

DISTRIBUTOR AGREEMENT – MEGGITT AIRCRAFT BRAKING SYSTEMS GLOBAL STANDARD

THIS DISTRIBUTOR AGREEMENT (the "Agreement") is dated the 28th day of February, 2017 by and between:

PARTIES

- (1) Meggitt Aircraft Braking Systems Corporation, a company organised and existing under the laws of Delaware with its principal place of business at 1204 Massillon Road, Akron, Ohio 44306-4186, USA ("Meggitt").
- (2) AAR Supply Chain, Inc. d/b/a AAR Distribution, a company organised and existing under the laws of Illinois with its principal place of business at 1100 N. Wood Dale Road, Wood Dale, IL 60191 and AAR Landing Gear LLC, a company organised and existing under the laws of Florida with its principal place of business at 9371 N.W. 100th Street Miami, Florida 33178 (collectively, "Distributor").

BACKGROUND

Meggitt wishes to appoint the Distributor as its non-exclusive distributor for the promotion and sale of the Products within the Territory (both as defined below), and the Distributor wishes to promote and sell the Products within the Territory in accordance with the terms of this Agreement.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 The definitions and rules of interpretation in this Clause apply in this Agreement and the Background.

Affiliate: all companies owned or controlled both directly or indirectly through another company by common ownership.

Business Day: a day other than a Saturday, Sunday or federal holiday in the United States or public holiday in England when banks in New York or London respectively are open for business.

"Buyer" means AAR Supply Chain, Inc. and/or AAR Landing Gear LLC

"Buyer Property" means any property of the Buyer including any equipment and tooling issued free of charge provided or made available to the Seller for the purpose of the Seller supplying the Product or performing any Services.

"Change Order" means any change to this Agreement that has been approved in writing by the Buyer and the Seller.

Commencement Date: February 28, 2017

Control: the ability to direct the affairs of another person or entity, whether by virtue of the ownership of shares, contract or otherwise.

End User: any party who purchases a Product from Distributor or from Distributor's customers, for its own use and not for resale or subsequent transfer.

London Interbank Offered Rate (LIBOR): the 1 year US Dollar USD LIBOR interest rate (as set forth in the Wall Street Journal).

MABS: Meggitt Aircraft Braking Systems Corporation

Minimum Quantity: the quantities of the Products specified in **Schedule 3** for each Year, or such other quantities as may be agreed in writing between the parties in relation to each Year.

P.O. means purchase order placed by the Buyer.

Products: the products of the type and specification manufactured and packed by Meggitt under the Trade Marks and listed in **Schedule 1** and any other products developed by Meggitt and which Meggitt may permit the Distributor, by express notice in writing, to distribute in the Territory.

Sales Tax: a tax on supplies of goods and services in the course of a business.

Seller: Meggitt Aircraft Braking Systems Corporation.

Services: any services (including without limitation any maintenance, repair and overhaul services) agreed in this Agreement to be provided to the Buyer by the Seller (including any part or parts of them).

Term: the term of this Agreement, as determined in accordance with Clause 13 – Duration and Termination.

Territory: the areas specified in **Schedule 2** where Distributor is appointed to distribute Products.

Trade Marks: the trade mark registrations and applications of Meggitt and its Affiliates as used from time to time.

Year: the period of 12 months from the Commencement Date and each consecutive period of 12 months thereafter during the Term.

- 1.2 Clause, schedule and paragraph headings shall not affect the interpretation of this Agreement.
- 1.3 A person includes a natural person, corporate or unincorporated body or entity (whether or not having separate legal personality).

- 1.4 The Schedules form part of this Agreement and shall have effect as if set out in full in the body of this Agreement. Any reference to this Agreement includes the Schedules.
- 1.5 A reference to a company shall include any company, entity or other corporate body, wherever and however incorporated or established.
- 1.6 Words in the singular shall include the plural and vice versa.
- 1.7 A reference to any party shall include that party's personal representatives, successors or permitted assigns.
- 1.8 A reference to a statute, statutory provision or any subordinated legislation made under a statute is a reference to such statute, provision or subordinated legislation as amended or re-enacted from time to time, whether before or after the date of this Agreement and in the case of a reference to a statute is also to all subordinate legislation made under that statute whether before or after the date of this Agreement.
- 1.9 A reference to writing or written includes faxes but not e-mail, unless the recipient of the e-mail has confirmed receipt.
- 1.10 A reference to a document is a reference to that document as modified or amended (in each case, other than in breach of the provisions of this Agreement) at any time.
- 1.11 Any phrase introduced by the terms including, include, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

2. APPOINTMENT

- 2.1 Meggitt appoints the Distributor as its non-exclusive Distributor to import and distribute the Products in the Territory on the terms of this Agreement. Meggitt reserves the right to appoint other Distributors in the Territory as well as the right to directly solicit collect or obtain orders from and promote and make sales in the Territory. Meggitt may focus on key customers, the names of which will be provided to the Distributor.
- 2.2 The Distributor shall purchase the Products only from Meggitt. The Distributor shall not distribute, manufacture, sell or otherwise deal with any goods, including but not limited to Part Manufacture Approval ("PMA") or Supplemental Type Certificate ("STC") assemblies, subassemblies or associated parts not approved by the aircraft manufacturer holding the aircraft Type Certificate which directly compete with the Products within the Territory during the Term and for ninety (90) days after termination of the Agreement. If Agreement is Terminated for Cause by Meggitt, AAR agrees to pay Meggitt a 15% royalty for all product that directly competes with Product(s) that AAR has sold from the Commencement Date of the Agreement up until ninety (90) days after termination of the Agreement. For the avoidance of doubt, Section 2.2 shall survive termination if Terminated for Cause by Meggitt. Notwithstanding

the foregoing, in the event Distributor's customer requires Distributor to use PMA or STC parts that compete with the Products, then Distributor shall inform Meggitt of such customer instruction and Meggitt shall review such request in good faith. In this connection, Meggitt shall partner with Distributor to find a mutually agreeable solution to allow Distributor to service its customer's requirements without breaching this Section 2.2.

Meggitt may audit Distributor records to verify purchases and sales related to the performance of this Agreement subsequent to at least a seventy-two (72) hour notice.

- 2.3 The Distributor acknowledges and agrees that a primary consideration for the parties' entering into this Agreement for this distributor appointment is the Distributor's commitment to solely promote, solicit orders, sell and support Meggitt's Products in the aftermarket for those aircraft models for which the Meggitt's Products have been approved for installation by the airframe manufacturer under the airframe manufacturer's type certificate.
- 2.4 The Distributor acknowledges and agrees that it will not represent other companies whose principal product lines are direct replacements for the Meggitt's Products in the aftermarket, and where such competing Products have not been approved for installation on the aircraft by the aircraft manufacturer holding the aircraft Type Certificate or Supplemental Type Certificate.
- 2.5 Except as stated in this Agreement, the Distributor shall not:
- (a) represent itself as an agent of Meggitt for any purpose; or
 - (b) pledge Meggitt's credit; or
 - (c) give any condition or warranty on Meggitt's behalf; or
 - (d) make any representation on Meggitt's behalf; or
 - (e) commit Meggitt to any contracts;
 - (f) appoint any agents or sub-Distributors, without the prior written approval of Meggitt.
- 2.6 The Distributor shall not without Meggitt's prior written consent make any promises or guarantees about the Products beyond those supplied by Meggitt, or otherwise incur any liability on behalf of Meggitt.
- 2.7 This Agreement is subject to applicable laws as well as Distributor's Ethics and Code of Conduct Policy, as set out in **Schedule 6**. Distributor agrees to be bound by these policies in the performance of this Agreement and comply with their terms.
- The Distributor shall distribute, sell or otherwise deal with any Products or documentation subject to this Agreement in accordance with Clause 2.7 and Clause 3 of this Agreement and in full compliance with export laws and regulations including but not limited to the requirement to register with any relevant government agency if necessary and to obtain appropriate licences or authorisations prior to the distribution, manufacture, sale or other related activity involving the Products and related documentation subject to this Agreement.

3. DISTRIBUTOR'S UNDERTAKINGS

3.1 The Distributor undertakes and agrees with Meggitt that at all times during the Term it will:

- (a) use all reasonable endeavours to promote the distribution and sale of the Products in the Territory;**
- (b) employ a sufficient number of suitably qualified personnel to ensure the proper fulfilment of the Distributor's obligations under this Agreement;**
- (c) submit written reports at regular intervals to Meggitt, showing details of sales (broken down to define spares or MRO sales as well as, to the extent possible, detailing the country in which the End User or customer is located), service stock, forecasts and orders placed by the Distributor with Meggitt that are still outstanding, and any other information relating to the performance of its obligations under this Agreement that Meggitt may reasonably require from time to time;**
- (d) maintain, on its own account, an inventory of the Products at levels which are appropriate and adequate for the Distributor to meet all reasonable customer delivery requirements for the Products throughout the Territory; inventory levels shall be subject to review at Meggitt's request;**

Upon request from Meggitt, the Distributor shall supply Meggitt's Products from inventory for sale on Meggitt's behalf in accordance with Meggitt's shipping instructions. Meggitt shall grant the Distributor a commission in the amount of twenty percent (20%) of the Distributor's purchase price for such Product and reimburse the Distributor the purchase price and shipping costs;
- (e) keep full and proper books of account and records clearly showing all enquiries, quotations, transactions and proceedings relating to the Products;**
- (f) allow Meggitt, on reasonable notice, access to its stock, traceability and quality records relating to the Products for inspection;**
- (g) keep all stocks of the Products which it holds in conditions appropriate for their storage, and provide appropriate security for the Products, all at its own cost;**
- (h) insure at its own cost with a reputable insurance company the Distributor's business including all stocks of the Products as are held by it against all risks which would normally be insured against by a prudent businessman and produce to Meggitt on demand full particulars of that insurance and the receipt for the then current premium;**
- (i) provide an after-sale repair and maintenance service in respect of the Products in accordance with the terms of any service and maintenance manual provided by Meggitt during the Term or act as an intermediary between the End Users and Meggitt for repair and maintenance services (provided, that in accordance with this Agreement, Distributor shall perform all actions reasonably necessary for repair and maintenance services to be extended to End Users without interaction or direct payment between Meggitt and the End Users); and**
- (j) upon Distributors customers' request, provide all items listed in (i) above for six (6) months after the termination of this Agreement, however terminated; and**

- (k) inform Meggitt immediately of any changes in ownership or Control of the Distributor, and of any change in its organisation or method of doing business that might affect the performance of the Distributor's duties in this Agreement; and
- (l) Distributor shall as a condition of this Agreement participate on a continuing basis in third party due diligence programs, including through application, reviews and certifications as designated by Meggitt, including but not limited to membership in TRACE International or such other third party as designated by Meggitt; and
- (m) A Distributor wishing to include a branch facility as a shipping point shall submit to Meggitt for approval a photograph of the branch facility along with a written request detailing the address, phone number, personnel names, and inventory status at the facility. A branch location shall be considered as a shipping point at Meggitt's sole discretion. Every branch facility must have a branch manager and at least one outside salesperson and carry an on-site inventory of Products appropriate to the aircraft in that branch's territory.

3.2 The Distributor represents, warrants, covenants and agrees that:

- (a) None of the provisions of this Agreement contravenes or is in conflict with any statute, judgment, decree, order or regulation of any governmental authority or with any contract or agreement with, or any obligation owed to, any other person, association, firm, corporation, government or other entity to which the Distributor is subject, including without limiting the generality of the foregoing, employment agreements, consulting agreements, disclosure agreements or agreements for the assignment of inventions.
- (b) The Distributor, in the performance of its obligations hereunder, shall comply with all applicable statutes and regulations and shall avoid and refrain from all activities which could be interpreted as creating a conflict of interest or the appearance of a conflict between itself and Meggitt, including but not limited to:
 - (i) offering, giving, or promising to offer or give, directly or indirectly, any money, gratuity, or other thing of value to any procurement officer; or
 - (ii) soliciting or obtaining, directly or indirectly, from any officer or employee of the procuring entity prior to award of a contract, any proprietary or source selection information regarding such procurement or disclosing such information, directly or indirectly, to a person other than a person authorised to receive such information.
- (c) No entertainment, gift, gratuity, money or anything of value shall be paid, offered, given or promised by the Distributor in the performance of this Agreement, or be obtained or solicited by the Distributor from, directly or indirectly, any person, association, firm, corporation, government or other entity that is prohibited by applicable statute or regulation, by the policies of that association, firm, corporation, government or other entity, or by Distributor's Anti-Corruption Policy and Ethics and Code of Conduct Policy.
- (d) The Distributor shall not, directly or indirectly, wrongly solicit, obtain, use or wrongly disclose to Meggitt, any information of another person,

- association, firm, corporation, government, or other entity, including information which is a trade secret, confidential, proprietary, government security classified, or government procurement sensitive.
- (e) Neither the Distributor nor, where applicable, any others used by the Distributor in the performance of Services hereunder, has been convicted of a crime or has been debarred or suspended from doing business with a government or declared ineligible by a government to perform Service for or on behalf of Distributor, or is presently the subject of any such action or investigation.
 - (f) The Distributor shall promptly notify Meggitt in writing of any action, change or development which would make any representation, warranty, covenant or agreement in, or furnished under or as part of, this Agreement, untrue, inaccurate or incomplete in any respect.
 - (g) Except as otherwise stated in this Agreement, in all activities and transactions under this Agreement, the Distributor shall clearly disclose that the Distributor is acting as principal and will so describe itself in any and in all documents used and issued in connection with this Agreement and shall not accept any order, negotiate terms, make contracts or incur any other liability whatsoever on behalf of Meggitt.
 - (h) Private Corporation Distributors – Public officials, candidates for any public office or government entity, and officials or candidates of any political party may not be shareholders of or officers/directors of Meggitt distributors, nor may they be engaged directly or indirectly by distributors in connection with Meggitt business.
 - (i) Public Corporation Distributors – Public officials, as defined by applicable US and UK anticorruption laws, candidates for any public office or government entity, and officials or candidates of any political party may not be majority shareholders of or officers/directors of Meggitt distributors, nor may they be engaged directly or indirectly by distributors in connection with Meggitt business.
 - (j) The distributor shall defend and indemnify Meggitt for any and all liabilities, fines, claims, investigations and actions or enforcement arising or related to alleged and actual violations of US and UK anti-corruption laws by Distributor, its directors, officers and employees.

4. SUPPLY OF PRODUCTS

- 4.1 Meggitt's normal lead time for Products shall be as noted in **Schedule 1** (AP-16). This lead time should be incorporated into the Distributor's purchasing cycle. Lead times for made-to-order items (items not found in **Schedule 1**) shall be full manufacturing lead times (quoted upon request). Made-to-order items shall have the same requested delivery date as quoted by Meggitt.
- 4.2 Meggitt undertakes to use reasonable endeavours to meet all orders for the Products forwarded to it by the Distributor in accordance with Meggitt's terms of delivery to the extent the orders do not exceed the lead time as established for the Product given under Clause 4.1. The Distributor shall buy the Products for its own account for resale to its customers. The purchase order shall contain a valid purchase order number and shall be signed by a duly authorised representative of the Distributor. All Products shall be shipped to the Distributor in accordance with Meggitt's then current AP-16 price list as

well as the terms and conditions of sale attached in **Schedule 5** of this Agreement.

- 4.3 Title to and risk of loss in the Products shall pass to the Distributor pursuant to Ex-Works Meggitt's facility.
- 4.4 In each Year the Distributor shall place orders with Meggitt for the Minimum Quantity for that Year as set out in **Schedule 3**.
- 4.5 On giving thirty (30) days' written notice to the Distributor to amend the list of Products (**Schedule 1**), Meggitt may exclude one or more of the Products from this Agreement in its sole discretion. Meggitt may make changes to the specifications of the Products, provided the changes do not adversely affect the quality of the Products. Meggitt shall give notice of any changes to Product specifications to the Distributor as soon as reasonably practicable.
- 4.6 Meggitt shall endeavor in good faith to allocate deliveries fairly among its customers, but expressly reserves the right to make the final determination of deliveries to be made at its sole discretion, without any liability to the Distributor.

5. MEGGITT'S UNDERTAKINGS

Meggitt undertakes and agrees with Distributor that at all times during the Term it will:

- (a) supply the Products to the Distributor for resale in the Territory. Meggitt retains the right to supply the Products directly to customers in the Territory and may focus on specific customers
- (b) provide any information and support that may reasonably be requested by the Distributor to enable it to discharge its duties under this Agreement properly and efficiently;
- (c) approve or reject any promotional information or material submitted by the Distributor within a reasonable time; and
- (d) supply any spare parts requested by the Distributor that are required to enable it to fulfil its repair and service obligations under this Agreement, subject to availability.

6. PRICES AND PAYMENT

- 6.1 The prices to be paid by the Distributor to Meggitt for the Products are based on Meggitt's list prices as provided to the Distributor by Meggitt from time to time. The prices applicable from the Commencement Date are set out in **Schedule 4**.
- 6.2 Meggitt shall give the Distributor 30 days' notice of any increase in the prices for the Products.
- 6.3 Any and all expenses, costs and charges incurred by the Distributor in the performance of its obligations under this Agreement shall be paid by the Distributor, unless Meggitt has expressly agreed in advance in writing to pay such expenses, costs and charges.

- 6.4 The Distributor shall pay the full amount of any undisputed invoice in the currency specified on the invoice within 30 days of the date of invoice.
- 6.5 The Distributor may not withhold payment of any amount due to Meggitt because of any set-off, counter-claim, abatement, or other similar deduction. Should the Distributor fail to make payment when due or should Meggitt determine there is reasonable basis to question the Distributor's financial security, Meggitt may: (a) demand immediate payment or assurance of the Distributor's financial condition and (b) either suspend further shipments until demand has been met or decline to make further deliveries except after payment has been received.
- 6.6 Interest shall be chargeable on any undisputed overdue amounts at the rate of four percent (4%) per annum above the LIBOR (or such other similar interest rate as may be promulgated from time to time to replace the LIBOR) in effect at the time the payment becomes overdue. The interest period shall run from the due date for payment until receipt of the full amount by Meggitt whether before or after judgment and without prejudice to any other right or remedy of Meggitt. If disputed amounts are not substantiated, interest will be calculated based on an undisputed invoice per section 6.4.

7. SALES TAX AND OTHER TAXES

- 7.1 All sums payable under this Agreement, or otherwise payable by any party to any other party under this Agreement, are exclusive of any sales tax chargeable on the supplies for which such sums (or any part of them) are the whole or part of the consideration for sales tax purposes.
- 7.2 Distributor shall be liable for all sales taxes incurred in connection with the promotion and sale of the Products within the Territory and hereby agrees to promptly reimburse Meggitt the full amount of all such sales taxes incurred by Meggitt upon Distributor's receipt of a valid sales tax invoice from Meggitt (in addition to, and at the same time as, any other consideration due to Meggitt for the Products).
- 7.3 Where any party is required by this Agreement to reimburse any other party for any cost or expense, that first party shall reimburse the other party for the full amount of the cost or expense, including any sales tax on that amount, except to the extent that the other party is entitled to credit or repayment for that sales tax from any relevant tax authority.
- 7.4 All taxes, charges, levies, assessments and other appropriate fees imposed on the purchase or import of the Products shall be the responsibility of, and for the account of, the Distributor.

8. ADVERTISING AND PROMOTION

- 8.1 The Distributor shall:
- (a) be responsible for advertising and promoting the Products in the Territory including by advertisements in the local trade media, direct

mail campaigns and whatever other means the Distributor deems appropriate at its expense (but the Distributor shall not use any advertising materials or promotional literature without Meggitt's prior written consent and the Distributor shall supply one copy to Meggitt for its approval);

- (b) submit an annual advertising and promotion programme to Meggitt for its approval;
- (c) display advertising materials and other signs provided by Meggitt;
- (d) observe all directions and instructions given to it by Meggitt for promotion and advertisement of the Products; and
- (e) use Meggitt's name only as authorised or directed by Meggitt; and
- (f) not make any written statement as to the quality or manufacture of the Products without the prior written approval of Meggitt.

8.2 Meggitt shall provide the Distributor with information on the advertising and promotion carried out by Meggitt. Meggitt shall supply any available promotional and advertising material that the Distributor reasonably requests at the cost of the Distributor. If Meggitt chooses to supply any documents and literature free of charge then these remain the property of Meggitt until distributed to customers.

8.3 Meggitt shall, where the parties agree, participate with the Distributor in fairs and exhibitions in the Territory.

8.4 The Distributor shall not use Meggitt's name or Trade Marks in any manner that implies that it is a Meggitt company or that it otherwise acts in Meggitt's name.

9. COMPLIANCE WITH LAWS AND REGULATIONS

9.1 The Distributor shall comply with all applicable laws and regulations affecting the materials content, sale, packaging and labelling of Products which are in force within the Territory or any part of it (**Local Regulations**) at the date of this Agreement.

9.2 Meggitt, in turn, warrants to the Distributor that the Products comply with the Local Regulations in force during the Term; provided, Distributor has notified Meggitt pursuant to this clause. Should there be changes in Local Regulations, upon notification by the Distributor of said changes, Meggitt shall make reasonable efforts to ensure that the Products comply with said changes as soon as is reasonably possible afterwards.

10. CONDITIONS OF SALE

The Conditions of Sale that apply to this Agreement are set out in **Schedule 5**.

11. TRADE MARKS

11.1 Meggitt hereby grants to the Distributor the non-exclusive right, in the Territory, to use the Trade Marks in the manner approved by Meggitt in the

promotion, advertisement and sale of the Products, subject to, and for the duration of, this Agreement.

- 11.2 The Products shall be sold under the Trade Marks. The Distributor shall only use Meggitt's Trade Marks on the Products and they should not be removed without Meggitt's prior written consent.
- 11.3 The Distributor shall not, without the prior written consent of Meggitt, alter or make any addition to the labelling or packaging of the Products displaying the Trade Marks. The Distributor shall not alter, deface or remove any reference to the Trade Marks, any reference to Meggitt or any other name displayed on the Products or their packaging or labelling.
- 11.4 The Distributor shall not sub-license, transfer or otherwise deal with the rights of use of the Trade Marks granted under this Agreement.
- 11.5 The Distributor shall promptly give notice in writing to Meggitt if it becomes aware of:
 - (a) any infringement or suspected infringement of the Trade Marks or any other intellectual property rights relating to the Products within the Territory; or
 - (b) any claim that any Product or the manufacture, use, sale or other disposal of any Product within the Territory, whether or not under the Trade Marks, infringes the rights of any third party,and Meggitt shall in its reasonable discretion, decide what action to take in respect of the matter (if any).

12. PRODUCT LIABILITY

- 12.1 The Distributor undertakes to maintain appropriate, up-to-date and accurate records to enable the immediate recall of any Products or batches of Products from its customers, and to the extent possible, End Users. These records shall include records of deliveries (including batch numbers, delivery date, name and address of customer, telephone number, fax number and e-mail address).
- 12.2 The Distributor shall, at Meggitt's cost, give any assistance that Meggitt shall reasonably require to recall Products from its customers and from the End Users, as a matter of urgency.

13. WARRANTY

- 13.1 Meggitt warrants that the Products furnished hereunder shall be free from defects in material and workmanship. Meggitt's liability for failure of any Product to comply with the foregoing shall be limited to replacing or repairing the component found to be defective within 180 days after delivery. Such Product will be repaired or replaced without charge, at Meggitt's option, and rewarranted for the remainder of the original warranty period.
- 13.2 Failure to maintain and operate the products in accordance with Meggitt's instructions or unauthorized modification of products shall render the above

warranty null and void. The use of parts not manufactured by or authorized by Meggitt in Meggitt's Products shall also render the above warranty null and void. No representative has authority to make any representation, promise or agreement except as stated herein.

- 13.3 OTHER THAN AS SET OUT IN CLAUSE 13.1, THERE ARE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
- 13.4 Meggitt shall pay transportation costs of a valid warranty claim when returned per MABS Return Material Authorization (RMA) process. Meggitt is not liable for the removal of Products from, or installation of the Product into, any other property to which it may be attached or incorporated.

14. DURATION AND TERMINATION

- 14.1 This Agreement begins on the Commencement Date and, subject to Clauses 14.2 and 17.3, continues for a period of three years unless terminated sooner by either party giving at least 90 days' prior written notice. Termination may be set at any time or pursuant to the terms of this Clause 14.
- 14.2 Without affecting any other rights that it may be entitled to, either party, if applicable, may give notice in writing to the other party terminating this Agreement immediately if:
- (a) the other party commits a material breach of any term of this Agreement and (if such breach is remediable) fails to remedy that breach within a period of 14 days of being notified in writing to do so; or
 - (b) the other party commits a material breach of any term of this Agreement and such breach is not remediable; or
 - (c) the other party suspends, or threatens to suspend, payment of its debts; or
 - (d) the other party makes any arrangements with its creditors, enters into administration or goes into liquidation; or
 - (e) the other party suspends or ceases or threatens to suspend or cease to carry on all or a substantial part of its business; or
 - (f) a receiver or manager is appointed over the assets of the other party; or
 - (g) a distress, execution, sequestration or other such process is levied or enforced on or sued against the Distributor; or
 - (h) any event occurs, or proceeding is taken, in any jurisdiction to which it is subject that has an effect equivalent or similar to any of the events mentioned in this Clause 14; or
 - (i) the other Party fails to comply with any US, UK or other export law or trade compliance regulation as it relates to any of Meggitt's Products and Documentation; or
 - (j) there is a change in ownership, corporate structure, control or participants in the Distributor's organisation and US, UK, or other export laws or trade compliance regulations require such action; or
 - (k) required by laws or regulations, including but not limited to, applicable export laws or trade compliance regulations; or
 - (l) Distributor violates Local Regulation regarding the use of intermediaries, within the Territory.

14.3 Each party shall notify the other party immediately if any of the events mentioned in Clause 14.2 above appear to be reasonably likely to occur and shall on request provide the other party with such further assurances as it shall require in respect of its business and the distribution of Products.

14.4 Meggitt may terminate this Agreement upon 30 days' advance written notice if the Distributor fails in any Year to purchase the Minimum Quantity for that Year.

15. EFFECTS OF TERMINATION

15.1 Termination of this Agreement for any reason shall not affect any rights or liabilities accrued as of the date of termination.

15.2 On termination, and in accordance with applicable export laws and regulations:

(a) Meggitt shall have the option to buy from the Distributor any stocks of the Products at the same price the Distributor paid for them providing they are in the same condition as when they were delivered. To exercise the option, Meggitt must give notice to the Distributor within 30 days of termination, stating the quantities of Products it wishes to buy. The Distributor shall deliver such Products to Meggitt within 30 days of receiving Meggitt's notice, and Meggitt shall pay for the Products in full within 30 days of their delivery. The Distributor shall be responsible for the costs of packaging, insurance and carriage of the Products;

(b) [Reserved]

(c) the Distributor shall promptly return to Meggitt, or dispose of as Meggitt directs, any samples, technical pamphlets, catalogues, advertising materials, specifications and other materials, documents or papers sent to the Distributor by Meggitt that relate to Meggitt's business (other than correspondence between the parties) that the Distributor may have in its possession or under its control; and

If the former Distributor fails to remove these signs and advertising materials, Meggitt shall have the right to do so at reasonable times, and at the Distributor's cost, taking reasonable care to avoid damage to the premises. All signs or other property which belong to Meggitt shall be returned. The disposition of signs or other identification furnished under a separate agreement with Meggitt shall be governed by that separate agreement; and

(d) Meggitt will not be liable to pay any compensation indemnity or other payment for termination to the Distributor as a result of the valid termination of this Agreement, or for loss of profits or goodwill, except as required by applicable law and as set forth in this Agreement.

15.3 Subject to Clause 15.2, all other rights and licences of the Distributor under this Agreement shall terminate on the termination date, except that Distributor shall be entitled to sell, dispose, convey, etc. its existing inventory of Products (including Products on order but not yet delivered to Distributor, if any and in accordance with Clause 15.4) within one (1) year from such termination date.

- 15.4 Meggitt may cancel any orders placed by the Distributor before the termination date, whether or not Meggitt has accepted them, without incurring any liability to the Distributor. Notwithstanding the above, if an order has been accepted by Meggitt and there has been no breach of this Agreement and Distributor did not voluntarily terminate the Agreement, the order will be honored.
- 15.5 The Distributor warrants that the terms of this Agreement permit Meggitt the unilateral right to terminate this Agreement without third party or foreign Governmental approvals.

16. CONFIDENTIALITY

- 16.1 It is expected that the parties will disclose to each other certain proprietary information that is not generally known ("Confidential Information") and each party recognises the value and importance of the protection of the other's Confidential Information. All Confidential Information of one party (the "Discloser") that is disclosed to the other party (the "Recipient") shall remain the sole property of Discloser (or its licensors), which shall own all rights, title, and interest in and to Discloser's Confidential Information. Recipient acknowledges that (without limiting the generality of the foregoing) the existence of this Agreement, the trade secrets (if any) and know how in or related to each Product that is the subject of this Agreement, and all business, financial, customer, marketing or technical information disclosed by Discloser in connection with this Agreement, constitute Confidential Information and must be treated as such.
- 16.2 Each party may disclose the other party's Confidential Information:
- (a) to those of its employees, officers, representatives or advisers who need to know such information for the purpose of carrying out the party's obligations under this Agreement. Each party shall ensure that its employees, officers, representatives or advisers to whom it discloses the other party's Confidential Information comply with this Clause 16; and
 - (b) as may be required by law, court order or any governmental or regulatory authority after having taken appropriate legal advice that Confidential Information must be disclosed and subject to such restrictions as are permissible to restrict the disclosure.
- 16.3 No party shall use any other party's Confidential Information for any purpose other than to perform its obligations under this Agreement.

Each party (Recipient) agrees that, at all times and notwithstanding expiration or termination for any reason of this Agreement, it will hold in strict confidence and not disclose to any third party Discloser's Confidential Information.

Confidential Information shall not be deemed proprietary or confidential, and neither Party shall have any obligation with respect to Confidential Information or other such information contained therein, if it: (a) is already known to the Recipient at the time of receipt from the Discloser as evidenced by written documentation when not previously presented by Discloser; or (b) is or becomes publically known through no wrongful act of the Recipient; or (c) is

independently developed by the Recipient as evidenced by written documentation; or (d) is approved for release by written authorization of the Discloser; or (e) is disclosed to the Recipient from a third party without similar restriction and without breach of this Agreement.

17. FORCE MAJEURE

17.1 A party, provided that it has complied with the provisions of Clause 17.2, shall not be in breach of this Agreement, nor liable for any failure or delay in performance of its obligations under this Agreement arising from or attributable to acts, events, omissions or accidents beyond its reasonable control (**Force Majeure Event**), including any of the following:

- (a) Acts of God, including fire, flood, earthquake, windstorm or other natural disaster;
- (b) war, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, breaking off of diplomatic relations or similar actions;
- (c) terrorist attack, civil war, civil commotion or riots;
- (d) nuclear, chemical or biological contamination or sonic boom;
- (e) compliance with any law (including a failure to grant any licence or consent needed or any change in the law or interpretation of the law);
- (f) fire, explosion or accidental damage;
- (g) loss at sea;
- (h) extreme adverse weather conditions;
- (i) collapse of building structures, failure of plant machinery, machinery, computers or vehicles;
- (j) any labour dispute, including strikes, industrial action or lockouts;
- (k) non-performance by Meggitt's subcontractors; and
- (l) interruption or failure of utility service, including but not limited to electric power, gas or water.

17.2 A party that is subject to a Force Majeure Event shall not be in breach of this Agreement provided that it promptly notifies the other party in writing of the nature and extent of the Force Majeure Event causing its failure or delay in performance.

17.3 If the Force Majeure Event continues for a continuous period of more than six (6) months, either party may terminate this Agreement by giving fourteen (14) days' written notice to the other party. On the expiry of this notice period, this Agreement will terminate. Such termination shall be without prejudice to the rights of the parties in respect of any breach of this Agreement occurring prior to such termination.

18. NATIONAL DEFENCE INFORMATION – EXPORT/IMPORT

18.1 Distributor shall comply with all applicable trade compliance laws and regulations, including export control and import laws, of its own jurisdiction, of countries in the Territory, and of the United States, the United Kingdom and the European Union, including the requirement for obtaining an export license or other appropriate authorization, if applicable. Without limiting the foregoing,

Distributor agrees that it will not transfer an export controlled item or technology in violation of applicable law.

18.2 Meggitt trade compliance staff may be available to assist Distributor.

18.3 Meggitt shall provide to Distributor: (a) Export Control Commodity Classification Number (ECCN) for all items controlled for export by the U.S. Department of Commerce, Bureau of Industry and Security, Export Administration Regulations (15 CFR Part 700 *et seq*); (b) Harmonized Tariff Schedule Code (HTS) and Schedule B number (see 19 CFR and 15 CFR Part 30 *et seq.* respectively) upon request. Meggitt will provide Distributor with a commercial invoice, prior to shipping any Products to Distributor, which contains such information as is required by Distributor including (a) name and address of Distributor and Meggitt, (c) Distributor's purchase order number, (d) date of invoice, (e) item numbers, (f) complete and clear description of Products sold, (g) unit of measure, (h) quantities, (i) unit prices and final price, (j) currency, (k) shipping dates, (l) EXW Incoterm, (m) country of origin, and (n) if applicable, time and material charges and subcontract charges.

19. ENTIRE AGREEMENT

19.1 This Agreement constitutes the whole agreement between the parties and supersedes all previous agreements between the parties relating to its subject matter.

19.2 Each party acknowledges that, in entering into this Agreement, it has not relied on, and shall have no right or remedy in respect of, any statement, representation, assurance or warranty (whether made negligently or innocently) other than as expressly set out in this Agreement.

19.3 Nothing in this Clause shall limit or exclude any liability for fraud.

20. AMENDMENT AND REVISIONS

No amendment or revision of this Agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

21. ASSIGNMENT AND OTHER DEALINGS PROHIBITED

21.1 This Agreement is personal to the parties and no party shall, without the prior written consent of the other party, assign, transfer, mortgage, charge or deal in any other manner with this Agreement or any of its rights and obligations under or arising out of this Agreement (or any document referred to in it), or purport to do any of the same; provided, however, that Meggitt may assign this Agreement in its sole discretion to an Affiliate of Meggitt or to a third-party purchaser of all or substantially all of the equity interests or assets of Meggitt. The Distributor shall not sub-contract or delegate in any manner any or all of its obligations under this Agreement to any third party or agent except with Meggitt's prior written consent.

- 21.2 Each party that has rights under this Agreement is acting on its own behalf and not for the benefit of another person.

22. FREEDOM TO CONTRACT

The parties declare that they each have the right, power and authority and have taken all action necessary to execute and deliver and to exercise their rights and perform their obligations under this Agreement.

23. WAIVER

No failure or delay by a party to exercise any right or remedy provided under this Agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall preclude or restrict the further exercise of that or any other right or remedy.

24. SEVERANCE

- 24.1 If any provision of this Agreement (or part of any provision) is found by any court or other authority of competent jurisdiction to be invalid, illegal or unenforceable, that provision or part-provision shall, to the extent required, be deemed not to form part of this Agreement, and the validity and enforceability of the other provisions of this Agreement shall not be affected.
- 24.2 If a provision of this Agreement (or part of any provision) is found illegal, invalid or unenforceable, the provision shall apply with the minimum modification necessary to make it legal, valid and enforceable.

25. NOTICES

- 25.1 Any notice or other communication required to be given under this Agreement, shall be in writing and shall be delivered personally, or sent by pre-paid first class post or recorded delivery or by commercial courier, to each party required to receive the notice or communication at its address as set out below:
- (a) Meggitt: Rick Hurst; 1204 Massillon Road, Akron, Ohio 44306; Phone: (330) 796-2804; Fax: (330) 796-9805
 - (b) Distributor: General Counsel, 1100 North Wood Dale Road, Wood Dale, Illinois 60191; Phone: (630) 227-2000
- or as otherwise specified by the relevant party by notice in writing to each other party.
- 25.2 Any notice or other communication shall be deemed to have been duly received:
- (a) if delivered personally, when left at the address and for the contact referred to in this Clause; or
 - (b) if sent by pre-paid mail with return receipt requested, on the fifth Business Day after posting; or
 - (c) if delivered by commercial courier, on the date and at the time that the courier's delivery receipt is signed.

25.3 A notice or other communication required to be given under this Agreement shall not be validly given if sent by e-mail, unless the recipient of the e-mail has confirmed receipt.

25.4 The provisions of this Clause 25 shall not apply to the service of any proceedings or other documents in any legal action.

26. THIRD PARTY RIGHTS

26.1 A person who is not a party to this Agreement shall not have any rights under or in connection with it and shall not be entitled to rely on or to enforce or to claim any remedy pursuant to any provision of this Agreement.

26.2 The rights of the parties to terminate, rescind or agree any amendment, waiver or settlement under this Agreement is not subject to the consent of any person that is not a party to this Agreement.

27. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between any of the parties, constitute any party the agent of another party, nor authorise any party to make or enter into any commitments for or on behalf of any other party.

28. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute an original of this Agreement, but all the counterparts shall together constitute the same agreement. No counterpart shall be effective until each party has executed at least one counterpart.

29. DISPUTE RESOLUTION PROCESS

29.1 Any controversy or claim arising out of this Agreement, or alleged breach thereof, shall be dealt with as follows:

- (a) Either party may raise a disputed issue for resolution by written notice in accordance with Clause 25. The parties will, in good faith, attempt to resolve the dispute on mutually agreed terms.
- (b) If no resolution to the dispute has been obtained within 30 days of the written notice, the parties shall enter into mediation, conducted in New York City, New York State under the Mediation Rules of the American Arbitration Association ("AAA"). The party requesting the mediation shall pay the fees involved and each party shall pay its own expenses to appear at the proceedings.
- (c) If settlement through mediation is not reached within 30 days after service of a written demand for mediation, any unresolved controversy or claim arising out of or relating to this Agreement shall be settled by arbitration administered by the AAA in accordance with its Arbitration Rules. The number of arbitrators shall be one, unless the relevant

claim is in excess of One Million Dollars (\$1,000,000) in which case the number of arbitrators shall be three. The place of arbitration shall be New York City, New York State. The prevailing party may recover its costs and expenses from the other party.

- 29.3 Notwithstanding the foregoing Clauses, the Parties may take proceedings or seek remedies before the courts or any competent authority in New York State.

30. GOVERNING LAW AND JURISDICTION

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of New York, without regard for its conflicts of law principles.

31. THIRD PARTY INDEMNITY

- 31.1 Distributor will indemnify Meggitt, its directors, officers and employees ("Meggitt Indemnitees") in respect of, and hold Meggitt Indemnitees harmless against, all liabilities, claims, expenses, losses and damages, however caused, arising from any third party claim for death, bodily injury (excluding Meggitt's employees) or property damage to the extent caused by Distributor's negligence or willful misconduct, omissions or to the extent caused by Distributor's use of non-Meggitt components in Meggitt subassemblies and/or assemblies, or procedures inconsistent with Meggitt applicable Component Maintenance Manuals, in connection with its performance under this Agreement. If requested by Meggitt, Distributor, at its expense, will defend all suits and proceedings that may be instituted against Meggitt with respect to any matter as to which Distributor is required to indemnify Meggitt under this Agreement.
- 31.2 Meggitt will indemnify Distributor, its directors, officers and employees ("Distributor Indemnitees") in respect of, and hold the Distributor Indemnitees harmless against, all liabilities, claims, expenses, losses and damages, however caused, arising from any third party claim for death, bodily injury (excluding Distributor's employees) or property damage to the extent caused by Meggitt's negligence or willful misconduct in connection with its performance under this Agreement, except to the extent caused by Distributor's negligence or willful misconduct. If requested by Distributor, Meggitt, at its expense, will defend all suits and proceedings that may be instituted against Distributor with respect to any matter as to which Meggitt is required to indemnify Distributor under this Agreement.
- 31.3 Meggitt will indemnify, defend, and hold harmless the Distributor Indemnitees from and against any and all losses, expenses, damages, claims, suits, demands, and causes of action (including without limitation reasonable fees and expenses of attorneys, court costs, and other litigation and dispute resolution costs) arising from or relating to any actual or claimed infringement of any third party patent, trademark, copyright, or other intellectual property or proprietary rights registered or existing under US or UK laws (the "Intellectual

Property Rights") by reason of the Products. In the event that any claim is made against Distributor that the Products created or supplied by Meggitt infringe any third party Intellectual Property Rights, Meggitt shall, at its own expense and option, settle or defend the claim and pay all damages and costs finally awarded to Distributor. Meggitt will only be liable for such claim on the conditions Distributor promptly notifies Meggitt in writing of such claims, Meggitt has full control of the defense of the claim and that at Meggitt's expense Distributor provides all assistance and information reasonably required to allow Meggitt to handle the claim.

- 31.4 Meggitt shall have no obligation to indemnify Distributor or to hold harmless or defend claims arising out of the infringement of any Intellectual Property Rights related to the use of the Products supplied under this Agreement which were (A) manufactured or created based upon Distributor's specifications, (B) used by Distributor in combination or in conjunction with other products or materials not delivered by Meggitt where such infringement would not have arisen from the Product itself, (C) modified by Distributor or by a third party at Distributor's request without Meggitt's written consent, or (D) used or sold after Meggitt has informed Distributor in writing of modifications or changes required to avoid such claim if the alleged infringement would have been avoided by implementation of Meggitt's recommended modifications or changes.
- 31.5 In addition, if Distributor notifies Meggitt of any infringement or claimed infringement of any Intellectual Property Rights by reason of the Products created or supplied by Meggitt; Meggitt, at its option and expense may: (a) procure for Distributor ownership of, or the right to continue using, selling and distributing the Products, (b) modify the Products so that they are no longer infringing or misappropriating, or (c) replace the Products with other items of the same technical specifications and the same or better functionality and performance, which are non-infringing and which shall, upon acceptance by Distributor, be considered Products.

32. LIMITATION OF LIABILITY

- 32.1 Nothing in the Agreement shall exclude or limit the Parties' liability for death or personal injury caused by that Party's negligence or for fraudulent misrepresentation or for any liability that cannot legally be excluded or limited.
- 32.2 EXCEPT FOR THIRD PARTY INDEMNITY CLAIMS PURSUANT TO SECTION 31, THE PARTIES SHALL NOT BE LIABLE FOR ANY ECONOMIC LOSS OF WHATEVER NATURE (WHETHER OR NOT SUCH LOSS OR DAMAGE WAS FORESEEN, DIRECT, FORESEEABLE, KNOWN OR OTHERWISE), INCLUDING LOSS OF ANTICIPATED PROFITS, LOSS OF ACTUAL PROFITS (DIRECT OR INDIRECT), LOSS OF ANTICIPATED SAVINGS, LOSS OF BUSINESS, OR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL LOSS OR DAMAGE HOWSOEVER CAUSED.
- 32.3 SUBJECT TO THE SECTION ABOVE, THE TOTAL AGGREGATE LIABILITY OF MEGGITT AS SELLER ARISING OUT OF OR IN CONNECTION WITH THE PERFORMANCE OR CONTEMPLATED PERFORMANCE OF THE CONTRACT WHETHER FOR NEGLIGENCE OR BREACH OF CONTRACT OR ANY CAUSE

WHATSOEVER SHALL IN NO EVENT EXCEED THE PRICE PAID BY THE BUYER FOR THE PRODUCT OR SERVICES GIVING RISE TO THE BUYER'S CLAIM. NOTWITHSTANDING ANY OTHER TERMS AND CONDITIONS OF THE CONTRACT, THE SELLER SHALL HAVE NO LIABILITY FOR THE USE BY THE BUYER OF COMPONENT PARTS INCLUDING SOFTWARE IN THE PRODUCT WHICH ARE NOT MANUFACTURED BY OR AUTHORISED BY THE SELLER

33. SURVIVAL

The following Clauses shall survive the expiration or earlier termination of this Agreement: Clause 2.2, Clause 13 (Warranty), Clause 15 (Effects of Termination), Clause 16 (Confidentiality), Clause 29 (Dispute Resolution Process), Clause 30 (Governing Law and Jurisdiction), Clause 31 (Indemnity), Clause 32 (Limitation of Liability).

[SIGNATURE PAGE FOLLOWS]


IN WITNESS WHEREOF, Meggitt and Distributor have caused this Agreement to be duly executed by its lawful representative this 28th day of February, 2017.

Meggitt Aircraft Braking Systems Corporation

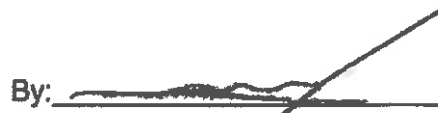
By: 
Name: James M. Valentic

Its: Senior Vice President, Sales & Marketing

AAR Supply Chain, Inc.

By: 
Name: Eric Young
Its: Vice president

AAR Landing Gear LLC

By: 
Name: DANY KLEIMAN
Its: VICE PRESIDENT

The Products – Schedule 1

Meggitt Aircraft Braking Systems Corporation AP-16 Contract Distributor's Price List

Territory – Schedule 2

Worldwide excluding Liberia and Nauru, subject at all times to all applicable laws and regulations.

Minimum Quantity – Schedule 3

Minimum Orders

The minimum order shall be \$1000.00. Orders received for less than the minimum shall be subject to a \$100.00 surcharge.

Distributors shall maintain a \$100,000.00 annual business base of orders.

Minimum order quantities for made-to-order items (items not found in AP-16) shall be quoted upon request.

Standard Pack

Standard pack quantities shall apply as published in **Schedule 1** (AP-16). Each line item which deviates from the standard pack multiple shall be subject to a \$100.00 deviation surcharge.

Prices – Schedule 4

AP-16 (reference **Schedule 1**), Contract Distributors Price List (AP-16), shall be published annually at minimum. Prices for regularly purchased MABS Products shall be included in AP-16. Quotations for MABS Products not listed in AP-16 shall be provided upon request.

Expedited Orders

Expedite charges for deliveries requested in less than normal or quoted lead time shall be 15%, or \$250.00, per line item whichever is greater.

Price Changes

Pricing is subject to change without notice; however, AP-16 price changes shall normally be provided 30 days prior to the effective date. Invoices shall reflect the price in effect at time of order, unless the order is received within 7 days prior to the subsequent price book effectivity and/or delivery is requested beyond the effective date of the subsequent price book. During the notification period prior to the effectivity of new prices, quantities ordered at existing prices shall be limited to 25% of the quantity ordered in the 12-month period prior to this announcement.

Conditions of Sale – Schedule 5

I. **Meggitt Aircraft Braking Systems Conditions of Sale**

Rescheduling

Schedule changes shall be accepted without penalty with 90 days advance notice. Schedule changes that require delivery beyond the end date of AP-16 (or beyond the calendar year for calendar year orders) shall be invoiced at the catalog price in effect at time of delivery.

Orders

The prices listed in **Schedule 1 (AP-16)** shall not constitute an offer and Meggitt shall reserve the right to reject any or all orders. Orders shall be placed via any of Meggitt's approved, automated process, fax or printed hard copy at the Distributor's discretion.

Order Cancellation

Distributor cancellation of an order shall be at the discretion of Meggitt. If Meggitt cannot dispose of the ordered material(s) by alternative means, a cancellation charge of 10% (minimum) up to 100% (maximum) shall apply. The Distributor shall submit a revised purchase order reflecting the cancellation charge before the cancellation can be accepted by Meggitt.

AOG Orders

In the event of a verifiable AOG, Meggitt may waive certain policies and procedures to best serve the grounded aircraft. Expedite charges shall apply per **Schedule 4**.

End Destinations

Purchase orders for all presold military items to be consumed outside of the USA shall show country of end destination and copy of valid license. Destination of presold military items shall be subject to verification before quotations are made and orders entered.

Shipment Terms

From Akron, Ohio US Supply Center
Ex works Akron, Ohio

From Coventry, England UK Supply Center
Ex works Coventry, England

Freight

The Distributor shall specify the carrier to be used; otherwise Meggitt shall select the most economical carrier. Shipments shall be freight collect, or freight prepaid and added to the invoice.

Exchange Brakes and Customer Property Overhauls

There is no limit to the number of exchange assemblies a Distributor may purchase. However, a Distributor shall not return more cores for credit than were purchased in any given applicable 12-month period; and such purchases and returns shall be like units.

To qualify for exchange, the wear on returned carbon stacks shall be the result of normal use, which excludes damage due to foreign objects, handling, rejected take-offs, accidents or abuse.

Returns Under Warranty

Consumers should return items for warranty consideration to Meggitt via a Distributor. Prior to returning material to Meggitt for any reason, contact Meggitt so a Return Material Authorization (RMA) number can be established. Items shall be sent, freight prepaid.

If it is determined that the component involved is unserviceable or not repairable and warranty consideration does not apply, it shall be the Distributor's responsibility to notify the customer that there shall be a charge imposed for the return of hardware for inspection, repair and/or overhaul.

Returns for Inspection, Repair, and/or Overhaul

Meggitt offers a full line of Federal Aviation Administration (FAA) and Joint Aviation Authorities (JAA) repair and overhaul services from Akron, Ohio USA and Coventry, England UK.

It shall be the Distributor's responsibility to notify the customer that test/evaluation charges shall be imposed.

Returned Inventories

Meggitt shall accept annual returns of excess inventory. Excess inventory is any current AP-16 inventory held by the Distributor for 24 months or longer which is in new and unused condition. Meggitt shall not accept return of former AP-16 items, made-to-order items or items that are subject to shelf life such as rubber O-rings and seals.

An annual return shall not exceed 1% of the Distributor's total purchases for the previous year. Meggitt must pre-approve in writing the proposed part numbers (to verify age) and values of returns.

All returns shall be subject to a restocking fee per Agreement.

Credit shall be issued within 60 days of return, at prices in effect at time the items were originally shipped.

Returned Goods

All returns shall be subject to Meggitt's approval in writing and a restocking fee of 15% or \$100.00 per part number per return transaction, whichever is greater shall apply.

Prior to returning material to Meggitt for any reason, a Meggitt representative shall issue a Return Material Authorization (RMA) number.

II. Meggitt Global Terms for Distributor's Purchase of Meggitt Products

Basis Of Order And Acknowledgement

The Purchase orders are subject to these terms and conditions to the exclusion of all other terms and conditions (including any terms and conditions the Buyer purports to apply in any purchase order).

A PO shall not be effective until the Seller has issued written acknowledgment and acceptance (notwithstanding any earlier confirmation of receipt). The Seller may in its sole discretion decline any purchase order placed by the Buyer.

Minimum order quantities and minimum PO values, where necessary, may apply at the Seller's discretion.

The Buyer shall ensure that the terms of its purchase order or request are complete and accurate.

If there is any conflict between the Seller's quotation and the Seller's acknowledgement of the PO then the latter shall take precedence.

Description And Specification Of The Goods And Services

The description, part numbers and/or specification of the Product and/or Services shall be set out in the Seller's quotation or the Seller's acknowledgement of the purchase order. All drawings, descriptions, weights, dimensions, etc. and advertising issued by the Seller (for example, in the Seller's catalogues or price lists) are issued to provide an approximate idea of the Product and/or Services described in them and do not form part of the PO unless expressly stated in the Contract or otherwise agreed to in writing by the Seller.

Delivery And Acceptance

Unless agreed otherwise by the Seller in writing or expressly stated in the applicable price list or quotation provided to the Buyer: (a) The Seller will arrange for the Carrier to transport the Product and/or Buyer Property (unless Section 4.1(b) applies) at the Buyer's risk and cost, and delivery will take place Ex-Works Supplier's facility Akron (Incoterms 2010) or EX-Works Supplier's facility Coventry (Incoterms 2010) when the Product and/or the Buyer Property is made available to the Carrier at the Seller's facility; (b) the Buyer will arrange for the Carrier to transport the Buyer's Property on which Services are to be performed. Unless a specific delivery date has been guaranteed by the Seller, all delivery dates for the supply of the Product and Services are estimates only and time is not of the essence. In this case the Seller will not be liable for any loss (including loss of profit), costs, damages, charges or expenses caused directly or indirectly by any delay in the delivery of the Product, Buyer Property and/or Services.

If for any reason the Buyer does not take delivery, or the Seller is unable to deliver the Product, Buyer Property and/or the Services on the estimated delivery dates because the Buyer has not provided appropriate instructions, documents, licenses, authorizations, etc., then such Product and/or Buyer Property will be deemed to have been delivered and risk shall pass to the Buyer. The Seller may at its option:

- (a) Store such Product and/or Buyer Property until actual delivery whereupon the Buyer will be liable for all related costs and expenses (including without limitation storage and insurance); and/or
- (b) Reallocate or take reasonable steps to sell such Product and/or Buyer Property at the best price readily obtainable (after providing not less than thirty (30) days prior written notice to the Buyer). The Seller may charge the Buyer for any shortfall below the price or account to the Buyer for any excess (after deducting all reasonable survey, repair, storage and selling expenses); and/or
- (c) Invoice the Buyer for all related costs and expenses incurred by the Seller.

The Buyer shall promptly notify the Carrier of any damage to, loss from or non-receipt of any Product and/or Buyer Property if transportation has been arranged by or on behalf of the Buyer within three days, excluding holidays, after delivery by the Carrier. The Seller shall not be liable for any such damage, loss or non-receipt.

The Buyer may arrange for testing and inspection of the Product before shipment at the Seller's facility. If the Buyer has conducted such inspection, the Seller shall not be liable for any claim made after shipment in respect to any defect in the Product which would have been apparent upon such inspection.

The Seller may, at its option, make partial shipments of Product and invoice the Buyer for each shipment individually in which case each delivery shall constitute a separate contract. Failure by the Seller to deliver any one or more of the shipments in accordance with these terms and conditions or any claim by the Buyer in respect of any one or more shipments shall not entitle the Buyer to terminate the whole Contract or refuse to accept subsequent shipments. The Buyer shall accept any early delivery.

The Buyer will be deemed to have accepted the Product as being in accordance with the Contract, the Seller shall have no liability for any defect and/or failure and the Buyer shall be bound to pay the price unless:

- (a) Within fifteen (15) days of the date of delivery of the Product, the Buyer notifies the Seller in writing of any defect apparent upon inspection of the Product to conform with the PO; or
- (b) The Buyer notifies the Seller in writing of any failure of the Product to conform to the PO within a reasonable time where the defect and/or failure would not be so apparent within fifteen (15) days of the date of delivery.

The Buyer shall be responsible for checking that all documentation supplied by the Seller to the Buyer is accurate and free from error. The Seller agrees to remedy any inaccuracies/errors in such documentation provided that the Buyer has notified the Seller of the inaccuracies/errors within thirty (30) days of receipt of the relevant document(s). Beyond such period, the Seller reserves the right to charge an administration fee for any amendments made.

Data Protection

In relation to any personal data provided or made available to the Buyer by the Seller, the Buyer must (a) process the personal data only in accordance with the Seller's lawful instructions; (b) take appropriate technical and organizational measures against unauthorized or unlawful processing and against accidental loss of

the personal data; (c) not disclose the personal data to any party who carries on business outside the European Economic Area (EEA) if the personal data originated in the EEA; and (d) cooperate fully with the Seller to enable the Seller to adequately discharge its responsibility as a data controller including assisting with data subject access requests.

AAR Code of Conduct and Anti-Corruption Policy – Schedule 6

PURPOSE: To establish directives and guidance for complying with the Company's commitment to conduct its business anywhere in the world free of any bribery and other corruption.

SCOPE: This policy, which includes the appendices listed below, applies to AAR CORP. and all subsidiaries, operating units, joint ventures or other affiliates controlled by the Company (collectively, "Company"), as well as to all directors, officers and employees of the Company (collectively, "Employees").

Definitions of Terms Shown in *Italics* APPENDIX A

Allowable Payments & Other Things of Value APPENDIX B

Due Diligence Requirements for Suppliers, Service Providers and

Third Party Representatives APPENDIX C

Accounting and Recordkeeping Requirements APPENDIX D

Illustrative Scenarios APPENDIX E

The appropriate provisions of this policy may, by written agreement, be made applicable to certain contractors, consultants, customs brokers, distributors, freight forwarders, professional advisors, sales representatives and suppliers, as well as joint venture and other business partners, who act as agents or representatives of the Company while performing services for, in conjunction with, or on behalf of, the Company (collectively, "Third Party Representatives").

POLICY: The Company does not tolerate any form of bribery or corruption in the conduct of Company business. While conducting Company business, all Employees and Third Party Representatives must fully comply with:

- All applicable anti-corruption laws, including but not limited to the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act ("UKBA") and other local anti-corruption laws (collectively, "Anti-Corruption Laws");
- All applicable Company policy and procedures, including but not limited to this Policy 1.05.001 and Policy 1.07.001 – AAR CORP. Standards of Business Ethics and Conduct; and
- The Company's Code of Business Ethics and Conduct.

In particular, Employees and Third Party Representatives are prohibited from authorizing and/or from directly or indirectly offering, giving, soliciting or receiving, either for themselves or on behalf of the Company, any form of bribe, kickback, other corrupt payment or anything of value, to or from any person or organization in order to obtain or retain business for the Company, direct business to another entity or person, and/or to secure any improper advantage for the Company.

Note: Because the FCPA expressly addresses and prohibits bribery of non-U.S. government officials, business with non-U.S. governments carries special risks and requires particular attention. However, the UKBA as well as other laws in the U.S. and in many countries where the Company operates or where its products are sold or sourced also prohibit the bribery of domestic public officials and bribery of commercial organizations and private individuals. Therefore, this policy prohibits all forms of bribery while conducting any Company business.

Penalties

Violations of this policy may result in disciplinary action up to and including termination of employment or engagement. In addition, violations of Anti-Corruption Laws may subject individuals and the Company to civil and criminal penalties. Individuals are subject to criminal liability under the FCPA regardless of whether the Company has been found guilty or is prosecuted for a violation of that law. The FCPA also prohibits the Company from reimbursing Employees and Third Party

Representatives for the amount of any fines imposed on them for violating the FCPA.
PROCEDURES:

The following procedures have been established to implement the policy stated above:

A. Key Compliance Risk Areas

Employees and Third Party Representatives must comply with requirements for prior written approvals, due diligence, accounting and recordkeeping as stated in the procedures cited below for each of the following key compliance risk areas:

1. **Allowable Payments and Other Things of Value.** In some very limited circumstances, Employees and Third Party Representatives may (i) make certain types of payments to, (ii) provide certain other items of value to, and/or (iii) accept certain other items of nominal value from, government officials and commercial business contacts without violating the Anti-Corruption Laws or this policy. Such payments or other items of value are listed below along with references to the respective detailed procedures that Employees and Third Party Representatives must comply with:

a. **Facilitating Payments.** While the FCPA does not prohibit payments to certain non-U.S. government officials to expedite or secure the performance of routine, non-discretionary government actions, such payments still constitute a compliance risk because they are considered to be bribes in violation of the UKBA and many other local Anti-Corruption Laws. Therefore, as further explained in paragraph 1 of Appendix B, Employees and Third Party Representatives must not make any facilitating payments unless they obtain prior written approval from the applicable Group Vice President (or the comparable senior executive) who shall consult with the General Counsel as part of the approval process.

b. **Personal Safety Payments.** Under most Anti-Corruption Laws, bribes are not defined to include payments that are made to government officials when Employees (or their traveling companions) face imminent threats of harm to their health, safety, or physical or mental well-being. Consequently, in order to ensure any such payments qualify for this narrow exception, the payments may only be made pursuant to the conditions and in accordance with the procedures stated in paragraph 2 of Appendix B.

c. **Payment for or Reimbursement of Travel Expenses for Government Officials and Other Business Partners.** Paying for travel expenses for government officials and other commercial business partners does not constitute a bribe if the expenses are (i) reasonable in amount and (ii) incurred in connection with promoting the Company's products or services or performing a particular contract. The guidelines for paying such expenses under this narrow exception are stated in paragraph 3 of Appendix B.

d. **Gifts and/or Entertainment.** The exchange of gifts or entertainment with government officials and/or current or potential customers and suppliers is severely restricted under the Anti-Corruption Laws, many other laws in the U.S. and abroad, and this policy. More specifically, gifts or entertainment must not be (i) given to government officials and/or to current or potential customers and suppliers, and/or (ii) accepted by Employees or Third Party Representatives unless the gifts or entertainment comply with the guidance provided in sections 7 and 8 of Policy 1.07.001 – AAR CORP. Standards of Business Ethics & Conduct.

e. **Political Contributions and Charitable Donations.** As stated in section 15 of Policy 1.07.001 and paragraphs 4 and 5 of Appendix B, Employees and Third Party Representatives must obtain the prior written approval of designated individuals prior to making any political contributions or charitable donations by or on behalf of the

Company in order to ensure that no contributions or donations (i) are used to camouflage a bribe, (ii) can be misconstrued as a bribe, or (iii) violate any local laws.

2. **Acquisitions and Joint Ventures.** The Company can be liable for anti-corruption violations committed by an acquired company or a joint venture partner regardless of whether such violations occur before and after the closing of the transaction. Thus, appropriate anti-corruption due diligence of the target company's or joint venture partner's anti-corruption practices should be performed in accordance with procedures obtained from the General Counsel.

Before the Company closes on the acquisition of an entity or on a joint venture transaction, the applicable Group Vice President, after consulting with the General Counsel, must ensure that appropriate accounting practices and internal controls exist or will be implemented at the target entity or joint venture in order to facilitate its compliance with the Anti-Corruption Laws and this policy.

3. **Engagement of Suppliers, Service Providers, and Third Party Representatives.** The Company can be liable for violations of Anti-Corruption Laws that are committed by suppliers, service providers, and Third Party Representatives. Accordingly, the Company must (i) perform appropriate due diligence on suppliers, service providers, and Third Party Representatives, and (ii) implement contractual protection and other controls in accordance with the procedures stated in Appendix C.

4. **Accounting and Recordkeeping.** Under the FCPA, even if no bribery occurs, the Company can be liable if it fails to maintain (i) accurate books and records, in reasonable detail, and (ii) an adequate system of internal accounting controls. Therefore, in addition to any other accounting or internal control stated above and/or in other procedures the Company may issue from time to time, Employees and Third Party Representatives must comply with the minimum accounting and recordkeeping requirements stated in Appendix D.

B. Training

The General Manager of each business unit and the senior executive of each corporate functional area are responsible for (i) ensuring that all affected personnel are fully informed of the prohibitions and requirements of the Anti-Corruption Laws and this policy, and (ii) adopting and enforcing appropriate controls and taking the steps necessary to effect compliance with this policy by all officers, employees, and agents of the Company.

Training on compliance with Anti-Corruption Laws in a form determined by the Corporate Compliance Officer ("CCO") in consultation with the General Counsel must be completed by Affected Employees (as defined below) whose business activities for the Company are likely to include:

- Contacting commercial or government customers in order to obtain or retain business;
- Interfacing with government officials (e.g. customs, immigration, or tax officials, inspectors, regulators) in order to obtain or retain certificates, licenses, permits, registrations, or other results necessary for the company's operations;
- Engaging and/or overseeing Third Party Representatives; and/or
- Approving or authorizing payments to, transactions with, or expense reimbursements of the aforementioned Employees and/or Third Party Representatives.

"Affected Employees" may include, but not be limited to personnel in executive management, marketing/business development/sales, program or project management, as well as certain employees in finance, contracts, trade compliance, supply chain and logistics. The training shall occur at the beginning of their employment with the Company and from time to time thereafter, as deemed

appropriate by the CCO and General Counsel.

C. Reporting

1. Questions

Any questions regarding compliance with the Anti-Corruption Laws and/or any real or apparent inconsistency between such laws must be referred to the Law Department for resolution.

2. Receipts of Bribery Requests

Any employee, officer, director or agent of the Company who receives (i) a direct or indirect solicitation for a bribe from any person or business entity, or (ii) a request to otherwise to violate this policy or the Anti-Corruption Laws, shall immediately reject such request and explain that the Company's policy prohibits any such consideration, and report the details (who, what, date, time, place, etc.) of such demand, solicitation or request, in writing, to the General Manager of the Company's operating unit or senior executive of the corporate functional area involved, with a copy to the applicable Group Vice President and General Counsel of the Company. Any General Manager or senior executive receiving such a report shall immediately contact the General Counsel to determine if any further action is required.

3. Quarterly Certifications of Compliance with this Policy

As part of their respective Quarterly Financial Statement Representation Letters submitted under Policy 3.06.003 - Internal Accounting Control Policy, each business unit must certify that it has complied with this policy.

4. Violations

Any director, officer, employee, or agent who suspects or becomes aware of any violation of this policy must report it to appropriate representatives of the Company (supervisor, senior officer, General Counsel, or the CCO). As stated in Policy 1.14.001, these reports may also be made confidentially and anonymously (where permitted by law) via the AAR Ethics Hotline ("Hotline") which is operated by EthicsPoint, a third party provider.

The Company prohibits retaliation against anyone who reports misconduct in good faith.

APPENDIX A

Definitions of Terms Shown in Italics

1. What Are Bribes, Kickbacks & Other Corrupt Payments or Anything of Value?

i. Bribes

Some key concepts regarding bribes are as follows:

- Bribes can generally be described as an offer or receipt of any payment, gift, loan, fee, reward, or some other advantage, to or from any person, as an improper inducement to do something, to refrain from doing something, or to influence a decision.
- Bribes can be made both in the public sector (e.g. bribing a government or public official to induce him or her to act in a particular way) and in the commercial sector (e.g. bribing an employee of another company to cause him or her to award a contract or some other benefit to the Company).
- Bribes can be made via offers or payments that are made by a third party on the Company's behalf.
- While the FCPA prohibits only the offer or payment of bribes, the UKBA and other Anti-Corruption Laws also prohibit the solicitation or receipt of bribes.
- There are no immaterial bribes (i.e. even low value bribes are illegal).

- Bribes are still illegal, even if an offer is not accepted or if a payment does not achieve the desired outcome.
- Bribes may come in many different forms including, but not limited to, the following:
 - Cash, cash equivalents (e.g. gift cards) or loans;
 - Payments for unreasonable travel, entertainment or other hospitality;
 - Promises or offers of employment or internships;
 - Use of Company facilities, services or assets at no charge;
 - Lavish gifts, entertainment, or recreation on behalf of the Company (e.g. perfume, jewelry, use of club memberships), whether such items were paid for with Company or personal resources;
 - Donations to a charity affiliated with or sponsored by any person who is in a position to act or make a decision in favor of the Company (including such person's family members or associates); and
 - Political contributions to political parties or candidates.

ii. Kickbacks

Kickbacks are a particular kind of bribe that occur when a seller agrees to return part of an item's purchase price to the buyer in order to induce the buyer to purchase that item to or to improperly influence the buyer's decisions on future purchases. For example, an unethical supplier might agree to pay a purchasing manager some amount of money in exchange for the purchasing manager's award of a supply contract to the supplier.

iii. Other Corrupt Payments or Anything of Value

Other corrupt payments may include but are not limited to commissions, loans, rebates, consulting or other service fees and/or special discounts when it is known, or reasonably suspected, that any part of the payment is made or value is given in order to improperly obtain or retain business, receive a favorable decision, or secure any improper advantage.

2. What are some "improper advantages" the Company may not obtain in exchange for a bribe?

Improper advantages are broadly defined to mean something to which the Company is not clearly entitled, such as approval of a price increase, a favorable court decision, or settlement of a tax dispute. Improper advantages obtained from government officials may include, but are not limited to overlooking a violation or tolerating non-compliance with relevant laws (e.g. environmental or worker safety laws); not performing a task that should otherwise be performed in accordance with that person's duties (e.g. does not conduct a required inspection prior to issuing a permit), reducing customs duties, or granting a favorable tax treatment.

3. Who is a "government official"?

Under the Anti-Corruption Laws, a government official generally includes any officer or employee of a government, or any department, agency or instrumentality thereof. However, under the FCPA, a government official is more broadly defined to include:

- Any employee (including low-level employees and officials) of any branch of state, local, or federal government, including the judiciary, appointed as well as elected officials, the police and the military, and employees of government-owned or government-controlled enterprises (e.g. airlines) and private citizens who act in an

official government capacity; and

- Political parties, party officials and political candidates, as well as officials and employees of public international organizations, such as the United Nations, International Red Cross, and World Bank.

With respect to government-owned and government-controlled enterprises, the percentage of ownership is just one of several factors that the U.S. government will consider in assessing the status of an entity under the FCPA. Enforcement authorities will also consider such factors as the foreign country's own characterization of the enterprise and its employees, i.e., whether the foreign country prohibits and prosecutes bribery of the enterprise's employees as public corruption, the purpose of the enterprise, and the degree of control exercised over the enterprise by the foreign government. Accordingly, even where the foreign government owns less than 50 percent of an enterprise, if it can exercise effective control over the enterprise (e.g. control of the board of directors or governing body), the enterprise may be regarded as an instrumentality of government.

APPENDIX B

Allowable Payments and Other Things of Value

The Anti-Corruption Laws contain some narrow exceptions whereby the Company may authorize the following payments and other things of value under the circumstances stated below:

1. Facilitating Payments

Among its limited exceptions, the FCPA allows facilitating payments; however, many Anti-Corruption Laws, including the UKBA, prohibit them. Generally, facilitating payments are small payments to "speed up" or "encourage" an otherwise routine government action, such as processing visas, work permits, and customs clearances, or providing police protection or utility services. Routine government action does not include any discretionary action, such as a decision whether, or on what terms, to enter into a business arrangement or approve a permit, or any action taken by someone to influence such a decision.

Given the widespread ban on facilitating payments, Employees and Third Party Representatives must not make any facilitating payments on behalf of the Company, unless the payments are:

- Pre-approved, in writing, by the applicable Group Vice President (or comparable senior executive) after consultation with the General Counsel or his or her designee;
- Allowed under all applicable Anti-Corruption Laws; and
- Properly and accurately accounted for in the Company's records.

2. Personal Safety Payments

The Company recognizes that its Employees operating outside of the U.S. may confront situations where payment is demanded from government officials in order to avoid physical harm or damage to the Employee's (or his or her traveling companions') health or mental well-being. In these very limited circumstances, "Personal Safety Payments" may be made. Examples include payments made under the following circumstances:

- Being stopped by persons claiming to be police, military, or paramilitary personnel, who demand payment as a condition of passage of persons;

- Being threatened with imprisonment for a routine traffic or visa violation unless a payment is made; and
- Being asked by persons claiming to be security personnel, immigration control, or health inspectors to pay for (or to avoid) an allegedly required inoculation or similar procedure.

Only under these or similar circumstances, and only where there is an imminent threat to the health or safety of Company personnel (or their traveling companions), may a Personal Safety Payment be made without prior approval.

If the need for a Personal Safety Payment can be anticipated, or if circumstances permit, the Company's Corporate Compliance Officer ("CCO") or General Counsel should be consulted before making any payment.

After a Personal Safety Payment is made, and as soon as possible (but no more than seven days) after the danger has passed, the payment must be reported to the CCO and the General Counsel and on an expense report, reflecting accurately the amount paid, the recipient, the means of payment, and the circumstances under which the payment was made. The General Counsel or his or her designee will investigate and document the circumstances surrounding the Personal Safety Payment and work with Finance to ensure that the payment is promptly and accurately recorded in the Company's books and records.

3. Travel Expenses

Payment for or reimbursement of travel expenses for government officials or to employees or other agents of commercial business partners is permissible provided that the payment of such expenses:

- Is not prohibited by law or any internal rules of the applicable agency or employer;
- Is not intended as an incentive for, or in exchange or as a reward for, obtaining or retaining business or an improper business advantage for the Company;
- Such travel is directly related to a bona fide and legitimate business purpose (such as demonstration of the Company's products and services or the execution or performance of a customer contract);
- Such travel has been disclosed to and approved by the applicable agency or private employer of the traveler(s);
- The individual travelers whose expenses will be paid for by the Company are selected by their respective agencies or private employers (not the Company);
- The value of such travel is reasonable (in terms of expense, the number of travelers, and frequency);
- Such travel is consistent with guidelines for Employee travel and is otherwise appropriate under the circumstances so as not to create an appearance of impropriety;
- Tourist and entertainment excursions are not paid for by the Company;
- Expenses for family members of the officials, employees or agents are not paid for by the Company;
- Cash (including per diem allowances) are not given to the travelers and, whenever feasible, payment for travel expenses is made directly to the service providers or to the applicable agencies or private employers; and
- The travel expenses are promptly and accurately recorded in the Company's books and records.

Use of Company aircraft to transport government officials is prohibited unless prior written authorization is obtained from the General Counsel.

4. Political Contributions

The FCPA prohibits giving anything of value to a non-U.S. political party, party

official, or any candidate for non-U.S. political office, to obtain or retain business or to secure any improper advantage. Additionally, federal election laws in the U.S. generally prohibit corporations from making contributions, or providing things of value or personal services (including free use of company facilities and volunteer services on company time) in connection with any election in the U.S. for federal office. U.S. federal law does, however, permit contributions by political action committees. Laws relating to the right of companies to support state and local elections vary from state to state in the U.S.

Given the complexity of restrictions on making political contributions, prior written approval by the General Counsel is required before making any political contributions using Company funds (or assets) or in the Company's name.

5. Charitable Donations

Charitable donations by or on behalf of the Company may not be made (i) at the suggestion, request, or direction of any government official or private individual who is in a position to act or make a decision in favor of the Company, or (ii) to a charity owned by, controlled by, or connected to such government officials or private individuals. In case of doubt, before authorizing a donation, the applicable General Manager (or other Employee with approval authority) must conduct sufficient due diligence at the direction of the General Counsel (or his or her designee) to confirm that none of the money or other items donated by the Company will be paid or used, directly or indirectly, to obtain any business or improper advantage for the Company. If charitable donations are provided by or on behalf of the Company, the donations must also meet the following criteria:

- The donations are not inconsistent with any applicable governmental policies or any applicable local laws or regulations; and
- The donations are recorded promptly, fully and accurately on the Company's financial books and records.

APPENDIX C

Due Diligence Requirements for Suppliers, Service Providers and Third Party Representatives

1. Background & Purpose of Due Diligence Requirements

Suppliers and service providers perform critical roles for the Company; but, there is a risk that kickbacks and other bribes may be exchanged in connection with transactions between the Company and the suppliers and service providers. Additionally, the Company can be legally liable for and/or incur damages to both its reputation and financial performance from other corrupt activities committed by suppliers and service providers. Some of the more significant acts of corruption by suppliers and service providers that may involve and/or be associated to the Company include procurement fraud, bypassing health and safety requirements, violations of human rights and labor laws, avoiding required licenses and permits, and evading tax liabilities.

Similarly, in many instances, the use of a local Third Party Representative (e.g. sales representative, consultant, distributor or joint venture partner) is an essential element of doing business in a foreign country. However, the Company's risk of being held liable for the corrupt activities of Third Party Representatives is even greater than for other suppliers and service providers. Many Anti-Corruption Laws prohibit the Company's use of Third Party Representatives to make payments that would otherwise violate the laws if the payments were made directly by the Company. Under the FCPA, the Company is responsible for the actions of Third Party Representatives when they are working on behalf of the Company and the Company knows, or consciously disregards a high probability, that the Third Party Representatives will offer or make a bribe and the Company fails to take steps to prevent the bribe.

Additionally, under the UKBA, the Company can be liable if (i) the Company fails to take adequate steps to prevent bribery when hiring agents, and/or (ii) any person or entity that performs services for or on behalf of the Company bribes another person in order to obtain or retain business or an improper business advantage for the Company. Such persons or entities performing services for or on behalf of the Company include not only the Company's own employees and subsidiaries, but also Third Party Representatives.

Therefore, Employees must do appropriate due diligence and monitoring of suppliers, service providers, and Third Party Representatives prior to and after engaging them. The results of the due diligence must be documented and maintained on file. What is "appropriate" due diligence should be determined by the functional Employee(s) who will engage the suppliers, service providers, and Third Party Representatives, working in conjunction with the Company's Commission Agent Coordinator and the Law Department, as necessary.

Factors that should be considered in determining the level of risk that bribery and other forms of corruption could occur with a given supplier, service provider or Third Party Representative include, but are not limited to:

- The level of corruption where the supplier, service provider, or Third Party Representative is located and, if different, where goods or services for the Company

will be provided;

- The relative size of the supplier, service provider, or Third Party Representative, its reputation for integrity and ethical conduct, and evidence of its own anti-corruption compliance program;
- Whether or not the supplier, service provider or Third Party Representative is part of a large multi-national entity that is subject to and familiar with FCPA, UKBA, and/or Sarbanes/Oxley requirements;
- The monetary value of the applicable transaction(s); and
- The presence of one or more of the "red flags" shown in Appendix C-1.

2. Due Diligence Requirements

Employees who want to engage a supplier, service provider, or Third Party Representative should perform due diligence using a risk-based approach that includes the following steps:

a. Watch List Screening Requirement for All Suppliers, Service Providers, and Third Party Representatives

The Employee who wants to engage a supplier, service provider, or Third Party Representative should collect information about the party, such as full legal names, trade names, officers, and key employees and work with Trade Compliance, or, if applicable, the Company's Commission Agent Coordinator, to screen the entity and individuals against U.S. and applicable foreign government watch lists using online services the Company subscribes to, such as MK Denial, OCR Ease, and/or Thomson Reuters World Check. The purpose of such screenings is to determine if any of the parties (i) are subject to sanctions, and/or (ii) have a history of illegal activities, including corruption. The Trade Compliance and/or Law departments must be contacted in the event the screening results show any matches to the watch lists and further actions with the applicable supplier or service provider must stop until the match is resolved.

Such screenings should be performed prior to engagement, but must be performed prior to making any payments to the supplier, service provider, or Third Party Representative. Each supplier, service provider, or Third Party Representative should also be periodically screened after engagement in order to monitor any changes in the party's status on the applicable watch lists.

b. Additional Due Diligence Requirements for Third Party Representatives.

Prior to engaging suppliers, service providers and joint venture and other business partners who will serve as Third Party Representatives of the Company, risk-based anti-corruption due diligence must be conducted to determine whether there is a reasonable risk that the potential Third Party Representative could pay, authorize, or accept bribes to or from government officials, commercial entities, or private individuals. The due diligence requires fact-collecting on the potential Third Party Representative, consultation with the Law Department, and, in some cases, additional research or investigation of the potential Third Party Representative. The extent of the due diligence will vary depending on the risk factors raised by the potential Third Party Representative. Primary responsibility for fact-collecting on the potential Third Party Representative rests with the Employee who wants to engage the Third Party Representative.

Due diligence on potential Third Party Representatives should seek to determine and document that:

- There are no concerns about the potential Third Party Representative's integrity (e.g. allegations that the potential Third Party Representative has been involved in improper conduct and/or has improper connections to government

officials or employees of other customers);

- The potential Third Party Representative has the appropriate expertise and resources to provide the services for which they are being retained; and
- The potential Third Party Representative has its own anti-corruption procedures and is aware of applicable Anti-Corruption Laws.

i. Specific Due Diligence Requirements for Third Party Representatives:

Contracted Sales Representatives: Employees who wish to engage a third party (i.e. not an AAR entity or employee) to represent one or more AAR entities to, and promote AAR's products/services to, specific customers or to customers in a specific territory should consult with the Company's Commission Agent Coordinator to determine which, if any, of the additional due diligence requirements listed below must be performed prior to engaging the contracted sales representative.

Attorneys, Accountants, Contractors, Consultants, Distributors, Customs Brokers and Freight Forwarders and Strategic Alliance Partners:

The Law Department will perform preliminary due diligence to determine (i) the extent to which the Company uses each of the aforementioned categories of Third Party Representatives, and (ii) which additional due diligence requirements are appropriate for each category of Third Party Representatives. This section of Appendix C will be updated at the conclusion of the Law Department's preliminary due diligence in order to reflect the additional due diligence requirements and procedures for these categories of Third Party Representatives. Therefore, no specific due diligence requirements beyond watch list screening (see Section 2.a, above) are currently required prior to engaging such Third Party Representatives.

Factors that should be considered in determining the level of risk for bribery and other forms of corruption to occur with a given potential Third Party Representative include, but are not limited to:

- The level of corruption where the potential Third Party Representative is located and, if different, where services for the Company will be provided;
- The relative size of the potential Third Party Representative, its reputation for integrity and ethical conduct, and evidence of its own anti-corruption compliance program;
- Whether or not the potential Third Party Representative is part of a large multi-national entity that is subject to the FCPA, UKBA, and/or Sarbanes/Oxley compliance;
- The degree to which the potential Third Party Representative will interface with non-U.S. government officials on behalf of the Company; and/or
- The presence of one or more of the "red flags" shown in Appendix C-1.

Additional due diligence steps for contracted sales representatives and other Third Party Representatives may include one or more of the following:

- Completion of questionnaires to obtain information about the potential Third Party Representative's ownership, experience, affiliations, and ability to meet key compliance requirements.
- Research and reference checks to verify information provided on the questionnaire;
- Interviews with the potential Third Party Representative and/or visits to the

potential Third Party Representative's offices;

- Research regarding local anti-corruption laws, levels of corruption and the most common types of corruption in the country where the potential Third Party Representative is located and, if different, will perform services for the Company; and
- Investigations by independent parties in the home country or the country where services will be performed to determine the extent to which the potential Third Party Representative has previously complied with local laws, licensing requirements, and regulations.

3. Contractual Protection

All relationships with Third Party Representatives must be covered by written agreements or written certifications that are approved by the Law Department. In general, written agreements should include:

- i. Appropriate representations and warranties that the Third Party Representative will:
 - Comply with all applicable Anti-Corruption laws and regulations and immediately notify the Company of any violations or potential violations;
 - Notify the Company of any changes to the ownership or control of the Third Party Representative; and
 - Indemnify the Company for any violations of Anti-Corruption Laws by the Third Party Representative.
- ii. A requirement for the Company to pre-approve any subcontracting or assignment of obligations by Third Party Representative
- iii. Rights for the Company to audit the Third Party Representative's compliance with such laws and regulations;
- iv. A requirement for the Third Party Representative to cooperate in any investigations by applicable government agencies; and
- v. A right for the Company to immediately terminate the engagement upon the occurrence of any violation by the Third Party Representative of applicable Anti-Corruption Laws.

4. Ongoing Monitoring

After Third Party Representatives are engaged, the Company must, on an ongoing basis:

- i. Monitor transactions with the Third Party Representatives and their compliance with respective agreement terms;
- ii. Periodically require the Third Party Representatives to update questionnaires and written certifications;
- iii. Investigate any changes or concerns in the relationship with each Third Party Representative (e.g. changes in third party ownership or control); and
- iv. Exercise audit rights, as appropriate.

On a periodic basis, the Company's Corporate Compliance Officer shall ensure that a risk-based review of a sample of the Company's suppliers, service providers, and Third Party Representatives is performed to determine if any issues are present which would impact (i) the Company's decision to conduct business with the suppliers, service providers, and Third Party Representatives included in the sample, and/or (ii) the due diligence requirements stated above.

APPENDIX C-1 Due Diligence "Red Flags"

When conducting due diligence on suppliers, service providers and Third Party Representatives (see Appendix C), the following red flags should be looked for. A "red flag" is a fact or circumstance that serves as a warning that a supplier, service provider or Third Party Representative may act corruptly. It is the responsibility of the Employee who observes a red flag to either resolve it by further investigation or to request advice from an attorney in the Law Department on the significance of a red flag and the type and extent of due diligence needed to resolve the red flag issues. Examples of red flags include facts and circumstances which indicate that a supplier, service provider or Third Party Representative:

1. Does not appear to have the required experience, staff, office space or other place of business.
2. Refuses to certify the adequacy of its compliance program and/or to agree to comply with the Company's policy or applicable Anti-Corruption Laws.
3. Is a shell company or some other unorthodox corporate structure.
4. Has abnormal access to "inside" information.
5. Engages in, or has been accused of engaging in improper business practices.
6. Has a reputation for paying bribes, or requiring that bribes are paid to them, or has "special relationships" with government officials.
7. Was recommended by government regulator or by a potential government or commercial customer.
8. Refuses to reveal details about ownership of the third party.
9. Has a reputation for "getting things done" regardless of circumstances or claims to be able to expedite government actions.
10. Alludes to the need to pay bribes or make facilitation payments in order to conduct business in his or her jurisdiction.
11. Requests for political or charitable contributions or other favors as a way of influencing required official actions.
12. Insists on receiving a commission or fee payment prior to committing to executing an agreement with the Company or prior to carrying out a function or process for the Company.
13. Requests payment in cash and/or refuses to execute an agreement or to provide an invoice or receipt for a payment made.
14. Requests that payment be made to a country or geographic location different from where the third party is located or conducts business.
15. Requests reimbursement of expenses with incomplete supporting documentation.
16. Requests an unexpected additional fee, commission, or bonus to facilitate a service.
17. Demands lavish entertainment or gifts before commencing or continuing contract negotiations or providing services.
18. Requests that you provide employment or some other advantage to a friend or relative.
19. Insists on the use of side letters or refuses to put agreed terms in writing.
20. Charges a commission or fee on an invoice which appears out of line with the

applicable services.

21. Requests or requires permission to use an agent, intermediary, consultant, or supplier not previously discussed and/or who is closely connected with customers, the government, or a political party, or has been specifically requested by a government official or representative of a customer.

22. Offers you a gift or lavish entertainment.

23. Refuses to grant the Company rights to audit the portion of the third party's books and records which relate to the services performed for the Company.

APPENDIX D

Accounting and Recordkeeping Requirements

Under the FCPA, the Company (including foreign subsidiaries and certain joint ventures) is required to maintain books, records and accounts that reflect the Company's transactions and dispositions of assets. The FCPA also prohibits any inaccurate or misleading entries (even entries unconnected with foreign bribery). These requirements apply not only to the Company's financial statements, but also to records kept in the ordinary course of business, including proposed itineraries, expense reports, and receipts to support requests for reimbursement.

Accordingly, Employees must comply with the following requirements:

- No accounting record or other document related to any transaction shall be falsified in any manner that obscures or disguises the true nature of the transaction;
- No Employee shall engage in any arrangement which results in an inaccurate entry on the Company's books and records;
- No payment on behalf of the Company shall be approved or made when there is an express or implied agreement that any portion of the payment is to be used for any purpose other than as described on the supporting documentation for the payment;
- Undisclosed or unrecorded funds and accounts are prohibited;
- Payments must not be made into anonymous bank accounts or other accounts not in the name of the payee or of an entity known to be controlled by the payee;
- Fictitious invoices, over-invoices, or other misleading documentation must not be used.
- Fictitious entities, sales, purchases, services, loans, or financial arrangements must not be used.
- Any director, officer, or employee who suspects the possibility that a bribe, kickback, or over-invoice is associated with a particular receipt or payment, or that an understanding exists that all or a portion of a receipt or payment will be rebated, refunded, or otherwise paid in contravention of the laws of any jurisdiction, must immediately report that suspicion to the Chief Financial Officer or General Counsel.

APPENDIX E

ILLUSTRATIVE SCENARIOS

The following scenarios are provided to illustrate how Employees and Third Party Representatives should conduct Company business in order to comply with Anti-Corruption Laws and this policy.

Scenario 1: A government inspector at one of AAR's facilities outside the U.S. has discovered a number of small safety violations. He threatens to shut down our facility unless you pay him a fine on the spot.

Analysis: In this instance, contact the Law Department immediately. While we certainly wish to avoid unnecessary bureaucratic difficulties, paying money to a government inspector is both improper and likely illegal.

Scenario 2: AAR is seeking to purchase land for a new facility outside the U.S. The land is owned by the local government. A real estate broker informs you that for a commission equal to 25% of the transaction value, he will arrange for the sale of the land through his "connections" with the local government. Do you pay the commission?

Analysis: No. Because of the large amount of the commission, and our knowledge that the broker has close government connections, there are sufficient "red flags" to suggest that this transaction is improper.

Scenario 3: Upon exiting a country in Africa, you are told by a local immigration official that "your shot card is not in order" and that you will have to immediately be administered a yellow fever shot. However, you are also told your shot card can be put in order for the payment of \$100. You are then taken in a room; a syringe filled with an unknown liquid is pulled out and put in front of you. You are told to roll up your sleeve to receive the shot. Can you pay the \$100 fee?

Analysis: Yes. Because your personal health is at risk in this situation, you could pay the official \$100 because such a payment is considered a personal safety payment. However, as soon as possible (but no more than seven days) after the danger has passed, the payment must be reported to AAR's Corporate Compliance Officer and the General Counsel and on an expense report, reflecting accurately the amount paid, the recipient, the means of payment, and the circumstances under which the payment was made.

Scenario 4: A customer asks you to issue two invoices for products sold – one invoice reflecting the actual price, and another invoice reflecting a higher price. The customer will pay the first invoice, and will use the second invoice to justify charging a higher price from its end user. Is this acceptable?

Analysis: No. By issuing a second invoice at a higher price, AAR may be helping a customer engage in misrepresentation or fraud. This could expose AAR to liability, even if it was the customer who used the invoice improperly. (The same holds true if a customer requests AAR to issue a duplicate invoice reflecting a lower price. If the customer used the duplicate invoice to lower its customs duties, AAR may be legally liable for helping that customer evade those duties.)

Scenario 5: A large shipment of AAR's product is on its way to an important customer in an emerging market. The shipment is held up in customs at the destination because the containers aren't marked as hazardous as noted on the shipping papers. Because of the delay, we risk missing our delivery date. Our third party freight forwarder tells you he can convince customs officials to overlook the inconsistency for a small fee. Is this a good idea?

Analysis: No. As an AAR employee you are prohibited from making this type of

payment, and using the freight forwarder to make the payment is the same as making it yourself. We do not ask another party to do something on our behalf that we are prohibited from doing ourselves.

Scenario 5: You want to hire a consultant to assist in soliciting business from customers, including government-owned entities. The consultant requests a \$100,000 up-front "logistics" fee and a 25% commission on any contracts. The consultant has no particular business experience with AAR's products, but is well known as someone "who gets things done." Should you enter into this business arrangement?

Analysis: Not without additional due diligence and significant contractual protections. Although the arrangement is not illegal on its face, there are red flags in this arrangement which, if left unchecked, will put you and the Company at risk of violating the FCPA or other anti-corruption laws. Be sensitive to unusual up-front payments and/or commissions for third parties, particularly those who will be dealing directly with government entities and who are really selling "access." You may act knowingly for purposes of an FCPA analysis by consciously disregarding facts about third parties which indicate a probability that a corrupt payment will occur. Contact the Law Department for help in conducting due diligence on agents as well as providing appropriate contractual language.

Scenario 6: You intend to enter into a Joint Venture ("JV") with a company to bid on a government contract in the Middle East. During contract negotiations the JV partner discloses that it has numerous existing contracts with third parties in countries where there is significant corruption. Some of those third parties are used to "provide introductions" to government officials and the partner claims they are necessary to do business in a particular country. Can you enter into the business arrangement?

Analysis: Not without additional information. Even though the proposed JV partner entered into these third party contracts prior to AAR's involvement, it can still be a problem going forward from a legal and a business perspective. These "paid introductions" could be viewed as corrupt transactions. As a party to the JV, AAR may be subject to liability under the FCPA and other anti-corruption laws -- even though no AAR employee was involved in the corrupt transaction.

From a business perspective, the ongoing operations and value of the business may be adversely impacted if the JV partner or its agent acted corruptly in the past to obtain government business or favorable government decisions. Before entering into the joint venture agreement, contact the Law Department to assist you in conducting due diligence. Through this process you may review contracts and other relevant documents, interview key people and develop representations and warranties about the business. This process will help ensure that the third party contracts are not based on a corrupt relationship.

Scenario 7: AAR is seeking to expand its distribution network into a region of India. During the first weeks of that effort, the Company and its local agent have each been asked by a regional official to contribute \$5,000 to help construct a bus depot in a small town. The town has no official bank account, so the Company has been asked to make the contribution in cash directly to the regional official who will in turn award the construction contract. You have learned that the official has his own contracting company, but he has promised not to award the contract to himself. Company's local agent supports making the contribution, and warns that failing to do so could make it much more difficult to do business in the region.

Analysis: Contributions may not be made in cash to government officials under any circumstances. In addition, the circumstances surrounding this request – the lack of an official bank account, the request to give cash directly to an official, the lack of transparency and openness, the fact that the official would have discretion to award the contract to himself or a friend – present a significant risk that some of the money will be diverted to the official's personal use. As requested, this contribution is not permissible.

For example, a corrupt official may suggest that before AAR can be considered for awards of business we must agree to contribute to a charity of the official's choosing. Obtain approval from the Law Department before making any such contribution. We need to insure that the: (a) charity is a legitimate charity; (b) payment will not be diverted to or otherwise benefit the official or his family; (c) contribution is transparent and will be properly recorded in our financial records; (d) arrangement complies with all applicable laws; and e) contribution is not given in exchange for a favorable decision by the requestor.