

DISTRIBUTOR AGREEMENT

This Distributor Agreement (the "Agreement") is effective the 17th day of January, 2011 (the "Effective Date"), by and between Lord Corporation, a Pennsylvania corporation, having a place of business at 111 Lord Drive, Cary, North Carolina 27511 ("LORD") and AAR Parts Trading, Inc., dba AAR Defense & Logistics having a place of business at 1100 North Wood Dale Road, Wood Dale, IL 60191 ("DISTRIBUTOR"). LORD and DISTRIBUTOR hereinafter may be referred to individually as a "Party" or collectively as the "Parties".

WHEREAS, DISTRIBUTOR desires to be a distributor of various parts manufactured and/or sold by LORD;

WHEREAS, LORD desires to appoint DISTRIBUTOR as a distributor of certain parts manufactured and/or sold by LORD;

WHEREAS, both LORD and DISTRIBUTOR are involved in the sale of new articles that are used in military and civilian aviation applications;

WHEREAS, the Federal Aviation Administration ("FAA") governs the design, production and installation of civilian aviation articles;

WHEREAS, the regulations controlling the production of new civil aviation articles require strict control of the use of such articles; and,

WHEREAS, both LORD and DISTRIBUTOR desire to work together to ensure compliance with the federal requirements for the production and sale of new military and civil aviation articles.

I DEFINITIONS

The following terms are used in this Agreement as defined below:

- A. "Distributor Policy" shall mean the LORD Aerospace & Defense Distributor Guidelines/Policies attached hereto as Exhibit A, as amended from time to time, which provides details for implementation of the terms of this Agreement.
- B. "Production Approval Holder" or "PAH" shall mean a person that holds production approval for an article from a civil aviation authority. Persons authorized by the FAA under 14 Code of Federal Regulations (CFR) Part 21 include production certificate holders, parts manufacturer approval holders and technical standard order authorization holders.
- C. "Products" shall mean and refer to the LORD products set forth on Exhibits B - E attached hereto and incorporated herein by reference. From time to time, LORD may add or delete goods or parts that comprise the "Products".
- D. "Territory" shall mean worldwide, excluding Japan.

II APPOINTMENT; RESTRICTIONS AND REPRESENTATIONS AND WARRANTIES

A. APPOINTMENT

Subject to Section II(B), below, LORD hereby appoints DISTRIBUTOR as the exclusive distributor for the Products in the Territory. Notwithstanding the foregoing, the Parties agree that LORD (i) reserves the right to sell the Products directly to any party, including without limitation, the US Government and (ii) shall be the exclusive supplier of the Products to the following customers (collectively, the "Direct Customers"): Bell Helicopter Textron, Inc., Boeing Company, and all other original equipment manufacturers ("OEM") and type certificate holders. For the avoidance of doubt, DISTRIBUTOR is prohibited from selling the Products to the Direct Customer; provided, however, subject to Section II(B), below, if the Direct Customer is teamed with the DISTRIBUTOR as a prime contractor or sub-contractor on a US Government Performance Based Logistics ("PBL") contract, upon written consent from the Direct Customer to LORD, DISTRIBUTOR shall have the right to sell the Products to that Direct Customer solely in support of such PBL contract. In addition to the restrictions set forth in Section II(B), below, for those Products identified on Exhibits B-E as being Products proprietary to an OEM, AAR may sell/quote such Products to third parties only if (i) the DISTRIBUTOR supplies LORD with a US Government solicitation number for a contract for which the US Government paid for the development of the Product or (ii) LORD receives written approval from the OEM to sell the Products to the DISTRIBUTOR. In addition, LORD may sell the Products directly to any customer when the DISTRIBUTOR is unwilling or unable by law, regulation, logistics or any other reason to provide the Products and/or support requested by the customer and/or DISTRIBUTOR is negligent in performing or fails to perform its obligations under this Agreement. LORD will notify DISTRIBUTOR of such intention to sell the Products directly to such customers in advance of taking such action and agrees to first seek to remedy the situation with the DISTRIBUTOR so that the DISTRIBUTOR may perform as intended under this Agreement. If LORD is delinquent in its obligations to DISTRIBUTOR under this Agreement, thereby resulting in DISTRIBUTOR's inability to provide the Products or services requested by the customer, then such inability by DISTRIBUTOR shall not be sufficient cause for LORD to exercise its right to sell the Products directly to such customers.

B. RESTRICTIONS AND REPRESENTATIONS AND WARRANTIES

1. Exhibit B contains a list of Products that LORD produced for use solely in military applications (the "Military Products"). Accordingly, LORD authorizes DISTRIBUTOR to sell such Military Products for use only in military applications, and DISTRIBUTOR hereby agrees and represents and warrants to sell the Military Products for use only in military applications.
2. Exhibit C contains a list of Products LORD produced for use in both military and civilian aviation applications (the "Dual Use Products"). When the Dual Use Products are produced for a civil aviation application, they are produced under the quality system of another PAH which bears sole regulatory responsibility for the airworthiness of such Dual Use Products. Therefore, LORD authorizes DISTRIBUTOR to sell, and DISTRIBUTOR agrees, represents and warrants to sell, the Dual Use Products (i) for use only in military applications, (ii) to the PAH or the PAH's intermediate supplier provided the DISTRIBUTOR is purchasing such Dual Use Products under the PAH's quality system and/or (iii) to any other entity in accordance with a Direct Ship Authorization issued by the PAH.

3. Exhibit D contains a list of Products that LORD produced under the quality system of another PAH for installation on type certificated aircraft only (the "Civilian Aircraft Products"). In this case, the other PAH is solely responsible for the airworthiness of the Civil Aircraft Products. Therefore, provided DISTRIBUTOR is purchasing such Products under the PAH's quality system, LORD authorizes DISTRIBUTOR to sell, and DISTRIBUTOR agrees, represents and warrants to sell, the Civilian Aircraft Products to the PAH or to the PAH's intermediate supplier. Additionally, LORD authorizes DISTRIBUTOR to sell, and DISTRIBUTOR may sell the Civilian Aviation Products to any other entity in accordance with a Direct Ship Authorization issued by the PAH.
4. Exhibit E contains Products for which LORD holds parts manufacturer approval (PMA) (the "PMA Products"). Subject to Section II(A), above, DISTRIBUTOR may sell the PMA Products domestically provided the transaction complies with any other restrictions imposed by law. When DISTRIBUTOR exports such PMA Products to a foreign country in accordance with a bilateral agreement or otherwise, DISTRIBUTOR is solely responsible for compliance with the importing country's requirements in accordance with 14 CFR part 21, subpart L.

III DISTRIBUTOR'S COMMITMENTS

- A. In consideration of the above appointment, DISTRIBUTOR agrees to perform the following activities:
- Promote, develop, and increase sales of the Products to customers in the Territory in a professional manner. Growth potential is to be discussed and mutually agreed upon between the Parties. DISTRIBUTOR intends to sell the Products to the end users or manufacturers directly and to minimize the use of sales channels (i.e., selling through third parties, such as other distributors, agents, representatives or brokers). DISTRIBUTOR agrees that it shall not serve the market by selling exclusively or substantially through sales channels.
 - Maintain a sales and support staff trained in the sale and proper use of the Products.
 - Maintain inventory of Products and Product samples at appropriate levels to ensure delivery to customers within agreed upon delivery requirements.
 - Provide LORD with customer/airline purchase order flow down requirements when applicable, to ensure proper certifications/paperwork is included with an order.
 - Provide timely and effective technical service/assistance to customers. LORD agrees to support the DISTRIBUTOR as reasonably needed.
 - Provide LORD with accurate forecasting data when requested by LORD.
 - Promptly advise LORD of all details regarding any Product complaint. LORD agrees to advise the DISTRIBUTOR of any defects in the Products of which LORD has knowledge.
 - Sell Products only for applications for which they were designed and manufactured.

- Provide point of sales reports to LORD on a monthly basis. Point of Sales ("POS") reports shall be provided in Excel format and shall include the following data:
 - o Customer Name
 - o State, Location or Zip Code of Customer Location
 - o Part Number
 - o Quantity Sold
 - o Cost of Products Sold
 - o Extended Cost of Products Sold
 - o Customer Price
 - o Extended Customer Price
 - o Date of Sale

DISTRIBUTOR shall provide such monthly POS reports to LORD by the 10th day following the end of each calendar month. Failure to provide complete POS data shall entitle LORD to terminate this Agreement immediately without compensation to DISTRIBUTOR and without liability of any kind to DISTRIBUTOR. LORD shall have the right to audit POS data upon request. Termination of this Agreement for failure to provide POS data shall not extend to termination of pending orders placed prior to the date of termination by DISTRIBUTOR in support of U.S. Government contract awards and does not limit rights of the U.S. Government under the Defense Priorities and Allocations System (DPAS) [Reference: 15 CFR 700].

In addition to the monthly POS reports, DISTRIBUTOR shall present an Annual Business Plan to LORD by September 1st of each year during the term of this Agreement, which such Annual Business Plan will include (i) a sales forecast for the key accounts or part numbers, (ii) specific actions to promote the Products and (iii) an estimate of the Advertising Expenses (as defined below) to be incurred by DISTRIBUTOR for the following calendar year ("Year X") with respect to which LORD shall issue a credit in amounts and in the manner described below. LORD shall not be required to issue a credit with respect to such Advertising Expenses unless and until LORD approves such expenses after reviewing the Annual Business Plan. If DISTRIBUTOR incurs Advertising Expenses prior to approval by LORD, DISTRIBUTOR does so at its sale cost and expense.

DISTRIBUTOR is responsible for promoting the Products. In support of DISTRIBUTOR'S efforts to promote the Products, LORD will contribute amounts for the advertising expenses that relate directly to the sale of the Products and are approved by LORD after review of the Annual Business Plan (the "Advertising Expenses") at the end of the calendar year prior to Year X ("Year X-1"). The amount to be contributed by LORD for the Advertising Expenses for Year X shall be in the form of a credit issued once a year in January of the calendar year following Year X ("Year X+1") in an amount equal to (i) one-half of the total advertising expenses incurred by DISTRIBUTOR in Year X or (ii) one percent of the total purchases of Products by DISTRIBUTOR from LORD in Year X-1, whichever is less. LORD must approve any Advertising Expense before the commitment is made to proceed with such Advertising Expense.

- Protect all confidential information received from LORD or developed during the term of this Agreement.
- Abide by terms of the Distributor Policy.
- Provide Annual Financial Statements.

- B. To the extent that DISTRIBUTOR receives a new customer lead from LORD, DISTRIBUTOR shall attempt, to the best of its ability, to meet such customer's needs by selling LORD Products to such customer. LORD agrees to forward all inquiries for the purchase of Products covered under this Agreement to DISTRIBUTOR except as otherwise contemplated in Article II.
- C. To the extent that LORD shall refer to DISTRIBUTOR any of LORD's existing customer accounts, DISTRIBUTOR agrees to continue to meet that customer's needs by selling LORD Products to such customer.
- D. DISTRIBUTOR hereby acknowledges that concentrated effort on its part is essential if the Parties are to realize the degree of success contemplated by the Parties under this Agreement. DISTRIBUTOR therefore agrees that, to the extent permitted by law during the term of this Agreement, it will not market, promote, sell, distribute, service or otherwise deal in any products in the Territory that compete with LORD products, including, without limitation, the Products, without obtaining the prior written approval of LORD. DISTRIBUTOR further agrees that it will not support or participate in any effort to develop products which would compete against LORD products, including, without limitation, the Products, during the term of this Agreement.

IV RELATIONSHIP OF PARTIES

The relationship established by this Agreement shall be that of vendor and purchaser, and neither DISTRIBUTOR nor any agent, representative or employee of DISTRIBUTOR shall be deemed to be an agent, representative or employee of LORD. In no event shall DISTRIBUTOR make any agreement or commitment on behalf of LORD.

V SALES TO DISTRIBUTOR

- A. Sales to DISTRIBUTOR shall be at the price level established in the LORD Price List in effect at the time of the sales. Pricing for special products or for quantities of Products greater than those published will be provided by LORD to DISTRIBUTOR upon request. All price and product status changes will be communicated to DISTRIBUTOR no less than thirty (30) days prior to the effective date of such change.
- B. Shipment terms are EX-Works - LORD's facility. Payment terms are net thirty (30) days from the date of LORD's invoice to DISTRIBUTOR.
- C. LORD specifically reserves the right to discontinue any Product or to alter the design or construction thereof, and to allocate available Products among its distributors and other customers, as it may determine. LORD shall, however, before implementing any of the above measures, advise DISTRIBUTOR no less than ninety (90) days prior to any such change of LORD's intention to do so. The purpose of such notice shall be to allow DISTRIBUTOR to evaluate said change and/or to order adequate inventories and to take steps to minimize any potential disruption of DISTRIBUTOR'S business.
- D. LORD shall not be liable in any way for any loss, including but not limited to loss of trade or profits suffered by DISTRIBUTOR in the event of delivery of the Products being delayed or canceled for any reason beyond the control of LORD. Notwithstanding such

limitation of liability, LORD and DISTRIBUTOR agree to comply with 15 CFR 700 "Defense Priorities and Allocations System" (DPAS) where the Products purchased are for a U.S. Government Contract and such contract requires compliance with DPAS and/or 15 CFR 700 as a contract clause; provided, however, that in order for LORD to comply, any DPAS rated order must be clearly identified and documented by DISTRIBUTOR and flowed down to LORD.

- E. All sales of Products by LORD to DISTRIBUTOR under this Agreement shall be governed by LORD's Terms and Conditions of Sale in effect at the time of the sale (the "Terms and Conditions of Sale"). A copy of the current version of the Terms and Conditions of Sale is attached hereto as Exhibit F. In the event of a conflict between the provisions of this Agreement and the Terms and Conditions of Sale, the provisions of this Agreement shall take precedence.

VI TRADEMARKS AND TRADE NAMES

- A. During the term of this Agreement, DISTRIBUTOR shall have a right to use LORD's trademarks and trade names applicable to the Products in connection with the advertising, promotion and sale of the Products.
- B. During the term of this Agreement and thereafter, DISTRIBUTOR shall not use the trademarks or trade names for the advertising, promotion or sale of any other products, goods, or services, including, without limitation, LORD products, goods or services that are not Products governed by this Agreement.
- C. DISTRIBUTOR shall not use the LORD trademarks or trade names in conjunction with any other word or mark or in any manner whatsoever so as to jeopardize their significance, distinctiveness or validity, or the rights of LORD in and to them, and shall always so describe them as to indicate clearly that they are the property of LORD.
- D. All references to LORD and/or the Products, and any and all use of LORD trademarks, trade names and advertising materials, on internet sites supported or used by DISTRIBUTOR shall be submitted to LORD for its approval prior to use by DISTRIBUTOR.

VII EXCHANGE OF INFORMATION

- A. LORD shall supply DISTRIBUTOR with such technical information concerning the use and application of the Products and with such competitive data as LORD may deem reasonably necessary to the business of the DISTRIBUTOR.
- B. DISTRIBUTOR shall take every reasonable precaution to see that its directors, officers, employees, representatives, and stockholders shall not except as hereinafter provided:
- (1) divulge or disclose to any person in any manner, directly or indirectly, any information or data acquired from LORD through or under this Agreement; or
 - (2) use in any manner, directly or indirectly, or enable any other person, firm or corporation to use in any manner, directly or indirectly, such information or data acquired from LORD through or under this Agreement.

The provisions of this subsection shall survive the termination of this Agreement.

VIII PRODUCT WARRANTIES; INFRINGEMENT

- A. DISTRIBUTOR shall make to customers of the Products the same warranties offered by LORD to customers at the time of DISTRIBUTOR's sale to such customers, and shall not pass on to DISTRIBUTOR's customers any warranty greater than or different in scope than such warranties as are offered by LORD. In the event DISTRIBUTOR offers a warranty that enhances and/or extends the warranty provided by LORD to DISTRIBUTOR, DISTRIBUTOR shall be solely responsible for any liability resulting from the enhanced or extended warranty provided by DISTRIBUTOR.
- B. Product returnable under LORD warranty shall be handled in accordance with procedures set forth in the Distributor Policy.
- C. In the event that an action is commenced against DISTRIBUTOR which alleges that the Product as manufactured by LORD infringes on the claim of any patent and/or trademark, DISTRIBUTOR will give notice of such claim to LORD requesting that LORD defend such action and LORD agrees that it will accept and pay the costs of such defense. If requested, DISTRIBUTOR agrees to cooperate with LORD in the defense of such claim. Should LORD request that DISTRIBUTOR defend such action, then LORD agrees to indemnify DISTRIBUTOR for all costs and expenses incurred, and further agrees to cooperate with DISTRIBUTOR in providing all technical information deemed necessary in the defense of any such claim.

IX ASSIGNMENT

LORD may, without the prior consent of DISTRIBUTOR, assign or transfer this Agreement or any part of its rights hereunder:

- A. to any successor by merger or consolidation;
- B. to any person, firm or corporation acquiring substantially all of the property, assets and business of LORD by sale, lease or other disposition; or
- C. to any corporation which at any time directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with LORD.

DISTRIBUTOR may not assign or transfer all or any part of this Agreement without the prior written consent of LORD.

X TERM OF AGREEMENT, TERMINATION AND WAIVER

This Agreement shall commence on the Effective Date and shall continue until terminated in accordance with one of the following:

- A. by either Party, without cause, upon ninety (90) days prior written notice to the other Party;
- B. by either Party in the event the other shall cease to function as a going concern;
- C. by either Party in the event the other shall admit in writing its inability to pay its debts generally as they mature, or shall file a petition in bankruptcy or a petition for an arrangement of its debts, or shall make an assignment for the benefit of its creditors, or shall consent to or suffer the appointment of a receiver for a substantial portion of its property, or shall be adjudged bankrupt, or shall take any action under the law of any country similar to the foregoing; or
- D. by either Party for a breach of this Agreement by the other Party if such breach is not cured by the breaching Party within thirty (30) days after receipt of written notice of such breach from the non-breaching Party.

The termination rights granted hereunder shall be exercised in writing and are exclusive of all other termination rights but supplementary to any other legal and equitable remedies.

XI DISPOSITIONS UPON TERMINATION

A. Upon termination of this Agreement for any reason, all of DISTRIBUTOR's rights with respect to LORD trademarks and trade names shall end, and DISTRIBUTOR shall not make any further use of them except in connection with the sale of stock on hand or on order at the time of termination. DISTRIBUTOR shall not use LORD trademarks or trade names in connection with any goods or services and shall not use any counterfeit, copy or colorable imitation of them or any word or mark confusingly similar to them.

B. There shall be no alteration of any of the following:

(1) the rights and obligations of both Parties with respect to items already ordered by DISTRIBUTOR at the date of termination;

(2) any right either Party may have for collection of money due upon the date of termination or to become due after the date of termination for events occurring prior to the date of termination; or

(3) the rights of either Party under this Agreement arising out of any breach of the covenants and undertakings made prior to the date of termination of this Agreement.

C. DISTRIBUTOR shall return to LORD all undistributed catalogs, samples and advertising matter furnished to DISTRIBUTOR by LORD and all documents in DISTRIBUTOR's possession containing or reflecting the technical information or competitive data of LORD.

XII MISCELLANEOUS

- A. The Parties agree to comply with all applicable U.S. export control laws and regulations, including, without limitation, (i) the Arms Export Control Act (22 U.S.C. 2751-2794), including the International Traffic in Arms Regulation (ITAR) (22 C.F.R 120-130) and (ii) the Export Administration Act (50 U.S.C. app. 2401-2420), including the Export

Administration Regulations ("EAR"), 15 C.F.R. 730-774, (iii) the Foreign Assets Control Regulations ("FACR"), 31 C.F.R. 500-599 and (iv) legislation replacing the foregoing and any orders issued under the foregoing. The Parties agree to obtain any export license or agreement required by any U.S. export laws or regulations. Diversion of Lord supplied products or technical data contrary to the laws of the United States is prohibited. Each party shall be responsible for its own losses, costs, claims, causes of action, fines or penalties that arise for non-compliance with US export control regulations.

DISTRIBUTOR agrees, represents and warrants that LORD products or technical data will not be destined (directly or indirectly) for prohibited end-uses as dictated by United States export control laws. DISTRIBUTOR agrees to employ and apply effective internal control measures to ensure preventative assessment/screening of re-sales, re-exports and re-transfers to ensure compliance with export control laws.

- B. Delay in or failure to carry out the duties imposed upon either Party under this Agreement shall not be deemed a breach thereof if such delay or failure results from Acts of God, fire, explosion, labor disputes, lack or failure of transportation facilities, epidemic, cyclone, flood, drought, declared or undeclared war, revolution, civil commotion, terrorism or acts of public enemies, blockage or embargo, or by reason of law, proclamation, ordinance, demand, or requirement of any governmental or ruling authority or any other cause beyond the reasonable control of the Party claiming relief hereunder. The Party claiming relief under this provision shall notify the other of the circumstances giving rise to its application, provide an estimate of the impact on its performance, and take all reasonable steps to remove or mitigate the impediment.
- C. The failure of either Party to insist upon strict performance of the terms, conditions and provisions of this Agreement shall not be a waiver of future compliance or a waiver of any of the provisions hereof. No waiver by either Party of any provisions hereof shall be deemed to have been made unless expressed in writing and signed by such Party.
- D. This Agreement shall be deemed to have been made in the State of North Carolina, and shall be governed for all purposes, including its interpretation, validity and effect, in accordance with the laws of North Carolina notwithstanding its conflict of laws principles. The Parties agree that any dispute arising out of this Agreement shall be brought and maintained exclusively in any court of the State of North Carolina or any federal court of the United States, in each case located in Wake County, North Carolina. Each of the Parties hereby expressly and irrevocably submits to the jurisdiction of such courts for the purposes of any such action and expressly and irrevocably waives, to the fullest extent permitted by law, any objection which it may have or hereafter may have with respect to venue of any such action brought in any such court and any claim that any such action has been brought in an inconvenient forum.
- E. Any notice or other communication to either Party required or permitted hereunder shall be in writing and be sent by (a) certified or registered mail, return receipt requested; (b) express delivery service which can be verified by report from the delivery service; or (c) facsimile or electronic mail transmission which can be verified by a transmission report and which is followed by delivery of the original notice by regular mail or by either of the other two means above. Notices shall be deemed received at the time of actual receipt by the Party. Orders, invoices and other routine communications arising from or incident to ordinary operations under this Agreement need not be sent by registered mail.
- F. This Agreement may not be altered or modified in any manner except in writing and signed by both Parties to this Agreement.

G. GOVERNMENT CONTRACTS

Subject to Article II(B), Products sold by LORD to DISTRIBUTOR may be sold by DISTRIBUTOR as Commercial Items (as defined below) to the United States Government or any agency thereof to the extent such Products qualify as Commercial Items. For purposes of this Section, "Commercial Items" means "Commercial Items" as defined under FAR 2.101.

H. CONFIDENTIAL INFORMATION AND TRADE SECRETS

All information obtained by one party hereto ("Receiving Party") in the course or conduct of this Agreement concerning the business affairs, practices or methods of operation of the other party ("Other Party") will be confidential and will be treated by the Receiving Party with the same degree of care to avoid disclosure of such information to any third party (excepting Receiving Party's employees, officers, directors, agents or subcontractors who have a need to know such information) as Receiving Party employs with respect to its own confidential material of like importance, and Receiving Party will not disclose said information to any third party (excepting Receiving Party's employees, officers, directors, agents or subcontractors who have a need to know such information) unless and until Receiving Party has obtained the prior written consent of the Other Party, except for information which:

- a. is part of the public domain other than by reason of any default on the part of a party hereto;
- b. was in that party's possession prior to the execution of this Agreement and which was not otherwise confidential; or
- c. was received from third parties having the right to disclose such information.

Notwithstanding anything herein to the contrary, if Receiving Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, Civil Investigation Demand or similar process) to disclose the information, material, documents and data provided by Other Party, it is agreed that Receiving Party will provide Other Party with prompt notice of such request or requirement so that Other Party may seek an appropriate protective order and/or waive Receiving Party's compliance with this provision. It is further agreed that, in the absence of a protective order or the receipt of a waiver hereunder, if Receiving Party or any of its representatives is nonetheless, in the opinion of Receiving Party's counsel, compelled to disclose such information, material, documents or data, to any tribunal, Receiving Party or such representative may disclose such document or information to such tribunal without liability hereunder provided Receiving Party has given Other Party prompt notice of such request or requirement. This Section H of Article XII is in addition to and not in lieu of Article VII (Exchange of Information).

I. COMPLIANCE WITH LAWS UNIQUE TO GOVERNMENT CONTRACTS

When applicable (i.e., when a Government Contract is involved), LORD agrees to comply with 31 U.S.C. 1352 relating to limitations on the use of appropriated funds to influence certain Federal contracts; 18 U.S.C. 431 relating to officials not to benefit; 40 U.S.C. 3701, *et seq.*, Contract Work Hours and Safety Standards Act; 41 U.S.C. 51-58, Anti-Kickback Act of 1986; 41 U.S.C. 265 and 10 U.S.C. 2409 relating to whistleblower

protections; Section 1553 of the American Recovery and Reinvestment Act of 2009 relating to whistleblower protections for contracts funded under that Act; 49 U.S.C. 40118, Fly American; and 41 U.S.C. 423 relating to procurement integrity.

IN WITNESS WHEREOF, each Party has caused this Agreement to be signed by its duly authorized representative effective as of the Effective Date.


LORD CORPORATION

By: 
Steven C. Meyer

Print Name: Douglas W. Lorenz

Title: Director, Sales & Marketing
Aerospace & Defense

AAR PARTS TRADING, INC., DBA
AAR DEFENSE SYSTEMS & LOGISTICS

By: 

Print Name: David Perri

Title: Vice President

EXHIBIT A

AEROSPACE & DEFENSE DISTRIBUTOR GUIDELINES/POLICIES

The guidelines and policies contained within this document (the "Guidelines") provide a framework for a professional and mutually satisfactory relationship between LORD Corporation ("LORD") and its Aerospace and Defense distributors (the "Distributors"). It is the intent of LORD and the Distributor that these Guidelines supplement the Distributor Agreement entered into by LORD and the Distributor (the "Agreement"), so that both parties may clearly understand their respective rights and obligations under the Agreement. LORD will provide all Distributors with periodic revisions to these Guidelines.

LORD Distributors - General

Definition

A LORD Distributor is any business organization, functioning under a fully executed Agreement, which purchases LORD products, maintains a stocking inventory and re-sells and services said products through its sales force. LORD Distributors are a select group. Each is chosen following a careful evaluation of the Distributor's ability to meet the high standards and expectations of LORD and the willingness to work diligently with LORD personnel to achieve targeted objectives.

Primary Area of Accountability

Distributors are generally appointed by LORD to handle a specific market/territory. While it is not generally the practice of LORD to grant exclusive selling rights for a particular market/territory, the Distributor will often have "primary accountability" in a market/territory. LORD will provide sales training and technical service assistance only within the Distributor's area of primary accountability and will forward sales leads it determines will best be satisfied by the Distributor within that market/territory. Within the Distributor's market/territory, when a customer has been originally developed by the Distributor, it is only at the written request of the customer that LORD will consider servicing the customer either directly or via a different Distributor. In these instances, LORD will discuss with the "originally developing" Distributor appropriate compensation, if any, for its efforts.

Objectives

The primary objective of LORD is to provide value to Distributors through the following: brand recognition associated with being an authorized LORD Distributor; fair profit margins; responsive service; a versatile, value-added product line; effective advertising and promotion; and other product-line assistance. The market objectives of LORD are:

- To provide the highest level of customer satisfaction in the industry.
- To serve all customers in an efficient and effective manner.
- To achieve superior market penetration by providing quality product and technical assistance at a competitive price.

Products

LORD expects its domestic Distributors to handle most accounts with standard products and standard pricing. LORD may, at its discretion, make other products available for purchase by Distributor, but not necessarily under the same terms as standard products.

Prices; Pricing and Credit Terms

Distributor Prices; Pricing

LORD will provide its Distributors with Distributor price lists containing all the standard products containing specific discount breaks. These prices do not include tariffs, customs, sales, use, excise or other taxes, which are to be paid by the Distributor where applicable. In the event of a price reduction, no rebate or refund will be given for Distributor's stock on hand. For inquiries regarding products and quantities not normally provided through the LORD distributor network, the Distributor must contact LORD.

In order to provide Distributors with pricing guidance, LORD will provide aerospace and defense components with manufacturer's suggested retail price ("MSRP"). Distributors are encouraged, but not required, to sell LORD products at the MSRP; provided, however, Distributors are prohibited from selling products at prices greater than the MSRP. The Distributor is encouraged to establish and maintain pricing for customer order quantities that are less than the LORD minimum order quantities.

Any changes in product price will be communicated to the Distributor.

Non-Standard Prices

Requests from Distributors for prices different than those set forth on the Distributor price list or on Web Order Management system will be considered under unusual and appropriate circumstances, and must have the prior documented approval of. Requests for non-standard pricing should be submitted to LORD along with the details of the pricing condition that is required and an explanation of the circumstances forcing the need for the non-standard pricing.

Credit Terms

LORD will establish proof of a Distributor's good credit standing and an appropriate credit limit before an Agreement is signed. Standard terms are net 30 days from date of invoice; ExWorks Origin. LORD will not ship products to any established Distributor on consignment. In the event that a Distributor is placed on credit hold, all existing orders will be processed in the standard shipping time after the credit hold has been released.

Orders

Distributor Stocking Orders

A Distributor must stock a reasonable inventory of products to support the marketplace. A Distributor stocking strategy must be in place and submitted annually to LORD.

An electronic ordering system, Web Order Management, is available. Exchange parts will not be included in the Web Order Management system. Distributors are required to place all possible orders using the system. For part numbers not on the Web Order Management system, orders must be placed by contacting the Distributor's LORD Customer Service Representative, either through e-mail or fax. No verbal orders or changes will be entered without written confirmation.

Inventory Control

Products should be rotated on a first-in, first-out basis due to shelf life limits. Each batch of LORD product is assigned a unique identification number/lot number, The Distributor should identify this information in its MRP system.

Order Changes

Additional line items and quantity changes are allowed only before the first shipping documents are created for the order and only outside the order lead-time of the material being added or changed. Any changes that do not meet these requirements are treated as new orders. Changes in ship-to location or shipment method are also permitted only outside the shortest order lead time for the parts included in the shipment and before any other shipping documents are created for the order.

Minimum Order Value

Minimum order quantities are set by LORD and vary from part to part.

Drop Shipment Orders

Drop shipments are not permitted unless with the consent of LORD

Expedited Orders

Expedited orders must be approved by LORD and are subject to an expedite fee.

Point of Sales Data

The Distributor is responsible to provide point of sales ("POS") data to LORD on a monthly basis. The Distributor will provide POS data by the 10th day following the end of each calendar month. POS data shall include customer name, location, part number, quantity sold cost of sales per unit, extended cost of sales, actual sales dollar per unit and extended sales. LORD has the right to audit POS data upon request.

Forecasts

Product forecasting information, especially useful with new customer and or new product start-ups, should be forwarded from the Distributor to on an annual basis and as requested from time to time by LORD. Forecasts allow LORD manufacturing schedules to be adjusted so that optimum service to the customer and Distributor can be provided. Forecasting should be provided when the expected consumption on any product will vary from historic levels, either in an upward or downward manner.

Order Cancellations

LORD reserves the right to assess an order cancellation fee on line item changes made within the order lead time window for that line item.

Product Certifications

Certificate of Compliance by LORD of products manufactured by LORD and sold through the Distributors will be supplied at no charge.

An 8130 tag will be supplied to the Distributors by LORD on PMA parts at no charge.

Additional certification requests by the Distributors will be handled on a case by case basis and may be subject to a fee.

Shipments

Inventory/Order Lead time/Shipping Policy

Products are classified by order lead time, which is defined as the number of business days/converted to weeks from the order entry date to the scheduled ship date and does not include holidays, weekends, or transportation time. Order lead times vary from part to part.

Distributor shall choose appropriate shipping methods. If the Distributor requests special, handling, LORD will make commercially reasonable best effort to honor the request, within LORD's discretion. "Special handling" includes the use of special carriers, non-standard routing, express delivery, etc. The distributor may be required to pay all freight and other charges associated with such special handling.

Back Orders/Split Orders

In accordance with inventory and order lead time, all available products will be shipped. Any remaining products will be placed on back order. No add-ons will be permitted on back orders.

Credit and Returns

All material returns will not be accepted without the authorization of LORD. A return material authorization number must be provided by LORD. Freight must be prepaid unless otherwise indicated on the return order. Non-quality returns are subject to re-stocking fee up to 50% of the value of the part returned and must be approved by LORD.

Sales and Marketing Plan/Technical Assistance/Training/Advertising/Trade Shows/Promotional Items/Printed Material

Sales Plan and Marketing Strategy

LORD will work with the Distributor to develop a written sales plan and market strategy to meet annual sales objectives. Both parties shall agree upon this plan. LORD may request plan updates and other documentation from time to time. Sales plan and market strategy will be reviewed by Distributor and LORD on an annual basis.

Technical Assistance

LORD will actively support the Distributor in the effort to meet or exceed the agreed upon plan. LORD, however, will not be held responsible for any agreement between the Distributor and its customers.

It is the intent of LORD that the Distributor's sales and technical support personnel be knowledgeable of the LORD product line to the point of handling common

product/processing/recommendations. For non-standard situations, LORD provides several channels of information and assistance. Requests for assistance should be initiated within the LORD Customer Support Center at 1-877-ASK-LORD. A Distributor web-site to support technical assistance will be available on the LORD Web in the Fourth Quarter of 2009.

Training

LORD will provide appropriate written or electronic training materials to the Distributor. Technical training seminars may be scheduled on an annual basis and presented at LORD facilities or interactively via the internet. It is the responsibility of the Distributor to notify LORD of any special training requirements. LORD will use commercially reasonable efforts to meet the Distributor's request.

Advertising

LORD may conduct advertising and promotional campaigns to increase interest in, and knowledge of, LORD products. Reasonable quantities or reprints of such advertising will be made available to Distributors.

To supplement national advertising, a cooperative advertising program for regional and national publications may be available to Distributors. Requests for cooperative advertising should be initiated through LORD and be approved by LORD prior to contracting for the proposed advertising.

Trade Shows

LORD may elect to exhibit at national or regional trade shows. Subject to availability and prior approval by LORD, LORD will also provide graphics, displays, promotional materials for local and regional shows. LORD will ship the requested materials prepaid to the Distributor or to the show location. This will require sixty (60) days advance notice. Last minute emergency shipments of trade show support materials will be made at the Distributor's expense. It will be the Distributor's responsibility to return booth displays prepaid to LORD within five (5) business days after the trade show has ended. Distributors shall also be responsible for all loss or damage to such promotional materials provided by LORD.

Any joint trade show booth space should be arranged in a manner whereby direct competitors are not in the immediate area.

Printed Material

When available, LORD will provide reasonable quantities of sales aids, wall charts, brochures, videos, advertising and promotional material free of charge to Distributors.

Product Warranty

LORD produces quality products and carefully inspects each lot prior to shipment. However, it is the ultimate responsibility of the customer to determine that a particular LORD product is appropriate for the intended application.

If a Distributor or a customer suspects that a product quality problem exists, a LORD Customer Service Representative should immediately be notified. The complaint will be investigated and a solution pursued. If a product quality problem is verified, a Return Goods Authorization will be

forwarded to the Distributor. Credit or replacement material will be issued in accordance with the Agreement. LORD will not be responsible for loss or damage claims by Distributor beyond the original value of the product.

Modification

The Distributor shall not modify the LORD product in any way prior to the sale to the customer without the express written approval of LORD. This prohibition includes, without limitation, drilling, cutting, part marking or coating. Any modification without the prior written approval of LORD constitutes cause for termination of the Agreement by LORD.

EXHIBIT B

MILITARY PRODUCTS

H-1004-26
HT11183-15
HT11655-20
J-10833-15 (Bell Proprietary Part)
J-10883-1
J-11643-1 (Boeing Proprietary Part)
J-11643-2 (Boeing Proprietary Part)
J-11672-3 (Bell Proprietary Part)
J-12021-4
J-12292-1 (Bell Proprietary Part)
J-12316-1
J-13222-1
J-13898-2
J-14028-1
J-14049-3
J-15069-1 (Bell Proprietary Part)
J-15301-1
J-15306-3
J-15517-3
J-15734-2
J-15750-1
J-16324-1
J-17043-4
J-17801-2
J-23286-4
J-23620-2
J-23630-1
J-6210-14
J-6600-2
J-6801-15
J-6801-30
J-6801-31
J-7153-61
J-7219-40 (Bell Proprietary Part)
J-8085-6 (Bell/Agusta Proprietary Part)
J-8085-8 (Bell/Agusta Proprietary Part)
J-8088-1
J-8088-5
J-8299-9
J-8448-12
J-8483-5
J-9534-10
J-9534-43
J-9791-2
J-9797-6
J-9830-1
LB9-1115-8-1 (Boeing Proprietary Part)
LC-5174-7

LM-600-63
LM-821-33
LM-821-92
LM-821-93
NE-4469 (Bell Proprietary Part)
Y-35039-1-1 (Boeing Proprietary Part)
Y-35039-3-1 (Boeing Proprietary Part)
HT11655-20
J-7165-6
J-8088-4
J-23620-2

EXHIBIT C

DUAL USE PRODUCTS

J-14028-1
J-14049-3
J-17043-4
J-8299-9
J-9791-2
J-9797-6
LB9-1115-8-1
Y-35039-1-1
Y-35039-3-1
J-8085-6
J-8085-8
J-8088-1
J-8088-4
J-9534-43

EXHIBIT D

CIVILIAN AIRCRAFT PRODUCTS

J-14028-1
J-14049-3
J-17043-4
J-8299-9
J-9791-2
J-9797-6
LB9-1115-8-1
Y-35039-1-1
Y-35039-3-1
J-8085-6
J-8085-8
J-8088-1
J-8088-4
J-9534-43

EXHIBIT E

PMA PRODUCTS.

Not applicable

EXHIBIT F

TERMS AND CONDITIONS OF SALE

See attached.

TERMS AND CONDITIONS OF SALE

Except as specifically modified by the terms on the face of the applicable quote or order acknowledgment issued by Lord Corporation ("LORD"), the following terms and conditions of sale (the "Terms and Conditions") shall control the sale of products and/or services (individually a "Product" and collectively the "Products") from LORD to the buyer of such Products (the "Buyer"):

1. **GOVERNING TERMS AND CONDITIONS:** If these Terms and Conditions are included with and/or attached to a quote provided by LORD, the offer represented by the quote may be accepted by Buyer only by consent to these Terms and Conditions. If these Terms and Conditions are included with and/or attached to an order acknowledgment, LORD's acceptance of Buyer's purchase order is conditional upon Buyer's assent to these Terms and Conditions. In either case, the terms and conditions of Buyer's purchase order (the "Purchase Order") shall be of no force or effect except with respect to the type and quantity of the Products, the prices of the Products (to the extent they match the prices on LORD's quote and/or order acknowledgment) and the delivery method and schedule for the Products (to the extent such delivery schedule is consistent with LORD's lead times for the Products).

2. **DELIVERY:** Unless otherwise stated, all shipments shall be EXWORKS-LORD's plant with standard commercial packaging. The cost of any special packaging shall be borne by Buyer. In each of its Purchase Orders, Buyer shall set forth the method of shipment preferred. In the absence of such information, Seller will use its reasonable judgment as to an appropriate method of shipment. All Parcel Post shipments will be insured at Buyer's expense unless otherwise specified. Each Purchase Order submitted by Buyer for the Products is accepted by LORD on the basis that time is not of the essence. LORD shall not be liable for any delays in delivering the Products caused by any of the following: (a) a Force Majeure event under Section 18; (b) materials granted at the request or the benefit, directly or indirectly, of any governmental authority; (c) any changes in the Products or the delivery schedule or method of shipment; (d) the number of units of the Products ordered by Buyer exceeds the forecasted amount, if any, by five percent (5%) or more; or (e) any other cause beyond the reasonable control of LORD.

3. **INSPECTION AND ACCEPTANCE:** The Products delivered by LORD to Buyer under this Agreement shall be deemed finally inspected and accepted within thirty (30) days after their receipt by Buyer unless notice of rejection or notice of any claim is given in writing to LORD within such time. Acceptance shall constitute acknowledgment of full performance by LORD of all its obligations under this Agreement with respect to the Products accepted except for any warranty obligations set forth below.

4. **PRICE:** The Product prices set forth on the face of the LORD quote or order acknowledgment to which these Terms and Conditions are attached exclude all applicable taxes, fees and duties unless otherwise provided. LORD reserves the right to increase the prices for the Products at any time and for any reason, including, without limitation, a resultant increase in the price of materials, including, without limitation, metals and chemicals, used to manufacture the Products.

5. **PAYMENT, TAXES AND OTHER CHARGES:** Payment for the Products shall be due within thirty (30) days from the date of LORD's invoice. Any tax or other government fee charge upon the production, sale, use, import/export and/or shipment of the Products, including, without limitation, taxes, fees or charges on the raw materials used to produce the Products, now imposed or hereafter becoming effective, shall be added to the price of the Products and shall be paid by Buyer. Past due amounts shall be subject to interest charges in the amount of one and one-half percent (1 1/2%) per month or the maximum amount allowed by law, whichever is less.

6. **INTELLECTUAL PROPERTY:** Unless otherwise specifically agreed to in writing by LORD, all drawings, techniques, processes, inventions, patents, patent applications and other intellectual property (i) now owned by LORD, (ii) created hereafter by LORD outside the scope of the Purchase Order or the agreement under which a Purchase Order is submitted (the "Agreement"), or (iii) created by LORD or created jointly by LORD and Buyer in connection with the Purchase Order or Agreement (collectively, "LORD's Intellectual Property") shall be and remain LORD's property. LORD grants no license or other right to Buyer in LORD's Intellectual Property, whether now owned or hereafter created. Unless otherwise specifically agreed to in writing by Buyer, all drawings, techniques, processes, inventions, patents, patent applications and other intellectual property owned by Buyer on the effective date of the Purchase Order ("Buyer's Intellectual Property") shall be and remain the property of Buyer.

7. **PATENT INFRINGEMENT:** Buyer agrees to indemnify and hold LORD harmless from and against any and all cost, damage, liability, or expense resulting from claims or demands by a third party based on alleged infringement of any intellectual property of such third party in the event LORD uses Buyer's Intellectual Property or LORD is otherwise directed by Buyer in the fulfillment of LORD's obligations under the Purchase Order, Agreement and/or these Terms and Conditions. LORD agrees to indemnify and hold Buyer harmless from and against any and all cost, damage, liability, or expense resulting from claims or demands by a third party that LORD's Intellectual Property infringes upon the intellectual property of such third party; provided, however, that in addition to the limitation of liability set forth in Section 12 of these Terms and Conditions, LORD's liability for the indemnification obligation under this Section 7 shall be limited to the amount Buyer paid to LORD for the Products subject to the infringement claim.

8. **SOFTWARE:** If a Product sold to Buyer contains Software (as defined below), LORD retains all ownership rights in such Software. LORD grants to Buyer a nonexclusive license to use the Software solely in connection with the use of the Product. Such license is assignable by Buyer to the end user of the Product if the Product is incorporated into a product sold by Buyer to such end user. Buyer and Buyer's end user are prohibited from (i) copying, in whole or in part, the Software; (ii) modifying the Software; (iii) reverse engineering, disassembling, or any portion of the Software; (iv) renting, leasing, distributing, or selling the Software separately from the end product incorporating the Product containing the Software; (v) creating derivative works of the Software. "Software" shall mean programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulas, and related material that would enable the software to be reproduced, recreated or recompiled.

9. **TOOLING:** Unless otherwise specifically agreed to in writing by LORD, any and all tooling, equipment, dies and fixtures (collectively, the "Tooling") acquired and/or used by LORD in manufacturing the Products shall be and remain the property of LORD, and Buyer's payment of tooling charges shall not be construed to grant, convey, or transfer to Buyer any ownership rights in or to the Tooling to which such tooling charge applies. All Tooling either furnished by or the ownership of which has been specifically transferred to Buyer in writing ("Buyer's Tooling") shall be and remain the property of Buyer. Such Buyer's Tooling shall be used by LORD only in performing LORD's obligations under the Purchase Order, Agreement and/or these Terms and Conditions and shall be subject to removal by Buyer upon reasonable notice to LORD. During the time Buyer's Tooling is in LORD's possession, LORD shall be responsible for routine maintenance of Buyer's Tooling. Cost of major reconditioning or replacement of Buyer's Tooling shall be the responsibility of Buyer. If a period of three (3) years elapses since the last order of Products from Buyer requiring the use of Buyer's Tooling, and Buyer has not requested LORD to return Buyer's Tooling, LORD may dispose of Buyer's Tooling without further obligation or liability to Buyer and may charge Buyer for any costs associated with such disposal.

10. **WARRANTY AND DISCLAIMER OF WARRANTIES:** LORD warrants that the Products will be free from any defects in workmanship or material. Such warranty shall extend for a period of one (1) year from the date of shipment of the Product by LORD to Buyer (the "Warranty Period"). In the event a defect in workmanship or material in Product sold develops within the Warranty Period as a result of normal, proper and intended use of the Product, LORD agrees to repair or replace, at LORD's option, the defective Product(s) provided that Buyer gives LORD written notice of any such defect, which such notice is received by LORD within the Warranty Period and which describes the defect. The defective Product(s) shall be delivered to LORD, FOB LORD's facility, at the sole cost and expense of Buyer. Notwithstanding the foregoing, the defective Product(s) shall not be returned to LORD without the issuance by a Return Material Authorization. LORD's obligation for lot traceability of a shipped Product is limited to the tracking of the original packaging in which the Product was shipped, unless customized marking of the Product with unique lot identification is required by Buyer and agreed to by LORD, as evidenced by the inclusion of such marking on the approved Buyer's drawing approved by Buyer's technical specification for the Product. Once the Product is removed from its original packaging, it is Buyer's obligation to track the Product and maintain lot traceability for purposes of evidencing the date of shipment to support a warranty claim. **REPAIR OR REPLACEMENT OF THE DEFECTIVE PRODUCT(S) IS THE SOLE AND EXCLUSIVE REMEDY OF BUYER WITH RESPECT TO ANY DEFECTIVE PRODUCT(S), AND LORD'S LIABILITY UNDER THIS SECTION IS SUBJECT TO SECTION 12 OF THESE TERMS AND CONDITIONS. EXCEPT FOR THE WARRANTY SET FORTH IN THIS SECTION 10, LORD DISCLAIMS ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

11. **DEFAULT AND TERMINATION:** In the event either party defaults with respect to any provision of these Terms and Conditions, or files or has filed against it a petition for bankruptcy, or suffers reorganization of a receiver or trustee of its business or properties by reason of insolvency or liquidation (each an "Event of Default"), the non-defaulting party shall have the right to terminate the Purchase Order, Agreement and/or these Terms and Conditions if such Event of Default is not cured by the defaulting party within thirty (30) days after receipt of written notice of such Event of Default from the non-defaulting party except in the event of a failure to pay any amount when due hereunder, in which case such Event of Default shall be cured within ten (10) days of such notification. Upon termination, the non-defaulting party shall be entitled to seek any and all legal or equitable remedies available to such party under this Agreement or under applicable law. In addition, in the event LORD terminates the Purchase Order, Agreement and/or these Terms and Conditions as a result of an uncured Event of Default by Buyer, Buyer shall be liable to LORD for the following: (i) the purchase price of all finished Products delivered to Buyer but not yet paid for at the time of termination, including any interest on overdue payments, if any; (ii) the purchase price of all finished Products not yet delivered to Buyer at the time of termination (excluding those units of Products included in the calculation of inventory in item (i)); (iii) the purchase price of all inventory of the Products held by LORD for Buyer at the time of termination; (iv) the value of all work in progress at the time of termination; and (v) the cost of all raw materials acquired by LORD for use in production of the Products held by LORD or on order by LORD at the time of termination (collectively, the "Costs"). Buyer shall pay the Costs to LORD within thirty (30) days of termination by LORD. Subject to Section 12, the right of either party to terminate is in addition to, and not in lieu of, any and all legal and equitable remedies available to the non-defaulting party in the event of an Event of Default by the other party.

12. **LIMITATION OF LIABILITY: NOTWITHSTANDING ANYTHING IN THESE TERMS AND CONDITIONS TO THE CONTRARY, IN NO EVENT SHALL THE CUMULATIVE LIABILITY OF LORD ARISING OUT OF THE SALE OF PRODUCTS BY LORD TO BUYER UNDER ANY PURCHASE ORDER EXCEED THE AMOUNT PAID BY BUYER TO LORD FOR THE PRODUCTS UNDER SUCH PURCHASE ORDER. LORD SHALL HAVE NO LIABILITY FOR ANY DAMAGE ARISING FROM BUYER'S (i) USE OF A PRODUCT IN A MANNER FOR WHICH IT WAS NOT INTENDED OR (ii) INCORPORATION OF A PRODUCT INTO AN END PRODUCT FOR WHICH IT WAS NOT DESIGNED OR AUTHORIZED FOR USE. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH THE SALE OF PRODUCTS BY LORD TO BUYER.**

13. **CONFIDENTIALITY:** The Parties agree to keep confidential and, except as required by law, not disclose to any other third person any proprietary information (including, without limitation, data, drawings, descriptions, design sheets, computer prints, computer codes, scientific and technological information, process specifications and procedures, including quality control instructions, production costs, production procedures, supplier information and any other technical and commercial information relevant to the Products) (collectively, the "Confidential Information") received from the other party in connection with these Terms and Conditions. Each party further agrees to use such Confidential Information only for the proper purposes necessary for performance of its obligations under any Purchase Order, Agreement and/or these Terms and Conditions. To the extent disclosure is required by law, the disclosing party shall provide prior notice of such impending disclosure to the other party and the disclosing party shall use reasonable efforts at its own cost and expense to limit such disclosure and to maintain the confidentiality of such Confidential Information to the extent permitted by law. In the event the Parties have entered into a separate Confidentiality or Non-Disclosure Agreement governing the transactions to which these Terms and Conditions apply, the terms of such Agreement shall take precedence over this Section 13.

14. **EXPORTS:** The Parties agree to comply with all applicable U.S. export control laws and regulations, including, without limitation, (i) the Arms Export Control Act (22 U.S.C. 2751-2774), including the International Traffic in Arms Regulation (ITAR) (22 C.F.R. 120 et seq.) and (ii) the Export Administration Act (50 U.S.C. app. 2401-2420), including the Export Administration Regulations, 15 C.F.R. 228-274 and agree to obtain any export license or agreement, if required by any U.S. export laws or regulations. The Products are intended by the United States for the destination identified as the ship to destination. Any diversion contrary to the law of the United States is prohibited.

15. **AUDITS:** LORD does not consent to any audit of its books or records by Buyer in connection with the sale of Products to Buyer except to the extent required by applicable law or by rule or regulation of a Federal department or agency with proper jurisdiction.

16. **CHANGES:** No change to any Purchase Order, including without limitation, any rescheduling of or delay in delivery of the Products, may be made by Buyer without the express written consent of LORD.

17. **SUBCONTRACTING:** LORD may subcontract all or a portion of the manufacture of the Products sold hereunder without notice to or consent of the Buyer.

18. **FORCE MAJEURE:** Delay in or failure to carry out the duties imposed upon either Party under these Terms and Conditions shall not be deemed an Event of Default if such delay or failure results from causes beyond the reasonable control of the party claiming relief hereunder, including, without limitation, fire, explosion, labor disputes, casualty or accident, lack or failure of transportation facilities, epidemic, cyclone, flood, drought, declared or undeclared war, revolution, civil commotion, terrorism or acts of public enemies, blockage or embargo, or by reason of law, proclamation, ordinance, demand, or requirement of any governmental or ruling authority, including, without limitation, any denial by governmental authority of appropriate export authorization. A party may claim relief if such circumstances exist as to its subcontractor and the delay in performance of the subcontractor will cause or contribute to a delay in performance by the party. The party claiming relief under this provision shall notify the other of the circumstances giving rise to its application, provide an estimate of the impact on its performance, and take all reasonable steps to remove or mitigate the impediment.

19. **ASSIGNMENT:** Buyer may not assign its rights or obligations hereunder without the express written consent of LORD, which consent shall not be unreasonably withheld or delayed. LORD may assign any or all of its rights or obligations hereunder without the express written consent of Buyer.

20. **GOVERNING LAW:** These Terms and Conditions shall be governed by, construed under and enforced in accordance with the laws of the State of North Carolina without regard to its choice of law principles. The parties agree that the provisions of the United Nations Convention on Contracts for International Sale of Goods shall not apply to any transaction covered by these Terms and Conditions.

21. **DISPUTE RESOLUTION:** The parties shall attempt, in good faith, to resolve any controversy, claim, or dispute arising out of these Terms and Conditions through negotiations. In the event that negotiations are unsuccessful, the controversy, claim, or dispute shall, upon written demand of either Party, be resolved through binding arbitration. Such arbitration shall take place in Cary, North Carolina and shall proceed in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the laws of North Carolina. The decision shall be enforceable by any court of competent jurisdiction. All costs of such arbitration, except expert fees and attorneys' fees, shall be shared equally by the parties. This Section shall not be construed to limit a party's right to obtain equitable or other relief that is not available through arbitration.

22. **COMPLIANCE WITH LAWS:** Each party agrees to be responsible for complying with all applicable laws, rules, regulations, judgments, decrees, orders and permits in performing its obligations under these Terms and Conditions.

23. **MISCELLANEOUS:** Buyer may not set-off any amount owed to it by LORD, regardless of the nature of any such claim, in lieu of fully satisfying LORD's invoice for the sale of Products to Buyer hereunder. No failure on the part of either party to exercise any right or remedy hereunder shall impair, prejudice or constitute a waiver of any such right or remedy. No waiver by a party of an Event of Default by the other party shall be deemed to constitute a waiver of future Event of Default, whether similar or dissimilar in nature. Any provisions of these Terms and Conditions that, by their nature, are intended to survive the expiration or termination of these Terms and Conditions, including, without limitation, Sections 5 through 13 (for purposes of Section 10, the obligations of LORD shall survive only to the extent of the balance of any Warranty Period existing at the time of such expiration or termination), 20 and 21, shall survive such expiration or termination for any reason. If any provision or part of any provision of these Terms and Conditions shall be invalid or unenforceable under applicable law, such provision or part of such provision shall be ineffective to the extent of such invalidity only, without in any way affecting the remaining parts of said provision or the remaining provisions of these Terms and Conditions. These Terms and Conditions, along with the terms on the face of the document to which they are attached and any other supplemental terms agreed upon in a writing executed by both parties authorized representatives, constitute the entire agreement between the parties, and LORD shall not be bound by any agent's or employee's representation, promise or inducement not set forth herein.