

AAR CORP.
Code of Business Ethics and Conduct
(November, 2005)

It is the long-standing policy and commitment of this Company to observe high ethical standards and comply with all laws, rules and regulations affecting the Company and its employees and to require all employees to avoid any activities which could involve or lead to involvement of the Company or its employees in any unethical or unlawful practice.

The Company's business goals are important and demanding, but maintaining integrity and ethical and legal standards must take precedence. Compliance with the law is only a minimum standard; this Company has sought, and will continue to seek, adherence to the spirit of the law, as well.

Responsibility for carrying out the Company's commitment to integrity, fairness and compliance with high ethical standards and legal requirements rests with each of its employees, officers and directors (collectively "employees").

The Company's employees are expected to adhere to a high standard of business and personal ethics and integrity so that the Company and all of its employees will enjoy the high respect and esteem of the public, government authorities, the business community, customers, shareholders, vendors and suppliers. To this end, each employee will:

- comply with all applicable laws, rules and regulations of all governmental jurisdictions in which the Company conducts its business.
- avoid personal conflict(s) of interest with regard to the Company's interests.
- use corporate opportunities solely for the benefit of the Company and refrain from (i) taking for their own benefit opportunities that properly belong to the Company or are discovered through the use of Company property, information or position, (ii) using corporate property for personal gain, and (iii) competing with the Company.
- maintain confidentiality of confidential or proprietary information of the Company or its customers or suppliers acquired by or entrusted to them in the course of their relationship with the Company, unless disclosure is required by law or expressly authorized by the Company.
- deal ethically and fairly with the Company's customers, suppliers, competitors, officers and employees.
- protect the Company's assets and use those assets only for legitimate Company business purposes in accordance with Company policies and approved practices and procedures.

- maintain accurate and complete books and records of the Company meeting the requirements of Generally Accepted Accounting Principles (“GAAP”), the Company’s accounting policies, practices and procedures, and all applicable laws and regulations, and provide prompt, accurate responses to requests for information to assure that the Company’s public reports are timely, complete, fair, and accurate, and otherwise satisfy public disclosure requirements.
- cooperate fully with the Company’s internal and external auditors, directors of the Company, the General Counsel, and other authorized representatives of the Company requesting information or conducting an investigation.

Employees and other persons who observe illegal or unethical conduct by Company employees or have concerns regarding compliance with financial reporting or accounting regulations, are encouraged to promptly report such behavior and concerns to appropriate representatives of the Company (supervisor, senior officer, General Counsel, or the Audit Committee of the Board of Directors). Such reports may be made confidentially or anonymously via the AAR CORP. Assist Line by dialing 1-800-418-6423 (x227); from international locations, report via e-mail to confide2sv@securityvoice.com or by other communication with appropriate representatives of the Company. No acts of retaliation of any kind will be tolerated against good faith reports or complaints of violations of this Code of Business Ethics and Conduct, accounting or financial reporting irregularities, or illegal or unethical conduct by the Company, its employees, officers, and directors. Any waiver of this Code of Business Ethics and Conduct for executive officers or directors of the Company may be made only by the Board of Directors or a committee of the Board of Directors and shall be promptly disclosed to shareholders.

Summary of Implementing Procedures

Compliance with Laws

No employee will engage in any activity which might involve the employee or the Company in a violation of any federal, state or local law, rule or regulation. In addition, employees involved in the Company’s foreign operations and business activities will obey the laws, regulations and customs of each host country.

Ethical Practice

Each employee will observe high standards of business and personal ethics. This means practicing honesty, sincerity and fairness in dealings with the public, government officials, customers, fellow employees, and anyone with whom the Company conducts business. In addition, any act or relationship with anyone with whom the Company does business, which may involve the employee in a conflict of interest, must be avoided.

Personal Conflicts of Interest

Each employee should avoid financial, business or other relationships which might be opposed to the interests of the Company or might cause a conflict with the performance of assigned duties. Employees are reminded that they must refrain from using corporate opportunities for their own benefit or using Company property for personal gain.

Employees should not solicit or accept any gift, payment, services, or special treatment from any source that conducts or seeks to conduct business or competes with the Company, unless to do so would be consistent with applicable law and good business practice, and disclosure of the transaction would not embarrass the Company.

Employees are expected to conduct their private affairs and actions in a manner that will not cause embarrassment or bring discredit upon the Company.

Employees are expected to advise the Company of any situation which involves a real or potential conflict of interest. If a conflict of interest does arise, it is the responsibility of the employee to resolve the conflict promptly to the satisfaction of the Company.

Outside Employment

Outside employment, self-employment or other non-business commitments by an employee are permissible but must be regarded as secondary; the primary loyalty of all employees must remain at all times with the Company.

Unlawful, Questionable or Sensitive Payments or Transactions

Corporate funds or assets may not be offered or given to anyone as a bribe, illegal kickback or illegal contribution. Reasonable and customary gratuities, known to be consistent with U.S. and foreign local law, may be given with the approval of the responsible Corporate Group Vice President or other Corporate Officer.

Competitive Practices

U.S. federal and state laws prohibit restraints on trade, price fixing and unfair or unethical business practices. All employees will compete vigorously, but fairly and honestly; avoid discussing pricing or anything that affects prices of products or services with competitors or customers; and avoid behavior which could appear as an illegal boycott or designed to exclude any competitor or to allocate business.

Relations with Suppliers

Employees who purchase supplies, inventories, materials and services will do so solely on the basis of price, quality, service, and suitability to the Company's business requirements.

Business entertainment of employees by suppliers should not be encouraged. When it is necessary because of circumstances, it must be appropriate and consistent with normal business practices.

Company contracts with employees or business enterprises in which an employee has an interest must have prior written approval of a Group Vice President or other Corporate Officer.

Relations with Commercial Customers

Any form of rebates, kickbacks, contributions or other similar improper favors to customers, potential customers or their representatives by any employee of AAR are prohibited. Gifts should not be given to customers except promotional items or other lawful gifts which are consistent with customary business practices and do not violate customers' expressed policies concerning such gift-giving. The type and value of any such gifts must be appropriate for the circumstances. In addition, business entertainment must also be reasonable and appropriate for the circumstances.

Employees involved in international business should make every effort to know and comply with all laws and customs governing relations with customers in host countries.

Government Business

Transactions with federal, state, local, and foreign governments and agencies are subject to specific legal and regulatory requirements that are frequently different from ordinary commercial transactions. Advice and assistance in preparing any government bid or negotiating or administering a government contract should be obtained through the Law Department to ensure compliance with requirements.

All information, including pricing data, furnished in connection with government proposals or contracts, must be complete, accurate and not misleading.

Classified information must be protected in accordance with applicable laws and regulations. If you have security clearances, you must ensure that you handle such information appropriately.

Private Information

The Company's private information must be kept confidential and only released as determined by established Company policies, procedures and practices.

In addition, no one may use private Company information or any private information of others, obtained by virtue of their employment with the Company, for personal gain.

Political Activity and Contributions

The Company's business activities require contact with public officials on a wide variety of matters. If you deal with public officials, you must be familiar and comply with applicable lobbying laws and regulations, particularly those that apply to registrations and filings.

There is an absolute prohibition upon any political contribution to any federal election campaign by a corporation. No contribution, by cash or otherwise, may be made by or in the name of the Company. Limitations on political contributions in state and local elections and in foreign countries may differ. Contributions using Company funds or in the Company's name must be approved by the General Counsel before any contribution is made.

You may make personal contributions, and hold public office, provided such activities are carried out only on your personal time and they do not pose a conflict of interest under applicable law or Company policy.

Accounts and Recordkeeping

The Company observes the highest standards in keeping its books and records. The requirements for generally accepted accounting principles, the Company's Accounting Policies and procedures, and all applicable laws and regulations, must be complied with at all times in keeping the Company's books and records. All transactions will be executed only in accordance with management's general or specific authorization and will be fully and accurately reflected in the books and records of the Company.

Use of Agents, Consultants and Non-Employees

Agents, consultants and other representatives are not permitted to engage in any activity or practice on behalf of the Company that is contrary to any law or regulation or to the Company's policies.

International Activities

Employees operating outside the United States have a special responsibility to know and obey the laws and regulations of the host countries where they act for any of the Company's businesses, as well as to understand thoroughly U.S. law regulating the conduct of businessmen in foreign countries, including the Foreign Corrupt Practices Act. If in doubt, contact the General Counsel for advice and consultation before acting.

Cooperation in Company Audits and Inquiries

Employees are required to cooperate fully with the Company's auditors, directors, General Counsel, and other authorized representatives of the Company requesting information or conducting an inquiry in connection with the Company's business activities. Information must not be falsified or concealed under any circumstances. No employee or director may interfere with or seek to improperly influence, directly or indirectly, the auditing of the financial records.

Reporting Illegal or Unethical Conduct

Employees who observe illegal or unethical conduct are encouraged to promptly report such behavior to appropriate representatives of the Company (supervisor, senior officer, General Counsel, Audit Committee of the Board of Directors) through normal supervisory channels or via the AAR Ethics Assist Line by dialing 1-800-418-6423 (x227); from international locations, report via e-mail to confide2sv@securityvoice.com.