatured. Notwithstanding the preceding sentence, the Lender agrees to notify the Borrowers after any such set off and Page 34 application, provided that the failure to give such notice shall not affect the validity of such set off and application. SECTION 11.4 Governing Law. This Agreement, the Notes and the other Loan Documents, unless otherwise expressly set forth therein, shall be governed by, construed and enforced in accordance with the laws of the State of Connecticut, without reference to the conflicts or choice of law principles thereof. SECTION 11.5 Jurisdiction and Venue. (a) Jurisdiction. The Borrowers hereby irrevocably consent to the personal jurisdiction of the state and federal courts located in Connecticut and North Carolina (and any courts from which an appeal from any of such courts must or may be taken), in any action, claim or other proceeding arising out of any dispute in connection with this Agreement, the Notes and the other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations. The Borrowers hereby irrevocably consent to the service of a summons and complaint and other process in any action, claim or proceeding brought by the Lender in connection with this Agreement, the Notes or the other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner specified in Section 11.1. Nothing in this Section 11.5 shall affect the right of the Lender to serve legal process in any other manner permitted by Applicable Law or affect the right of the Lender to bring any action or proceeding against any Borrower or its properties in the courts of any other jurisdictions. (b) Venue. The Borrowers hereby irrevocably waive any objection they may have now or in the future to the laying of venue in the aforesaid jurisdiction in any action, claim or other proceeding arising out of or in connection with this Agreement, any other Loan Document or the rights and obligations of the parties hereunder or thereunder. The Borrowers irrevocably waive, in connection with such action, claim or proceeding, any plea or claim that the action, claim or other proceeding has been brought in an inconvenient forum. SECTION 11.6 Waiver of Jury Trial. THE LENDER AND EACH BORROWER HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY JUDICIAL PROCEEDING, ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF, CONNECTED WITH OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (COLLECTIVELY,

~~"DISPUTES") IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. Page 35 SECTION 11.7 Reversal of Payments. To the extent any Borrower makes a payment or payments to the Lender or the Lender receives any payment or proceeds of the collateral which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Lender. SECTION 11.8 Injunctive Relief; Punitive Damages. (a) The Borrowers recognize that, in the event any Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lender. Therefore, the Borrowers agree that the Lender, at the Lender's option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages. (b) The Lender and the Borrowers (on behalf of itself and its respective Subsidiaries) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any Dispute, whether such Dispute is resolved through arbitration or judicially. SECTION 11.9 Accounting Matters. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrowers notify the Lender that the Borrowers request an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Lender notifies the Borrowers that the Lender request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance therewith. Page 36 SECTION 11.10 Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Lender, all future holders of the Notes, and their respective successors and assigns, except that the Borrowers shall not assign or transfer any of its their respective rights or obligations under this Agreement without the prior written consent of the Lender. SECTION 11.11 Amendments, Waivers and Consents. Any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents may be amended or waived by the Lender, and, in the case of an amendment, signed by the Borrowers. SECTION 11.12 Performance of Duties. The Borrowers' respective obligations under this Agreement and each of the other Loan Documents shall be performed by the Borrowers at their sole cost and expense. SECTION 11.13 Prejudgment Remedy Waiver; Other Waivers. THE BORROWERS ACKNOWLEDGE THAT THE FINANCING EVIDENCED BY THIS AGREEMENT IS A COMMERCIAL TRANSACTION AND HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO NOTICE AND HEARING UNDER CHAPTER 903A OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE LENDER MAY DESIRE TO USE, AND FURTHER WAIVE DILIGENCE, DEMAND, PRESENTMENT FOR PAYMENT, NOTICE OF NONPAYMENT, PROTEST AND NOTICE OF ANY RENEWALS OR EXTENSIONS. THE BORROWERS ACKNOWLEDGE AND RESERVE THEIR RIGHT TO NOTICE AND HEARING SUBSEQUENT TO THE ISSUANCE OF A WRIT FOR PREJUDGMENT REMEDY AS AFORESAID AND THE LENDER ACKNOWLEDGES THE BORROWERS' RIGHT TO SAID HEARING SUBSEQUENT TO THE ISSUANCE OF SAID WRIT. SECTION 11.14 All Powers Coupled with Interest. All powers of attorney and other authorizations granted to the Lender and any Persons designated by the Lender pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied, any of the Revolving Credit Commitment or Term Loan Commitment remain in effect or the Credit Facility has not been terminated. SECTION 11.15 Survival of Indemnities. Notwithstanding any termination of this Agreement, the indemnities to which the Lender is entitled under the provisions of this Article XI and any other provision of this Agreement and the other Loan Documents shall continue in full force and effect and shall protect the Lender against events arising after such termination as well as before. Page 37 SECTION 11.16 Currency Indemnity. If for the purpose of obtaining judgment in any court in any country it becomes necessary to convert into any other currency (the "Judgment Currency") any amount in Euros due hereunder (hereinafter referred to as the "Agreed Currency"), then the date on which the rate of exchange is fixed by such court for that conversion shall be known as the "Conversion Date". If there is a change in the rate of exchange prevailing between the Conversion Date and the date of payment of the amount due under such judgment, the Borrowers will, notwithstanding such judgment, pay such additional or lesser amounts, if any, as may be necessary to ensure that the amount paid in the Judgment Currency when converted at the rate of exchange prevailing on the date of payment will produce the amount then due to the Lender from the Borrowers in connection with any such judgement in the Agreed Currency. For this purpose "rate of exchange" means the rate at which the Lender is able on the relevant date (or nearest date) to purchase the Agreed Currency with the Judgment Currency. SECTION 11.17 Amendment of Revolving Credit Agreement. If (a)~~

~~the Revolving Credit Agreement is amended, supplemented or otherwise modified prior to its maturity or (b) the Revolving Credit Agreement is replaced or renewed before, at or after its maturity, the Lender may, at its election, amend this Agreement to incorporate terms, covenants, representations, warranties and conditions that, as determined by the Lender in its sole discretion, correspond to the Revolving Credit Agreement as so amended, supplemented, modified, renewed or replaced; provided, however, that the Lender must make such election within sixty (60) days after the Domestic Borrower has notified the Lender of such amendment, supplement, modification, renewal or replacement. SECTION 11.18 Titles and Captions. Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement. SECTION 11.19 Severability of Provisions. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction. SECTION 11.20 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, Page 38 their successors and assigns, and all of which taken together shall constitute one and the same agreement. SECTION 11.21 Term of Agreement. This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations arising hereunder or under any other Loan Document shall have been indefeasibly and irrevocably paid and satisfied in full and the Revolving Credit Commitment and the Term Loan Commitment have been terminated. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination. SECTION 11.22 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel. SECTION 11.23 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement. SECTION 11.24 Inconsistencies with Other Documents; Independent Effect of Covenants. In the event there is a conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall control. IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above. DOMESTIC BORROWER: KAMAN CORPORATION By: /s/ Robert M. Garneau Name: Robert M. Garneau Title: Executive Vice President & CFO GERMAN BORROWER: RWG FRANKENJURA INDUSTRIE FLUGWERKLAGER GMBH By: /s/ John C. Kornegay Name: John C. Kornegay Title: Managing Director Page 39 LENDER: WACHOVIA BANK, NATIONAL ASSOCIATION By: /s/ Scott Santa Cruz Name: Scott Santa Cruz Title: Director Page 40~~

~~Exhibit 10a~~

~~KAMAN CORPORATION
1993 STOCK INCENTIVE PLAN~~

~~As Amended effective February 25, 2003~~

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

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

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

~~(b) "Award" or "Awards" except where referring to a~~

~~particular category of grant under the Plan shall include Incentive Stock Options, Non-Statutory Stock Options, Stock Appreciation Rights, Restricted Stock Awards and Long-Term Performance Awards.~~

~~—————"Board" means the Board of Directors of the Corporation.~~

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

~~—————"Committee" means the committee of the Board established under Section 9 hereof.~~

~~—————"Corporation" means Kaman Corporation.~~

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

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

~~—————Page 1~~

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

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

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

~~—————"First Predecessor Plan" means the Kaman Corporation 1973 Stock Option Plan.~~

~~—————"Incentive Stock Option" means a stock option qualifying under the provisions of Section 422 of the Code.~~

~~—————"Long-Term Performance Award" means an award under Section 9(a) below. A Long-Term Performance Award shall permit the recipient to receive a bonus payable in cash, stock or a combination of cash and stock (as determined by the Committee) upon satisfaction of such performance factors as are set out in the recipient's individual grant. Long-Term Performance Awards will be based upon the achievement of Corporation, Subsidiary and/or individual performance factors or upon such other criteria as the Committee may deem appropriate.~~

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

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

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

- ~~(r) "Optionee" means the holder of any option granted under the Plan.~~
- ~~(s) "Participant" means the holder of any Award granted under the Plan.~~
- ~~(t) "Performance Period" is defined in Section 9(a).~~
- ~~(u) "Plan" means the Kaman Corporation 1993 Stock Incentive Plan.~~
- ~~(v) "Principal Shareholder" means any individual owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of capital stock of the Corporation or of any Subsidiary.~~
- ~~(w) "Qualified Performance Based Award" means (i) a Long Term Performance Award or Restricted Stock Award that is intended to qualify for the Section 162(m) Exemption and is made subject to objective performance goals based on Qualified Performance Criteria as set forth in Section 15(d), or (ii) an Option or SAR having an exercise price equal to or greater than the Fair Market Value of the underlying Stock as of the date it is granted.~~
- ~~(x) "Qualified Performance Criteria" means one or more of the performance criteria listed in Section 15(d)(ii) upon which performance goals for certain Qualified Performance Based Awards may be established by the Committee and which meet the requirements for the Section 162(m) Exemption.~~
- ~~(y) "Restricted Stock" means Stock received pursuant to a Restricted Stock Award.~~
- ~~(z) "Restricted Stock Award" is defined in Section 8(a).~~
- ~~(aa) "Second Predecessor Plan" means the Kaman Corporation 1983 Stock Incentive Plan.~~
- ~~(bb) "Section 162(m) Exemption" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.~~
- ~~(cc) "Stock" or "shares" means shares of Class A Common Stock of the Corporation.~~
- ~~(dd) "Stock Appreciation Right" or "Right" means a right described in Section 7.~~

- ~~(ee) "Subsidiary" means any corporation within the meaning of Section 424(f) of the Code.~~
- ~~3. Eligibility.~~
- ~~(a) Incentive Stock Options. Incentive Stock Options may be granted to any Eligible Persons who are full time, salaried employees of the Corporation or a Subsidiary and who in the sole opinion of the Committee are, from time to time, responsible for the management and/or growth of all or part of the business of the Corporation.~~
- ~~(b) Awards Other than Incentive Stock Options. Awards, other than Incentive Stock Options, may be granted to any Eligible Persons who in the sole opinion of the Committee are, from time to time, responsible for the growth and/or the management of all or a part of the business of the Corporation or Subsidiary.~~
- ~~(c) Substitute Awards. The Committee, in its~~

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

~~4. Term of Plan. The Plan, became effective on November 1, 1993 and shall continue to be effective for ten (10) years thereafter, expiring on October 31, 2003.~~

~~5. Stock Subject to the Plan. The aggregate number of shares of Stock which may be issued pursuant to all Awards granted under the Plan shall not exceed 2,210,000 shares of Stock, subject to adjustment as hereinafter provided in Section 10, which shall be in addition to all shares of Stock issued or reserved for issuance pursuant to options granted under the First Predecessor Plan and the Second Predecessor Plan, and which may be treasury shares or authorized but unissued shares. In the event that any Award under the Plan for any reason expires, is terminated, forfeited, reacquired by the Corporation, or satisfied without the issuance of Stock (except in the cases of (i) Stock otherwise issuable under an Award but retained by the Corporation for payment of withholding taxes under Section 14(b) hereof; (ii) Stock otherwise issuable under a stock option but for which the Corporation has made a discretionary payment under Section 7(d) hereof and (iii) Stock underlying any Incentive Stock Option, Non Statutory Option, or Stock Appreciation Right that is cancelled in connection with a repricing of the exercise price thereunder) the shares allocable to the unexercised portion~~

~~Page 4~~

~~of such Award may again be made subject to an Award under the Plan. Any award of a Stock Appreciation Right, to the extent that such Stock Appreciation Right may be settled only for cash, shall not be deemed to reduce the aggregate number of shares of Stock authorized to be issued pursuant to Awards granted under the Plan.~~

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

~~(a) Option Price. The purchase price under each Incentive Stock Option shall be as determined by the Committee but not less than 100% of the Fair Market Value of the shares subject to such option on the date of grant, provided that such option price shall not be less than 110% of such Fair Market Value in the case of any Incentive Stock Option granted to a Principal Shareholder. The purchase price per share of Stock deliverable upon the exercise of a Non Statutory Option shall be determined by the Committee, but shall not be less than 85% of the Fair Market Value of such Stock on the date of grant and in no event less than the par value per share of such Stock.~~

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

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

~~the event of the death or Disability of such an Optionee.~~

~~————— (d) Period of Non-Statutory Option. Each Non-Statutory Option granted under the Plan shall have a term not in excess of ten (10) years and one (1) day from the date on which it is granted; provided that any Non-Statutory Option granted to~~

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~~an employee of the Corporation or a Subsidiary or to a Non-Employee Director Participant, or the unexercised portion thereof shall terminate not later than the close of business on the day one (1) year following the date on which such employee ceases to be employed by the Corporation or a Subsidiary or the date on which such Non-Employee Director ceases to be a director of the Corporation, as the case may be. Such an Optionee's Non-Statutory Option shall be exercisable, if at all, during such one (1) year period only to the extent exercisable on the date such Optionee's employment terminates or the date on which such Optionee ceases to be a director, as the case may be.~~

~~————— (e) Exercise of Option.~~

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

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

~~————— (iii) Notwithstanding anything herein to the contrary, except as provided in subsection (g) of this Section, no Optionee who was, at the time of the grant of an option, an employee of the Corporation or a Subsidiary, may exercise such option or any part thereof unless at the time of such exercise he shall be employed by the Corporation or a Subsidiary and shall have been so employed continuously~~

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~~————— since the date of grant of such option, excepting leaves of absence approved by the Committee; provided that the option agreement (i) in the case of Incentive Stock Options may provide that such an Optionee may exercise his option, to the extent exercisable on the date of termination of such continuous employment, during the three (3) month period, ending at the close of business on the day three (3) months following the termination of such continuous employment unless such option shall have already expired by its term, and (ii) in the case of Non-Statutory Options may provide that such an Optionee may exercise his option, to the extent exercisable on the date of termination of such continuous employment, during the one (1) year period ending at the close of business on the day one (1) year following the~~

~~termination of such continuous employment, unless such option shall have already expired by its term.~~

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

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

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

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

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

~~(j) Notification of Disqualifying Disposition. Participants granted Incentive Stock Options shall undertake, in the Incentive Stock Option agreements, as a precondition to the granting of such option by the Corporation, to promptly notify the Corporation in the event of a disqualifying disposition~~

(within the meaning of the Code) of any shares acquired pursuant to such Incentive Stock Option agreement and provide the Corporation with all relevant information related thereto.

~~7. Stock Appreciation Rights; Discretionary Payments.~~

~~(a) Nature of Stock Appreciation Right. A Stock Appreciation Right is an Award entitling the Participant to receive an amount in cash or shares of Stock (or forms of payment permitted under Section 7(d) hereof) or a combination thereof, as determined by the Committee at the time of grant, having a value equal to (or if the Committee shall so determine at time of~~

~~Page 8~~

~~grant, less than) the excess of the closing price of the Stock on the NASDAQ National Market System on the most recent trading day preceding the date of exercise on which sales of the Stock occurred over the Fair Market Value of a share of Stock on the date of grant (or over the option exercise price, if the Stock Appreciation Right was granted in tandem with a stock option) multiplied by the number of shares with respect to which the Stock Appreciation Right shall have been exercised.~~

~~(b) Grant and Exercise of Stock Appreciation Rights.~~

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

~~(ii) Each Stock Appreciation Right granted under the Plan shall become exercisable on such date or dates and in such amount or amounts as the Committee shall determine; provided, however, that any Stock Appreciation Right granted in tandem with a stock option shall be exercisable in relative proportion to and to the extent that such related stock option is exercisable; provided further, however, that, notwithstanding anything herein to the contrary, any Stock Appreciation Right granted in tandem with a Non-Statutory Option which has a purchase price at the date of grant of less than Fair Market Value shall not be exercisable at all until at least one (1) year after the date of grant of such option. Except as provided in the immediately preceding sentence, in the absence of any other provision by the Committee, each Stock Appreciation Right granted under the Plan shall be exercisable with respect to not more than twenty percent (20%) of such shares subject thereto after the expiration of one (1) year following the date of its grant, and shall be exercisable as to an additional twenty percent (20%) of such shares after the expiration of each of the succeeding four (4) years, on a cumulative basis, so that such Right, or any unexercised portion thereof, shall be fully exercisable after a period~~

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~~of five (5) years following the date of its grant. The Committee, in its sole discretion, may, from time to time and at any time, accelerate the vesting provisions of any outstanding Stock Appreciation Right.~~

~~(iii) Notwithstanding anything herein to the contrary, except as provided in subsections (c)(v) and (c)(vi) of this Section, no Participant who was, at the time~~

~~of the grant of a Stock Appreciation Right, an employee of the Corporation or a Subsidiary, may exercise such Right or any part thereof unless at the time of such exercise, he shall be employed by the Corporation or a Subsidiary and shall have been so employed continuously since the date of grant of such Right, excepting leaves of absence approved by the Committee; provided that the Stock Appreciation Right agreement may provide that such a Participant may exercise his Stock Appreciation Right, to the extent exercisable on the date of termination of such continuous employment, during the one (1) year period ending at the close of business on the day one (1) year following the termination of such continuous employment, unless such Right shall have already expired by its terms.~~

~~(iv) Notwithstanding anything herein to the contrary, except as provided in subsections (c)(v) and (c)(vi) of this Section, no Non Employee Director Participant may exercise a Stock Appreciation Right or part thereof unless at the time of such exercise he shall be a director of the Corporation and shall have been a director of the Corporation continuously since the date of grant of such Right excepting leaves of absence approved by the Committee; provided that the Stock Appreciation Right agreement may provide that such Participant may exercise his Stock Appreciation Right, to the extent exercisable on the date he ceased to be a director of the Corporation, during the one (1) year period ending at the close of business on the day one (1) year following the cessation of such continuous service as a director unless such Right shall already have expired by its terms.~~

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

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

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

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

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

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

~~(v) Each Stock Appreciation Right shall have a term not in excess of ten (10) years from the date on which it is granted (ten (10) years and one (1) day in the case of a Stock Appreciation Right granted in tandem with a Non-Statutory Option); provided that any Stock Appreciation Right granted to (aa) an employee of the Corporation or a Subsidiary shall terminate not later than the close of~~

~~business on the day one (1) year following the date such Participant ceases to be employed by the Corporation or a Subsidiary, excepting leaves of absences approved by the Committee, and (bb) a Non-Employee Director Participant shall terminate not later than the close of business on the day one (1) year following the date such Participant ceases to be a director of the Corporation. Such a Participant's Stock Appreciation Right shall be exercisable, if at all, during such one (1) year period only to the extent exercisable on the date his employment terminates or the date he ceases to be a director, as the case may be.~~

~~(vi) In the event of the death or Disability of a Participant while in the employ of the Corporation or a Subsidiary or while serving as a director of the Corporation, his Stock Appreciation Right or the unexercised portion thereof may be exercised within the period of one (1) year succeeding his death or Disability, but in no event~~

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~~later than (i) ten (10) years from the date on which it was granted (ten (10) years and one (1) day in the case of a Stock Appreciation Right granted in tandem with a Non-Statutory Option), by the person or persons designated in the Participant's will for that purpose or in the absence of any such designation, by the legal representative of his estate, or by the legal representative of the Participant, as the case may be. Notwithstanding anything herein to the contrary and in the absence of any contrary provision by the Committee, during the one year period following termination of employment or cessation as a director by reason of death or Disability, a Participant's Stock Appreciation Right shall continue to vest in accordance with its terms and be and become exercisable as if employment or service as a director had not ceased.~~

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

~~8. Restricted Stock.~~

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

~~(b) Award Agreement. A Participant who is granted a Restricted Stock Award shall have no rights with respect to such Award unless the Participant shall have accepted~~

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~~the Award within 60 days (or such shorter date as the Committee may specify) following the Award date by executing and delivering~~

~~to the Corporation a Restricted Stock Award Agreement in such form as the Committee shall determine.~~

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

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

~~(i) The Committee at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the Restricted Stock and the Corporation's forfeiture rights with respect thereto shall lapse. The Committee at any time may accelerate such date or dates and otherwise waive or, subject to Section 13, amend any conditions of the Award.~~

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

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

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

~~(f) Waiver, Deferral, and Investment of Dividends. The Restricted Stock Award agreement may require~~

~~— or permit the immediate payment, waiver, deferral or
— investment of dividends paid with respect to the Restricted
— Stock.~~

~~— 9. Long Term Performance Awards.~~

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

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~~overlap and Participants may participate simultaneously with respect to Long Term Performance Awards that are subject to different Performance Periods and different performance factors and criteria. Long Term Performance Awards shall be confirmed by, and be subject to the terms of, a written Long Term Performance Award agreement.~~

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

~~— (c) Adjustment of Awards. Notwithstanding the provisions of Section 9(a) hereof, the Committee may, after the grant of Long Term Performance Awards, adjust the performance factors applicable to such Long Term Performance Awards to take into account changes in the law or in accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion or exclusion of the impact of extraordinary or unusual items, events or circumstances in order to avoid windfalls or hardships to Participants.~~

~~— (d) Termination.~~

~~— (i) Unless otherwise provided in the applicable Long Term Performance Award agreement, if a Participant terminates his or her employment or his or her consultancy during a Performance Period because of death or Disability, the Committee may in its discretion provide for an earlier payment in settlement of such award, which payment may be in such amount and under such terms and conditions as the Committee deems appropriate.~~

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

~~— (e) Form of Payment. The earned portion of a Long Term Performance Award shall be paid in cash within two hundred seventy (270) days following the close of the applicable Performance Period, provided that the Committee may elect to pay~~

~~up to one third (1/3) of such amount in whole shares of stock or, at the discretion of the Committee, such earned portion may be paid in whole shares of Stock to the extent requested by the Participant. Any such shares of Stock shall be valued at their Fair Market Value at the close of business on the most recent trading day preceding the date of such payment.~~

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

~~10. The Committee.~~

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

~~(b) Authority of Committee. Subject to the provisions of the Plan, the Committee shall have full and final authority to determine the persons to whom Awards shall be granted, the number of shares to be subject to each Award, the term of the Award, the vesting provisions of the Award, if any, restrictions on the Award, if any, and the price at which the shares subject thereto~~

~~may be purchased. The Committee is empowered, in its discretion, to modify, extend or renew any Award theretofore granted and adopt such rules and regulations and take such other action as it shall deem necessary or proper for the administration of the Plan. The Compensation Committee must certify in writing prior to the payment of any compensation to a Covered Employee from a Qualified Performance Based Award that Qualified Performance Criteria were met, all in the manner provided by Federal Income Tax Regulations Section 1.162-27(c)(5). The Committee shall have full power and authority to construe, interpret and administer the Plan, and the decisions of the Committee shall be final and binding upon all interested parties. No members of the Committee shall be liable for any action taken or not taken or decision made or not made all in good faith, relating to the Plan or any award thereunder.~~

~~11. Adjustments. Any limitations, restrictions or other provisions of this Plan to the contrary notwithstanding, each Award agreement shall make such provision, if any, as the Committee may deem appropriate for the adjustment of the terms and provisions thereof (including, without limitation, terms and~~

~~provisions relating to the exercise price and the number and class of shares subject to the Award) in the event of any merger, consolidation, reorganization, recapitalization, stock dividend, divisive reorganization, issuance of rights, combination or split up or exchange of shares, or the like. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, divisive reorganization, issuance of rights, combination or split up or exchange of shares, or the like, the Committee shall make an appropriate adjustment in the number of shares authorized to be issued pursuant to the Plan.~~

~~12. Options Under First Predecessor Plan and Second Predecessor Plan. Options presently outstanding which have been granted under either the First Predecessor Plan or the Second Predecessor Plan shall continue to be governed and interpreted under the terms of such plans, respectively, and not by the terms hereof.~~

~~13. Amendment to and Termination of the Plan. The Board may from time to time amend the Plan in such way as it shall deem advisable provided the Board may not extend the expiration date of the Plan, change the class of Eligible Persons, increase the maximum Award term, decrease the minimum exercise price or increase the total number of authorized shares (except in accordance with Section 10 hereof) for which Awards may be granted. The Board, in its discretion, may at any time terminate the Plan prior to its expiration in accordance with Section 4 hereof. No amendment to or termination of the Plan shall in any way adversely affect Awards then outstanding hereunder.~~

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~~14. Status of Plan. Until shares pursuant to an Award or exercise thereof are actually delivered to a Participant, a Participant shall have no rights to or with respect to such shares greater than those of a general creditor of the Corporation unless the Committee shall otherwise expressly determine in connection with any Award or Awards.~~

~~15. General Provisions.~~

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

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

~~— (c) Section 83(b) of the Code. Participants may not make, and each Award agreement shall prohibit, an election under Section 83(b) of the Code, with respect to any Award.~~

~~— (d) Section 162(m) Exemption. When granting any Long Term Performance Award, Restricted Stock Award, or other Award~~

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~~(other than Options or SARs), the Committee may designate such Award as a Qualified Performance Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Committee wishes such Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Committee shall establish performance goals for such Award within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Performance Criteria, which may be expressed in terms of an objective formula or standard that relates to Corporation wide objectives or objectives that relate to the performance of a Subsidiary or a division, region, department or function within the Corporation or a Subsidiary: (1) earnings per share, (2) EBITDA (earnings before interest, taxes, depreciation and amortization), (3) EBIT (earnings before interest and taxes), (4) economic profit, (5) cash flow, (6) sales growth, (7) net profit before tax (8) gross profit, (9) operating income or profit, (10) return on equity, (11) return on assets, (12) return on capital, (13) changes in working capital, or (14) shareholder return.~~

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

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

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

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~~Options, the date of grant shall be determined in accordance with the Code.~~

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

...

EXHIBIT 10d

KAMAN CORPORATION
AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN

(Effective as of November 12, 2002
Except Where Otherwise Indicated)

~~This Amended and Restated Kaman Corporation Deferred Compensation Plan is adopted by Kaman Corporation effective except where otherwise indicated as of November 12, 2002.~~

~~WHEREAS, the Corporation adopted the Plan effective October 1, 1993; and~~

~~WHEREAS, the Corporation amended and restated the Plan effective as of January 1, 1994, and further amended the same by a First Amendment thereto effective January 1, 1997, a Second Amendment thereto effective September 9, 1997, a Third Amendment thereto effective January 1, 2000, a Fourth Amendment thereto effective November 14, 2000 and a Fifth Amendment thereto effective November 6, 2001; and~~

~~WHEREAS, the Corporation has reserved the right to further amend the Plan; and~~

~~WHEREAS, the Corporation wishes to amend the Plan in certain respects, effective as of November 12, 2002, except where otherwise indicated; and~~

~~WHEREAS, the Board of Directors of the Corporation has adopted a resolution authorizing the amendment of the Plan as provided for herein;~~

~~NOW, THEREFORE, the Plan is hereby amended and restated in its entirety as follows:~~

~~_____ Purpose~~

~~The purpose of this Plan is to provide specified benefits to a select group of senior management or highly compensated employees of Kaman Corporation, a Connecticut corporation, and its subsidiaries.~~

~~_____ Section 1
_____ Definitions~~

~~For purposes of this Plan, the following phrases or terms shall have the following indicated meanings, unless the context requires otherwise:~~

~~_____ Page 1~~

~~1.1 "Account Balance" means, as to each Participant, the sum of (i) all amounts of Base Salary and/or Bonus deferred by the Participant pursuant to this Plan plus (ii) any additional deferred compensation payable pursuant to Section 6.1, plus (iii) all interest credited thereon in accordance with the applicable interest crediting provisions of the Plan, less (iv) any distributions to the Participant or his Beneficiary. For purposes of the Plan established by Section 6A, "Account Balance" means the sum of (i) all amounts of Supplemental Deferred Compensation, plus (ii) all interest credited thereon in accordance with the applicable interest crediting provisions of the Plan, less (iv) any distributions to the Participant or his Beneficiary. These accounts shall be bookkeeping entries only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to Participant pursuant to this Plan.~~

~~1.2 "Additional Deferred Compensation" means the deferred compensation payable to a Participant pursuant to Section 6.1.~~

~~1.3 "Base Salary" means a Participant's salary from the Corporation, inclusive of any elective deferrals made under this Plan or any other plan of the Corporation. Base Salary may also include other forms of compensation to which a Participant may become entitled to receive from the Company or an affiliated company thereof including, but not limited to, separation compensation. The determination as to the types of compensation which may be eligible for deferral under the Plan shall be made prior to the time such compensation is due and owing to the Participant. The type of compensation and the extent to which a Participant may defer such amounts shall be made by the Committee in its sole discretion.~~

~~1.4 "Beneficiary" means one or more persons, trusts, estates or other entities, designated in accordance with Section 7, that are entitled to receive payments under this Plan after the death of a Participant.~~

~~1.5 "Beneficiary Designation Form" means the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.~~

~~1.6 "Board" means the Board of Directors of Kaman Corporation.~~

~~1.7 "Bonus" means the cash, incentive compensation that may be awarded to a Participant under the Kaman Corporation Cash Bonus Plan or any successor plan, inclusive of any elective deferrals made under this Plan or any other plan of the Corporation.~~

~~1.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time.~~

~~1.9 "Committee" means those persons identified as the Plan Administrators of the Kaman Corporation Compensation Administration Plan, or such other persons that may be appointed by the Board to manage and administer the Plan pursuant to Section 9.~~

~~1.10 "Corporation" means Kaman Corporation, a Connecticut corporation, and, where the context requires, each of its wholly owned subsidiaries or the particular corporation that employs the Participant.~~

~~1.11 "Crediting Rate" means, for each Plan Year, that rate of interest equal to 120% of the applicable federal long term rate compounded monthly (as prescribed under Section 1274(d) of the Code) in effect for the first month of each Plan Year; provided that for Plan Years beginning on or after January 1, 2003, "Crediting Rate" means, for each Plan Year, that rate of interest equal to 120% of the applicable federal long term rate compounded monthly (as prescribed under Section 1274(d) of the Code) in effect for the month of October prior to the beginning of the applicable Plan Year.~~

~~1.12 "Deferral Amount" means that portion of a Participant's Base Salary and/or Bonus that the Participant elects to defer in accordance with Section 3.~~

~~1.13 "Deferral Election" means a Participant's election to defer a portion of his Base Salary and/or Bonus as provided in Section 3 for a particular Plan Year.~~

~~1.14 "Disability" means a period of disability during which a Participant qualifies for benefits under any Corporation sponsored long term disability plan in which the Participant participates, or, if a Participant does not participate in such a plan, a period of disability during which the Participant would have qualified for benefits under such a plan had the Participant been a participant in such a plan, as determined in the sole discretion of the Committee.~~

~~1.15 "Election Form" means the form prescribed from time to time by the Committee that a Participant must use to make a Deferral Election under the Plan.~~

~~1.16 "Financial Hardship" means a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar~~

~~extraordinary and unforeseeable circumstances arising from events beyond the control of the Participant. The circumstances that will constitute a Financial Hardship will depend upon the facts of each case, but, in any case, the particular circumstances will not be regarded as giving rise to a Financial Hardship to the extent that any hardship is or may be relieved:~~

~~(a) Through reimbursement or compensation by insurance or otherwise;~~

~~(b) By liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or~~

~~(c) By cessation of deferrals under the Plan.~~

~~1.17 "Participant" means any employee of the Corporation (i) who is selected to participate in the Plan by the Board in accordance with Section 2.1, (ii) who participates in the Thrift Plan to the extent required as a condition to participation in~~

~~this Plan, (iii) who elects to participate in the Plan, (iv) who signs a Plan Agreement, an Election Form, and a Beneficiary Designation Form, (v) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (vi) who satisfies any other enrollment requirements that may be established by the Committee, (vii) who commences participation in the Plan, and (viii) whose Plan Agreement has not terminated. "Participant" in the Supplemental Plan established by Section 6A means any employee of the Corporation who is selected to participate in the Supplemental Plan by the Board in accordance with Section 2.1 and who satisfies any other enrollment requirements that may be established by the Committee; provided, however, that the term shall not include any person who is entitled by contract to receive a payment in lieu of the supplemental deferred compensation provided for in Section 6A, including, but not limited to, retirement benefits in addition to those provided under the Pension Plan. Nevertheless, "Participant" in the Supplemental Plan established by Section 6A shall also include an employee who terminates participation in the SERP and thenceforth participates in such Plan in accordance with Section 6A.3. Where the context requires, the term "Participant" shall also mean an employee or former employee who previously participated on an active basis and who still has a positive Account Balance.~~

~~1.18 "Payroll Taxes" means any tax imposed on compensation paid to a Participant that an employer is required to collect from the Participant including, but not limited to, any employee contributions for old age, survivors and disability insurance or hospital insurance.~~

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~~1.19 "Pension Plan" means the Kaman Corporation Employees Pension Plan.~~

~~1.20 "Plan" means this Deferred Compensation Plan.~~

~~1.21 "Plan Agreement" means the written agreement, as it may be amended from time to time, that is entered into by and between the Corporation and a Participant. Each Plan Agreement executed by a Participant shall provide for the entire benefit to which such Participant is entitled to under the Plan, and the Plan Agreement bearing the latest date of acceptance by the Committee shall govern such entitlement.~~

~~1.22 "Plan Year" means the calendar year, except that the initial Plan Year shall begin on October 1, 1993, and end on December 31, 1993.~~

~~1.23 "Retirement", "Retires" or "Retired" means a Termination of Service on or after the attainment of Early Retirement Age under the Pension Plan and otherwise in accordance with the Pension Plan.~~

~~1.24 "SERP" means the Amended and Restated Kaman Corporation Supplemental Employees' Retirement Plan.~~

~~1.25 "Supplemental Deferred Compensation" means the deferred compensation payable to a Participant pursuant to Section 6A.1.~~

~~1.24 "Termination of Service" means the cessation of employment with the Corporation other than in connection with an authorized leave of absence.~~

~~1.27 "Thrift Plan" means the Kaman Corporation Thrift and Retirement Plan.~~

~~Section 2~~

~~Eligibility and Enrollment~~

~~2.1 Selection by Board. Participation in the Plan shall be limited to a select group of management or highly compensated employees whose eligibility to participate in the Plan is approved by the Board on its own initiative, or upon the recommendation of the Committee. The Board may terminate an employee's eligibility to participate in the Plan at any time in~~

~~its sole discretion.~~

~~2.2 Enrollment Requirements. As a condition to participation, an eligible employee must complete, execute and return to the Committee, within the time prescribed by the Committee, a Plan Agreement, and an Election Form. In addition,~~

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~~in order to participate in the Plan for any particular Plan Year, an eligible employee must elect to make the maximum contribution that he is allowed to make under Section 402(g) of the Code and the terms of the Thrift Plan. The Committee may establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary or appropriate for purposes of administering the Plan. The Committee may in its sole discretion waive the requirement that the eligible employee make the maximum contribution that he is allowed to make under Section 402(g) of the Code and the terms of the Thrift Plan, provided, however, that in granting such a waiver, the Committee shall not require, as a condition to participation in the Plan, that the eligible employee make or not make elective contributions to the Thrift Plan or make a particular level of elective contributions to the Thrift Plan (other than the maximum elective contribution that he is allowed to make under Section 402(g) of the Code and the terms of the Thrift Plan).~~

~~2.3 Commencement of Participation. An employee shall commence participation in the Plan upon the timely completion of all enrollment requirements and the Committee's acceptance of all submitted documents. Eligible employees who wish to participate in the Plan for any particular Plan Year must satisfy the enrollment requirements prior to the commencement of the Plan Year; provided, however, that in the first year in which an employee first becomes eligible to participate in the Plan, the newly eligible employee must satisfy the enrollment requirements within thirty (30) days after the date on which he became eligible. If an eligible employee does not meet all enrollment requirements within the time prescribed, that employee shall not be allowed to participate in the Plan until the first day of the Plan Year following the completion of all enrollment requirements.~~

~~Section 3~~ ~~Deferral Commitments/Interest Crediting~~

~~3.1 Maximum Deferral. For each Plan Year, a Participant may elect to defer a percentage of his Base Salary not to exceed 50% and/or all or a percentage of his Bonus.~~

~~3.2 Election to Defer; Effect of Election Form. In order to make a Deferral Election for any Plan Year a Participant must deliver a completed and signed Election Form to the Committee prior to the commencement of the Plan Year to which it relates. In the case of a newly admitted Participant, the Deferral Election must be made within the thirty (30) day period provided for in Section 2.3, and shall not apply to any Base Salary earned prior to the commencement of his participation. A separate Election Form is required for each Plan Year. The Election Form must specify the percentage of the Base Salary and/or Bonus that the Participant has elected to defer. Except as otherwise~~

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~~expressly provided for herein, each Deferral Election shall be irrevocable for the Plan Year for which it is made, and shall be deemed to apply to any salary increases occurring during that year. No Election Form shall be effective unless accepted by the Committee.~~

~~3.3 Additions to Account Balances. The percentage of a Participant's Base Salary deferred pursuant to Section 3.2 shall be credited to the Participant's Account Balance as of the last day of each month in which the deferred portion of the Base Salary would have been paid if not deferred. The percentage of a Participant's Bonus deferred pursuant to Section 3.2 shall be credited to the Participant's Account Balance as of the last day of each month in which the deferred portion of the Bonus would~~

~~have been paid if not deferred.~~

~~3.4 Interest Crediting. Interest shall be credited monthly and compounded monthly on all Deferral Amounts credited to a Participant's Account Balance. Interest shall be credited only with respect to amounts in the Account Balance at the end of the month, and no interest shall be credited with respect to any portion of an Account Balance withdrawn or distributed from an Account Balance during the month. The rate of interest shall be the applicable Crediting Rate.~~

~~3.5 Payroll Taxes. The Corporation shall ratably withhold from that portion of the Participant's Base Salary or Bonus that is not being deferred, any Payroll Taxes imposed on the Participant with respect to any Deferral Amount, Additional Deferred Compensation or Supplemental Deferred Compensation. If necessary, the Committee shall reduce the Deferral Amount in any Plan Year in order to comply with this Section 3.5.~~

~~3.6 Suspension of Election upon Financial Hardship. If a Participant believes he has experienced a Financial Hardship, the Participant may request the Committee to suspend the Participant's Deferral Election for the remainder of the Plan Year in which the Financial Hardship occurs. The Committee shall grant the request if the Committee, in its sole discretion, determines that the Participant has suffered a Financial Hardship.~~

~~3.7 Suspension of Election Upon Disability. In the event of the Disability of a Participant, the Committee shall automatically suspend the Participant's Deferral Election for the remainder of the Plan Year in which the Disability occurs effective upon the determination of Disability.~~

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Section 4

Distributions Upon Retirement

~~4.1 Distributions Upon Retirement. The Account Balance of a Participant who Retires shall be distributed in a lump sum or in monthly installments over a period of 5, 10 or 15 years, as the Participant shall have elected pursuant to Section 4.2.~~

~~Notwithstanding the foregoing, for purposes of the plan established by Section 6A, the Participant may elect only between receiving distributions in monthly installments over a period of 10 years or 15 years.~~

~~4.2 Election of Method of Payment. Each Participant, in connection with his commencement of participation in the Plan, must elect the manner in which he wishes to have his Account Balance distributed upon Retirement. As part of this election, the Participant shall indicate whether he wishes the lump sum payment to be made or the installment payments to commence (i) on the first day of the third month following the date the Participant Retires, or (ii) on the later of (A) the first day of the third month following the date the Participant Retires or (B) on the second day of the January next following the date the Participant Retires. The election shall be made on the form prescribed by the Committee. A Participant must make a separate election with respect to the payment of supplemental deferred compensation pursuant to Section 6A. A Participant may change his election to an allowable alternative method of payment any time or any number of times by submitting a new election to the Committee. Any such change made prior to November 14, 2000 shall be applicable only with respect to subsequent Deferral Elections. Any change made on or after November 14, 2000 may apply to all previous deferrals as well; provided, however, that if the event which triggers the distribution occurs within one year of any such change made on or after November 14, 2000, that change shall be totally null and void. Effective November 14, 2000, an election made for purposes of the plan established by Section 6A (including elections made prior to November 14, 2000) shall not be irrevocable once made; and any change made on or after November 14, 2000 shall be subject to the same rules as are~~

~~prescribed in the previous sentence.~~

~~4.3 Calculation of Monthly Distributions. If a Participant elects to receive distributions in the form of monthly installments, the distribution shall be made in the form of equal monthly installments adjusted on an annual basis at the beginning of each Plan Year to provide for annual amortization of the remaining Account Balance over the remaining payment period with interest at the Crediting Rate determined in accordance with Section 1.11 hereof for the Plan Year. Each monthly installment shall be one twelfth of the annual payment.~~

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~~Section 5
Distributions Other than Upon Retirement~~

~~5.1 Distributions After Lapse of Years. (a) In connection with each Deferral Election, a Participant may also elect to receive a distribution of that portion of his Account Balance equal to the Deferral Amount for that Plan Year plus any interest credited thereon after the lapse of seven (7) or more Plan Years as specified in the Election Form. Effective for Deferral Elections that relate to Plan Years beginning on or after January 1, 2003, a Participant may elect to receive a distribution of that portion of his Account Balance equal to the Deferred Amount for that Plan Year plus any interest credited thereon after the lapse of three (3) or more Plan Years as specified in the Election Form.~~

~~(b) Any such distribution shall be made in a lump sum no later than thirty (30) days after the lapse of the number of Plan Years specified in the Election Form. Notwithstanding any provision herein to the contrary, no interest shall be credited on the Account Balance for any period subsequent to the last day of the last Plan Year in the lapse period.~~

~~(c) Effective November 6, 2001, a Participant who has made a "lapse of years" election pursuant to this Section 5.1 may change his election to an election to have his Account Balance distributed upon Retirement under Section 4.2, in a lump sum or in installments as permitted thereunder. As part of such election, the Participant shall indicate whether he wishes the lump sum payment to be made or the installment payments to commence (i) on the first day of the third month following the date the Participant Retires, or (ii) on the later of (A) the first day of the third month following the date the Participant Retires or (B) on the second day of the January next following the date the Participant Retires. The election shall be made on the form prescribed by the Committee. The following additional rules shall apply:~~

~~(i) Any such election to change a "lapse of years" election shall only be effective if filed with the Committee prior to the beginning of the final Plan Year of the original specified period.~~

~~(ii) Notwithstanding the foregoing, if the Participant retires within one (1) year of a change made under this paragraph (c), that change shall be null and void.~~

~~(iii) If a Participant makes an election under this paragraph (c) to change from a "lapse of years" election to an election to have his Account Balance distributed upon Retirement under Section 4.2, and the Participant thereafter wants to make one or more subsequent changes thereto, any~~

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~~subsequent change shall be governed by and in accordance with the provisions of Section 4.2, including the provision that if the event which triggers the distribution occurs within one (1) year of such change, that change shall be totally null and void.~~

~~5.2 Distributions Upon Disability or Death of Participant. Upon the Disability or death of a Participant, including a Participant who has commenced receiving distributions of his~~

~~Account Balance, the Participant's entire Account Balance shall be distributed to the Participant or, in the case of a deceased Participant, to the Participant's Beneficiary in a lump sum. If the Participant's Account Balance at the time of Disability or death exceeds \$25,000, and the Participant has not commenced receiving a distribution of his Account Balance at such time, then, at the sole discretion of the Committee, the Participant's Account Balance shall be distributed in 120 monthly installments in the manner provided for in Section 4.3. The lump sum distribution shall be made, or the installment payments shall commence, on the first day of the third month following the determination of the Disability of the Participant or the death of the Participant.~~

~~5.3A Distributions Upon Termination of Service. Except as otherwise provided in paragraph 5.3B below, in the case of a Participant who has experienced a Termination of Service not occasioned by Retirement, Disability or death, the entire Account Balance of the Participant shall be distributed to the Participant on the second day of the January next following the date on which the Termination of Service occurs; provided, however, that the Committee may, in its sole discretion, authorize an earlier Distribution. For purposes of the plan established by Section 6A, the Account Balance of a Participant who has experienced a Termination of Service not occasioned by Retirement, Disability or death, shall be distributed in monthly installments over a period of 10 years or 15 years (as elected by the Participant) commencing on the second day of the January next following the date on which the Termination of Service occurs unless the Committee elects, in its discretion, to make an earlier distribution.~~

~~5.3B Distributions Related to a Sale, Merger, et. al. In the case of a Participant who has experienced a Termination of Service as a result of a sale, merger or other disposition by the Company of an affiliated company or in the event of a disposition by the Company of substantially all the assets of a line of business, the Participant's Account Balance shall be distributed as if he Retired at the time of his Termination of Service; provided, however, that notwithstanding anything to the contrary in Section 4.2, prior to the final closing of the sale, merger, or other disposition of the affiliated company or line of business, an affected Participant shall have the right to change~~

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~~his election under Section 4.2 to any form of distribution then allowable under the Plan. Any such change of election as to the form of distribution shall apply to the Participant's entire Account Balance.~~

~~5.4 In service Distributions Upon Financial Hardship. If a Participant believes he has experienced a Financial Hardship, then, in addition to requesting a suspension of his Deferral Election pursuant to Section 3.6, the Participant may also request a distribution of part or all of the Participant's Account Balance on account of Financial Hardship. The Committee may, in its sole discretion, grant the request provided, however, that in no circumstances shall the amount of the distribution from the Participant's Account Balance exceed the amount that the Committee, in its sole discretion, determines is necessary to satisfy the Financial Hardship. If the Committee approves the distribution, the distribution shall be made as soon as practicable in the discretion of the Committee.~~

~~5.5 In service Withdrawals. A Participant shall be entitled to withdraw all of his Account Balance without regard to Financial Hardship, provided, however, that if a Participant elects an in service withdrawal pursuant to this Section 5.5, then immediately prior to such withdrawal: (i) the Participant's Account Balance will automatically be reduced by (10%) of the Participant's Account Balance, calculated as of the date of withdrawal; and (ii) the Participant's Deferral Election for the current Plan Year shall be suspended, and the Participant shall not be eligible to make any additional Deferral Elections for a period of twelve (12) months following the date of the distribution. The distribution shall be made within thirty (30) days after the Participant provides the Committee with written notice of his intent to withdraw his Account Balance and executes~~

~~a written acknowledgment of the reduction in his Account Balance, the suspension of his Deferral Election for the balance of the current Plan Year, and his ineligibility to make any additional Deferral Elections for a period of twelve (12) months as set forth above.~~

~~Section 6~~

~~Additional Deferred Compensation~~

~~6.1 Additional Deferred Compensation. The Corporation shall pay Additional Deferred Compensation to each Participant in an amount equal to 25% of the Participant's Deferral Amount for such Plan Year, provided, however, that the Additional Deferred Compensation payable to a Participant for any Plan Year shall not exceed an amount equal to 2.5% of the Participant's Base Salary and Bonus (or such lower percentage as the Corporation shall determine) reduced by an amount equal to the maximum matching contribution allowed for the Participant's benefit under the Thrift Plan determined on the assumption that the Participant~~

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~~makes or has made the maximum elective contribution that he is allowed to make under Section 402(g) of the Code and the terms of the Thrift Plan. Any Additional Deferred Compensation shall be credited to the Account Balance of the Participant and shall be treated as a Deferral Amount with respect to the Plan Year to which it relates, and, as such, shall be governed by the Deferral Election in effect for that Plan Year. The Additional Deferred Compensation shall be calculated within ninety (90) days after the close of the Plan Year and shall be credited to the Participant's Account Balance as of January 1 of the succeeding Plan Year to each such Participant employed on said date. Interest shall be credited on said amount thereafter in accordance with Section 3.4.~~

~~6.2 Other Benefits. This Plan shall supplement and shall not supersede, modify or amend any other plan or program maintained by the Corporation except as may otherwise be expressly provided.~~

~~Section 6A~~

~~Supplemental Deferred Compensation~~

~~6A.1 Supplemental Deferred Compensation. The Corporation shall pay Supplemental Deferred Compensation to each Participant who is not also a participant in the SERP. The amount of the Supplemental Deferred Compensation shall be ten percent (10%) of the amount by which the Participant's "W-2 Earnings" (as defined in the Pension Plan) for the most recently concluded fiscal year of the Pension Plan exceed the "Compensation Limit" set forth in Section 401(a)(17) of the Code, as adjusted from time to time as provided for in said Section 401(a)(17). The Supplemental Deferred Compensation shall be calculated within ninety (90) days after the close of the Plan Year and shall be credited to the Participant's Account Balance as of January 1 of the succeeding Plan Year to each such Participant employed on said date. Interest shall be credited on said amount thereafter in accordance with Section 3.4.~~

~~6A.2 Separate Treatment. This Section 6A establishes a separate and distinct plan for the payment of deferred compensation, which Plan shall be governed by and administered in accordance with the provisions of this Section and Sections 1, 2.1, 3.4, 3.5, 4.1, 4.2, 4.3, 5.2, 5.3A, 5.3B, 7, 8, 9, 10 and 11 hereof. By way of example, and not by way of limitation: Supplemental Deferred Compensation and the interest credited on such Compensation shall be credited to a separate account; a Participant shall be entitled to make a separate election as to the distribution of his Account Balance attributable to Supplemental Deferred Compensation; except as provided in Section 6A.5, a Participant in this Supplemental Plan will not be entitled to receive a distribution of his Account Balance attributable to this Plan until the time provided for in Section~~

~~Page 12~~

~~4.1, 5.2, 5.3A, or 5.3B; and a Participant who is otherwise eligible to receive Supplemental Deferred Compensation hereunder~~

~~shall be entitled to continue to receive such compensation even though the Participant does not elect to make deferrals in accordance with Section 3 hereof, or even if the Participant is ineligible to make any additional Deferral Elections for a period of twelve (12) months following the date of distribution because he has elected to take an in-service withdrawal pursuant to Section 5.5.~~

~~6A.3 Transfer of Benefits. If an employee would be eligible to participate in the Supplemental Plan established pursuant to this Section 6A but for the fact that he participates in the SERP, then he may elect to terminate his participation in the SERP and thenceforth participate in this Plan. If he so elects, his initial Account Balance for purposes of this Supplemental Plan shall be credited with the present value of his accrued SERP benefits as determined in accordance with the provisions of the SERP. An employee shall be eligible to transfer benefits pursuant to this Section 6A.3 even if the employee does not elect to make deferrals under Section 3 hereof, or even if the employee is ineligible to make any additional Deferral Elections under Section 3 for a period of twelve (12) months following the date of distribution because he has elected to take an in-service withdrawal pursuant to Section 5.5.~~

~~6A.4 Cash out Option. Notwithstanding any election by a Participant to receive distributions in monthly installments, in the discretion of the Committee, the remaining Account Balance of a Participant who has commenced receiving distributions in monthly installments shall be distributed in a single lump sum if the monthly payment is less than \$100 or the remaining Account Balance is less than \$10,000. This cash out option shall be applicable only to the Supplemental Plan established pursuant to this Section 6A.~~

~~6A.5 In service Withdrawals. A Participant shall be entitled to withdraw all of his Account Balance under this Section 6A, provided, however, that if a Participant elects an in-service withdrawal pursuant to this Section 6A.5, then immediately prior to such withdrawal: (i) the Participant's Account Balance will automatically be reduced by ten percent (10%) of the Participant's Account Balance, calculated as of the date of withdrawal; and (ii) the Participant shall not be entitled to receive credit for the Supplemental Deferred Compensation that would otherwise have been credited to his Account Balance as of the January 1 following the date of the distribution. The distribution shall be made within thirty (30) days after the Participant provides the Committee with written notice of his intent to withdraw his Account Balance and executes a written acknowledgment of the reduction in his Account Balance and his ineligibility to receive credit for Supplemental Deferred~~

~~Page 13~~

~~Compensation that would otherwise have been credited to his Account Balance as of the January 1 following the date of the distribution, as set forth in this Section 6A.5.~~

~~Section 7~~ ~~Beneficiary Designation~~

~~7.1 Beneficiary. Each Participant shall have the right, at any time, to designate a Beneficiary (both primary as well as contingent) to receive any distributions of the Participant's Account Balance upon the death of the Participant.~~

~~7.2 Beneficiary Designation. A Participant shall designate his Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee. A Participant shall have the right to change his Beneficiary Designation by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all prior Beneficiary designations shall be cancelled. No designation or change in designation of a Beneficiary shall be effective until received and accepted by the Committee. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his death except to the extent superseded by any applicable law or court order.~~

~~7.3 Failure to Designate Beneficiary. If a Participant fails to designate a Beneficiary as provided above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's Account Balance, then the Participant's designated Beneficiary shall be deemed to be his surviving spouse. If the Participant has no surviving spouse, the Participant's Account Balance shall be distributed to the executor or personal representative of the Participant's estate.~~

~~7.4 Doubt as to Beneficiary. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its sole discretion, to cause the Corporation to withhold such payments until this matter is resolved to the Committee's satisfaction.~~

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~~Section 8~~

~~Termination or Amendment~~

~~8.1 Termination. The Board reserves the right, at any time, to terminate the Plan as to any future deferrals or to terminate the Plan in its entirety. If the Plan is terminated then all Account Balances shall be distributed in a cash lump sum within 60 days of the effective date of such termination unless the Corporation has established the trust referred to in Section 10.1 and such trust is funded by letter of credit or otherwise in an amount not less than the aggregate Account Balances of all Participants on the date of termination.~~

~~8.2 Amendment. The Board may amend the Plan at any time, in whole or in part; provided, however, that no amendment shall be effective to (i) reduce a Participant's Account Balance in existence on the effective date of the amendment or the Corporation's obligation to fund or distribute such Account Balance in the event of a termination of the Plan, or (ii) reduce the Crediting Rate on any Account Balance existing on the effective date of the Amendment. A change in the time for determining the Crediting Rate shall not be considered to be a reduction in the Crediting Rate. In the event of a Change in Control, the additional restrictions on amendment set forth in Section 11.2 shall also apply. The Board may delegate the authority to amend the Plan to a committee of the Board or to the Committee.~~

~~Section 9~~

~~Administration~~

~~9.1 Committee Duties. This Plan shall be administered by the Committee, which shall have the discretion and authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Members of the Committee may be Participants under this Plan, provided, however, that no Committee member shall participate in any decision in which he has an interest other than an interest as a participant in the Plan generally. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.~~

~~9.2 Agents. The Committee may, from time to time, (i) employ agents and delegate to them such administrative duties as it sees fit and (ii) consult with counsel who may be counsel to the Corporation.~~

~~9.3 Indemnity of Committee. The Corporation shall indemnify and hold harmless the members of the Committee, or any of its agents, against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.~~

~~9.4 Information Requirement. The Corporation shall supply full and timely information to the Committee on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Service of any Participant, and such other pertinent information as the Committee may reasonably require in order to enable the Committee to perform its functions.~~

~~9.5 Claims Procedures. The Committee shall establish a claims procedure under the Plan. Any determination or action of the Committee with respect to the administration of the Plan shall be final, conclusive and binding on all persons interested herein.~~

~~Section 10
Miscellaneous~~

~~10.1 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of the Corporation. Any and all of the Corporation's assets shall be, and remain, the general, unpledged, unrestricted assets of the Corporation. The Corporation's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future. The Corporation intends to establish a trust for the purposes of providing Participants with assurance that the Corporation's obligations under this Plan will be honored. Under the terms of the trust, however, any assets placed in trust shall continue to be available to the creditors of the Corporation in the event of the Corporation's bankruptcy or insolvency, and, accordingly, the rights of Participants, and their Beneficiaries, heirs, successors and any other person claiming by or through them, shall be and remain those of an unsecured general creditor notwithstanding the establishment of such a trust. It is the intention of the Corporation that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").~~

~~10.2 Corporation's Liability. The Corporation shall have no obligation to a Participant or his Beneficiary under the Plan except as expressly provided in the Plan and the Participant's Plan Agreement.~~

~~10.3 Nonassignability. A Participant's rights, and the rights of any Beneficiary or other person hereunder, to benefit payments under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant, the Participant's Beneficiary, or any such other person. Accordingly, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.~~

~~10.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a~~

~~contract of employment between the Corporation and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation, or to interfere with the right of the Corporation to discipline or discharge the Participant at any time.~~

~~10.5 Furnishing Information. As a condition to participation, each Participant agrees to cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan, including but not limited to taking such physical examinations as the Committee may deem necessary.~~

~~10.6 Terms. Whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Any reference to the masculine gender shall be deemed to include the feminine gender as well.~~

~~10.7 Captions. The captions in the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.~~

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~~10.8 Governing Law. The provisions of this Plan shall be construed and interpreted according to the laws of the State of Connecticut.~~

~~10.9 Notice. Any notice or filing required or permitted to be given to a Participant under this plan shall be sufficient if in writing and hand delivered or sent by mail to the last known address of the Participant. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to:~~

~~Kaman Corporation
P.O. Box 1
Bloomfield, CT 06002~~

~~Attention: Deferred Compensation Plan Committee~~

~~Such notice shall be deemed given as of the date of hand delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.~~

~~10.10 Successors. The provisions of this Plan shall bind and inure to the benefit of the Corporation and its successors and assigns and the Participant, the Participant's Beneficiaries, and their permitted successors and assigns.~~

~~10.11 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.~~

~~10.12 Incompetency. If a distribution under this Plan is payable (i) to a minor, or (ii) to a person the Committee determines in its discretion to be incompetent or incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person.~~

~~10.13 Distribution in the Event of Taxation. If, for any reason, all or any portion of a Participant's benefit under this Plan becomes taxable to the Participant prior to receipt, a Participant may request that the Committee distribute a portion of the Participant's Account Balance sufficient to meet the~~

~~Participant's tax liability (including additions to tax, penalties and interest).~~

~~10.14 Effect of Payment. The full payment of a Participant's Account Balance to the person the Committee determines is the proper person to receive the distribution shall~~

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~~completely discharge all obligations to the Participant under this Plan and the Participant's Plan Agreement shall terminate.~~

~~Section 11~~

~~Change in Control~~

~~11.1 Contributions to Rabbi Trust. (a) In the event of a Change in Control, as defined herein, the Corporation shall have the obligation to make contributions to the Kaman Corporation Deferred Compensation Plan Trust Agreement, and shall make contributions to the Trust in cash, in an amount sufficient to cause the Trust Fund to equal at least the amount of all benefits accrued under the Plan for Participants and beneficiaries thereof as of the Change in Control. Such contribution shall be made on or before the occurrence of such Change in Control.~~

~~(b) Thereafter, on at least an annual basis (the "valuation date"), the Corporation shall have the obligation to make additional contributions to the Kaman Corporation Deferred Compensation Plan Trust Agreement, and shall make such additional contributions to the Trust in cash, in an amount sufficient to cause the Trust Fund to equal at least the amount of all benefits accrued under the Plan for Participants and beneficiaries thereof as of such valuation date. Any such contribution shall be made within ten (10) days of such valuation date. The first valuation date must be at or within twelve (12) months of the date the Change in Control occurred.~~

~~(c) If the Corporation fails to satisfy any of the requirements of paragraphs (a) or (b) of this Section 11.1, the Plan will automatically terminate and notwithstanding anything to the contrary contained in Section 8.1 or elsewhere in the Plan, all accrued benefits under the Plan will be paid out immediately in lump sum payments to Participants and beneficiaries of deceased Participants.~~

~~11.2 Restrictions on Amendment. In the event of a Change in Control, as defined herein, then in addition to any other protections provided in Section 8.2, the Plan may not be amended in any way that would have an adverse effect upon the calculation or payment of the benefits hereunder of any current Participant or any Participant receiving distributions which have accrued as of the date of such amendment.~~

~~11.3 Change in Control Defined. As used herein, the term "Change in Control" means the first to occur of any of the following events:~~

~~(a) Any "person" (as that term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) is or becomes the beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of~~

~~Page 19~~

~~50% or more of Kaman Corporation's capital stock entitled to vote in the election of directors (a "Change in Ownership"); provided, however, that a Change in Ownership shall not result in a Change in Control unless within the two year period following the particular Change in Ownership there is also a change in the members of the Board of Directors of Kaman Corporation such that those persons serving as directors of Kaman Corporation immediately prior to the Change in Ownership cease to represent at least one half of the members of the Board of Directors of Kaman Corporation.~~

~~(b) Any consolidation or merger of Kaman Corporation, other than a merger of Kaman Corporation in which the holders of the common stock of Kaman Corporation immediately prior to the merger hold more than 50% of the common stock of the surviving~~

~~corporation immediately after the merger.~~

~~— (c) The shareholders of Kaman Corporation approve any plan or proposal for the liquidation or dissolution of Kaman Corporation; or~~

~~— (d) Substantially all of the assets of Kaman Corporation are sold or otherwise transferred to parties that are not within a "controlled group of corporations" (as defined in Section 1563 of the Internal Revenue Code of 1986, as amended) in which Kaman Corporation is a member.~~

~~— (e) It is the intent of the Corporation that this definition be identical to the definition of Change in Control set forth in the Kaman Corporation Deferred Compensation Plan Trust Agreement.~~

~~— IN WITNESS WHEREOF, the Corporation has signed this Amended and Restated Plan document on this 12th day of November, 2002.~~

~~_____ KAMAN CORPORATION
By /s/ Robert M. Garneau
_____ Robert M. Garneau
_____ Its Executive Vice
_____ President and CFO~~

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Exhibit 10c(ii)
SECOND AMENDMENT

KAMAN CORPORATION
CASH BONUS PLAN

(Amended and Restated as of January 1, 2002)

~~WHEREAS, Kaman Corporation (the "Corporation") has previously
adopted a Cash Bonus Plan (Amended and Restated as of January 1,
2002) and a First Amendment thereto dated February 12, 2002
(collectively, the "Plan"); and~~

~~WHEREAS, the Board of Directors of the Corporation approved a
further amendment to the Plan on November 12, 2002 to provide that
the Plan formula applicable to corporate management utilize the
Russell 2000 index alone rather than in combination with the S&P
500 as it appears that the Corporation's structure is more
closely aligned with the Russell index;~~

~~NOW THEREFORE, the Plan is amended as follows:~~

~~1. Section 7 of the Plan is hereby deleted and replaced in
its entirety by the following:~~

~~7. Performance Objectives for Corporate Participants.~~

~~— a. Applicability. The provisions of this Section 7 shall apply to Corporate Participants, i.e. Participants who are employed by Kaman Corporation at its headquarters location. Furthermore, the provisions of Section 6 hereof shall not apply to Corporate Participants.~~

~~— b. In General. The Modified Target Bonus Opportunity for Corporate Participants shall be calculated solely based upon the consolidated performance of the Company, using growth in earnings per share ("EPS Growth") and return on total capital ("ROI") as the financial performance goals. Financial performance is determined by comparing the EPS Growth and ROI performance of the Company for the applicable Award Year with the comparable number for the Russell 2000 index averaged over the prior 5 year period. For example, for Award Year 2002, the numbers for the Company for EPS Growth and ROI will be compared to comparable numbers for EPS Growth and ROI for the Russell 2000 index averaged for 1997—2001. This Section 7 describes the approach to be followed in determining the Modified Target Bonus Opportunity for Corporate Participants. Without limiting the authority provided by Section 10(b), the Plan Administrators are authorized to prescribe reasonable rules of operation and to resolve any ambiguities or matters of interpretation, provided such rules and interpretations are consistent with the approach provided herein.~~

~~Page 1~~

~~Furthermore, the Personnel and Compensation Committee is authorized to include or exclude special items in determining the Company's EPS Growth and/or ROI performance, provided that the approach taken is followed consistently from year to year.~~

~~— c. EPS Growth. The EPS Growth for the Company for the Award Year will be calculated. Calculation of average EPS Growth for the Russell 2000 for the prior five (5) years shall also be made. Percentile rankings shall be developed. The Personnel and Compensation Committee shall establish percentages of initial target bonus opportunity earned for EPS Growth corresponding to the various percentile rankings. The percent of the Initial Target Bonus Opportunity earned for EPS Growth for an Award Year shall be determined by the Plan Administrators based upon the percentile ranking of the Company.~~

~~— d. Return on Total Capital. The ROI for the Company for the Award Year will be calculated. Calculations of average ROI for the Russell 2000 for the prior five (5) years shall also be made. Percentile rankings shall be developed. The Personnel and Compensation Committee shall establish percentages of initial target bonus opportunity earned for ROI corresponding to the various percentile rankings. The percent of the Initial Target Bonus Opportunity earned for ROI for an Award Year shall be determined by the Plan Administrators based upon the percentile ranking of the Company.~~

~~— e. Percentile Calculations. The percentile ranking of the Company must be at least 25th for EPS Growth in order to generate a percentage of initial target bonus opportunity earned for EPS Growth. The percentile ranking of the Company must be at least 25th for ROI in order to generate a percentage of initial target bonus opportunity earned for ROI. If the Company is in at least the 75th percentile for either category (EPS Growth or ROI), it will generate the maximum award with respect to that category. The Personnel and Compensation Committee may, but shall not be required to, extend the maximum award earned for either EPS Growth or ROI, from 100% to a larger percentage. In making calculations and determinations hereunder, in no event will the 25th percentile for EPS Growth or ROI for the Russell 2000 5 year average be considered to be less than zero.~~

~~— f. Computation of Modified Target Bonus Opportunity. The percentages of Initial Target Bonus Opportunity earned for EPS Growth and ROI, determined in accordance with the foregoing, shall be added together. This combined percentage may be greater than 100%. This combined percentage, when multiplied by a Corporate Participant's Initial Target Bonus Opportunity, shall~~

~~equal the Corporate Participant's Modified Target Bonus Opportunity.~~

~~2. Effective Date. This Amendment shall take effect beginning with the 2003 Award Year.~~

~~3. Capitalized Terms. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.~~

~~4. Full Force and Effect. Except as modified and amended by this document, the Plan remains in full force and effect.~~

~~IN WITNESS WHEREOF, Kaman Corporation has caused this Second Amendment to be executed this 21st day of March, 2003.~~

ATTEST: _____ KAMAN CORPORATION

~~/s/ Candace A. Clark~~ _____ ~~/s/ Robert M. Garneau~~

By _____

~~Its Executive Vice President
& CFO~~

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EXHIBIT 11

KAMAN CORPORATION AND SUBSIDIARIES

EARNINGS (LOSS) PER SHARE COMPUTATION

The computations and information required to be furnished in this Exhibit appear in the Computation of Earnings (Loss) per Share section of the Corporation's Annual Report to Shareholders, which is filed herein as Exhibit 13 to this report, and such section is incorporated herein by reference.

~~EXHIBIT 13 (IN THOUSANDS EXCEPT PER Five Year Selected Financial Data~~
~~SHARE AMOUNTS, SHAREHOLDERS AND EMPLOYEE KAMAN CORPORATION AND SUBSIDIARIES~~

	2002	2001	2000	1999	1998
OPERATIONS:-					
Net sales	\$ 880,776	\$ 875,869	\$1,031,234	\$ 995,404	\$1,017,124
Cost of sales	723,243	673,782	774,264	751,291	756,057
Selling, general and ad-					
ministrative expense	199,453	188,752	202,319	201,807	210,969
Restructuring costs	8,290		(1,680)	4,132	
Other operating					
expense (income)	(1,302)	(1,076)	(1,092)	(1,773)	(1,465)
Operating income (loss)	(48,908)	14,411	57,423	39,947	51,563
Interest expense					
(income), net	2,486	623	(1,660)	(1,614)	(353)
Other expense					
(income), net	(468)	(1,876)	1,363	1,088	1,558
Earnings (loss) before					
income taxes	(50,926)	15,664	57,720	40,473	50,358
Income taxes (benefit)	(17,325)	3,950	20,800	15,400	20,350
Net earnings (loss)	(33,601)	11,714	36,920	25,073	30,008

~~FINANCIAL POSITION:~~

Current assets	\$ 414,245	\$ 442,651	\$ 482,000	\$ 460,111	\$ 516,504
Current liabilities	157,094	141,260	173,342	168,374	228,975
Working capital	257,151	301,391	308,658	291,737	287,529
Property, plant and					
equipment, net	61,635	60,769	63,705	64,332	65,773
Total assets	535,540	521,946	553,830	534,203	587,230
Long term debt	60,132	23,226	24,886	26,546	28,206
Shareholders' equity	291,947	333,581	332,046	316,377	309,494

~~PER SHARE AMOUNTS:~~

Net earnings (loss)					
per share basic	\$ (1.50)	\$.52	\$ 1.61	\$ 1.07	\$ 1.28
Net earnings (loss)					
per share diluted	(1.50)	.52	1.57	1.05	1.23
Dividends declared	.44	.44	.44	.44	.44
Shareholders' equity	13.00	14.97	14.92	13.68	13.07
Market price range	18.81	19.50	17.75	16.13	20.38
	9.42	10.90	8.77	10.06	13.00

~~AVERAGE SHARES OUTSTANDING:~~

Basic	22,408	22,364	22,936	23,468	23,407
Diluted	22,408	23,640	24,168	24,810	25,235

~~GENERAL STATISTICS:~~

Registered shareholders	5,634	5,869	6,136	6,522	6,921
Employees	3,615	3,780	3,825	4,016	4,276

~~Management's Discussion and Analysis
of Financial Condition and Results of Operations
KAMAN CORPORATION AND SUBSIDIARIES~~

~~RESULTS OF OPERATIONS~~

~~Consolidated net sales for 2002 were \$880.8 million compared to \$875.9 million for 2001 and approximately \$1 billion for 2000. Net sales for 2002 were reduced by \$6.5 million as part of a 25.0 million pre-tax charge taken in the second quarter for cost growth associated with the Australia SH-2G (A) program in the Aerospace segment. Results for 2002 were also adversely affected by weak economic conditions in the commercial aerospace and industrial markets, which are served by the Corporation's Aerospace and Industrial Distribution segments. Net sales for 2001 were reduced by \$31.2 million due to sales and pre-tax earnings adjustment taken in the second quarter of that year, principally related to cost growth in the Australia helicopter program.~~

~~The total 2002 second quarter pre-tax charge was \$86.0 million (of which \$52.7 million was non-cash), which included the Australia program charge described above; the write-down of K-MAX helicopter assets, principally inventories; and the anticipated costs to phase out operations at the Corporation's Moosup, Connecticut manufacturing facility by the end of 2003.~~

~~Results for 2001 were adversely impacted by the above-described adjustment as well as a continuing national economic decline that affected each of the corporation's business segments, but particularly the Industrial Distribution segment.~~

~~Aerospace segment net sales decreased by 8.5% in 2002 and 21.0% in 2001 compared to an increase of 2.7% in 2000. Net sales for 2002 were \$275.9 million (including \$20.0 million from acquisitions made during 2002 and 2001) compared to \$301.6 million for 2001 (the 2001 acquisition occurred in December so no sales from acquisitions are included for 2001). The decrease in 2002 is due to the second quarter charge, declining revenues from the New Zealand SH-2G program (which is essentially completed) and the Australia SH-2G program (which is nearing completion), and lack of new SH-2G and K-MAX helicopter sales. Excluding the impact of the Australia program adjustments in both years, 2002 net sales would have been \$282.4 million compared to \$332.8 million for 2001.~~

~~The Aerospace segment's programs include helicopter manufacturing along with spare parts and support (currently approximately 31% of this segment's sales compared to approximately 41% a year ago); aerostructure and helicopter subcontract work as well as manufacture of components such as self-lubricating bearings and driveline couplings for aircraft applications (currently about~~

~~Management's Discussion and Analysis
of Financial Condition and Results of Operations (CONTINUED)
KAMAN CORPORATION AND SUBSIDIARIES~~

~~48% of segment sales compared to about 42% a year ago); and advanced technology products (approximately 21% of segment sales compared to 17% a year ago).~~

~~The corporation's helicopter programs include the SH 2G multi-mission maritime helicopter and the K MAX medium to heavy external lift helicopter. The SH 2G helicopter represents the vast majority of the segment's helicopter program sales and generally consists of retrofit of the corporation's SH 2F helicopters to the SH 2G configuration or refurbishment of existing SH 2G helicopters. The SH 2, including its F and G configurations, was originally manufactured for the U.S. Navy. The SH 2G aircraft is currently in service with the Egyptian Air Force and New Zealand Navy.~~

~~Work continues on the SH 2G (A) program for Australia which involves eleven helicopters with support, including a support services facility, for the Royal Australian Navy (RAN). The total contract has an anticipated value of about \$711 million (US). The helicopter production portion of the program is valued at approximately \$590 million, of which about 91% has been recorded as sales through December 31, 2002. As a result of the \$25.0 million charge taken in the second quarter of 2002, the corporation eliminated the \$6.5 million profit element of previously recorded sales and recognized pre-tax loss accruals of \$18.5 million for anticipated cost growth associated with completion of the aircraft, and final integration and testing of the aircraft's Integrated Tactical Avionics System (ITAS) software, a feature unique to the Australian aircraft. An additional loss accrual was recognized in the fourth quarter of 2002 in recognition of the impact of higher overhead rates across all active programs.~~

~~Ten of the aircraft are substantially complete; the corporation has retained the eleventh aircraft for test purposes. All of the aircraft lack the full ITAS software because the corporation was required to select replacement subcontractors to complete ITAS software development as a result of a contract dispute settlement with the original software supplier. The replacement subcontractors are in the process of completing this element of the program and the corporation now has responsibility for aircraft system integration (previously a subcontracted task). The corporation and the RAN have recently reached agreement on a plan for phased acceptance of the aircraft and completion of aircraft deliveries. Under the agreement, phased acceptance is contingent upon the RAN's satisfaction with the company's progress with respect to certain important project milestones during 2003. The corporation currently expects that the software will be~~

~~Management's Discussion and Analysis
of Financial Condition and Results of Operations (CONTINUED)
KAMAN CORPORATION AND SUBSIDIARIES~~

~~fully completed, installed and operational on all of the
Australia aircraft by the end of 2004.~~

~~The program for New Zealand, involving five aircraft with support to serve the Royal New Zealand Navy, is essentially complete as the fifth and final aircraft has now been shipped to New Zealand. The contract has an anticipated value of about \$189 million (US), of which about 98% has been recorded as revenue through December 31, 2002.~~

~~The corporation is continuing work on a small contract to refurbish four existing SH 2G aircraft previously in service with the U.S. Navy Reserves to operate aboard two Polish Navy frigates in multi mission roles such as surface surveillance and anti-submarine warfare. The program involves reactivation of the aircraft, training, and logistics support, including delivery of initial spares components. Reactivation of two aircraft was completed in the fourth quarter of 2002 and they have been accepted. Reactivation of the other two aircraft is underway and is scheduled for completion by the end of 2003.~~

~~The corporation is also participating in a competition to supply up to six search and rescue helicopters to Egypt, proposing to supply remanufactured SH 2Gs for that requirement. The corporation's involvement in this process began in early 1999.~~

~~Based upon discussions with Egyptian officials during recent visits, management believes that the selection process is being further delayed and is not likely to result in an award announcement in 2003.~~

~~The corporation is actively pursuing other opportunities for the SH 2G helicopter in the international defense market. This market is highly competitive and heavily influenced by economic and political conditions. However, management continues to believe that the aircraft is in a good competitive position to meet the specialized needs of navies around the world that operate smaller ships for which the SH 2G is ideally sized.~~

~~The corporation also maintains a consignment of the U.S. Navy's inventory of SH 2 spare parts under a multi-year agreement that provides the corporation the ability to utilize certain inventory for support of its SH 2G programs.~~

~~Regarding the K MAX helicopter program, based upon a market evaluation of the aircraft that followed several years of significant market difficulties for the program, management made a determination in the second quarter of 2002 that it would~~

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~~produce further aircraft only upon firm order by a customer and would pursue both a sale and short term lease program for existing new and used K MAX aircraft inventory. During 2002, three used aircraft were leased and two used aircraft (one of which had been under lease) were sold under that program. In connection with the decision made in the second quarter, the corporation wrote down the value of existing aircraft, excess spare parts, and equipment inventories (\$46.7 million for inventories and \$3.3 million for capital equipment). Development costs for the aircraft were expensed in the past. On a going forward basis, the corporation intends to maintain adequate inventories and personnel to support the fleet.~~

~~Also included in the second quarter 2002 pre tax charge was \$11.0 million for the cost of phasing out the corporation's aircraft manufacturing plant in Moosup, Connecticut, by the end of 2003. This is the oldest and least efficient of the corporation's facilities and the work performed there will be relocated to other company facilities. The charge represents severance costs of about \$3.3 million at the Moosup and Bloomfield, Connecticut locations which is expected to involve the separation from service of approximately 400 employees (of which \$696 thousand had been paid for 119 such separations as of December 31, 2002); asset write-offs of about \$2.7 million; and \$5.0 million for the cost of closing the facility (including costs associated with an ongoing voluntary environmental remediation program). An additional \$8.3 million of ongoing pre tax costs are expected to be expensed as incurred for moving machinery and re-certifying products and processes.~~

~~The Aerospace segment also performs aerostructure and helicopter subcontract work for a variety of aerospace manufacturers and produces proprietary self-lubricating bearings. This business continues to be an area of strategic emphasis for the corporation; however, performance was adversely affected by weakness in the commercial aerospace market during 2002.~~

~~Aerostructures subcontract work involves commercial and military aircraft programs. Current programs include production of wing structures for virtually all Boeing commercial aircraft and the C-17 military transport. In the third quarter of 2002, the corporation received a follow on contract from Boeing for C-17 structural components. The contract runs through June 2007 and has a potential value of \$67.5 million. During the second quarter of 2002, the corporation received a new contract from Boeing related to the production and fabrication of an additional group of subassemblies that will become part of aircraft fuselages, wings and tail structures for the Boeing 747, 757, 767 and 777~~

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~~families of commercial airplanes. Under this new contract, the Aerospace segment will receive and assemble parts from other suppliers and ship higher level assemblies to Boeing.~~

~~Helicopter subcontract work involves commercial helicopter programs. Current work includes multi-year contracts for production of fuselages and rotor systems for various MD Helicopters, Inc. (MDHI) aircraft. Total orders received from MDHI continue to run at significantly lower rates than originally anticipated due to lower than expected demand. MDHI has publicly indicated that aircraft deliveries during 2002 were adversely affected by technical difficulties with respect to certain MD Explorer programs and export financing issues with one MD 600 program. The corporation has developed a large investment in its contracts with MDHI (including receivables, start-up costs, and other program expenditures) and has experienced difficulty with receipt of payments from MDHI. Management is concerned about this exposure and is working with MDHI in an effort to address their payment issues.~~

~~The segment manufactures proprietary self-lubricating bearings used in aircraft flight controls, turbine engines and landing gear and produces driveline couplings for helicopters. This business continues to be affected by the drop-off in commercial and regional aircraft manufacturing, although the effect has been offset to some degree by increases in commercial aftermarket and military programs. In late July 2002, the corporation acquired RWG Frankenjura Industrie Flugwerklager GmbH ("RWG"), a privately held German aerospace bearing manufacturer. RWG complements the corporation's proprietary line of bearings and provides a presence in European aerospace markets. RWG had net sales of about US \$10 million in 2001 and its largest customer is Airbus Industrie.~~

~~The Aerospace segment also produces advanced technology products and this portion of the segment's business is benefiting from increased defense spending. These products involve systems, devices and assemblies for a variety of military and commercial applications, including safe, arm and fuzing devices for several missile and bomb programs; high reliability memory systems for airborne, shipboard, and ground-based programs; precision non-contact measuring systems for industrial and scientific use; and electro-optic systems for mine detection and other applications.~~

~~Advanced technology products is also an area of strategic emphasis for the corporation. In July 2002, the corporation completed its acquisition of the assets and certain liabilities of Dayron, (a division of DSE, Inc.) a weapons fuze manufacturer,~~

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~~located in Orlando, Florida. Dayron manufactures bomb fuzes for a variety of munitions programs, and has the contract to develop a fuze for the U.S. Air Force and Navy Joint Programmable Fuze (JPF) program. As a result of qualification test results received during the first quarter of 2003, the corporation is evaluating the need for certain changes to the fuze and its production process. In addition, a new government requirement has been identified for which the corporation expects to receive a contract modification in the near term. Management currently expects to complete changes, if any, and resume final qualification testing by early in the third quarter of 2003.~~

~~In the third quarter of 2002, the corporation was selected to participate on a Northrop Grumman led team for a U.S. Navy program to design and develop the Rapid Airborne Mine Clearance System, a helicopter borne clearance capability system for near surface and surface moored sea mines that will provide airborne mine defense for carrier battle groups and amphibious ready groups. The corporation will be responsible for the laser based target sensor subsystem development. The 36 month subcontract is valued at approximately \$7.6 million. In October of 2002, the corporation was selected to participate with the University of Arizona to build a collimator used for testing large optical systems in a vacuum environment. The corporation's portion of the five-year contract is valued at about \$12.8 million, with the majority of the work expected to occur in 2003.~~

~~The corporation has sold two non-core portions of the Aerospace segment. Specifically, in the second quarter of 2002, the corporation sold its microwave products line. That product line was associated with the former Kaman Sciences Corp. subsidiary which was sold in 1997. Microwave product sales were about \$7.5 million in 2001. In January 2003, the corporation sold its Electromagnetics Development Center (EDC), an electric motor and drive business that had sales of approximately \$14 million in 2002. The EDC is part of the industry team selected by the U.S. Navy to design the integrated electric drive system for the Navy's DD(X) next generation surface vessel.~~

~~During 2002, a common lean thinking methodology was adopted in manufacturing and office environments across the segment and results have included elimination of production time and parts travel, and required square footages for the segment's activities. The application of lean thinking principles continues.~~

~~Industrial Distribution segment net sales increased 5.2% for 2002 compared to a decrease of 12.9% for 2001 and an increase of 3.1%~~

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~~for 2000. Net sales for 2002 were \$477.2 million (including \$38.0 million from acquisitions made during 2002 and 2001) compared to \$453.7 million in 2001 (including \$8.0 million from acquisitions made in 2001).~~

~~Since the segment's customers include nearly every sector of U.S. industry, this business is influenced by industrial production levels and has been adversely affected by conditions in the manufacturing sector that have existed since late 2000. These difficult economic conditions are continuing, however cost reduction activity has helped the segment to remain profitable to date. Management believes that when economic recovery occurs, this segment will be in a good position to benefit due to its lean operating posture.~~

~~In executing the segment's strategy to expand its geographic coverage through both acquisitions and internal growth, the segment acquired a majority of the assets and certain liabilities of A-C Supply, Inc., located in the upper Midwest, in 2001 and a 60% equity interest in Delamac de Mexico S.A. de C.V. "Delamac"), a leading distributor of industrial products headquartered in Mexico City, in the first quarter of 2002. These acquisitions expand the segments presence into new geographical areas and improve its ability to serve national account customers. In addition, during 2002, the segment opened two locations in Roanoke and Lynchburg, Virginia and one location in Omaha, Nebraska.~~

~~During 2002, the segment launched a new, updated version of its e-commerce website. The new site provides a computer to computer link that features a complete electronic catalog, allowing on-line ordering and payment, and supporting inventory management. This website increases customer convenience and reduces paperwork and costs.~~

~~In the past, the Industrial Distribution segment has been one of numerous defendants in a few "John Doe" type legal proceedings, and generally relating to parts allegedly supplied to the U.S. Navy's shipyard in San Diego, California by a predecessor company over 25 years ago, that may have contained asbestos. The corporation settled those few claims for nominal amounts with contribution by insurance carriers. In the third quarter of 2002, however, the corporation experienced an increase in such claims. Management believes that the Industrial Distribution segment has good defenses to these claims, which it intends to assert and does not currently expect that this situation will have a material adverse effect on the corporation.~~

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~~Music Distribution segment net sales increased 5.9% in 2002 compared to a decrease of 6.2% in 2001 and an increase of 8.6% in 2000. Net sales for 2002 were approximately \$127.7 million (including \$3.7 million from a 2002 acquisition) compared to \$120.6 million in 2001.~~

~~The segment had good results for 2002 reflecting the sustained levels of consumer spending in the music retail market. In October 2002, this segment acquired Latin Percussion, Inc., a leading global distributor of a wide range of Latin hand percussion instruments. Latin Percussion's net sales for 2001 were about \$20.8 million. Management considers this acquisition to be a strong addition to the segment's existing line of brand name percussion instruments, including Toca, Gretsch, and Sabian.~~

~~In the third quarter of 2002, one of the Music Distribution segment's larger chain store customers, Mars Music, filed for Chapter 11 bankruptcy protection. The corporation's exposure as an unsecured creditor has been reserved for.~~

~~The corporation's segments, in total, had a net operating loss of \$35.7 million in 2002 compared to operating profits of \$26.3 million for 2001 and \$74.6 million in 2000. The 2002 results reflect difficult economic conditions and include the second quarter pre-tax charge of \$86.0 million described earlier. Excluding the 2002 charge, operating profits would have been \$50.3 million. The 2001 results include the \$31.2 million second quarter sales and pre-tax earnings adjustment also described earlier and reflect lower revenues in the Australia and New Zealand SH-26 helicopter programs as well as lower sales in the Industrial Distribution segment due to economic conditions. Excluding the Aerospace segment adjustment, operating profits for all the corporation's segments would have been \$57.5 million for 2001. Results for 2000 reflect good earnings performance on the part of each business segment and an add back of \$1.7 million of the 1999 charge in the Industrial Distribution segment that was unused.~~

~~For the year 2002, the Aerospace segment had an operating loss of \$55.2 million, primarily due to the previously described charge. Excluding the charge, segment operating profits would have been \$30.8 million for 2002. In 2001, the segment had operating profits of \$6.5 million. Excluding the 2001 adjustment, segment operating profits would have been \$37.7 million for the year. The lack of new helicopter production orders, in combination with the wind down of the New Zealand and Australia SH-26 programs and weakness in the commercial aerospace market, has necessitated significant measures as the segment attempts to~~

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~~bring operating overheads in line with a lower business base. These steps have included the charge already described to phase out operations at the Moosup, Connecticut production facility and continuing reduction in the segment's workforce. As a result of lower production levels, overhead expenditures must be absorbed at higher rates by active programs, and in the fourth quarter of 2002 these increased overhead rates resulted in higher costs, lower program profitability and loss accruals for a few long term programs, including certain Boeing work, and a higher loss accrual for the Australia SH-2G program. Industrial Distribution segment operating profits for 2002 were \$12.3 million, compared to \$13.2 million the previous year, reflecting the continued impact of weakness in the economy. Particularly in this environment, the industry's practice of providing vendor incentives was an important contributor to the segment's operating profits. In addition, steps taken to reduce costs throughout the segment helped to maintain its profitability in 2002. Music Distribution segment operating profits for 2002 were \$7.2 million compared to \$6.6 million last year, reflecting the Latin Percussion acquisition and continued consumer spending in the music retail market.~~

~~Operating profits for the Aerospace segment were \$6.5 million in 2001, a decrease from \$44.2 million the prior year, reflecting the sales and pre-tax earnings adjustment in the Aerospace segment and lower revenues from the Australia and New Zealand SH-2G helicopter programs. Operating profits for the Industrial Distribution segment were \$13.2 million in 2001 compared to \$22.9 million the previous year. Operating profits for the Music Distribution segment were \$6.6 million in 2001, compared to \$7.4 million the previous year.~~

~~The corporation reported a net loss in 2002 of \$33.6 million, or \$1.50 net loss per share diluted, compared to net earnings of \$11.7 million, or \$0.52 per diluted share in 2001, and \$36.9 million or \$1.57 per diluted share in 2000. The 2002 and 2001 results each include the charges or adjustments previously described. Excluding the 2002 Aerospace segment charge, net earnings would have been \$21.8 million or \$0.96 per share diluted. Excluding the 2001 Australia program adjustment, net earnings would have been \$30.5 million or \$1.33 per share diluted. Net earnings for 2000 were affected positively by the add back of \$1.7 million of the 1999 charge in the Industrial Distribution segment that was unused.~~

~~Selling, general and administrative expenses for the year 2002 were higher than for 2001, principally due to acquisitions. For the year ended December 31, 2002, net interest expense increased,~~

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~~principally due to borrowings to fund acquisitions. For the year ended December 31, 2001, interest expense exceeded interest income due to the reduction of surplus cash. For the year ended December 31, 2000, interest income earned from investment of surplus cash more than offset interest expense.~~

~~Other income for the year ended December 31, 2002 includes a pre-tax \$1.9 million gain from the sale of the corporation's microwave products line. Other income for the year 2001 included gains from the sale of facilities of \$2.7 million.~~

~~The tax benefit for the year 2002 is calculated at approximately 34% and represents the combined estimated federal and state tax effect attributable to the second quarter loss. In the 2001 period, the corporation adjusted its estimated tax rate to 25 percent, primarily due to reduced tax considerations on the Australian helicopter program. The consolidated effective tax rate for 2000 was 36%.~~

~~The corporation has not been required to make a contribution to its tax-qualified defined benefit pension plan since 2000. As a result of market conditions, the corporation will be required to expense approximately \$4.6 million in 2003 and make a contribution of \$1.4 million for 2003, based upon the asset value of the pension trust fund as of December 31, 2002.~~

~~In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which apply to the corporation effective July 1, 2001 and January 1, 2002, respectively. SFAS 141 requires all business combinations initiated after June 30, 2001 to use the purchase method of accounting. SFAS 142 discontinues the amortization of goodwill, including goodwill recorded in past business combinations. The corporation has adopted these statements in accordance with their terms and that adoption did not have a material impact on the corporation's consolidated results of operations or financial position.~~

~~In 2001, the FASB also issued Statement of Financial Accounting Standards No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" ("SFAS 143"), and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and provides accounting guidance for legal obligations associated with the~~

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~~retirement of tangible long lived assets. SFAS 143 is effective in fiscal years beginning after June 15, 2002. The corporation adopted SFAS 143 effective January 1, 2003 and that adoption did not have a material impact on its consolidated results of operations or financial position. SFAS 144 establishes a single accounting model for the impairment or disposal of long lived assets, including discontinued operations. The provisions of SFAS 144 are effective in fiscal years beginning after December 15, 2001, and in general are to be applied prospectively. The corporation has adopted SFAS 144 effective January 1, 2002 and that adoption did not have a material impact on its consolidated results of operations or financial position.~~

~~In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS 146 also requires that the initial measurement of a liability be at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The corporation adopted SFAS 146 effective January 1, 2003 and that adoption did not have a material impact on its consolidated results of operations or financial position.~~

~~In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock Based Compensation Transition and Disclosure" an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock Based Compensation" to provide alternative methods for a voluntary change to the fair value based method of accounting for stock based employee compensation and amends the disclosure requirements of Statement 123 in both annual and interim financial statements. The provisions of SFAS 148 are effective in fiscal years ending after December 15, 2002. The corporation has adopted the statement in accordance with its terms and that adoption did not have a material impact on the corporation's consolidated results of operations or financial position.~~

~~CRITICAL ACCOUNTING POLICIES~~

~~The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts~~

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~~of revenues and expenses during the reporting period.
Significant accounting policies are disclosed in the Notes
to Consolidated Financial Statements in the corporation's Annual
Report on Form 10-K for the year ended December 31, 2002. The
most significant current areas involving management judgments and
estimates are described below. Actual results could differ from
those estimates.~~

~~LONG-TERM CONTRACTS — REVENUE RECOGNITION~~

~~Sales and estimated profits under long-term contracts are
principally recognized on the percentage-of-completion method of
accounting, generally using either a ratio that costs incurred
bear to estimated total costs, after giving effect to estimates
of costs to complete based upon most recent information for each
contract, or units of delivery as the measurement basis for
effort accomplished. Reviews of contracts are made regularly
throughout their lives and revisions in profit estimates are
recorded in the accounting period in which the revisions are
made. Any anticipated contract losses are charged to operations
when first indicated.~~

~~ACCOUNTS RECEIVABLE~~

~~Trade accounts receivable consist of amounts billed and currently
due from customers. The allowance for doubtful accounts reflects
management's best estimate of probable losses inherent in the
trade accounts receivable balance. Management determines the
allowance for doubtful accounts based on known troubled accounts,
historical experience, and other currently available evidence.
Billed amounts for U.S. Government, commercial, and other
government contracts consist of amounts billed and currently due
from customers. Recoverable costs and accrued profit — not billed
for U.S. Government, commercial, and other government contracts
primarily relate to costs incurred on contracts which will become
billable upon future deliveries, achievement of specific contract
milestones or completion of engineering and service type
contracts.~~

~~INVENTORIES~~

~~Inventory of merchandise for resale is stated at cost (using the
average costing method) or market, whichever is lower. Contracts
and work in process, and finished goods are valued at production
cost represented by material, labor and overhead, including
general and administrative expenses where applicable. Contracts
and work in process, and finished goods are not recorded in
excess of net realizable values.~~

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~~GOODWILL AND OTHER INTANGIBLE
ASSETS ACCOUNTING~~

~~Goodwill and certain other intangible assets are no longer required to be amortized but rather are evaluated at least annually for impairment. The corporation utilizes discounted cash flow models to determine fair value used in the goodwill and other intangible asset impairment evaluations. Management's estimates of fair value are based upon factors such as projected sales and cash flows and other elements requiring significant judgments. The corporation utilizes the best available information to prepare its estimates and perform impairment evaluations; however, actual results could differ significantly, resulting in the future impairment of recorded goodwill and other intangible asset balances.~~

~~LIQUIDITY AND CAPITAL RESOURCES~~

~~For calendar year 2002, operating activities used a net of \$11.2 million of cash. The Industrial Distribution segment was the largest user of working capital during 2002, mostly due to growth in receivables and inventories and reductions in accounts payables. Cash flow for the year was generally not affected by the \$86.0 million second quarter Aerospace charges previously described because \$52.7 million of the charges were non-cash in nature and \$6.5 million consisted of a write down of receivables. Additionally, \$8.3 million of the Moosup restructuring (\$696 thousand of which had been spent for severances as of December 31, 2002) and the \$18.5 million loss accrual attributable to the Australia SH-26 program are expected to be spent in future periods. The second quarter charges are expected to result in a tax benefit of about 34 percent although much of the cash aspect of this benefit will not be realized until 2003 and future periods. During 2002, cash was used by investing activities principally due to the acquisitions of Delamac, Dayron, RWG and Latin Percussion and by the purchase of items such as machinery and computer equipment. This was offset to some degree by the sale of the microwave products line. Cash provided by financing activities was primarily attributable to bank borrowings to fund the acquisitions. This was partially offset by the payment of dividends to shareholders.~~

~~For calendar year 2001, operating activities provided cash in the amount of \$20.1 million. These results were due primarily to net reductions in accounts receivable in the Aerospace and Industrial Distribution segments, including the \$31.2 million sales and pre-tax earnings adjustment in the Aerospace segment, and reductions in inventories in the Distribution segment. This was offset by~~

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~~decreases in accounts payable in the Aerospace and Music Distribution segments and accrued expenses and payables throughout each of the segments and by a reduction in advances on contracts in the Aerospace segment. Other items include a reduction in income taxes payable as well as an increase in other current assets, which relate primarily to the tax benefits associated with the adjustment and a net pension income item, respectively. During the year 2001, cash was used in investing activities for the A-C Supply asset acquisition, the Plastic Fabricating Company, Inc. stock acquisition, and for the purchase of items such as machinery and computer equipment, which usage was offset somewhat by proceeds from the sale of assets. Cash used by financing activities was primarily attributable to the payment of dividends to common shareholders, and to a lesser degree the sinking fund requirement for the corporation's debentures (described below) and repurchase of the corporation's Class A common stock pursuant to a repurchase program for use in administration of the corporation's stock plans and general corporate purposes.~~

~~The corporation had \$30.8 million in surplus cash at December 31, 2001 with an average balance of \$34.0 million for the year. These funds were invested in high quality, short term instruments.~~

~~For calendar year 2000, operating activities provided cash in the amount of \$8.4 million. Such activities were significantly impacted by increases in accounts receivable for the Aerospace segment's SH-2G helicopter programs. Increases in accounts payable in the Aerospace and Music Distribution businesses offset this impact to some degree. For the year, cash used in investing activities was for items such as acquisition of machinery and computer equipment used in manufacturing and distribution. Cash used in financing activities was primarily attributable to the payment of dividends to common shareholders, repurchase of Class A common stock pursuant to the repurchase program and the sinking fund requirement for the corporation's debentures (both described below).~~

~~At December 31, 2002, the corporation had \$23.2 million of its 6% convertible subordinated debentures outstanding. The debentures are convertible into shares of Class A common stock at any time on or before March 15, 2012 at a conversion price of \$23.36 per share, generally at the option of the holder. Pursuant to a sinking fund requirement that began March 15, 1997, the corporation redeems approximately \$1.7 million of the outstanding principal of the debentures each year.~~

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~~In November 2000, the corporation's board of directors approved a replenishment of the corporation's stock repurchase program, providing for repurchase of an aggregate of 1.4 million Class A common shares for use in administration of the corporation's stock plans and for general corporate purposes. As of December 31, 2002, a total of about 240,000 shares had been repurchased under this replenishment program.~~

~~The corporation maintains a revolving credit agreement involving a group of financial institutions. The agreement has a maximum unsecured line of credit of \$225 million which consists of a \$150 million commitment for five years, and a \$75 million commitment under a "364 day" arrangement which is renewable annually for an additional 364 days, upon the consent of the banks. The entire facility expires in 2005. The \$75 million commitment was renewed in November 2002. The most restrictive of the covenants contained in the agreement requires the corporation to have EBITDA, as defined, at least equal to 300% of net interest expense, on the basis of a rolling four quarters and a ratio of consolidated total indebtedness to total capitalization of not more than 55%. Late in the second quarter of 2002, an amendment to the revolving credit agreement was entered into, under which the non cash portion of the 2002 second quarter charges, up to \$52.5 million, were excluded from the financial covenant calculations. In view of the weak earnings environment, management is closely monitoring the EBITDA to interest expense ratio requirement.~~

~~Letters of credit are generally considered borrowings for purposes of the revolving credit agreement. A total of \$51.0 million in letters of credit were outstanding at December 31, 2002, most of which is related to the Australia SH-2G program. A reduction of \$2 million pursuant to the Australia program occurred in early February 2003. Further reductions to the Australia letters of credit are anticipated as agreed upon performance milestones are reached under a recent agreement between the corporation and the Australian government regarding the process for completion of delivery of the SH-2G(A) aircraft with the full ITAS software.~~

~~Total average bank borrowings were \$23.8 million for 2002 compared to \$2.5 million in 2001 and \$2.3 million in 2000. During 2002, cash in the amount of approximately \$51.2 million was used for the acquisitions of Delamac, Dayron, RWG, and Latin Percussion. In connection with the acquisition of RWG, in July 2002 the corporation established a 9.5 million Euro term loan and revolving credit facility with one of its revolving credit agreement lenders having offices in London. In general, the agreement contains the same financial covenants as the revolving~~

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~~credit agreement described previously and the term of this
facility will expire at the same time as the revolving credit
agreement.~~

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

~~FORWARD-LOOKING STATEMENTS~~

~~This report contains forward looking information relating to the
corporation's business and prospects, including the SH-2G and
K-MAX helicopter programs, aerostructures and helicopter
subcontract programs and components, advanced technology
products, including fuzes for the JPF program, the industrial and
music distribution businesses, operating cash flow, and other
matters that involve a number of uncertainties that may cause
actual results to differ materially from expectations. Those
uncertainties include, but are not limited to: 1) the successful
conclusion of competitions and thereafter contract negotiations
with government authorities, including foreign governments,
including specifically the Egypt helicopter competition; 2)
political developments in countries where the corporation intends
to do business; 3) standard government contract provisions
permitting renegotiation of terms and termination for the
convenience of the government; 4) economic and competitive
conditions in markets served by the corporation, including
industry consolidation in the United States and global economic
conditions; 5) attainment of remaining project milestones and
satisfactory completion of the Australian SH-2G(A) program; 6)
recovery of the corporation's investment in the MD Helicopter,
Inc. contracts; 7) actual costs for moving equipment and re-
certifying products and processes in connection with phase out of
the Moosup, Connecticut facility; 8) JPF program final
qualification test results and receipt of production orders; 9)
achievement of enhanced business base in the Aerospace segment in
order to better absorb overhead rates; 10) successful sale or
lease of existing K-MAX inventory; 11) profitable integration of
acquired businesses into the corporation's operations; 12)
U.S. industrial production levels; 13) changes in supplier sales
policies; 14) the effect of price increases or decreases; and 15)
currency exchange rates, taxes, changes in laws and regulations,
interest rates, inflation rates, general business conditions and
other factors. Any forward looking information should be
considered with these factors in mind.~~

~~(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)~~ ~~Selected Quarterly Financial Data~~
~~KAMAN CORPORATION AND SUBSIDIARIES~~

	FIRST	SECOND	THIRD	FOURTH	TOTAL
	QUARTER	QUARTER	QUARTER	QUARTER	YEAR
NET SALES:-					
2002	\$ 223,093	\$ 209,141	\$ 218,266	\$ 230,276	\$ 880,776
2001	244,489	194,338	219,102	217,940	875,869
GROSS PROFIT:-					
2002	\$ 60,410	\$ (19,659)	\$ 57,305	\$ 59,477	\$ 157,533
2001	61,797	26,473	54,860	58,957	202,087
NET EARNINGS (LOSS):-					
2002	\$ 5,341	\$ (50,366)	\$ 5,572	\$ 5,852	\$ (33,601)
2001	8,741	(12,495)	8,526	6,942	11,714
PER SHARE BASIC:-					
2002	\$.24	\$ (2.25)	\$.25	\$.26	\$ (1.50)
2001	.39	(.56)	.38	.31	.52
PER SHARE DILUTED:-					
2002	\$.24	\$ (2.25)	\$.25	\$.26	\$ (1.50)
2001	.38	(.56)	.37	.31	.52

~~The calculated per share diluted amounts for the twelve months ended December 31, 2002 and 2001 are anti dilutive, therefore, amounts shown are equal to the basic per share calculation.~~

~~The quarterly per share diluted amounts for 2001 do not equal the "Total Year" figure due to the calculation being anti dilutive in the second quarter.~~

~~Consolidated Balance Sheets (IN THOUSANDS EXCEPTS SHARE AND PER SHARE AMOUNTS)~~
~~KAMAN CORPORATION AND SUBSIDIARIES~~

December 31	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,571	\$ 30,834
Accounts receivable	195,857	186,798
Inventories	164,715	197,400
Income taxes receivable	5,192	342
Deferred income taxes	28,450	16,938
Other current assets	14,460	10,339
Total current assets	414,245	442,651
PROPERTY, PLANT AND EQUIPMENT, NET	61,635	60,769
GOODWILL AND OTHER INTANGIBLE ASSETS	50,994	13,281
OTHER ASSETS	8,666	5,245
TOTAL ASSETS	\$ 535,540	\$ 521,946
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 8,647	\$ 2,378
Current portion of long term debt	1,660	1,660
Accounts payable - trade	46,664	52,044
Accrued salaries and wages	8,434	7,252
Accrued vacations	6,434	6,031
Accrued contract loss	26,674	
Accrued restructuring cost	7,594	
Advances on contracts	22,318	30,781
Other accruals and payables	28,669	41,114
Total current liabilities	157,094	141,260

~~Consolidated Balance Sheets (IN THOUSANDS EXCEPTS SHARE AND PER SHARE AMOUNTS)~~
~~KAMAN CORPORATION AND SUBSIDIARIES~~

December 31	2002	2001
<hr/>		
LONG TERM DEBT, EXCLUDING CURRENT PORTION	60,132	23,226
OTHER LONG TERM LIABILITIES	26,367	23,879
<hr/>		
SHAREHOLDERS' EQUITY:		
— Capital stock, \$1 par value per share:		
— Preferred stock, authorized 700,000 shares:		
— Series 2 preferred stock, 6 1/2% cumulative convertible,		
authorized 500,000 shares, none outstanding		
— Common stock:		
— Class A, authorized 48,500,000 shares, nonvoting;		
— \$.10 per common share dividend preference;		
— issued 23,066,260 shares in 2002 and 2001	23,066	23,066
— Class B, authorized 1,500,000 shares, voting;		
— issued 667,814 shares in 2002 and 2001	668	668
Additional paid in capital	77,267	77,389
Retained earnings	209,932	253,403
Unamortized restricted stock awards	(2,094)	(2,206)
Accumulated other comprehensive income (loss)	(1,099)	(919)
<hr/>		
	307,740	351,401
— Less 1,274,091 shares and 1,455,214 shares		
— of Class A common stock in 2002 and 2001,		
— respectively, held in treasury, at cost	(15,793)	(17,820)
<hr/>		
Total shareholders' equity	291,947	333,581
<hr/>		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 535,540	\$ 521,946

~~See accompanying notes to consolidated financial statements.~~

(IN THOUSANDS EXCEPTS PER SHARE AMOUNTS) Consolidated Statements of Operations
KAMAN CORPORATION AND SUBSIDIARIES

Year ended December 31	2002	2001	2000
NET SALES	\$ 880,776	\$ 875,869	\$1,031,234
COSTS AND EXPENSES:			
Cost of sales(1)	723,243	673,782	774,264
— Selling, general and administrative expense	199,453	188,752	202,319
Restructuring costs(2)	8,290		(1,680)
Other operating expense (income)	(1,302)	(1,076)	(1,092)
Interest expense (income), net	2,486	623	(1,660)
Other expense (income), net(3)	(468)	(1,876)	1,363
	931,702	860,205	973,514
EARNINGS (LOSS) BEFORE INCOME TAXES	(50,926)	15,664	57,720
INCOME TAXES (BENEFIT)	(17,325)	3,950	20,800
NET EARNINGS (LOSS)	\$ (33,601)	\$ 11,714	\$ 36,920
PER SHARE:			
— Net earnings (loss) per share:			
Basic	\$ (1.50)	\$.52	\$ 1.61
Diluted(4)	(1.50)	.52	1.57
Dividends declared	.44	.44	.44

(1) Cost of sales for the twelve months ended December 31, 2002 includes the write-off of K-MAX assets of \$50,000 and Moosup facility assets of \$2,679 which are associated with the charge taken in the Aerospace segment.

(2) Restructuring costs for the twelve months ended December 31, 2002 relate to the closure of the Moosup facility in 2003 and are associated with the charge taken in the Aerospace segment.

(3) Included in "Other expense (income), net" are the net gain on the sale of product line and other assets of \$2,299 and \$2,637 for the twelve months ended December 31, 2002 and 2001, respectively.

(4) The calculated diluted per share amounts for the twelve months ended December 31, 2002 and 2001 are anti-dilutive, therefore, amounts shown are equal to the basic per share calculation.
See accompanying notes to consolidated financial statements.

~~Consolidated Statement of Changes (IN THOUSANDS EXCEPT SHARE AMOUNTS)
in Shareholders' Equity
KAMAN CORPORATION AND SUBSIDIARIES~~

Year ended December 31	2002	2001	2000
SERIES 2 PREFERRED STOCK	\$	\$	\$
CLASS A COMMON STOCK	23,066	23,066	23,066
CLASS B COMMON STOCK	668	668	668
ADDITIONAL PAID IN CAPITAL:-			
Balance beginning of year	77,389	77,298	78,422
Employee stock plans	(304)	(234)	(897)
Restricted stock awards	182	325	(227)
Balance end of year	77,267	77,389	77,298
RETAINED EARNINGS:-			
Balance beginning of year	253,403	251,526	224,702
Net earnings (loss)(1)	(33,601)	11,714	36,920
Dividends declared	(9,870)	(9,837)	(10,096)
Balance end of year	209,932	253,403	251,526
UNAMORTIZED RESTRICTED STOCK AWARDS:-			
Balance beginning of year	(2,206)	(1,643)	(1,944)
Stock awards issued	(832)	(1,585)	(516)
Amortization of stock awards	944	1,022	817
Balance end of year	(2,094)	(2,206)	(1,643)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):-			
Balance beginning of year	(919)	(749)	(625)
Foreign currency translation adjustment(1)	(180)	(170)	(124)
Balance end of year	(1,099)	(919)	(749)

~~Consolidated Statement of Changes (IN THOUSANDS EXCEPT SHARE AMOUNTS)
in Shareholders' Equity
KAMAN CORPORATION AND SUBSIDIARIES~~

Year ended December 31	2002	2001	2000
TREASURY STOCK:			
Balance beginning of year	(17,820)	(18,120)	(7,912)
Shares acquired in 2002	37,300;		
2001 211,550; 2000 1,126,888	(412)	(2,760)	(13,660)
Shares reissued under various stock plans	2,439	3,060	3,452
Balance end of year	(15,793)	(17,820)	(18,120)
TOTAL SHAREHOLDERS' EQUITY	\$ 291,947	\$ 333,581	\$ 332,046

~~(1) Comprehensive income (loss) is \$(33,781), \$11,544 and \$36,796 for 2002,
2001 and 2000, respectively.~~

~~See accompanying notes to consolidated financial statements.~~

(IN THOUSANDS) Consolidated Statement of Cash Flows
KAMAN CORPORATION AND SUBSIDIARIES

Year ended December 31 2002 2001 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings (loss)	\$(33,601)	\$ 11,714	\$ 36,920
Adjustments to reconcile net earnings (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	11,620	11,441	11,630
Net gain on sale of product line and other assets	(2,299)	(2,637)	
Restructuring costs	8,290		(1,680)
Non cash write down of assets	52,679		
Deferred income taxes	(16,715)	(375)	(75)
Other, net	3,403	2,152	6,551
Changes in current assets and liabilities, excluding effects of acquisition/divestiture:			
Accounts receivable	(4,625)	32,411	(56,201)
Inventories	(12,751)	5,407	3,583
Income taxes receivable	(4,888)	(4,081)	179
Other current assets	(2,691)	(3,680)	87
Accounts payable trade	(8,813)	(9,284)	9,297
Accrued contract loss	26,674		
Accrued restructuring costs	(696)		
Advances on contracts	(9,286)	(11,124)	(8,338)
Accrued expenses and payables	(17,470)	(11,813)	6,400

Cash provided by (used in) operating activities	(11,169)	20,131	8,353
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CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of product line and other assets	8,034	4,047	56
Expenditures for property, plant and equipment	(7,601)	(8,033)	(11,044)
Acquisition of businesses, less cash acquired	(51,227)	(20,845)	
Other, net	1,854	(253)	(963)

Cash provided by (used in) investing activities	(48,940)	(25,084)	(11,951)
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(IN THOUSANDS) Consolidated Statement of Cash Flows
KAMAN CORPORATION AND SUBSIDIARIES

Year ended December 31 2002 2001 2000

CASH FLOWS FROM FINANCING ACTIVITIES:

Changes in notes payable	\$ 5,985	\$ 318	\$ (794)
Changes in long term debt	36,906	(1,660)	(1,660)
Proceeds from exercise of employee stock plans	1,485	1,566	1,813
Purchases of treasury stock	(412)	(2,760)	(13,660)
Dividends paid	(9,850)	(9,834)	(10,193)
Other	732		

Cash provided by (used in) financing activities	34,846	(12,370)	(24,494)
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NET INCREASE (DECREASE) IN CASH AND

CASH EQUIVALENTS	(25,263)	(17,323)	(28,092)
	CASH AND CASH EQUIVALENTS AT BEGINNING		
OF YEAR	30,834	48,157	76,249
<hr/>			
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,571	\$ 30,834	\$ 48,157
<hr/>			

~~See accompanying notes to consolidated financial statements.~~

~~Notes to Consolidated Financial Statements~~
~~IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)~~
~~KAMAN CORPORATION AND SUBSIDIARIES~~
~~DECEMBER 31, 2002, 2001 AND 2000~~

~~SUMMARY OF SIGNIFICANT~~
~~ACCOUNTING POLICIES~~

~~— Principles of Consolidation — The accompanying consolidated financial statements include the accounts of the parent corporation and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts in prior year financial statements and notes thereto have been reclassified to conform to current year presentation.~~

~~Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.~~

~~— Cash and Cash Equivalents — Surplus funds are invested in cash equivalents which consist of highly liquid investments with original maturities of three months or less.~~

~~— Long Term Contracts — Revenue Recognition — Sales and estimated profits under long term contracts are principally recognized on the percentage of completion method of accounting, generally using either a ratio that costs incurred bear to estimated total costs, after giving effect to estimates of costs to complete based upon most recent information for each contract, or units of delivery as the measurement basis for effort accomplished. Reviews of contracts are made regularly throughout their lives and revisions in profit estimates are recorded in the accounting period in which the revisions are made. Any anticipated contract losses are charged to operations when first indicated.~~

~~— Inventories — Inventory of merchandise for resale is stated at cost (using the average costing method) or market, whichever is lower. Contracts and work in process and finished goods are valued at production cost represented by material, labor and overhead, including general and administrative expenses where applicable. Contracts and work in process and finished goods are not recorded in excess of net realizable values.~~

~~— Property, Plant and Equipment — Depreciation of property, plant and equipment is computed primarily on a straight line~~

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~~Notes to Consolidated Financial Statements (CONTINUED)~~
~~IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)~~
~~KAMAN CORPORATION AND SUBSIDIARIES~~
~~DECEMBER 31, 2002, 2001 AND 2000~~

~~basis over the estimated useful lives of the assets. The estimated useful lives for buildings range between 15 to 40 years and leasehold improvements range between 5 to 15 years, whereas machinery, office furniture and equipment generally range between 3 to 10 years. At the time of retirement or disposal, the acquisition cost of the asset and related accumulated depreciation are eliminated and any gain or loss is credited or charged against income.~~

~~— Maintenance and repair items are charged against income as incurred, whereas renewals and betterments are capitalized and depreciated.~~

~~— Goodwill and Other Intangible Assets — Goodwill and intangible assets with indefinite lives are not amortized, but are evaluated for impairment at least annually. Intangible assets~~

~~with finite lives (presently consisting of patents) are amortized using the straight line method over their estimated 17 year period of benefit and reviewed for possible impairment whenever changes in conditions indicate carrying value may not be recoverable.~~

~~—— Research and Development — Research and development costs not specifically covered by contracts are charged against income as incurred. Such costs amounted to \$5,363 in 2002, \$4,673 in 2001 and \$5,463 in 2000.~~

~~—— Income Taxes — Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled.~~

~~—— Recent Accounting Standards — In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which apply to the corporation effective July 1, 2001 and January 1, 2002, respectively. SFAS 141 requires all business combinations initiated after June 30, 2001 to use the purchase method of accounting. SFAS 142 discontinues the amortization of goodwill, including goodwill recorded in past business combinations.~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

~~The corporation has adopted these statements in accordance with their terms and that adoption did not have a material impact on the corporation's consolidated results of operations or financial position.~~

~~—— In 2001, the FASB also issued Statement of Financial Accounting Standards No. 143, "Accounting for Obligations Associated with the Retirement of Long Lived Assets" ("SFAS 143"), and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("SFAS 144").~~

~~—— SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and provides accounting guidance for legal obligations associated with the retirement of tangible long lived assets. SFAS 143 is effective in fiscal years beginning after June 15, 2002. The corporation adopted SFAS 143 effective January 1, 2003 and that adoption did not have a material impact on its consolidated results of operations or financial position. SFAS 144 establishes a single accounting model for the impairment or disposal of long lived assets, including discontinued operations. The provisions of SFAS 144 are effective in fiscal years beginning after December 15, 2001, and in general are to be applied prospectively. The corporation has adopted SFAS 144 effective January 1, 2002 and that adoption did not have a material impact on its consolidated results of operations or financial position.~~

~~—— In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS 146 also requires that the initial measurement of a liability be at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The corporation adopted SFAS 146 effective January 1, 2003 and that adoption did not have a material impact on its consolidated results of operations or financial position.~~

~~In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock Based Compensation" to provide~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

~~alternative methods for a voluntary change to the fair value based method of accounting for stock based employee compensation and amends the disclosure requirements of Statement 123 in both annual and interim financial statements. The provisions of SFAS 148 are effective in fiscal years ending after December 15, 2002. The corporation has adopted the statement in accordance with its terms and that adoption did not have a material impact on the corporation's consolidated results of operations or financial position.~~

~~ACQUISITION OF BUSINESSES~~

~~During the first quarter of 2002, the corporation acquired a 60% equity interest in Delamac de Mexico S.A. de C.V., a leading distributor of industrial products headquartered in Mexico City. Delamac, which had net sales of about US \$7,000 in 2001, supplies power transmission, bearings and fluid power products. The assets acquired and liabilities assumed and results of operations since the acquisition have been included in the Industrial Distribution segment.~~

~~In July 2002, the corporation purchased the assets and certain liabilities of Dayron (a division of DSE, Inc.), a weapons fuze manufacturer, located in Orlando, Florida. Dayron manufactures bomb fuzes for a variety of munitions programs, and has the contract to develop a fuze for the Air Force Joint Programmable Fuze (JPF) program. Dayron had net sales of approximately \$14,000 for 2001. The assets acquired, liabilities assumed and results of operations since the acquisition have been included in the Aerospace segment.~~

~~In late July 2002, the corporation purchased the stock of RWG Frankenjura Industrie Flugwerklager GmbH (RWG), a German aerospace bearing manufacturer that complements the corporation's proprietary line of bearings and provides a presence in European aerospace markets. RWG had net sales of about US \$10,000 in 2001 and its largest customer is Airbus Industrie. The assets acquired, liabilities assumed and results of operations since the acquisition have been included in the Aerospace segment.~~

~~In October 2002, the corporation purchased the stock of Latin Percussion, Inc., a leading global distributor of a wide range of Latin hand percussion instruments. Latin Percussion had net sales of about \$20,800 in 2001. The assets acquired, liabilities assumed and results of operations since the~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
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~~acquisition have been included in the Music Distribution segment.~~

~~In the aggregate, the corporation paid \$51,227 for acquisition of businesses in 2002, and there is potential for contingency payments of up to \$25,000 over the next ten years if certain milestones are reached. Any such contingency payments would be treated as additional goodwill.~~

~~In September 2001, the company purchased a majority of~~

~~the assets and liabilities of A-C Supply, Inc. The assets acquired, liabilities assumed and results of operations since the acquisition have been included in the Industrial Distribution segment.~~

~~In December 2001, the company purchased the stock of H.I.G. Aerospace Group, Inc., parent company of Plastic Fabricating Company, Inc. The assets acquired, liabilities assumed and results of operations since the acquisition have been included in the Aerospace segment.~~

~~All acquisitions have been accounted for as purchases with the purchase price being allocated to the fair value of tangible and intangible assets acquired and liabilities assumed. The excess of the purchase price over the estimated fair market value of net assets acquired has been assigned to goodwill. In accordance with SFAS 142, the goodwill has not been amortized.~~

~~Assuming these acquisitions had taken place on January 1, 2001, Kaman Corporation's pro forma net sales, earnings (loss) before income taxes, net earnings (loss) and net earnings (loss) per share for the years ended December 31, 2002 and 2001 would have been as follows:~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

	Pro forma	
December 31 (unaudited)	2002	2001
Net sales	\$ 913,597	\$ 970,551
Earnings (loss)		
before income taxes	(50,264)	16,384
Net earnings (loss)	(33,128)	12,045
Net earnings (loss) per share:		
Basic	(1.48)	.54
Diluted	(1.48)	.54

~~The pro forma results are not necessarily indicative of the results of operations that would have occurred had the acquisitions actually been completed on January 1, 2001. The pro forma results do not include future initiatives or planned synergies, nor are they intended to be indicative of future results. The underlying pro forma information includes interest expense and income tax assumptions associated with the transactions.~~

~~DIVESTITURES~~

~~In April 2002, the corporation sold its microwave products line to Meggitt Safety Systems, Inc. That product line was associated with the former Kaman Sciences Corp., a subsidiary which was sold in 1997, and was no longer core to the segment's advanced technology business. Microwave product sales were about \$7,500 for the year 2001.~~

~~— In January 2003, the corporation sold its electric motor and drive business, operating as the Electromagnetics Development Center ("EDC") within the Kaman Aerospace subsidiary, to DRS Technologies, Inc. The EDC develops and manufactures high performance electric motors, generators, and drive electronics for industrial and defense applications and contributed sales of approximately \$14,000 in 2002. The resulting gain from this transaction will be recorded in 2003.~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

~~RESTRUCTURING COSTS~~

~~— The Aerospace segment recorded pre tax restructuring costs of \$8,290 in the second quarter of 2002 for the cost of phasing out the company's aircraft manufacturing plant in Moosup, Connecticut by the end of 2003. The charges represent severance costs of \$3,290 at the Moosup and Bloomfield, Connecticut locations for approximately 400 employees (of which \$696 has been paid for 119 such separations as of December 31, 2002) and the cost of closing the facility of \$5,000 (including costs of an ongoing voluntary environmental remediation program). An additional \$8,300 of ongoing pre tax costs are expected to be incurred for moving machinery to other company facilities and recertifying products and processes.~~

~~— In 1999, the Industrial Distribution segment took a pre-tax charge of \$12,382 as part of an initiative to streamline operational structure. The costs associated with the reorganization of operations, consolidation of branches, and the closure of other facilities totaled \$4,132. The write off of excess inventory totaled \$8,250 and is included in cost of sales.~~

~~In 2000, the segment completed all activities under the restructuring plan and because the actual financial impact of these activities was less than anticipated in the segment's plan, a favorable change in estimate of \$1,680 was recorded.~~

~~ASSET WRITE-DOWNS/WRITE-OFFS~~

~~— During the second quarter of 2002, as a result of management's evaluation of the K-MAX program, the Aerospace segment wrote down its K-MAX helicopter program assets, including \$46,665 for inventories and \$3,335 for capital equipment. In addition, the segment wrote off Moosup facility assets of \$2,679, as a result of the previously described facility closure. These charges are included in cost of sales for 2002.~~

~~ACCRUED CONTRACT LOSS~~

~~— During the second quarter of 2002, the Aerospace segment recorded a pre-tax charge of \$25,000 for estimated cost growth on the Australia SH-2G(A) helicopter program, which put the contract in a loss position. Accordingly, the Company eliminated the \$6,505 profit element of previously recorded sales and recognized pre-tax loss accruals of \$18,495 for anticipated cost growth~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

~~associated with completion of the aircraft, final integration and testing of the aircraft's advanced Integrated Tactical Avionics System (ITAS) software.~~

~~During the fourth quarter of 2002, the Aerospace segment recorded an additional loss accrual for the Australia SH-26(A) helicopter program, and loss accruals for other long-term programs, consisting principally of certain Boeing programs. These loss accruals reflect the impact of higher overhead rates, which were attributable to lower production activity on the corporation's helicopter and commercial aerospace programs.~~

~~ACCOUNTS RECEIVABLE~~

~~Accounts receivable consist of the following:~~

December 31	2002	2001
Trade receivables, net of allowance		
for doubtful accounts of \$2,853		
in 2002, \$3,939 in 2001	\$ 72,471	\$ 63,239
U.S. Government contracts:		
Billed	11,607	11,529
Recoverable costs and accrued		
profit not billed	21,225	15,169
Commercial and other government contracts:		
Billed	21,628	18,835
Recoverable costs and accrued		
profit not billed	68,926	78,026
Total	\$ 195,857	\$ 186,798

~~The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the trade accounts receivable balance. Management determines the allowance based on known troubled accounts, historical experience, and other currently available evidence.~~

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~~Notes to Consolidated Financial Statements (CONTINUED)~~ ~~IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)~~ ~~KAMAN CORPORATION AND SUBSIDIARIES~~ ~~DECEMBER 31, 2002, 2001 AND 2000~~

~~Recoverable costs and accrued profit not billed represent costs incurred on contracts which will become billable upon future deliveries, achievement of specific contract milestones or completion of engineering and service type contracts. Management estimates that approximately \$36,861 of such costs and accrued profits at December 31, 2002 will be collected after one year. The costs included in this estimate are for the corporation's programs with the Royal Australian Navy and MD Helicopters, Inc.~~

~~INVENTORIES~~

~~Inventories are comprised as follows:~~

December 31	2002	2001
Merchandise for resale		
	\$ 95,056	\$ 86,409
Contracts in process:		
U.S. Government	13,348	3,686
Commercial	16,694	12,525
Other work in process (including		
certain general stock materials)	31,875	49,465
Finished goods	7,742	45,315
Total	\$ 164,715	\$ 197,400

~~— Included above in other work in process and finished goods at December 31, 2002 and 2001 is K MAX inventory of \$25,181 and \$76,189, respectively.~~

~~— The aggregate amounts of general and administrative costs allocated to contracts in process during 2002, 2001 and 2000 were \$51,845, \$49,816 and \$53,387, respectively.~~

~~— The estimated amounts of general and administrative costs remaining in contracts in process at December 31, 2002 and 2001 amount to \$4,222 and \$2,225, respectively, and are based on the ratio of such allocated costs to total costs incurred.~~

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

~~PROPERTY, PLANT AND EQUIPMENT, NET~~

~~— Property, plant and equipment are recorded at cost and summarized as follows:~~

December 31	2002	2001
Land	\$ 6,524	\$ 6,058
Buildings	35,077	31,881
Leasehold improvements	11,397	15,628
Machinery, office furniture and equipment	108,920	120,333
Total	161,918	173,900
Less accumulated depreciation and amortization	100,283	113,131
Property, plant and equipment, net	\$ 61,635	\$ 60,769

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~~Notes to Consolidated Financial Statements (CONTINUED)
IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
KAMAN CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2002, 2001 AND 2000~~

~~GOODWILL AND OTHER INTANGIBLE ASSETS~~
~~Goodwill and other intangible assets are as follows:~~

December 31	2002	2001
Intangible assets not subject		
to amortization:		
Goodwill:		
Aerospace	\$ 30,635	\$ 8,792
Industrial Distribution	3,197	2,573
Music Distribution	2,141	800
	35,973	12,165
Trade name:		
Music Distribution	13,819	
	49,792	12,165
Intangible assets subject		
to amortization, net:		
Patents	1,202	1,116
Total	\$ 50,994	\$ 13,281

~~Intangible amortization expense was \$107 in 2002 and \$99 in 2001.~~

~~CREDIT ARRANGEMENTS — SHORT TERM BORROWINGS AND LONG TERM DEBT~~

~~Revolving Credit Agreement — The corporation maintains a five year revolving credit agreement (the "Revolving Credit Agreement") with several banks, which consists of a maximum unsecured line of credit of \$225,000 (\$150,000 commitment expiring in November 2005 and a \$75,000 commitment under a "364 Day" arrangement which is renewable annually for an additional 364 days). The \$75,000 commitment was renewed in November 2002. In general, outstanding letters of credit are considered to be indebtedness under the Revolving Credit Agreement.~~

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~~During the second quarter of 2002, the corporation's Revolving Credit Agreement was amended to exclude the non-cash portion of the 2002 second quarter charges, up to \$52,500, from the financial covenant calculations under the Agreement.~~

~~Short Term Borrowings — Under the Revolving Credit Agreement, the corporation has the ability to borrow funds on both a short term and long term basis. The corporation also has arrangements with other banks, generally to borrow funds on a short term basis with interest at current market rates.~~

~~Short term borrowings outstanding are as follows:~~

December 31	2002	2001
Revolving credit agreement		
Other credit arrangements	8,647	2,378
Total	\$ 8,647	\$ 2,378

~~Long Term Debt~~ The corporation has long term debt as follows:

December 31	2002	2001
Revolving credit agreement	\$ 30,840	\$
Euro credit agreement	7,726	
Convertible subordinated		
debentures	23,226	24,886
Total	61,792	24,886
Less current portion	1,660	1,660
Total excluding		
current portion	\$ 60,132	\$ 23,226

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~~In the third quarter of 2002, the corporation entered into a 9,500 Euro credit agreement with one of the Revolving Credit Agreement lenders that maintains European offices. The agreement contains a revolving credit facility at current market rates, and a term loan facility at a rate of 5%. In general, the credit agreement incorporates the financial covenants of the Revolving Credit Agreement and expires at the same time.~~

~~Restrictive Covenants~~ The most restrictive of the covenants contained in the Revolving Credit Agreement requires the corporation to have EBITDA, as defined, at least equal to 300% of interest expense, on the basis of a rolling four quarters and a ratio of consolidated total indebtedness to total capitalization of not more than 55%. Under the 2002 Revolving Credit Agreement Amendment, the non-cash portion of the 2002 second quarter charges, up to \$52,500, are excluded from the financial covenant calculations under the Agreement.

~~Certain Letters of Credit~~ The face amounts of irrevocable letters of credit issued under the Revolving Credit Agreement totaled \$50,975 and \$51,577 at December 31, 2002 and 2001, respectively.

~~Convertible Subordinated Debentures~~ The corporation issued its 6% convertible subordinated debentures during 1987. The debentures are convertible into shares of the Class A common stock of Kaman Corporation at any time on or before March 15, 2012 at a conversion price of \$23.36 per share at the option of the holder unless previously redeemed by the corporation. Pursuant to a sinking fund requirement that began March 15, 1997, the corporation redeems \$1,660 of the outstanding principal amount of the debentures annually. The debentures are subordinated to the claims of senior debt holders and general creditors. These debentures have a fair value of \$22,065 at December 31, 2002 based upon latest market price.

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~~Long Term Debt Annual Maturities~~ The aggregate amounts of annual maturities of long term debt for each of the next five years and thereafter are approximately as follows:

2003	\$ 1,660
2004	1,660
2005	40,226
2006	1,660
2007	1,660
Thereafter	14,926

~~Interest Payments~~ Cash payments for interest were \$2,668, \$2,235 and \$2,407 for 2002, 2001 and 2000, respectively.

~~ADVANCES ON CONTRACTS~~

~~Advances on contracts include customer advances together with customer payments and billings associated with the achievement of certain contract milestones in excess of costs incurred, primarily for the Australia SH-2G helicopter contract. The customer advances for that contract are fully secured by letters of credit. It is anticipated that the advances on contracts along with the face amounts of these letters of credit will be reduced as performance milestones are reached in accordance with the agreement between the corporation and the Australian government regarding a phased acceptance and delivery schedule for the SH-2G(A) aircraft.~~

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~~INCOME TAXES~~

~~The components of income taxes are as follows:~~

	2002	2001	2000
	Current:		
Federal	\$ (1,447)	\$ 3,411	\$ 17,629
State	698	748	3,179
Foreign	273	166	67
	(476)	4,325	20,875

	Deferred:		
Federal	(17,111)	(353)	(65)
State	262	(22)	(10)
Foreign			
	(16,849)	(375)	(75)
Total	\$ (17,325)	\$ 3,950	\$ 20,800

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~~The components of the deferred tax assets and deferred tax liabilities are presented below:~~

December 31	2002	2001
Deferred tax assets:		
Long term contracts	\$ 10,066	\$ 912
Deferred employee benefits	14,195	14,766
Inventory	9,311	4,444
Restructuring costs	2,679	
Accrued liabilities and other items	6,949	6,229
Total deferred tax assets	43,200	26,351
Deferred tax liabilities:		
Depreciation and amortization	(6,820)	(7,159)
Other items	(1,880)	(1,541)
Total deferred tax liabilities	(8,700)	(8,700)
Net deferred tax asset	\$ 34,500	\$ 17,651

~~No valuation allowance has been recorded because the corporation believes that these deferred tax assets will, more likely than not, be realized. This determination is based largely upon the corporation's historical earnings trend as well as its ability to carryback reversing items within two years to offset taxes paid. In addition, the corporation has the ability to offset deferred tax assets against deferred tax liabilities created for such items as depreciation and amortization.~~

~~The provisions for federal income taxes approximate the amounts computed by applying the U.S. federal income tax rate to earnings before income taxes after giving effect to state income taxes. The consolidated effective tax rate was lower due to the reversal of prior years' tax accruals of \$1,156, \$2,972 and \$1,534 in 2002, 2001 and 2000, respectively, as a result of the~~

corporation's ongoing assessment of its open tax years. The reduction in 2001 included reduced tax considerations related to the Australian SH-26 program. Cash payments for income taxes were \$3,562, \$8,589 and \$20,611 in 2002, 2001 and 2000, respectively.

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~~PENSION PLAN~~

~~— The corporation has a non-contributory defined benefit pension plan covering the full time U.S. employees of all U.S. subsidiaries (with the exception of certain companies acquired in 2002 and 2001 who have not adopted the plan). These employees become participants of the plan upon their completion of hours of service requirements. Benefits under this plan are generally based upon an employee's years of service and compensation levels during employment with an offset provision for social security benefits. It is the corporation's policy to fund pension costs accrued. Plan assets are invested in a diversified portfolio consisting of equity and fixed income securities (including \$8,388 of Class A common stock of Kaman Corporation at December 31, 2002).~~

~~— The pension plan costs were computed using the projected unit credit actuarial cost method and include the following components:~~

	2002	2001	2000
Service cost for benefits			
earned during the year	\$ 10,061	\$ 9,757	\$ 9,528
Interest cost on projected			
benefit obligation	24,045	22,822	21,688
Expected return on			
plan assets	(32,761)	(31,614)	(29,050)
Net amortization			
and deferral	(1,382)	(3,589)	(2,635)
Net pension cost (income)	\$ (37)	\$ (2,624)	\$ (469)

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~~— The change in actuarial present value of the projected benefit obligation is as follows:~~

December 31	2002	2001
Projected benefit obligation		
at beginning of year	\$ 329,168	\$ 312,273
Service cost	10,061	9,757

Interest cost	24,045	22,822
Actuarial liability loss	15,848	413
Plan amendments		817
Benefit payments	(17,909)	(16,914)

Projected benefit obligation at		
-end of year	\$ 361,213	\$ 329,168

The change in the actuarial liability loss for 2002 is principally due to effect of the change in the discount rate.

The change in fair value of plan assets is as follows:

December 31	2002	2001
Fair value of plan assets at		
-beginning of year	\$ 386,642	\$ 414,453
Actual return on plan assets	(30,920)	(10,897)
Employer contribution		
Benefit payments	(17,909)	(16,914)
Fair value of plan assets		
-at end of year	\$ 337,813	\$ 386,642

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December 31	2002	2001
Excess (deficiency) of assets over		
-projected benefit obligation	\$(23,400)	\$ 57,474
Unrecognized prior service cost	576	582
Unrecognized net (gain) loss	25,425	(55,493)
Accrued (prepaid) pension cost	\$ (2,601)	\$ (2,563)

The actuarial assumptions used in determining the funded status and the net periodic benefit cost of the pension plan are as follows:

December 31	2002	2001
Discount rate	7.0%	7.5%
Expected return on plan assets	8.625%	8.625%
Average rate of increase in		
-compensation levels	4.0%	4.5%

The corporation also maintains a defined contribution plan which has been adopted by certain of its U.S. subsidiaries. All employees of adopting employers who meet the eligibility requirements of the plan may participate. Employer matching contributions are currently made to the plan with respect to a percentage of each participant's pre-tax contribution. For each

dollar that a participant contributes, up to 5% of compensation, participating subsidiaries make employer contributions of fifty cents (\$.50). Employer contributions to the plan totaled \$3,019, \$3,438 and \$3,514 in 2002, 2001 and 2000, respectively.

Certain U.S. subsidiaries acquired in 2002 and 2001 maintain their own defined contribution plans for their eligible employees. Employer matching contributions are made on a discretionary basis.

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OTHER LONG TERM LIABILITIES

Other long term liabilities consist of the following:

December 31	2002	2001
Supplemental employees'		
retirement plan	\$ 13,680	\$ 12,730
Deferred compensation	8,288	8,673
Other	4,399	2,476
Total	\$ 26,367	\$ 23,879

COMMITMENTS AND CONTINGENCIES

Rent commitments under various leases for office space, warehouses, land and buildings expire at varying dates from January 2003 to December 2010. Certain annual rentals are subject to renegotiation, with certain leases renewable for varying periods. Lease periods for machinery and equipment vary from 1 to 5 years.

Substantially all real estate taxes, insurance and maintenance expenses are obligations of the corporation. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties.

The following future minimum rental payments are required under operating leases that have initial or remaining

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noncancelable lease terms in excess of one year as of December 31, 2002:

2003	\$ 12,312
2004	6,673
2005	4,302
2006	2,406
2007	1,502
Thereafter	1,274
Total	\$ 28,469

~~Lease expense for all operating leases, including leases with terms of less than one year, amounted to \$15,172, \$15,113 and \$14,710 for 2002, 2001 and 2000, respectively.~~

~~From time to time, the corporation is subject to various claims and suits arising out of the ordinary course of business, including commercial, employment and environmental matters. While the ultimate result of all such matters is not presently determinable, based upon its current knowledge, management does not expect that their resolution will have a material adverse effect on the corporation's consolidated financial position.~~

~~COMPUTATION OF EARNINGS (LOSS) PER SHARE~~

~~The earnings (loss) per share basic computation is based on the net earnings (loss) divided by the weighted average number of shares of common stock outstanding for each year.~~

~~The earnings (loss) per share diluted computation assumes that at the beginning of the year the 6% convertible subordinated debentures are converted into Class A common stock with the resultant reduction in interest costs net of tax. The earnings (loss) per share diluted computation also includes the common stock equivalency of dilutive options granted to employees under the Stock Incentive Plan. Excluded from the earnings (loss) per~~

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~~share diluted calculation are options granted to employees that are anti dilutive based on the average stock price for the year.~~

	2002	2001	2000
Earnings (loss) per			
share basic			
Net earnings (loss)	\$ (33,601)	\$ 11,714	\$ 36,920
Weighted average shares			
outstanding (000)	22,408	22,364	22,936
Earnings (loss) per			
share basic			
share basic	\$ (1.50)	\$.52	\$ 1.61
Earnings (loss) per			
share diluted			
Net earnings (loss)	\$ (33,601)	\$ 11,714	\$ 36,920
Plus:			
After tax interest savings	on convertible debentures 918	1,093	1,031
Net earnings (loss)			
assuming conversion	\$ (32,683)	\$ 12,807	\$ 37,951
Weighted average			
shares outstanding (000)	22,408	22,364	22,936
Plus shares issuable on:			

	Conversion of 6%		
convertible debentures	1,080	1,151	
	Exercise of		
dilutive options	205	81	
	Weighted average		
	shares outstanding		
assuming conversion (000)	22,408	23,649	24,168
	Earnings (loss) per		
share diluted(1)	\$ (1.50)	\$.52	\$ 1.57

(1) The calculated diluted earnings (loss) per share amounts for 2002 and 2001 are anti dilutive, therefore, amounts shown are

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equal to the basic earnings (loss) per share calculation. Additional potentially diluted average shares outstanding of 1,145,000 from the conversion of the debentures and the exercise of dilutive stock options for the twelve months ended December 31, 2002 have been excluded from the average diluted shares outstanding due to the loss from operations in that year.

STOCK PLANS

~~Employees Stock Purchase Plan~~ The Kaman Corporation Employees Stock Purchase Plan allows employees to purchase Class A common stock of the corporation, through payroll deductions, at 85% of the market value of shares at the time of purchase. The plan provides for the grant of rights to employees to purchase a maximum of 1,500,000 shares of Class A common stock. There are no charges or credits to income in connection with the plan. During 2002, 115,316 shares were issued to employees at prices ranging from \$8.59 to \$15.33 per share. During 2001, 106,921 shares were issued to employees at prices ranging from \$10.41 to \$15.21 per share. During 2000, 145,485 shares were issued to employees at prices ranging from \$7.76 to \$13.60 per share. At December 31, 2002, there were approximately 865,300 shares available for offering under the plan.

~~Stock Incentive Plan~~ The corporation maintains a Stock Incentive Plan that is scheduled to expire in November 2003. It is expected that the corporation will renew the plan at that time, subject to subsequent shareholders' approval. The Stock Incentive Plan provides for the grant of non-statutory stock options, incentive stock options, restricted stock awards and stock appreciation rights primarily to officers and other key employees. At December 31, 2002, there were approximately 321,700 shares available for the granting of stock options.

~~Stock options~~ are generally granted at prices not less than the fair market value at the date of grant. Options granted under the plan generally expire ten years from the date of grant and are exercisable on a cumulative basis with respect to 20% of the optioned shares on each of the five anniversaries from the date of grant. Restricted stock awards are generally granted with restrictions that lapse at the rate of 20% per year and are amortized accordingly. Stock appreciation rights generally expire

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~~ten years from the date of grant and are exercisable on a cumulative basis with respect to 20% of the rights on each of the five anniversaries from the date of grant. These awards are subject to forfeiture if a recipient separates from service with the corporation.~~

~~Restricted stock awards were made for 56,000 shares at prices ranging from \$14.50 to \$17.74 per share in 2002, 100,000 shares at prices ranging from \$15.63 to \$16.31 per share in 2001 and 62,500 shares at prices ranging from \$10.31 to \$10.75 per share in 2000. At December 31, 2002, there were 186,400 shares remaining subject to restrictions pursuant to these awards.~~

~~Stock appreciation rights were issued for 136,000 shares at \$14.50 per share in 2002, 205,000 shares at prices ranging from \$16.28 to \$16.31 per share in 2001 and 130,000 shares at \$10.31 in 2000, to be settled only for cash. The corporation recorded income for the stock appreciation rights of \$440 in 2002, \$575 in 2001 and \$1,732 of expense in 2000 due to fluctuations in the market price of the shares.~~

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~~Stock option activity is as follows:~~

		WEIGHTED AVERAGE EXERCISE PRICE
Stock options outstanding:	OPTIONS	PRICE
Balance at January 1, 2000	1,041,010	12.94
Options granted	225,500	10.31
Options exercised	(75,360)	8.86
Options cancelled	(121,170)	13.65
Balance at December 31, 2000	1,069,980	12.59
Options granted	335,000	16.27
Options exercised	(89,560)	9.96
Options cancelled	(56,290)	13.57
Balance at December 31, 2001	1,259,130	13.71
Options granted	211,500	14.50
Options exercised	(172,010)	11.60
Options cancelled	(79,820)	14.76

Balance at December 31, 2002	1,218,800	14.08
<hr/>		
Weighted average contractual life		
—remaining at December 31, 2002	6.7 years	
<hr/>		
Range of exercise prices for options	\$ 9.50	\$ 13.26
—outstanding at December 31, 2002	\$ 13.25	\$ 17.00
<hr/>		
Options outstanding	367,070	851,730
Options exercisable	264,110	289,760
<hr/>		
Weighted average contractual		
—remaining life of options		
—outstanding	4.9 years	7.4 years
<hr/>		
Weighted average exercise price:		
—Options outstanding	\$ 10.97	\$ 15.42
—Options exercisable	\$ 11.22	\$ 15.59
<hr/>		

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~~As of December 31, 2001 and 2000, there were 577,450 and 472,210 options exercisable, respectively.~~

~~As permitted by the Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock Based Compensation," the corporation has elected to continue following the guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," for measurement and recognition of stock based transactions with employees. Accordingly, no compensation cost has been recognized for its stock plans other than for the restricted stock awards and stock appreciation rights. Under the disclosure alternative of SFAS 123, the pro forma net earnings and earnings per share information presented below includes the compensation cost of stock options issued to employees based on the fair value at the grant date and includes compensation cost for the 15% discount offered to participants in the employees stock purchase plan.~~

	2002	2001	2000
Net earnings (loss):			
As reported	\$ (33,601)	\$ 11,714	\$ 36,920
Pro forma	(34,517)	10,767	36,288
Earnings (loss) per share basic:			
As reported	(1.50)	.52	1.61
Pro forma	(1.54)	.48	1.58
Earnings (loss) per share diluted:			
As reported	(1.50)	.52	1.57
Pro forma	(1.54)	.48	1.55

~~The fair value of each option grant is estimated on the date of grant by using the Black Scholes option pricing model. The following weighted average assumptions were used for grants in 2002, 2001 and 2000:~~

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	2002	2001	2000
Expected dividend yield	3.0%	2.7%	4.3%
Expected volatility	45%	45%	38%
Risk free interest rate	4.9%	5.1%	6.5%
Expected option lives	8 years	8 years	8 years
Per share fair value of			
options granted	\$ 5.86	\$ 6.84	\$ 3.35

SEGMENT INFORMATION

~~The corporation reports results in three business segments—Aerospace, Industrial Distribution and Music Distribution.~~

~~The Aerospace segment produces aircraft structures and components for military and commercial aircraft, including specialized aircraft bearings, manufactures and supports the SH-2G Super Seasprite naval helicopter and the K-MAX medium to heavy lift helicopter, and provides various advanced technology products serving critical specialized markets including missile and bomb fuzing. During the second quarter of 2002, the segment recorded a pre-tax charge of \$85,969 to cover the write down of K-MAX helicopter assets, principally inventories, for cost growth associated with the Australian SH-2G(A) helicopter program; and to phase out operations at the company's Moosup, Connecticut plant by the end of 2003. During 2001, the segment recorded a sales and pre-tax earnings adjustment of \$31,181, substantially all of which is associated with a change in estimated cost to complete the SH-2G(A) helicopter program for Australia. As a result of the 2002 and 2001 Australian SH-2G(A) program adjustments, the contract is now in a loss position.~~

~~The Industrial Distribution segment is one of the nation's larger distributors of power transmission, motion control, material handling and electrical components and a wide range of bearings. Products and value added services are offered to a customer base of more than 50,000 companies representing a highly diversified cross section of North American industry.~~

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~~The Music Distribution segment is the largest independent distributor of musical instruments and accessories, offering more than 10,000 products for amateurs and professionals. Proprietary products include Ovation(R), Takamine(R), and Hamer(R) guitars, Latin Percussion(R) and Toca(R) instruments, Gibraltar(R) percussion hardware and Gretsch(R) professional drum sets.~~

~~Summarized financial information by business segment is as follows:~~

	2002	2001	2000
Net sales:			
Aerospace	\$ 275,942	\$ 301,580	\$ 381,932
Industrial Distribution	477,156	453,718	520,779
Music Distribution	127,678	120,571	128,523
	\$ 880,776	\$ 875,869	\$1,031,234
Operating profit (loss):			
Aerospace	\$ (55,208)	\$ 6,542	\$ 44,236
Industrial Distribution	12,344	13,217	22,902
Music Distribution	7,157	6,580	7,441
	(35,707)	26,339	74,579
Interest, corporate and other expense, net	(15,219)	(10,675)	(16,859)
Earnings (loss) before income taxes			
	\$ (50,926)	\$ 15,664	\$ 57,720
Identifiable assets:			
Aerospace	\$ 308,275	\$ 302,076	\$ 307,762
Industrial Distribution	144,585	134,974	137,297
Music Distribution	68,448	45,783	53,444

Corporate	14,232	39,113	55,327
	\$ 535,540	\$ 521,946	\$ 553,830

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	2002	2001	2000
Capital expenditures:			
Aerospace	\$ 5,255	\$ 5,107	\$ 6,110
Industrial			
Distribution	1,494	1,501	2,947
Music Distribution	515	1,018	812
Corporate	337	407	1,175
	\$ 7,601	\$ 8,033	\$ 11,044
Depreciation and amortization:			
Aerospace	\$ 6,773	\$ 6,175	\$ 5,875
Industrial			
Distribution	2,457	2,742	3,138
Music Distribution	1,278	1,430	1,490
Corporate	1,112	1,094	1,127
	\$ 11,620	\$ 11,441	\$ 11,630

	2002	2001	2000
Geographic information sales:			
United States	\$ 758,240	\$ 726,756	\$ 789,533
Australia/New Zealand	64,071	100,121	186,537
Canada	28,049	27,162	29,455
Europe	14,933	12,319	12,765
Mexico	8,046	1,484	1,453
Japan	4,492	6,154	6,862
Other	2,945	1,873	4,629
	\$ 880,776	\$ 875,869	\$1,031,234

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~~Operating profit is total revenues less cost of sales and selling, general and administrative expense other than general corporate expense. The "Interest, corporate and other expense, net" includes a pre tax gain of \$1,928 related to the sale of product line in 2002 and a pre tax gain of \$2,679 related to the sale of two buildings in 2001.~~

~~Identifiable assets are year end assets at their respective net carrying value segregated as to segment and corporate use. The reductions in corporate assets in 2002 and 2001 are~~

~~principally due to the use of cash and cash equivalents in each year.~~

~~—— Net sales by the Aerospace segment made under contracts with U.S. Government agencies (including sales to foreign governments through foreign military sales contracts with U.S. Government agencies) account for \$102,241 in 2002, \$81,106 in 2001 and \$81,519 in 2000.~~

~~—— Sales made by the Aerospace segment under a contract with one customer were \$52,029, \$76,865 and \$130,285 in 2002, 2001 and 2000, respectively.~~

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~~Report of Independent Auditors
KAMAN CORPORATION AND SUBSIDIARIES~~

~~KPMG LLP
Certified Public Accountants
One Financial Plaza
Hartford, Connecticut 06103~~

~~THE BOARD OF DIRECTORS AND SHAREHOLDERS
KAMAN CORPORATION:~~

~~—— We have audited the accompanying consolidated balance sheets of Kaman Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2002. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.~~

~~—— We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.~~

~~—— In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kaman Corporation and subsidiaries at December 31, 2002 and 2001 and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.~~

~~EXHIBIT 21~~

~~KAMAN CORPORATION~~

~~SUBSIDIARIES~~

~~Following is a list of the Corporation's subsidiaries, each of which, unless otherwise indicated, is wholly owned by the Corporation either directly or through another subsidiary. Second-tier subsidiaries are listed under the name of the parent subsidiary.~~

Name	State of Incorporation
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Registrant: KAMAN CORPORATION	Connecticut
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~~Subsidiaries:~~

Kaman Aerospace Group, Inc.	Connecticut
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Kaman Aerospace Corporation	Delaware
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K MAX Corporation	Connecticut
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Kaman Aerospace International Corporation	Connecticut
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Kaman X Corporation	Connecticut
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Kamatics Corporation	Connecticut
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Kaman PlasticFab Group, Inc.	Delaware
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~~Plastic Fabricating Company, Inc.~~ ~~Delaware~~
~~Kaman Dayron, Inc.~~ ~~Florida~~
~~RWG Frankenjura Industrie Flugwerklager GmbH~~ ~~Germany~~

~~Kaman Industrial Technologies Corporation~~ ~~Connecticut~~

~~Kaman Industrial Technologies, Ltd.~~ ~~Canada~~
~~Delamac de Mexico, S.A. de C.V. (60%)~~ ~~Mexico~~

~~Kaman Music Corporation~~ ~~Connecticut~~

~~KMI Europe, Inc.~~ ~~Delaware~~
~~B & J Music Ltd.~~ ~~Canada~~
~~Latin Percussion, Inc.~~ ~~New Jersey~~

~~Kaman Foreign Sales Corporation~~ ~~Barbados~~

~~EXHIBIT 23~~

~~CONSENT OF INDEPENDENT AUDITORS~~

~~KPMG LLP
Certified Public Accountants
One Financial Plaza
Hartford, Connecticut 06103~~

~~The Board of Directors and Shareholders
Kaman Corporation:~~

~~We consent to incorporation by reference in the Registration Statements (Nos. 33-51483 and 33-51485) on Form S-8 of Kaman Corporation of our reports dated January 28, 2003, relating to the consolidated balance sheets of Kaman Corporation and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2002, and the related schedule, which reports appear or are incorporated by reference in the December 31, 2002 annual report on Form 10-K of Kaman Corporation.~~

~~/s/ KPMG LLP~~

~~Hartford, Connecticut~~
~~March 25, 2003~~

~~EXHIBIT 24~~

~~POWER OF ATTORNEY~~

~~KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned does hereby appoint and constitute Paul R. Kuhn and Robert M. Garneau and each of them as his or her agent and attorney in fact to execute in his or her name, place and stead (whether on behalf of the undersigned individually or as an officer or director of Kaman Corporation or otherwise) the Annual Report on Form 10-K of Kaman Corporation respecting its fiscal year ended December 31, 2002 and any and all amendments thereto and to file such Form 10-K and any such amendment thereto with the Securities and Exchange Commission. Each of the said attorneys shall have the power to act hereunder with or without the other.~~

~~IN WITNESS WHEREOF, the undersigned have executed this instrument this 25th day of February, 2003.~~

~~Brian E. Barents C. William Kaman, II
E. Reeves Callaway, III Eileen S. Kraus~~

Frank C. Carlucci	Paul R. Kuhn
Laney J. Chouest	Walter H. Monteith, Jr.
John A. DiBiaggio	Wanda L. Rogers
Huntington Hardisty	Richard J. Swift
Edwin A. Huston	

~~_____~~ Exhibit 99.1

~~_____~~ 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 Annual Report of Kaman Corporation (the "Corporation") on Form 10-K for the fiscal year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul R. Kuhn, 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/ Paul R. Kuhn~~

~~Paul R. Kuhn
Chairman, President and
Chief Executive Officer
March 26, 2003~~

~~A signed original of this written statement required by Section
906 has been provided to Kaman Corporation and will be retained
by Kaman Corporation and furnished to the Securities and Exchange
Commission or its staff upon request.~~

~~Exhibit 99.2~~

~~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 Annual Report of Kaman Corporation (the "Corporation") on Form 10-K for the fiscal year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert M. Garneau, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to the best of my knowledge:~~

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

By: ~~/s/ Robert M. Garneau~~

~~Robert M. Garneau
Executive Vice President
and Chief Financial Officer
March 26, 2003~~

~~A signed original of this written statement required by Section
906 has been provided to Kaman Corporation and will be retained
by Kaman Corporation and furnished to the Securities and Exchange
Commission or its staff upon request.~~