

DISTRIBUTION AGREEMENT

Dated: October 18, 2013

In consideration of the mutual promises contained herein and in the referenced attachments, Eaton Aeroquip LLC and or Eaton Corporation and or Eaton Aerospace LLC (collectively "Eaton") herein individually or jointly known as "Seller" hereby appoints:

AAR Parts Trading, Inc. d/b/a AAR Distribution
1100 North Wood Dale Road
Wood Dale, IL 60191

the authorized distributor ("Distributor") for the sale of Products (as defined below) and for the Primary Trading Area (sometimes referred to hereinafter as the "PTA") defined in Exhibit A herein.

I. SCOPE AND INTEGRATION

This Agreement covers only products sold by Seller and set forth on Exhibit A attached hereto (the "Products"). The following Attachments are incorporated by reference in and form a part of this Agreement with the same force and effect as if written herein in full, and Distributor acknowledges receipt of copies thereof:

Exhibit

- A. Exclusive Products, Primary Trading Area, and Authorized Branches
- B. Eaton Aerospace Terms and Conditions of Sale USA and International
- C. Hose Shop Agreement
- D. Form of Exhibit D, which shall be replaced by Exhibit D: Initial Provisioning, Distributor Performance and Growth Guarantee
- E. Special Business Terms and Conditions

This Agreement, together with the Exhibits referenced above, contain the entire understanding of the parties in respect to the transactions contemplated. As such, they supersede all prior negotiations, commitments and writings, including but not limited to any prior distribution agreement in effect between the parties hereto. Distributor hereby grants Seller a full, irrevocable and unconditional release of any and all amounts, investments, obligations and charges possibly due by Seller to Distributor under any prior agreement. This Agreement shall be interpreted in accordance with the following precedence in the event of a conflict of any part hereof: First, the main body of this agreement; Second, Exhibit B; and third, the remaining exhibits.

II. TERMS AND CONDITIONS

Terms and Conditions of sale between Distributor and Seller are governed by the Seller's Terms and Conditions of Sale as set forth on Exhibit B, as well as the Seller's applicable Distributor Net pricing, as amended by Seller from time to time. The Seller reserves the right to revise Distributor Net pricing during the term of this Agreement and such revised attachments shall thereafter become a part of this Agreement. It shall be the responsibility of the Distributor to retain and maintain Seller provided Price and Delivery data in complete and current form in the Distributor's regularly maintained catalogs and/or business system.

Additional Special Business Terms and Conditions are set forth on Exhibit E hereto.

III. DISTRIBUTOR PRIMARY TRADING AREA AND DIRECT SALES BY SELLER

The PTA and Market Segments described in Exhibit A shall be Distributor's area of primary responsibility. This Agreement is exclusive, unless otherwise stated, and Seller reserves the right to (a) directly sell its Products to

Customers in Distributor's PTA and/or Market Segment if it is deemed necessary or desirable in Seller's sole judgment, (b) establish additional Distribution in the PTA, or (c) redefine the area as to either or both geographic scope or market segment coverage if in Seller's sole discretion such that additional Distribution or redefinition is desirable to secure adequate market coverage for Seller's Products within the area. Seller agrees to provide a 180 day notice to Distributor of its intent to act under (a), (b) or (c).

Distributor's place of business shall be deemed to be the address listed in this Agreement, and shall apply only to Distributor's business operated from that location. In the event that Distributor has one or more branch facilities, any such facility may, with the written approval of Seller, be designated as an "approved branch" and included within the scope of this Agreement. Exhibit A details the approved branches as of the date of this Agreement, which list may be amended by mutual consent of the parties in writing. In the event that Seller makes quotes to, accepts orders from or makes shipments to a branch location, such actions in no way obligate Seller to do so to any new branches Distributor may elect to establish. Distributor shall be held responsible for any and all acts and omissions by its authorized branches under this agreement. Notwithstanding the foregoing, Distributor may distribute Products from any of its Seller authorized affiliates' facilities.

IV. RESPONSIBILITIES OF SELLER

A. Sales and Training Assistance

Seller will provide technical sales assistance and technical product support, including joint customer calls, when mutually desired. Seller will furnish such sales leads as it may deem in its sole discretion appropriate. Seller will provide sales training assistance to Distributor as may be mutually agreed upon. Seller may also provide training assistance to Distributor for value added activities by Distributor such as light manufacturing of Products in accordance with Seller's drawings and specifications.

B. Merchandising Assistance

Seller will provide reasonable merchandising and promotional support to Distributor to the extent Seller shall, in its discretion, determine. Such support includes the following:

- (1) Furnishing of catalogs, mailers, fliers, price lists, etc.
- (2) Furnishing of distributor announcement mailers
- (3) Furnishing of ad reprints
- (4) Furnishing of Eaton Annual Report
- (5) Use of available product displays as mutually agreed
- (6) Support of sales meetings and seminars as mutually agreed
- (7) Support of sales exhibits as mutually agreed
- (8) Furnishing of artwork and related materials for Distributor catalogue preparation
- (9) National advertising as mutually determined

C. Annual Stock Adjustment

Seller will accept from Distributor a maximum of one stock return, schedule to be agreed upon by Seller, per calendar year, not to exceed 1.5% of the value of the previous calendar year sales per Seller's Plant for each Product line. (The 1.5% value is not on the aggregate value of all sales by Seller to Distributor. It is calculated based on the shipments to Distributor from the Plant which manufactured the Products.) The maximum allowable return value will be calculated prior to the assessment of any restocking charges. Written authorization must be obtained from Seller for all items to be returned and the following conditions must be met:

- (1) Limited to standard items as determined by Seller.

- (2) Must be of current design, not to exceed two (2) years from date of manufacture, although Seller may decline to accept Products of more current design. Age dated material of any kind is not eligible for return. In the event of termination in accordance with paragraph IX, two years from date of manufacture is determined to be calculated as the Date of Notice to Terminate minus 24 months.
- (3) Products must be in resalable condition, and include all required documentation. Seller reserves the right to refuse material that in its sole judgment is not in salable condition or for which it has no requirements.
- (4) The amount of the credit for returned material will be based on the price Distributor actually paid for the Product at the time of acquisition.
- (5) Return freight must be prepaid and at Distributor's expense.
- (6) An off-setting stock order of equal or greater value may be required to accompany the authorized return. This requirement is at the sole discretion of Seller's Business Unit and/or Plant that administers the Products.
- (7) The initial inventory of a new product, as recommended in writing by the Seller, will be subject to the individual return policy established for that Product at time of release for sale.
- (8) The 1.5% of previous calendar year's shipments limitation stated above will not be exceeded. Fifteen (15) percent restocking charges apply.
- (9) Hose assemblies are not eligible for return.

D. Warranty

- (1) Seller shall extend its warranty for each product to Distributor's customer. The warranty is set forth in Section 14 of Exhibit B attached hereto: Eaton Aerospace Terms and Conditions of Sale USA and International. Seller shall notify Distributor whether an item is life limited and, if so, its life limit. Distributor shall also extend such nonstandard warranties as Seller may have agreed upon with Seller's customers where Seller's contractual obligations exceed Seller's standard 12 month warranty post Distributor sale. In such cases additional nonstandard warranty time shall commence on date of Distributor sale. Seller agrees to provide warranty time periods for all nonstandard warranty items. Distributor will be responsible for warranty processing for claims from its customers.
- (2) Distributor shall not make any warranty commitment, written or oral, on Seller's behalf other than those identified in this agreement. Distributor shall indemnify Seller against any warranties made by Distributor which exceed Seller's standard warranty or have not been approved in writing by Seller.

E. On Time Delivery Performance

- (1) With the exception of the Initial Provisioning Inventory Purchases, the Seller shall strive to achieve 95% On Time Delivery Performance, against prevailing manufacturing lead times, for all orders accepted by Seller from Distributor. In the event that this is not achieved, Seller and Distributor will mutually agree upon the impact of Seller's delinquent performance and reflect its impact in the target growth calculation in Exhibit D for the prevailing year.

- (2) The parties shall, within 60 days of this Agreement, finalize the Initial Provisioning, Distributor Performance and Growth Guarantee terms, in a form and manner substantially similar to Form of Exhibit D attached hereto. Such terms shall, upon finalization, replace Form of Exhibit D hereto as Exhibit D.

V. RESPONSIBILITIES OF DISTRIBUTOR

A. Sales Force

Distributor agrees to maintain a qualified selling organization, including outside field sales representation and a dedicated Product Specialist for authorized Products, adequate for the needs of the market potential in the PTA and to actively and aggressively promote the sale of all authorized Products. Distributor agrees to participate in joint marketing programs.

B. Products

Distributor agrees not to sell any Products covered by this Agreement which have been altered or modified in any way (either physically, electrically or in the manner in which it is identified) subsequent to the initial sale of the product by the Seller, except for those products specifically designated by the Seller to be assembled and/or modified by the Distributor. Substitute sourcing by Distributor of any piece parts or components used in Seller's Products is strictly prohibited. Any Products assembled by the Distributor must be done so in accordance with the then in effect Eaton Aerospace engineering drawings and documents applicable to the Products. Violations of these provisions are grounds for termination of this Agreement with cause.

C. Facilities

The Distributor agrees to maintain such facilities including hose shop(s) as may be required to provide good customer service, product availability and product integrity. Seller and Distributor will monitor performance metrics set forth in Exhibit D to mutually determine the adequacy of such facilities to achieve the performance goals. In the event that performance metrics are not achieved, Distributor agrees to establish additional facilities as mutually determined.

Distributor agrees to provide assembly of certain of Seller's hose Products pursuant to a Hose Shop Agreement, in accordance with Exhibit C.

D. Financial Stability

Distributor shall have sound financial practices, shall remain financially solvent and shall maintain its account in good credit standing with Seller in accordance with Seller's then in effect payment terms. Distributor further agrees to conduct business with Seller in accordance with prevailing terms and conditions as specified in applicable Price Books, Price Lists and Terms and Conditions of Sale, each as set forth on the Exhibits attached hereto. Failure to comply with these terms and conditions will be cause for the Seller to withhold shipments or take other action as it deems necessary and appropriate. Distributor will provide Seller with an audited financial statement of Distributor's parent corporation, AAR CORP., on an annual basis if so requested.

E. Sales Goals

Distributor and Seller agree that the formation of sales goals, forecasts and plans and the sharing of market and customer data is necessary to achieving mutual success in the market. Such sales goals may be established by Seller for Distributor based on past purchases by Distributor from Seller and market potential in the PTA or any other reasonable methods that Seller may select. The parties

agree that Distributor shall meet growth guarantees as established in accordance with Exhibit D. A forecast identifying the market, customer, application, product, estimated quantity and dollar sales volume for continuing and new business opportunities is to be provided by Distributor to Seller on or before July 1 of the year prior to Seller's forecast year. Distributor agrees to update such forecast on a quarterly basis when so requested by Seller. Distributor and Seller shall attempt to agree upon Distributor's sales goals.

F. Sales Reports

Distributor agrees to provide monthly Point of Sales (between Distributor and its customers) data to Seller or Seller's designated third party representative covering all transactions for the Products. This data is due at Seller's office or Seller's designee the 15th day of the month following the month being reported on. The data provided via electronically transmitted means must be in the format as defined by Seller or Seller's designee and must include all data specified. Distributor further agrees to provide detailed Quotation analysis, specific customer performance and complaint management reports to assist Seller in conducting market analyses.

G. Inventory Requirements

It shall be the joint responsibility of Distributor and Seller to recommend changes in on-going inventory levels, based upon local market needs and potential, to obtain better inventory turnover, insure and maintain adequate product availability and minimize operational interruptions to Seller's facilities.

Distributor agrees to furnish either or both On-Time Delivery and/or Quote From Stock reports as may be requested from time to time by Seller and to achieve and maintain a mutually agreeable service level with respect to On-Time Delivery and Quote from Stock rates sufficient to insure superior customer service levels. If Seller establishes an Inventory Referral System, Distributor agrees to participate in Seller's Distributor Inventory Referral System unless exempted by Seller in writing.

Distributor agrees to meet the On Time Delivery requirements to Distributor's Customers as set forth in Exhibit E for Aeroquip legacy products. Should Distributor fail to do so, and this non-performance situation is not a result of Seller not meeting their stipulated On Time Delivery requirements set forth in Section E paragraph (2) of the Agreement, Seller has the right to notify Distributor in writing that Distributor's performance is in breach of this Agreement. Distributor shall have 15 calendar days to provide Seller with a written response confirming the deficiency or challenging said deficiency and if confirming the deficiency, also providing a written Corrective Action Plan on which Distributor and Seller shall agree in no more than 30 days. Such written Corrective Action Plan shall provide details with specific corrective action performance targets to be achieved (and mutually agreed to between Seller and Distributor) in the next 180 day period.

Distributor agrees to provide Seller with details of any specific agreements that it has in place with customers in the Market Segment as defined in Exhibit A, as may be requested by the Seller from time to time, to the extent permissible.

Seller may from time to time be required to establish consignment stocks to meet Customer or Market requirements, and the parties will mutually agree to implement consignment stocks on a case by case basis. Upon request of Seller, Distributor agrees to provide annual physical inventory report(s) of the products. This report must include Seller's part number, quantity and location. Seller agrees to utilize Distributor's on line tools (supplier portal) for informational purposes.

Distributor will utilize an inventory management or ERP system that has been reviewed and approved by Seller.

Distributor will provide Seller with a quarterly demand forecast in a mutually agreeable format.

H. Sales Promotion

Distributor agrees to make effective use of the promotional materials supplied by Seller, to diligently promote the sale of Seller's Products authorized herein and to join with Seller in joint merchandising programs when requested. Seller shall have the right, at Seller's discretion, to have one or more of Seller's employees at Seller's own expense, assist Distributor in the sale and promotion of the Products. Distributor will reasonably cooperate with any such personnel to the best of Distributor's ability.

Distributor and Seller shall mutually agree to establish Performance metrics, which shall be reviewed at the Quarterly Business reviews.

I. Orders and Compliance with Law

Distributor agrees to consolidate orders to the extent reasonably possible to reduce order handling, paperwork and shipping costs. Additional items may not be added to orders in process without the express consent of Seller's applicable Business Unit Customer Service Department. Scheduling of individual line items on orders is permitted under certain conditions. Seller will not drop ship a Distributor order direct to a customer except in extreme emergencies. All orders by the Distributor to Seller shall be subject to confirmation and acceptance by Seller. Seller reserves the right to reject any order in whole or in part. Distributor shall have the sole responsibility for obtaining and maintaining licenses, including export licenses, or permits, as may be required in the PTA for the purpose of soliciting orders for the Products of the Seller.

Seller and Distributor each agrees that it will comply with all applicable U.S. Export laws and regulations including without limitation ITAR and EAR regulations in effect at the time of order placement. All orders hereunder shall be placed, invoiced and paid in US dollars unless an alternative currency is mutually agreed upon.

J. Prohibited Acts

Distributor shall not engage in any acts which may negatively impact Seller. Actions that constitute undermining for the purposes of this clause include but are not limited to: (a) sales, marketing or other efforts undertaken relating to products which compete with Seller's Products covered by this Agreement; (b) failure to comply with any applicable law or regulation; (c) disclosure of any of Seller's business and/or trade secrets to third parties except as authorized by this Agreement, or (d) obtaining any of Seller's business and/or trade secrets from third parties to conduct business not authorized by this Agreement.

K. Communication

- (1) Distributor agrees that the exchange of ideas and information between Distributor and Seller is of utmost importance. Distributor will keep abreast of market conditions and trends, news of competitors and competitive products, customer information and feedback, etc. Distributor will regularly communicate such information to Seller (no less frequently than quarterly) and will meet with Seller's internal and external marketing and sales personnel as requested to discuss mutual problems, objectives, performance issues and new product opportunities.
- (2) Distributor shall furnish to Seller, upon request and at no charge, the identity of any customer for a specific quotation to the extent Distributor is not bound by confidentiality obligations. Distributor shall, when negotiating definitive agreements with its customers

who will purchase Products, use its commercially reasonable efforts to include Seller as a permitted agent with whom the terms of such definitive agreement may be shared.

- (3) Distributor shall, at all times, project the image of Seller in a positive light to all current and potential customers. Distributor will do nothing that will jeopardize the Seller's goodwill and reputation or the reputation of its products, and Distributor will have no authority to bind Seller by any act or representation, unless specifically authorized in writing by Seller.
- (4) Upon Seller written request, Distributor shall, if permissible, provide Seller with details of all agreements relating to Seller Products which Distributor enters into with its customers within thirty (30) days of signature.

L. Competitive Activities

Seller and Distributor acknowledge that Distributor cannot fulfill its obligations under this Agreement if, at the same time, Distributor is promoting and selling products manufactured by other firms that compete with the Products covered in this Agreement. Therefore, if at any time while this Agreement is in effect Distributor directly distributes, or represents as agent, products which compete with Seller's Products covered by this Agreement, then, notwithstanding any other provision of this Agreement to the contrary, such actions shall constitute a material breach of this Agreement.

M. Intellectual Property, Logotypes and Trademarks

Distributor acknowledges and agrees that no license under any patents or proprietary rights is granted by Seller under this agreement or by Seller's transmission of information hereunder. Distributor agrees to not use Seller's Intellectual Property, Logotypes and/or Trademarks without express written permission from Seller, and, then only in accordance with all applicable Seller policies and procedures.

VI. LAW, ETHICS AND INDEMNIFICATION

- (1) Seller and Distributor agree that they will comply with all applicable local, state, federal and international laws and regulations, including applicable import and export control laws and regulations and anti-corruption laws and regulations in their performance of this Agreement.
- (2) Seller and Distributor each also warrant that it shall not take any action or permit or authorize any action that will render the other party liable for a violation of the U.S. Foreign Corrupt Practices Act and/or any other applicable local laws on anti-corruption, which prohibits the offering, giving or promising to offer or give, directly or indirectly, money or anything of value to any official of a government, political party or instrumentality thereof in order to assist it or the Seller in obtaining or retaining business. Each party shall strive to maintain the highest standards of business integrity. If either party has any cause for concern regarding any business practices, these should be reported to the other party. The contact details of Eaton Global Ethics Office are available at <http://www.eaton.com/EatonCom/OurCompany/AboutUs/CorporateInformation/GlobalEthics/ContactsEthicsOffice/index.htm>.
- (3) Distributor and/or its Authorized Branches agree that they will comply with Eaton's Code of Ethics, available at www.eaton.com, as applicable to Distributor's obligations under this Agreement, as evidenced by strict conformance to AAR's Code of Ethics which is substantially similar to Eaton's Code of Ethics.

- (4) Distributor will indemnify Seller, its directors, officers, employees and agents ("Seller Indemnitees") in respect of, and hold Seller Indemnitees harmless against, all liabilities, claims, expenses, losses and damages, however caused, arising from any third party claim for death or bodily injury (excluding Seller's employees) and property damage to the extent caused by Distributor's negligence in connection with its performance under this Agreement, except to the extent caused by Seller's negligence. If requested by Seller, Distributor, at its expense, will defend all suits and proceedings that may be instituted against Seller with respect to any matter as to which Distributor is required to indemnify Seller under this Agreement.
- (5) Seller will indemnify Distributor, its directors, officers, employees and agents ("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 or bodily injury (excluding Distributor's employees) and property damage to the extent caused by Seller's negligence in connection with its performance under this Agreement except to the extent caused by Seller's negligence. If requested by Distributor, Seller, at its expense, will defend all suits and proceedings that may be instituted against Distributor with respect to any matter as to which Seller is required to indemnify Distributor under this Agreement.
- (6) Seller will indemnify, defend, and hold harmless the Distributor 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 by reason of the Products or any advertising or promotional materials created or supplied by the Seller. In the event that any claim is made against Distributor that the Products or any advertising or promotional materials created or supplied by the Seller infringe any third party intellectual property or proprietary rights, Seller shall, at its own expense and option, settle or defend the claim and pay all damages and costs finally awarded to Distributor. Seller will only be liable for such claim on the conditions that Distributor promptly informs Seller of such claim, Seller has full control of the defense of the claim, and that at Seller's expense Distributor provides all assistance and information reasonably required to allow Seller to handle the claim. Seller shall have no obligation to indemnify Distributor or to hold harmless or defend claims arising out of the infringement of any intellectual property or proprietary rights related to the use of the Products or any advertising or promotional materials 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 Seller where such infringement would not have arisen from the Product or advertising or promotional material itself, (C) modified by Distributor or by a third party at Distributor's request without Seller's written consent, or (D) used or sold after Seller has informed Distributor of modifications or changes required to avoid such claim if the alleged infringement would have been avoided by implementation of Seller's recommended modifications or changes. In such cases (A)-(D), Distributor shall indemnify and save Seller harmless from such claims to the extent set forth above.
- (7) In addition, in the event of any infringement or claimed infringement of any patent, trademark, copyright, or other intellectual property or proprietary rights by reason of the Products or any advertising or promotional materials created or supplied by the Seller, the Seller, at its option and expense may:
- (a) secure for the Distributor the right to continue selling or distributing the Products, either by obtaining a license for such continued sale or distribution or by other appropriate means; or
 - (b) replace the Products with noninfringing products or parts thereof; or

(c) modify the Products so as to render them noninfringing; or

(d) remove the Products from premises of Distributor, refund cost paid by Distributor for such Products and, unless some of the Products are noninfringing, terminate this Agreement.

Paragraphs (6) and (7) of this Section VI state the entire liability of the parties for intellectual property and proprietary rights infringement.

VII. LIMITATION OF LIABILITY

EXCEPT PURSUANT TO ANY THIRD PARTY INDEMNIFICATION OBLIGATIONS SET FORTH IN THIS AGREEMENT, NEITHER PARTY HERETO SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR EXEMPLARY DAMAGES OF ANY KIND WHATSOEVER, INCLUDING, BUT NOT LIMITED TO LOST PROFITS, LOST SALES, LOSS OF REVENUE OR OPPORTUNITY, LOSS OF USE OF EQUIPMENT, COST OF CAPITAL, COST OF DOWN TIME, COST OF SUBSTITUTE EQUIPMENT, OR ANY OTHER SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, ARISING OUT OF OR IN CONNECTION WITH PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, WHETHER SUCH LIABILITY IS ASSERTED ON THE BASIS OF WARRANTY, CONTRACT, TORT OR OTHERWISE, EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NO AGREEMENT VARYING OR EXTENDING THE FOREGOING LIMITATION OF LIABILITY SHALL BE BINDING UPON EITHER PARTY UNLESS IN WRITING, SIGNED BY A DULY AUTHORIZED OFFICER OF THAT PARTY.

VIII. TERMS OF PAYMENT

Terms of payment shall be as set forth in Seller's applicable Price Book(s) or Price List(s), electronic media or written quotes as supplied from Seller's Business Units. If not otherwise specified, payment terms are Net 30 days from date of invoice.

IX. TERM AND TERMINATION OF AGREEMENT

Unless terminated as hereinafter provided, this Agreement shall continue in effect until December 31, 2018, which term may be extended by mutual written agreement of the parties until December 31, 2023. In addition to any other right of termination granted to either party, this Agreement may be terminated by either party as follows:

- A. Either party may terminate this Agreement for any reason, with or without cause, at any time after the first anniversary of this Agreement, by serving written notice of termination on the other to become effective 180 days after posting by certified mail or personal delivery at the address contained in this Agreement;
- B. Notwithstanding, Either party may terminate this Agreement immediately due to a material breach by the other party of a contractual obligation, duty or condition assumed by it hereunder, by serving a thirty (30) days prior written notice of termination when delivered by certified mail or personal delivery at the address contained in this Agreement. Termination by a party shall not be construed as a waiver of any claim it might then or thereafter have against the other party; with respect to such party's rights arising prior to the effective termination date; notwithstanding the foregoing, either party shall provide written notice of any breach to the other party. Either party shall have ten (10) calendar days to respond to the other party's written notice and shall remedy its material breach within thirty (30) days from the termination notice or a longer cure period, which shall be determined solely at the notifying party's discretion. In its

sole discretion the notifying party has the right to determine if the breach has been cured and will do so in writing to the other party.

- C. Either party may provide notice to terminate this Agreement immediately if the other party (a) is subject to insolvency proceedings or becomes insolvent or becomes subject to any arrangement pursuant to any bankruptcy or equivalent law of any country, (b) generally fails to pay its debts as they become due, (c) ceases to conduct business in the ordinary course, or (d) if a receiver is appointed for its business or it discontinues its business. After termination under any subparagraph of this Paragraph VIII, Seller may at its option (but not obligation) repurchase such part of Distributor's inventory which Seller deems appropriate or desirable. Notwithstanding the foregoing, the notifying party shall provide written notice of any breach to the other party. The recipient shall have ten (10) calendar days to respond to the notice and thirty (30) days thereafter to cure such breach. In its sole discretion the notifying party has the right to determine if the breach has been cured and will do so in writing to the other party.

X. EFFECT OF TERMINATION

Upon termination of this Agreement for any reason, Distributor and Seller shall immediately:

1. Cease the use of signs, stationery, brochures and other printed matter identifying it as Seller's distributor or a distributor of the Products and, conversely, so shall Seller cease use of these items identifying Distributor as distributing Seller's products,
2. Each Party shall take commercially reasonable steps to have changes made in business listings and directories so identifying it and do all other acts required to remove and revoke any such identification as a Distributor or supplier of the Products, and
3. Each Party shall return to the other all confidential and proprietary information as required by Paragraph XII herein.

Upon termination of this Agreement, Seller shall have the right and option to cancel any of Distributor's outstanding orders for Products regardless of due date or date of order placement, declare all amounts owed by Distributor to Seller to be immediately due and payable, stop in transit any shipment of Products, establish terms of cash in advance or cash on delivery for Products, appoint replacement distributors, and/or exercise any other legal remedies available to Seller. Distributor agrees that on termination of this Agreement (with or without cause) that Seller is not liable for any termination compensation whatsoever, whether based on goodwill established, clientele created, expenditures incurred or investments made by Distributor or otherwise, except as otherwise defined in Exhibit E. The foregoing does not limit any other right Distributor may have to make any other claim against Seller arising from pre-termination independent occurrences other than Seller's termination in accordance with this Section. Distributor shall have the right to cancel open orders with due dates beyond one hundred and eighty (180) days from the date of termination notice. Within ten (10) days of the date of termination, Distributor shall provide to Seller in writing, or as otherwise agreed to by Seller, details of all open orders, commitments, business development and marketing discussions with end customers.

XI. PRICING

So long as this Agreement remains in effect, Distributor shall be entitled to receive Seller's "Distributor Net" or applicable Distributor discounted pricing for Products covered by this Agreement. Pricing will be as shown in Seller's current electronic media, internet based tools, written quotations or such other means as Seller may, at its sole discretion, elect to provide.

Seller's pricing is subject to change without prior notice, provided, however, that if Seller determines that it is practical to do so, Seller will provide Distributor with up to 90 day notice of price adjustments. Distributor is

responsible for updating all outstanding quotations to its Customers to reflect this new pricing. In the event that Seller does not provide a full 90 day notice of price adjustment, Seller may at its discretion honor orders from Distributor based on written quotations made by Distributor to its Customers prior to the price adjustment for a period not to exceed 30 days from such notification of a price change, provided written notice of Distributor's desire for such protection is furnished to Seller within 5 days after the date of the price change notification.

Seller may furnish Distributor with suggested resale prices for Products covered by this Agreement, provided, however, that Distributor shall remain responsible for determining the prices at which Distributor resells the Products.

Only at the request of Seller, and as mutually agreeable between Seller and Distributor, Distributor agrees to act as a Master Distributor and re-sell Seller's Products to other Seller's authorized Distributors at a mutually agreeable pricing structure as developed by Seller and Distributor. Such resale by Distributor shall not be unreasonably withheld.

Distributor shall not sell Products to non-end users (i.e., unauthorized resellers) without the prior written consent of Seller.

XII. DISCLAIMER OF AGENCY

Distributor agrees that in all matters relating to this Agreement, Distributor shall be acting as an independent contractor in buying products from Seller and selling them to customers of Distributor, and nothing contained in this Agreement shall make Seller or Distributor the agent, partner or franchisee of the other party. Distributor shall have no right, power, or authority to create any obligation, expressed or implied, on behalf of Seller and shall have no authority to represent Seller as an agent. Distributor further agrees that partners, officers, and employees of Distributor are not employees of Seller within the meaning or application of any local, state or federal law. Distributor agrees to assume and pay all liabilities and perform all obligations imposed by any one or more of such laws, with respect to its employees in connection with this Agreement and to hold harmless and indemnify Seller from and against any such liabilities.

XIII. CONFIDENTIALITY

Both parties acknowledge that during the term of this Agreement, it may possess or receive certain confidential information about the business of the other party, including, but not limited to, business, engineering, technical and financial records, designs, drawings, models, software, membership lists, trade secrets, processes, inventions, operating procedures, and other documents, data, and other information. Therefore, both parties agree that, during the term of this Agreement and for a period of three (3) years following the termination of this Agreement, all such information shall be held in confidence and either party will not divulge such information to any party without the express written consent of the other party. Both parties agree that it will adopt reasonable precautions to guard against unauthorized release of such information, and that it will not use such information in any manner that will unfairly benefit itself or damage either party. All information disclosed by either party under this Agreement shall remain the property of the original party, and both parties agree, upon the written request of the other, to return to the other party all such confidential business information upon termination of this Agreement.

XIV. APPLICABLE LAW

This Agreement shall be construed and interpreted in accordance with the laws of the State of New York, United States of America, without regard to the conflict of law provisions thereof, and expressly excluding the United Nations Convention on Contracts for the International Sale of Goods, 1980.

XV. JURISDICTION AND VENUE; JURY WAIVER

Any action arising out of this Agreement or the relationship of the parties established herein may be brought only in the State and Federal courts situated in New York County, New York. Each party hereby consents and submits itself to the jurisdiction of either such Courts for such purpose. TO THE EXTENT PERMISSIBLE UNDER THE LAW, THE PARTIES EACH WAIVE THEIR RIGHT TO A TRIAL BY JURY FOR CLAIMS ARISING OUT OF THIS AGREEMENT.

XVI. AMENDMENT

No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

XVII. NO WAIVER

The failure of either party at any time to require performance by the other party of any obligation provided for in this Agreement shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by a party of a breach of any provision of this Agreement by the other party constitute a waiver of any succeeding breach of the same or any other such provision nor constitute a waiver of the obligation itself

XVIII. NOTICES

All notices or other communications which are required or permitted under this agreement shall be in writing and shall be deemed to be sufficiently given if when delivered by facsimile or sent through the U.S. mail to the following address, which may be changed by a Party from time to time upon notice to the other:

Seller:	Eaton Aerospace, LLC 9650 Jeronimo Road Irvine, CA 92618 Attention: Distributor Sales Manager	With a copy to:	Eaton Corp./Eaton Center 1111 Superior Avenue Cleveland, OH 44114 Attention: Secretary
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Distributor: AAR Parts Trading, Inc. d/b/a AAR Distribution
1100 North Wood Dale Road
Wood Dale, IL 60191
Attention: Vice President, Distribution

XIX. ASSIGNMENT AND MODIFICATION

This Agreement is not assignable by either party without the other party's prior written consent which consent shall not be unreasonably withheld, and cannot be modified or changed in any way without the written consent of both parties. Any attempt to assign this Agreement without the other party's prior written consent shall render the Agreement null and void and the termination provisions of IX shall apply.

Distributor shall not establish sub-distribution without the prior written consent of Seller.

XX. SURVIVAL

The following sections shall survive the expiration or earlier termination of this Agreement: Section IV (D) (Warranty), Section V(M) (Intellectual Property, Logotypes and Trademarks), Section VI (Laws, Ethics and Indemnifications), Section VII (Limitation of Liability), Section IX (Term and Termination of the Agreement), Section X (Effect of Termination), Section XII (Disclaimer of Agency), Section XIII (Confidentiality), Section

XIV (Applicable Law), Section XV (Jurisdiction and Venue; Jury Waiver), Section XVII (No Waiver), Section XVIII (Notices), Section XIX (Assignment and Modification).

XXI. PARTIAL INVALIDITY

In the event that any provision of this Agreement is for any reason held invalid, ineffective, and unenforceable or contrary to public policy, the remainder of this Agreement shall remain in full force and effect notwithstanding.

XXII. ENTIRE AGREEMENT; HEADINGS

This Agreement embodies the entire agreement and understanding of the parties with respect to the subject matter hereof and, as of its effective date, terminates and supersedes all prior or independent agreements and understandings between the parties with respect thereto. The article and section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provisions of this Agreement.

XXIII. COUNTERPARTS

This Agreement may be executed in two counterparts, each of which shall be deemed an original and together which shall constitute one and the same instrument. A validly executed counterpart that is delivered by one party to the other via electronic transmission (a "Counterpart Image") shall be valid and binding to the same extent as one delivered physically, provided that the valid signature is clearly visible in the Counterpart Image. In the event that a party delivers a Counterpart Image in place of an originally executed counterpart, such party shall retain the originally-executed counterpart in its files for at least the duration of the Term hereof.

[Signature page follows]

In witness whereof, the parties hereto have themselves or through their officers duly authorized set their hands and seals the day and year first above written.

"SELLER"

EATON CORPORATION

By: 

Name: Jeff Fiorini

Its: SVP / GM FED Div.

"DISTRIBUTOR"

AAR PARTS TRADING, INC. d/b/a
AAR DISTRIBUTION

By: 

Name: John M. Holmes

Its: Vice President

EATON AEROQUIP, LLC

By: 

Name: MATT NORCINI

Its: DIRECTOR OF CONTRACTS

EATON AEROSPACE, LLC

By: 

Name: MATT NORCINI

Its: DIRECTOR OF CONTRACTS

In witness whereof, the parties hereto have themselves or through their officers duly authorized set their hands and seals the day and year first above written.

"SELLER"

EATON CORPORATION

By: 

Name: EINAR JOHNSON

Its: VP, Customer Solutions & Services

"DISTRIBUTOR"

AAR PARTS TRADING, INC. d/b/a
AAR DISTRIBUTION

By: 

Name: John M. Holmes

Its: Vice President

EATON AEROQUIP, LLC

By: 

Name: MATT NOVMMAN

Its: DIRECTOR OF CONTRACTS

EATON AEROSPACE, LLC

By: _____

Name: _____

Its: _____

EXHIBIT A:

EXCLUSIVE PRODUCTS, PRIMARY TRADING AREA, AND AUTHORIZED BRANCHES

DISTRIBUTOR: AAR Parts Trading, Inc. d/b/a AAR Distribution

PRODUCTS:

Exclusive: Products covered by CAGE Codes 00624, 8W928, 08118, 08199, 15284, 77842, 02750, 97484, 16780.

PRIMARY TRADING AREA:

GEOGRAPHIC: Worldwide

MARKET SEGMENTS: United States Defense Logistics Agencies and United States Armed Services Bases and/or Depots and/or Inventory Control Points

AUTHORIZED BRANCHES:

1. AAR Parts Trading, Inc. d/b/a AAR Distribution, Wood Dale, IL

EXHIBIT B:

EATON AEROSPACE TERMS AND CONDITIONS OF SALE
USA AND INTERNATIONAL

The follow terms and conditions apply to all sales of items list in this catalog. Specific terms and conditions may be modified by mutual agreement of the parties as evidenced in the form of a written agreement.

1. ACCEPTANCE

The terms and conditions set forth herein are incorporated by reference into the Agreement. In the event of a conflict between these terms and conditions and the Agreement, the Agreement shall prevail. NO QUOTATION, ORDER OR ACKNOWLEDGEMENT AND NO PROVISION OF THE SELLER'S OR DISTRIBUTOR'S TERMS AND CONDITIONS OF THE SAME THAT CHANGE, MODIFY OR SUPPLEMENT THIS AGREEMENT SHALL APPLY IN ANY RESPECT EXCEPT AS AGREED TO IN WRITING BY AN OFFICER OR OTHER AUTHORIZED REPRESENTATIVE OF SELLER AND DISTRIBUTOR.

2. ORDERS

All orders received are subject to acceptance by an authorized representative of Seller, and may be accepted on Seller's acknowledgement forms. All orders are considered firm commitments to purchase by Distributor, and must contain either complete item description and/or functional description (catalog number, where applicable), include catalog prices, quantities, and shipping requirements. Typographical and clerical errors in quotations, orders and acknowledgements are subject to correction. If Distributor's order is other than an acceptance of a written proposal on Seller's regular quotations form, then use of Distributor's document is not an acceptance by Seller, but an offer to provide the goods ordered solely in accordance with the Agreement. Distributor shall demonstrate its acceptance of the Agreement (a) by signing the face hereof; or (b) by accepting the goods shipped by Seller on this order.

3. PRICES AND TAXES

ALL PRICES AND DISCOUNTS ARE SUBJECT TO CHANGE WITHOUT NOTICE. All written quotations are valid for 30 calendar days from the date of quotation unless withdrawn sooner or unless stated otherwise in a written quotation. Verbal quotations expire 24 hours after they are made. Seller reserves the right to revise prices of work in process the production of which is delayed for a period in excess of 30 days due to any act of Distributor. All prices are quoted exclusive of taxes and delivery charges, which may be added to the invoice net catalog or quoted prices. Seller assumes no liability for import duties or other taxes imposed by any country other than the United States. Prices are subject to adjustment by Seller for currency exchange fluctuations.

Distributor shall have no liability for taxes based on Seller's net or gross income.

4. PRICE PROTECTION

Prices will be those in effect at time of order acknowledgement. Any long term agreement or extended period firm prices must be in writing.

5. MINIMUM BILLING

A minimum Order amount of \$300.00 is required.

6. PAYMENT TERMS

Payment terms are customer specific and established and controlled by Seller's Credit and Collections department. Standard terms are NET 30 unless otherwise noted customer with accounts in good standing. Seller may open accounts for firms or individuals with approved credit. Seller reserves the right of declining to make deliveries except for cash whenever Seller has reasonably founded doubts regarding Distributor's financial responsibility. In such event, Seller shall not be liable for nonperformance of the contract and may elect to not make further delivery until it has received adequate assurance that Distributor's performance will

be duly forthcoming. If outstanding payments due in the current or previous months are not received when due, interest may be billed at the rate of one and one half percent of the unpaid balance each month until paid. Seller reserves the right to deliver and to invoice for partial shipment of completed goods.

7. SHIPPING TERMS

Unless otherwise specified, all quotations are EXW (ExWorks), INCOTERMS 2000 for international sales and FOB Origin for domestic U.S. sales.

8. TRANSPORTATION ALLOWANCES

In accordance with Section 7, Distributor assumes and pays all transportation charges. If requested, Seller can prepay and invoice Distributor for shipping costs. All other types of shipments will be freight collect, in accordance with Section 7. Unless otherwise stated in Seller's quotation, prices include standard commercial packaging.

9. TITLE AND RISK OF LOSS

Title and risk of loss shall transfer to Distributor at the time the Products are made available to be retrieved by Distributor.

10. [Reserved].

11. CHANGES, ORDER ADDITIONS and CANCELLATIONS

Distributor will be billed for any reasonable and actual expense due to changes requested by Distributor after an order is placed and processed. Seller will treat any additions to orders already entered as a new order. Any order may be cancelled or reduced by Distributor, however cancellations will be subject to payment of reasonable and actual charges based on expenses already incurred and commitments made by Seller. Reduction in order quantities may result in selling price(s) adjustments. In no case shall cancellation charges exceed 100% of the selling price. Distributor may, by timely written notice, request alteration of an order in any one or more of the following which will be accepted by Seller when feasible: (1) drawings, designs or specifications where the order calls for items to be specially manufactured for Distributor; (2) method of shipment or packing; and (3) place of delivery. If any such alteration causes an increase in the cost of, or the time required for the performance of any part of the work under this contract, whether altered or not altered by Distributor's notice, an equitable adjustment shall be made in the contract price or delivery schedule, or both, and the contract shall be modified in writing accordingly.

12. SEPARABILITY

Any quotation by Seller shall be deemed separable and divisible as to all goods offered for sale and Distributor may not refuse to receive any lot or portion of the goods shipped hereunder for failure of any other lot or portion to be delivered in compliance with the quotation unless the right so to refuse is expressly provided for on the face of the quotation.

13. TOOLING

Unless otherwise specified, charges for tooling are to cover costs of preparing tooling to operate in Seller's special machinery. Any such tooling remains the property of the Seller. Seller accepts no responsibility for tools that are the Distributor's property.

14. WARRANTY and REMEDIES

Seller warrants the goods offered for sale to be free from defects in material and workmanship for the period of one year from the date of shipment by Distributor to its customer, unless specifically warranted for another period under another applicable written agreement such as the Original Equipment Manufacturer's product support agreement. Warranty claims will be voided if the goods are not stored in a manner acceptable to Seller. This warranty is void if the goods have been altered, misused, taken apart or otherwise abused. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ARE EXCLUDED. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE FOR GOODS COVERED BY THIS AGREEMENT.

Seller's obligations and liabilities are limited exclusively and at the discretion of Seller, to repair or replacement of the Products. Seller shall be responsible for all reasonably shipping charges associated with the repair or replacement of defective Products.

EXHIBIT C:

Hose Shop Agreement

Eaton Aeroquip LLC
Approved Hose Assembly Facility Agreement

Accordingly, in consideration of the mutual covenants set forth below, Eaton and Distributor agree as follows:

1. Designation as Authorized Assembly Facility. Distributor's facility located at a location to be mutually determined by the parties (the "Authorized Facilities") is hereby designated by Eaton as an approved Eaton hose assembly facility for the Eaton products covered under the Distribution Agreement (the "Products"). Such designation shall continue until this Agreement is terminated, but shall be subject to compliance with the following terms and conditions:

(a) Distributor will provide and maintain adequate hose assembly and proof test equipment to assemble, test and /or repair products at the Authorized Facility as is required by Eaton.

(b) Distributor's personnel at the Authorized Facility engaged in the service and support of the Products shall be properly trained and qualified, as determined to the satisfaction of Eaton, in the use and service of assembly equipment.

(c) Information supplied to Distributor enabling fabrication of the Products may include confidential and proprietary information, including but not limited to Product ACES, Process ACES, top assembly drawings, sub-assembly drawings, specifications, features of any parts, tools and gages used in the assembly of the Products, pre-assembly instruction, cross reference lists, and various bills of material. Distributor shall maintain all such information in confidence and shall not use or make the same available for any other party's use, except such information may be used by Distributor's personnel at the Authorized Facility solely for purposes of Distributor's service and support of the Products as contemplated by this Agreement and the Distributorship Agreement. This information remains the sole property of Eaton and shall be returned upon request.

(d) In order to protect the integrity of the Products, the public safety and to insure compliance with existing specifications and regulations relating to aircraft products, any assembly of the Products by Distributor shall consist solely of the Products or other Eaton components and shall be completed in accordance with specifications and procedures prescribed by Eaton.

(e) Distributor shall allow full access to its premises to Eaton and/or FAA or EASA or other local civil air authority personnel for the purpose of conducting audits and quality control inspections of facilities, quality control procedures and fabricated products.

(f) Distributor shall manage and operate the Authorized Facility in accordance with QAP19.1J004, unless specifically waived by Eaton.

2. Term; Termination.

(a) The term of this Agreement, and Distributor's designation as an approved Eaton hose assembly facility, shall begin on the date hereof and continue until this Agreement is terminated (for any reason) in accordance with Section 2(b).

(b) This Agreement may be terminated by Eaton at any time in the event Distributor fails to conform in any respect to any of the terms or conditions of this Agreement and such failure continues

uncorrected, to Eaton's satisfaction, more than ten (10) days following written notice by Eaton to Distributor of any such failure; provided, that if any such failure, in the reasonable opinion of Eaton, may have an adverse effect on the safety or operation of any of the Products (or assemblies incorporating the Products), this Agreement may be terminated immediately upon written notice without regard to the foregoing ten (10) day "cure" period, or by either party without cause upon thirty (30) days written notice or immediately with cause. In addition, this Agreement, and the Authorized Facility's designation as an approved Eaton hose assembly facility, shall terminate immediately and without any action by Eaton upon termination or expiration (for any reason) of the Distributorship Agreement.

(c) In the event of termination of this Agreement, Eaton Aeroquip has the right and option to repurchase any Eaton Aeroquip hose assembly equipment previously purchased by Distributor from Eaton, which right and option shall survive the termination of this Agreement. In the event that Eaton Aeroquip exercises its option to repurchase the hose assembly equipment, after inspection of machinery, it shall give written notice to Distributor and shall pay Distributor a price equal to the purchase price paid by Distributor depreciated at the rate of 1/60 per month commencing with the date of delivery to Distributor, plus crating and freight. If the machinery is at the time of repurchase fully depreciated in accordance with said formula, then the repurchase price thereof shall be the sum of ten dollars (\$10.00).

3. No Joint Venture, Partnership, Etc. Notwithstanding the foregoing, each of the parties acknowledges and agrees that it is not the intent of this Agreement to create any agency, employment, distributorship, partnership, or joint venture between Eaton and Distributor and that, with respect to the other, it is and will remain an independent contractor. Neither party will (i) enter into contracts or obligations, written or otherwise, on behalf of the other or (ii) make or offer any use of the other's trademarks or trade names, patents or other intellectual property rights, other than as expressly provided for under this Agreement.

4. Use of Name and Trademarks.

(a) Except as provided for in this Section or otherwise agreed to in writing, Distributor is not authorized to use, and this Agreement shall not be construed to authorize or license the use of any of Eaton's (or any of its affiliates) trade names, logos, service marks, trademarks or domain names ("Eaton Marks") in connection with the sale or servicing of the Products or otherwise. Distributor shall not at any time, either during the term of this Agreement or thereafter, use any trade name, logos, service mark, trademark or domain name which is confusingly similar in sound, appearance, or meaning to any of the Eaton Marks. Distributor shall have no proprietary or ownership rights in the Eaton Marks and acknowledges Eaton's ownership and title thereto.

(b) Notwithstanding the foregoing, Distributor shall be permitted to disclose to its customers and prospective customers the fact that it has entered into this Agreement; provided, that the form and substance of such disclosure shall be first approved by Eaton and shall be entitled to use the Eaton Marks designated in Attachment A hereto for advertisement purposes only in or pursuant to the guidelines, manner and display as reviewed and approved by Eaton in writing prior to any such use. Any such use shall only be permitted with respect to the assembly of the Products as contemplated by this Agreement and shall be immediately discontinued upon termination of this Agreement. Distributor agrees that all such use as herein provided shall inure to the benefit of Eaton, and to allow Eaton to monitor the quality of such service upon request.

5. Assignment. This Agreement shall not be assignable by Distributor without the prior written consent of Eaton.

6. Notwithstanding the last sentence of Article I, the terms of the Agreement are incorporated herein by reference unless and to the extent the same are in conflict with the terms of this Exhibit C, in which case this Exhibit C shall control.

FORM OF EXHIBIT D:

Initial Provisioning, Distributor Performance and Growth Guarantee

In accordance with Section V(E)(2) of the Agreement: "The parties shall, within 60 days of this Agreement, finalize the Initial Provisioning, Distributor Performance and Growth Guarantee terms, in a form and manner substantially similar to Form of Exhibit D attached hereto. Such terms shall, upon finalization, replace Form of Exhibit D hereto as Exhibit D."

Distributor OTD Performance:

Measured according to Customer's Requested Date for all CAGE Codes covered by this Agreement:

Mar 2014	April 2014	May 2014	June 2014	July 2014	Aug 2014	Sept 2014	Oct 2014	Dec 2014	Jan 2015
90%	92%	92%	94%	94%	96%	96%	98%	98%	99%

Quote From Stock Performance:

Distributor shall achieve a Quote From Stock Rate for a mutually agreed upon set of items of 97% by September 2014. The shelf stock part scope will be reviewed every 12 month in connection with the yearly price adjustments for new parts that may qualify and for parts which are no longer qualified.

Market Outgrowth Guarantee for Order Bookings (to be calculated July 1 for the following calendar year):

Calculation of Target Order Value for coming year

	<u>Example</u>
A = Prior Twelve Month Shipment Base (Definition by Plant below)	\$100
B = Eaton Price Increase (estimated in July)	5%
C = Market Growth/Decline Index	2%
D = Growth Guarantee	4%

$$\text{Target Before Adjustments } (A + B) \times C \times (1+D) \quad (\$100 + \$5) \times 1.02 \times (1.04) = \$111.38$$

Note: Target Before Adjustments will be revised for Item B when Seller's final price increases are determined no later than December 1.

Adjustments (to be considered in December 1)

Eaton and Market Influences

E = Repair Growth at the expense of Spares

F = Sellers Direct Sales (Order Impact)

Other Adjustments

H = +/- Extraordinary events in the market

I = +/- Extraordinary events correction from Prior Year(s)

Revised TARGET ORDER VALUE (to be applied in December): $(A + B) \times C \times (1+D) - E - F +/- H +/- I$
(= Orders that meet the Target Order Value & Base for Next Year)

(b) A, B, C and D are predetermined and shall be extracted from the applicable sources

(c) E, F, H and I are variable and may change on an annual basis, but in all instances will be mutually agreed between the parties prior to finalization of the calculation of the Target Order Value for that calendar year.

Such mutual agreement shall be reached by the 31 October each year and shall not be unreasonably withheld by either party.

(d) The annual Market Growth / Decline Index (C) will be as mutually agreed upon.

(e) The parties mutually agree to take into consideration Seller's On Time Delivery Performance and Lead Time Reliability to Distributor when finalizing adjustments to the Target Order value.

EXHIBIT E:

Special Business Terms and Conditions

1. As an initial stocking order, AAR will purchase roughly \$11,000,000 of Product, which order shall be made up of approximately the following:

Cage	Seller PNs
00624	8,156
02750	694
97484	526
08118	297
77842	278
15284	244
16780	169
8W928	96
08199	TBD

Distributor will place this purchase order within ten (10) business days of the effective date of the Agreement. Shipment of these products will occur with a schedule agreeable to both parties.

2. Distributor will also purchase an additional \$2,000,000 of current Seller inventory within 30 days of signature of this Agreement. The list of part numbers and cage codes will be determined collaboratively between Seller and Distributor.
3. For products included in Section 1, Distributor will receive an additional 7.5% discount off the current year's end customer pricing in effect at the time of Distributor purchase order(s) placement. This is a one-time discount only applicable to the initial provisioning purchase order(s).
4. Distributor will be responsible for pricing and language referencing products identified in this Agreement contained in any Seller price catalogs made available to the United States Government ("USG") and/or Defense Logistics Agency ("DLA"). All Products identified in this Agreement will be listed as "Contact Distributor for pricing and availability" in any Seller price catalogs available to the USG and/or DLA.
5. Distributor shall have exclusive rights to stock and sell the Products identified in this Agreement for the term of this Agreement to the USG and DLA for all solicitations which fall below the simplified acquisition threshold (DLA Master Solicitation for Automated Simplified Acquisitions, Part 13, July 2013) of \$150,000 per the relevant RFQ. At its sole discretion, Seller reserves the right to sell directly to the market segments as defined in Exhibit A..
6. Distributor will use its Wood Dale, IL stocking facility for all DLA and USG products. All commercial products will be managed in a different facility.
7. Seller shall provide Distributor a right of first refusal to participate in the Market Segment (as defined in Exhibit A) New Product Development ("NPD") of Seller's PMA and SAR products. On a periodic basis, Seller and Distributor shall meet to discuss NPD opportunities at which time within ten (10) business days, Distributor will advise Seller if it wishes to co-invest in the specific product by sharing in the non-

recurring engineering costs associated with the development of that product. In exchange for sharing in NRE costs, Distributor would be given exclusive global distribution rights for the products developed for these NPD efforts. The parties further agree that all Intellectual Property rights shall be the exclusive property of Seller. In the event of program termination for which the NPD effort originated, neither party shall be liable to the other for costs incurred. Distributor shall have exclusive rights to sell the NPD product(s) for a period of five (5) years from the date of first sale. For NPD product(s) only, Distributor shall have the right to sell to customers other than the US Government or Bases and Depots. Distributor will also agree to leverage the knowledge of its affiliates to assist in the NPD, to the extent such affiliates have the ability to participate in such NPD. Any agreement relating to this Section 7 and the rights of the parties associated herein shall be agreed upon in a separate document entered into between the parties.

8. Upon termination of this Agreement by Seller agrees to buy back all Products then owned by Distributor at the price that Distributor paid for such Products. Distributor will ship such Product to Seller within thirty (30) days of the termination of this Agreement. Payment terms for this inventory return shall be NET 30 days from delivery of the Product to Seller.
9. Distributor will use commercially reasonable efforts to recommend Seller's Products to Distributor's customers as a preferred product. Distributor shall use commercially reasonable efforts seek out upgrade opportunities with the DLA and end users of Seller Products covered in this Agreement.
10. Distributor shall provide the staff necessary to accomplish the purposes of this Agreement. These staff will include, as necessary, OEM product line specialists, DLA contract review specialists, warehouse staff and outside sales staff.
11. Distributor will commit to minimum inventory levels to support the products identified in this Agreement. The width and depth of this inventory will be a collaborative effort.