

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2009 This Form is Open to Public Inspection
---	---	---

Part I	Annual Report Identification Information
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information
1a Name of plan AAR CARGO SYSTEMS RETIREMENT INCOME PLAN	1b Three-digit plan number (PN) ▶ 002
	1c Effective date of plan 01/01/1966
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) AAR MANUFACTURING, INC. ONE AAR PLACE 1100 N. WOOD DALE RD WOOD DALE, IL 60191	2b Employer Identification Number (EIN) 38-2413129 2c Sponsor's telephone number 630-227-2000 2d Business code (see instructions) 488100

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2010	RICHARD POULTON
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")

AAR MANUFACTURING, INC.

ONE AAR PLACE 1100 N. WOOD DALE RD
WOOD DALE, IL 60191**3b** Administrator's EIN

38-2413129

3c Administrator's telephone number

630-227-2000

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:**a** Sponsor's name**4b** EIN**4c** PN**5** Total number of participants at the beginning of the plan year**5**

159

6 Number of participants as of the end of the plan year (welfare plans complete only lines **6a**, **6b**, **6c**, and **6d**).**a** Active participants.....**6a**

0

b Retired or separated participants receiving benefits.....**6b**

45

c Other retired or separated participants entitled to future benefits.....**6c**

87

d Subtotal. Add lines **6a**, **6b**, and **6c**.....**6d**

132

e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....**6e**

20

f Total. Add lines **6d** and **6e**.....**6f**

152

g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....**6g****h** Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....**6h**

0

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)**7****8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

1B 1G

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:**9a** Plan funding arrangement (check all that apply)

- (1) ☐ Insurance
- (2) ☐ Code section 412(e)(3) insurance contracts
- (3) ☒ Trust
- (4) ☐ General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

- (1) ☐ Insurance
- (2) ☐ Code section 412(e)(3) insurance contracts
- (3) ☒ Trust
- (4) ☐ General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)**a Pension Schedules**

- (1) ☒ **R** (Retirement Plan Information)
- (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3) ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
- (2) ☐ **I** (Financial Information – Small Plan)
- (3) ☐ **A** (Insurance Information)
- (4) ☒ **C** (Service Provider Information)
- (5) ☒ **D** (DFE/Participating Plan Information)
- (6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2009 This Form is Open to Public Inspection
--	--	---

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>AAR CARGO SYSTEMS RETIREMENT INCOME PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>AAR MANUFACTURING, INC.</u>	D Employer Identification Number (EIN) <u>38-2413129</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500

Part I	Basic Information
1	Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2009</u>
2	Assets:
a	Market value 2a <u>1895688</u>
b	Actuarial value 2b <u>2085257</u>
3	Funding target/participant count breakdown
	(1) Number of participants (2) Funding Target
a	For retired participants and beneficiaries receiving payment 3a <u>70</u> <u>1241839</u>
b	For terminated vested participants 3b <u>89</u> <u>1356911</u>
c	For active participants:
(1)	Non-vested benefits 3c(1) <u>0</u>
(2)	Vested benefits 3c(2) <u>0</u>
(3)	Total active 3c(3) <u>0</u>
d	Total 3d <u>159</u> <u>2598750</u>
4	If the plan is at-risk, check the box and complete items (a) and (b) ☐
a	Funding target disregarding prescribed at-risk assumptions 4a
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor 4b
5	Effective interest rate 5 <u>8.18</u> %
6	Target normal cost 6 <u>11162</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>09/13/2010</u>
Signature of actuary	Date
<u>WILLIAM R. MCDONALD</u>	<u>08-03169</u>
Type or print name of actuary	Most recent enrollment number
<u>BUCK CONSULTANTS, LLC</u>	<u>312-846-3553</u>
Firm name	Telephone number (including area code)
<u>ONE NORTH DEARBORN ST</u> <u>STE 1400</u> <u>CHICAGO, IL 60602-4336</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2009
v.092308.1

Part II		Beginning of year carryover and prefunding balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	161048	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	161048	0
9	Amount remaining (Item 7 minus item 8).....	0	0
10	Interest on item 9 using prior year's actual return of <u>-27.98</u> %		
11	Prior year's excess contributions to be added to prefunding balance:		
a	Excess contributions (Item 38 from prior year)		0
b	Interest on (a) using prior year's effective rate of <u>6.31</u> %		0
c	Total available at beginning of current plan year to add to prefunding balance		0
d	Portion of (c) to be added to prefunding balance.....		0
12	Reduction in balances due to elections or deemed elections.....	0	0
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12).....	0	0

Part III		Funding percentages	
14	Funding target attainment percentage.....	14	80.24 %
15	Adjusted funding target attainment percentage.....	15	80.24 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	90.94 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV		Contributions and liquidity shortfalls			
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
03/30/2009	121000				
03/19/2010	50000				
			Totals ►	18(b)	171000
				18(c)	0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contribution from prior years.....	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c 164187
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: %	2nd segment: %	3rd segment: %	☒ N/A, full yield curve used
b Applicable month (enter code)				21b
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☐ Yes ☒ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions).....	31	11162
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	513493	99216
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	0
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33)	34	110378
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement		0
36 Additional cash requirement (item 34 minus item 35).....	36	110378
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....	37	164187
38 Interest-adjusted excess contributions for current year (see instructions).....	38	53809
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....	39	0
40 Unpaid minimum required contribution for all years	40	0

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan AAR CARGO SYSTEMS RETIREMENT INCOME PLAN	B Three-digit plan number (PN) ▶ 002
C Plan sponsor's name as shown on line 2a of Form 5500 AAR MANUFACTURING, INC.	D Employer Identification Number (EIN) 38-2413129

Part I

Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration		DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.		OMB No. 1210-0110 2009 This Form is Open to Public Inspection.	
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009					
A Name of plan AAR CARGO SYSTEMS RETIREMENT INCOME PLAN				B Three-digit plan number (PN) ▶ 002	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 AAR MANUFACTURING, INC.				D Employer Identification Number (EIN) 38-2413129	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: AAR CORP. RETIREMENT TRUST					
b Name of sponsor of entity listed in (a): THE NORTHERN TRUST COMPANY					
c EIN-PN 36-7160834-003		d Entity code M		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 2360868	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or	

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning <u>01/01/2009</u> and ending <u>12/31/2009</u>		
A Name of plan <u>AAR CARGO SYSTEMS RETIREMENT INCOME PLAN</u>	B Three-digit plan number (PN) ►	<u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>AAR MANUFACTURING, INC.</u>	D Employer Identification Number (EIN) <u>38-2413129</u>	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	<u>0</u>	<u>50000</u>
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	<u>1895688</u>	<u>2360868</u>
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	1895688	2410868

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	19410	31978
k Total liabilities (add all amounts in lines 1g through 1j)	1k	19410	31978

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	1876278	2378890
---	-----------	---------	---------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	171000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		171000
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		516839
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		687839

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	185227	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		185227
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		185227

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		502612
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: MCGLADREY & PULLEN, LLP

(2) EIN: 42-0714325

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan <u>AAR CARGO SYSTEMS RETIREMENT INCOME PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>AAR MANUFACTURING, INC.</u>	D Employer Identification Number (EIN) <u>38-2413129</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>36-1561860</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>0</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
--	-----------------------------------	-----------------------------------	-------------------------------	--

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2009
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

AAR Cargo Systems Retirement Income Plan

Financial Report
December 31, 2009

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4 - 14

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Retirement Plan Administrative Committee
AAR Cargo Systems Retirement Income Plan
Wood Dale, Illinois

We were engaged to audit the statements of net assets available for benefits of the AAR Cargo Systems Retirement Income Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified or provided by The Northern Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the trustee holds the Plan's investment assets and executes investment transactions. As disclosed in Note 3, the Plan Administrator has obtained certifications from the trustee regarding the completeness and accuracy of the investment information provided to the Plan Administrator by the trustee as of and for the years ended December 31, 2009 and 2008.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements taken as a whole. The form and content of the information included in the financial statements, other than that derived from the information certified or provided by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 11, 2010

AAR Cargo Systems Retirement Income Plan

Statements of Net Assets Available for Benefits
December 31, 2009 and 2008

	2009	2008
Assets		
Investments, at fair value		
Plan interest in the AAR CORP. Retirement Trust	\$ 2,360,868	\$ 1,895,688
Receivables,		
Company contribution	50,000	-
Total assets	2,410,868	1,895,688
Liabilities, administrative expenses	31,978	19,410
Net assets available for benefits	\$ 2,378,890	\$ 1,876,278

See Notes to Financial Statements.

AAR Cargo Systems Retirement Income Plan

Statements of Changes in Net Assets Available for Benefits Years Ended December 31, 2009 and 2008

	2009	2008
Plan interest in the AAR CORP. Retirement Trust investment income (loss)	\$ 562,756	\$ (772,189)
Company contributions	171,000	-
	<u>733,756</u>	<u>(772,189)</u>
Deductions from net assets attributed to:		
Benefits paid to participants	185,227	181,449
Administrative expenses	45,917	33,507
	<u>231,144</u>	<u>214,956</u>
Net increase (decrease) in net assets available for benefits	502,612	(987,145)
Net assets available for benefits:		
Beginning of year	<u>1,876,278</u>	<u>2,863,423</u>
End of year	<u>\$ 2,378,890</u>	<u>\$ 1,876,278</u>

See Notes to Financial Statements.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 1. Plan Description

General: The following brief description of AAR Cargo Systems Retirement Income Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan is a defined benefit, noncontributory pension plan sponsored by AAR Manufacturing, Inc. (the Company) a wholly owned subsidiary of AAR CORP. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Pension benefits: All employees represented by the UAW Local 157 Union in the bargaining unit defined in the collective bargaining agreement between the Company and the UAW Local 157 Union are eligible to participate upon date of hire. Under terms of the Plan, participants are eligible for normal plan benefits upon reaching age 65 after 5 years of service. Reduced benefits are available to participants who have attained the age of 55 after 10 years of service. Monthly benefit payments are determined based on specified rates for each year of credited service.

The Plan also contains provisions for disability, deferred vesting, and surviving spouse benefits. Participants are 100% vested in their benefits after five years of credited service. Participants should refer to the Plan document for more complete information, which may be obtained from the Company.

Administration: AAR CORP. has established two committees to take responsibility for the administrative and investment functions of the Plan.

Day to day administration of the Plan is the responsibility of the Retirement Plan Administrative Committee (the Administrative Committee), comprised of four members appointed by AAR CORP. Two of the appointed members must be members of the UAW Local 157 Union. The Administrative Committee is assisted by Towers Watson, the actuary for the Plan.

Investment policy and investment activities are the responsibility of the Retirement Plan Investment Committee (the Investment Committee), consisting of three senior officers of AAR CORP. appointed by the Board of Directors. The Investment Committee has retained the services of Stratford Advisory Group, Inc. as investment advisors in establishing investment policies, selecting investment choices and determining portfolio allocations of the AAR CORP. Retirement Trust's (Master Trust) assets.

Trustee: The Company entered into an agreement with The Northern Trust Company to act as Trustee of the Master Trust on behalf of the Plan and two other retirement plans sponsored by the Company. The Trustee administers the Master Trust in accordance with directions and policies established by the Administrative and Investment Committees.

Funding policy: The Company's funding policy is to contribute annually, at a minimum, an amount which is deductible for federal income tax purposes and that is sufficient to meet the minimum funding requirements of ERISA.

The Company made contributions of \$171,000 and \$0 in 2009 and 2008, respectively, and has met the ERISA minimum funding requirements.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

Accounting policies: The Company follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the *FASB Accounting Standards CodificationTM*, sometimes referred to as the Codification or ASC. The Codification is effective for periods ending on or after September 15, 2009.

Basis of accounting: The financial statements of the Plan are prepared under the accrual basis of accounting.

Investment valuation and income recognition: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in Plan net assets available for benefits and actuarial present value of accumulated Plan benefits during the reporting period and related disclosures. Actual results could differ from those estimates.

Payment of benefits: Benefits, paid monthly, are made on either a life annuity or joint and survivor basis, and are recorded when distributed.

Administrative expenses: Administrative expenses such as trustees', consultants' and investment managers' fees, as well as the Pension Benefit Guarantee Corporation (PBGC) premiums are paid by the Master Trust. Other administrative expenses are paid by the Company.

Subsequent events: The Plan has evaluated subsequent events through October 11, 2010, the date the financial statements were available to be issued.

New accounting pronouncements: In September 2009, the FASB issued an amendment, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2009-12), which provides guidance on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can now be determined using net asset value (NAV) per share as a practical expedient, when the fair value is not readily determinable, unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used. This amendment was effective for periods ending after December 15, 2009, with early adoption permitted. The adoption of the provisions did not have a material impact on the financial statements.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The FASB issued new guidance on accounting for uncertainty in income taxes. The Plan adopted this new guidance for the year ended December 31, 2009. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. Tax returns filed by the entity generally are subject to examination by U.S. and state taxing authorities for years ended after December 31, 2006.

Pending accounting pronouncement: In January 2010, the FASB issued an amendment, *Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements* (ASU 2010-16), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and those disclosures should include a discussion of inputs and valuation techniques. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these charges. With respect to matters other than Level 3 measurements, the amendment is effective for periods beginning after December 15, 2009. The guidance related to Level 3 measurements is effective for periods beginning after December 15, 2010. Management is currently evaluating the impact of the guidance related to disclosures in the financial statements.

Note 3. Information Certified by The Northern Trust Company

The following is a summary of the investment information as of December 31, 2009 and 2008, and for the years then ended, included throughout the Plan's financial statements that was prepared by or derived from information provided by the trustee and furnished to the Plan Administrator. The Plan Administrator has obtained certifications from the trustee that the information provided to the Plan Administrator by the trustee related to the following investments is complete and accurate. Accordingly, as permitted by 29 CFR 2520.103-8 of the United States Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA, the Plan Administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to information which appears throughout the financial statements related to the following investments:

	2009	2008
Plan interest in the AAR CORP. Retirement Trust	\$ 2,360,868	\$ 1,895,688

The trustee also certified to the completeness and accuracy of \$562,756 of investment income and \$772,189 of investment loss related to the aforementioned investments for the years ended December 31, 2009 and 2008, respectively.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan Interest in the Master Trust

Effective January 1, 1994, three plans, (1) AAR CORP. Retirement Plan, (2) AAR Cargo Systems Retirement Income Plan, and (3) AAR Cadillac Manufacturing Division Pension Plan for Hourly Employees, contributed all respective plan assets for an undivided interest in the Master Trust. The assets of the Master Trust, which include investments and receivables, are held by the trustee for the benefit of the participating plans.

The equity interest in the Master Trust is valued at the Plan's share of the fair value of the net assets held by the Master Trust. The fair value of the Plan's interest in the Master Trust is based on the beginning of year value of the Plan's interest in the Master Trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses. Investment income and administrative expenses relating to the Master Trust are allocated to the individual plan based on monthly balances invested in each plan.

The assets of the Master Trust are held by The Northern Trust Company, the trustee. At December 31, 2009 and 2008, the Plan's interest in the net assets of the Master Trust was 5.01% and 4.83%, respectively.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for the Master Trust's assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Common and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Partnership interests: Valued at fair value, which is the partnership's proportionate interest in the underlying investment, as determined by the investment manager. In determining this fair value, the investment manager generally uses the valuations of the underlying private investment funds.

Common/collective trusts: Valued at the total net asset value of underlying shares of mutual funds and cash held by the trust at year-end.

Shares of registered investment companies: Valued at the net asset value of shares held by the Master Trust at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Plan's interest in the net assets of the Master Trust is included in the accompanying statements of net assets available for benefits. A summary of the assets, including investments of the Master Trust as of December 31, 2009 and 2008, is as follows:

	December 31,	
	2009	2008
Investment at fair value:		
Common and preferred stocks	\$ 8,399,730	\$ 6,216,200
Partnership interests	1,140,789	986,857
Common/collective trusts	7,741,350	5,659,744
Shares of registered investment companies	29,828,957	26,371,931
	<u>47,110,826</u>	<u>39,234,732</u>
Accrued investment income	71,086	84,793
Receivable for securities sold	-	62,389
Pending trade purchases	(65,138)	(121,138)
	<u>5,948</u>	<u>26,044</u>
	<u>\$ 47,116,774</u>	<u>\$ 39,260,776</u>

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

Investment income (loss) for the Master Trust for the years ending December 31, 2009 and 2008, is as follows:

	2009	2008
Net appreciation (depreciation) in fair value of investments:		
Common and preferred stocks	\$ 2,102,054	\$ (5,308,643)
Partnership interests	153,932	(173,023)
Common/collective trusts	1,119,278	(1,409,473)
Registered investment companies	6,829,189	(10,235,975)
	<u>10,204,453</u>	<u>(17,127,114)</u>
Interest	1,656	41,166
Dividends	877,106	1,073,970
	<u>\$ 11,083,215</u>	<u>\$ (16,011,978)</u>

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets measured at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Preferred stocks	\$ 166,283	\$ -	\$ -	\$ 166,283
Common stocks				
Business services	258,208	-	-	258,208
Consumer goods	309,650	-	-	309,650
Consumer services	681,509	-	-	681,509
Energy	757,656	-	-	757,656
Financial services	1,450,502	-	-	1,450,502
Hardware	626,160	-	-	626,160
Healthcare	960,807	-	-	960,807
Industrial materials	620,992	-	-	620,992
Media	438,335	-	-	438,335
Software	546,355	-	-	546,355
Telecommunications	643,062	-	-	643,062
Utilities	114,128	-	-	114,128
Foreign stocks	826,083	-	-	826,083
Partnership interests	-	-	1,140,789	1,140,789
Common/collective trusts	-	7,741,350	-	7,741,350
Shares of registered investment companies				
International funds	6,876,909	-	-	6,876,909
Mid cap blend	1,965,815	-	-	1,965,815
Large cap growth	4,714,009	-	-	4,714,009
Large cap value	4,220,516	-	-	4,220,516
Fixed income-intermediate term	4,476,583	-	-	4,476,583
Fixed income bond fund	3,909,526	-	-	3,909,526
Fixed income intermediate term bond	3,665,599	-	-	3,665,599
	<u>\$ 38,228,687</u>	<u>\$ 7,741,350</u>	<u>\$ 1,140,789</u>	<u>\$ 47,110,826</u>

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy, the Master Trust's assets measured at fair value as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Common and preferred stocks	\$ 6,216,200	\$ -	\$ -	\$ 6,216,200
Partnership interests	-	-	986,857	986,857
Common/collective trusts	-	5,659,744	-	5,659,744
Shares of registered investment companies	26,371,931	-	-	26,371,931
	<u>\$ 32,588,131</u>	<u>\$ 5,659,744</u>	<u>\$ 986,857</u>	<u>\$ 39,234,732</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Master Trust's Level 3 assets for the year ended December 31, 2009.

	Partnership Interests
Balance, beginning of year	\$ 986,857
Unrealized gains relating to instruments still held at the reporting date	153,932
Balance, end of year	<u>\$ 1,140,789</u>

The table below sets forth a summary of changes in the fair value of the Master Trust's Level 3 assets for the year ended December 31, 2008.

	Partnership Interests
Balance, beginning of year	\$ 1,159,880
Unrealized gains (losses) relating to instruments still held at the reporting date	(173,023)
Balance, end of year	<u>\$ 986,857</u>

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table sets forth additional disclosures of the Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2009:

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Common/collective trusts:				
The Weatherlow Offshore Fund II Ltd. (a)	\$ 5,197,649	\$ -	Quarterly	12 months initially/ 65 days thereafter
Collective Short Term Investment Fund (b)	299,383	-	Daily	None
Palisade Strategic Fund (Cayman) Limited (c)	1,157,353	-	Quarterly	90 days
Aurora Offshore Fund LTD. II (d)	1,086,965	-	Monthly/Quarterly	Various
	<u>\$ 7,741,350</u>			

- (a) The Weatherlow Fund I L.P. (the "Partnership") is organized as a Delaware limited partnership. The Partnership is a multi-manager, multi-strategy "fund-of-funds" formed to invest predominately in limited partnerships and similar pooled investment vehicles referred to as "Portfolio Funds."
- (b) The Collective Short Term Investment Fund is composed of high-grade money market instruments with short maturities. The Fund's objective is to provide an investment vehicle for cash reserves while offering a competitive rate of return. Liquidity is emphasized to provide for redemption of units on any business day. Principal preservation is also a prime objective. High quality securities are used in this Fund. Within quality, maturity and sector diversification guidelines, investments are made in those securities with the most attractive yields. Admissions and withdrawals are daily. Interest is accrued daily and distributed monthly.
- (c) The Master Fund's principal investment objective is to aggressively seek capital appreciation through worldwide investments in U.S. and non-U.S. securities and other instruments, including bonds and other fixed income securities (both corporate and governmental and rated and unrated), commodities, commodity futures, real estate and real estate-related securities, mortgage-backed securities, swaps, repurchase agreements, currencies and currency forward contracts, equities, equity-related securities (including convertible debt securities and stock market indices) and warrants, as well as listed and over-the-counter options on the foregoing and any other investments the Investment Advisor deems suitable for the Master Fund (collectively, "Securities").
- (d) The Fund is organized to invest and trade directly and indirectly in securities and other financial instruments through advisory accounts and investments in other private investment funds. The Fund's investment objective is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through a portfolio having a diversified risk profile.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 5. Investments

The fair value of investments that represent 5 percent or more of the Plan's net assets as of December 31, 2009 and 2008, are as follows:

	2009	2008
Plan interest in the AAR CORP. Retirement Trust	\$ 2,360,868	\$ 1,895,688

During 2009 and 2008, the Plan's investments in the Master Trust, including investments bought, sold and held during each year, appreciated (depreciated) in value by \$562,756 and \$(772,189), respectively.

Note 6. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (i) retired or terminated participants or their beneficiaries, (ii) beneficiaries of participants who have died, and (iii) present participants or their beneficiaries.

The actuarial present value of accumulated plan benefits is determined by an actuary from Towers Watson and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used during 2009 and 2008 were: (i) interest rate to calculate plan liabilities is 8.5 percent; (ii) assumed retirement at age of 65; and (iii) assumed mortality, disability, and withdrawal rates based on published statistical data (the RP-2000 Healthy Annuitant Table and the RP-2000 Employees Table were used).

The following changes in assumptions and methods were made as part of this valuation.

- The interest rate used to determine the Funding Target was changed from the full yield curve with a two month look back to the three-segment rates with a four month look back (September rates). This change is being made as elected by the plan sponsor and is deemed to be automatically approved by the IRS pursuant to regulations under IRC Section 430.
- Based upon an election by the plan sponsor, the asset valuation method changed from a method that spreads asset gains/(losses) over eight quarters to a method that spreads asset gains/(losses) over two years. Changes in the asset method for plan years beginning in 2010 to any permissible asset method are deemed to be automatically approved by the IRS.
- The amount included this year for plan-related expenses increased from \$11,162 to \$26,000.

Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 6. Actuarial Present Value of Accumulated Plan Benefits (Continued)

The accumulated plan benefits as of December 31, 2009 and 2008, are presented from information provided by the actuary as of January 1, 2010 and 2009, respectively. There has been no significant change in the Plan's provisions or coverage from December 31 to January 1.

The actuarial present value of accumulated plan benefits as of the date of the latest actuarial valuation and changes therein are as follows:

	December 31,	
	2009	2008
Vested benefits:		
Deferred vested	\$ 1,268,065	\$ 1,287,022
Retirees and beneficiaries	1,228,678	1,229,107
	<u>\$ 2,496,743</u>	<u>\$ 2,516,129</u>

Changes in actuarial present value of accumulated plan benefits for the respective years ended:

	December 31,	
	2009	2008
Actuarial present value of accumulated plan benefits at beginning of the period	\$ 2,516,129	\$ 2,494,285
(Decrease) increase during the year attributed to:		
Benefits paid	(185,227)	(181,449)
Benefits accumulated and other	(44,478)	(1,167)
Change in the assumptions	4,320	-
Interest	205,999	204,460
	<u>(19,386)</u>	<u>21,844</u>
Actuarial present value of accumulated plan benefits at end of period	<u>\$ 2,496,743</u>	<u>\$ 2,516,129</u>

Note 7. Related Party Transactions

The Northern Trust Company, the trustee, provides to the Plan certain trustee, accounting and administrative services for which \$2,295 and \$2,214 of expenses were charged for the years ended December 31, 2009 and 2008, respectively.

Note 8. Tax Status of the Plan

The Plan has received a favorable determination letter from the Internal Revenue Service (IRS) dated March 10, 2003, qualifying it under the provisions stated in section 401(a) of the Internal Revenue Code (Code). Therefore, the Plan is exempt from federal income taxes under section 501(a) of the Code. The Plan Administrator is not aware of any activity or transactions that may adversely affect the qualified status of the Plan.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 9. Plan Termination

Although the Company has not expressed any intent to terminate the Plan, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under the Plan provisions in effect at any time during the five years preceding Plan termination.
- b. Other vested benefits insured by the PBGC up to the applicable limitations (discussed below).
- c. All other vested benefits (not insured by the PBGC).
- d. All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. For plan terminations occurring during 2010 the ceiling is \$4,500 per month. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity, and are at least 65 years old at the time of retirement or plan termination (whichever comes later). For younger annuitants, or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

Whether all participants receive their benefits, should the Plan terminate at some future time, will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Company and the level of benefits guaranteed by the PBGC.

Note 10. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits is reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

File as an attachment to Form 5500 or 5500-SF.

OMB No. 1210-0110

2009**This Form is Open to Public
Inspection**

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

Round off amounts to nearest dollar.

Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan

AAR Cargo Systems Retirement Income Plan

B Three-digit
plan number (PN)

002

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF

AAR Manufacturing inc.

D Employer Identification Number (EIN)

38-2413129

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B**F** Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500**Part I Basic Information**

1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2009</u>	
2 Assets:	
a Market value	2a 1,895,688
b Actuarial value	2b 2,085,257
3 Funding target/participant count breakdown	
(1) Number of participants (2) Funding Target	
a For retired participants and beneficiaries receiving payment	3a 70 1,241,839
b For terminated vested participants	3b 89 1,356,911
c For active participants:	
(1) Non-vested benefits	3c(1) 0
(2) Vested benefits	3c(2) 0
(3) Total active	3c(3) 0
d Total	3d 159 2,598,750
4 If the plan is at-risk, check the box and complete items (a) and (b) ☐	
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 8.18 %
6 Target normal cost	6 11,162

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE***William R. McDonald*

Signature of actuary

William R. McDonald

Type or print name of actuary

Buck Consultants, LLC

One North Dearborn, Suite 1400

Chicago IL 60602-4336

Address of the firm

09/13/2010

Date

08-03169

Most recent enrollment number

(312) 846-3553

Telephone number (including area code)

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2009
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	161,048	0
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	161,048	0
9 Amount remaining (Item 7 minus item 8)	0	0
10 Interest on item 9 using prior year's actual return of <u>(27.98)%</u>		
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		0
b Interest on (a) using prior year's effective rate of <u>6.31 %</u>		0
c Total available at beginning of current plan year to add to prefunding balance		0
d Portion of (c) to be added to prefunding balance		0
12 Reduction in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	0	0

Part III Funding percentages

14 Funding target attainment percentage	14	80.24 %
15 Adjusted funding target attainment percentage	15	80.24 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	90.94 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
03/30/2009	121,000				
03/19/2010	50,000				
Totals ▶			18(b)	171,000	18(c) 0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contribution from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	164,187

20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:			
a Segment rates:	1st segment: %	2nd segment: %	3rd segment: %
			☒ N/A, full yield curve used
b Applicable month (enter code)			21b
22 Weighted average retirement age			22
			65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute			

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment		☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment		☒ Yes ☐ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment		☐ Yes ☒ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment		27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	11,162
32 Amortization installments:		
	Outstanding Balance	Installment
a Net shortfall amortization installment	513,493	99,216
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	0
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	110,378
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	0	0
36 Additional cash requirement (item 34 minus item 35)	36	110,378
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	164,187
38 Interest-adjusted excess contributions for current year (see instructions)	38	53,809
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0

Schedule SB, Line 21b – Applicable Month of Discount Rate

The discount rate is full yield curve with a 2 month lookback. Line 21b is left blank because EFAST2 generates an error when 2 appears in line 21b and Full Yield Curve is checked in line 21a.

Schedule SB, line 22 – Description of Weighted Average Retirement Age

Age at Retirement	Percentage Retiring	Percentage of Total Group Remaining	Percentage of Total Group Retiring	Weighted Retirement Age
54	0.00%	100.000000%	0.000000%	0.00
55	0.00%	100.000000%	0.000000%	0.00
56	0.00%	100.000000%	0.000000%	0.00
57	0.00%	100.000000%	0.000000%	0.00
58	0.00%	100.000000%	0.000000%	0.00
59	0.00%	100.000000%	0.000000%	0.00
60	0.00%	100.000000%	0.000000%	0.00
61	0.00%	100.000000%	0.000000%	0.00
62	0.00%	100.000000%	0.000000%	0.00
63	0.00%	100.000000%	0.000000%	0.00
64	0.00%	100.000000%	0.000000%	0.00
65	100.00%	0.000000%	100.000000%	65.00
Retirement Age				65.00

Schedule SB, line 25 – Change in Method

The changes made to the plan's funding method are those required by Code section 430 and are consistent with the requirements of Code section 430. As such, the changes do not need IRS approval.

The asset valuation method has been changed from market value to a method that spreads gains/(losses) over 8 quarters.

Schedule SB, line 32 – Schedule of Amortization Bases

Date Established	Type of Base	Remaining Installments	Shortfall Amortization Installment	Present Value of Remaining Installments
January 1, 2008	Shortfall	6	73,753	369,996
January 1, 2009	Shortfall	7	25,463	143,497
			99,216	513,493

Schedule SB, PART V – Statement of Actuarial Assumptions/Methods

Economic Assumptions

Funding

Current Year:	Full yield curve, 2 month look back Effective Interest Rate	8.18%
Prior Year:	Full yield curve, 0 month look back Effective Interest Rate	6.31%

FAS 35 discount rate

Current Year:	8.50%
Prior Year:	8.50%

PBGC variable premium

Current Year:	Same as for funding	
Prior Year:	First Segment Rate	4.93%
	Second Segment Rate	6.13%
	Third Segment Rate	6.69%

Schedule SB, PART V – Statement of Actuarial Assumptions/Methods

Non-economic Assumptions

Expenses

Expected administrative expenses of \$11,162 were added to Target Normal Cost

Disability rates

Not applicable. No active participants

Frequency of optional payment forms

63% elect Life Only Annuity

37% elect Joint and 50% Annuity

Marital percentage

100% of participants are assumed to be married at death.

Mortality

	Current Year	Prior Year
Annuitant	RP-2000 Healthy Annuitant Table projected to 2016	RP-2000 Healthy Annuitant Table projected to 2015
Non-annuitant	RP-2000 Employees Table projected to 2024	RP-2000 Employees Table projected to 2023

Retirement rates

All participants assumed to retire at 65

Withdrawal rates

Not applicable. No active participants.

Schedule SB, PART V – Statement of Actuarial Assumptions/Methods

Methods

Actuarial cost method

For minimum required and maximum contribution purposes:

The Funding Target is the present value of accrued benefits and based on compensation and service to date. The Target Normal Cost is the present value of benefits expected to be accrued during the current plan year, including the effect of expected compensation increases during the year.

Asset valuation method

For minimum required and maximum contribution purposes:

The Valuation Assets are determined using a method that spreads asset gains/(losses) over 8 quarters. The gain/(loss) for each period is determined as the actual return during the period less the expected return based on an assumed earnings rate chosen by the actuary but required by PPA to be not greater than the applicable third segment rate. The resulting value is constrained to be within a corridor of 90% to 110% of market value. The discounted value of accrued contributions, if any, are included in the Valuation Assets.

Summary of Changes from the January 1, 2008 Valuation

1. The mortality and funding interest rates were changed to those required by PPA 2006.

Schedule SB, Part V – Summary of Plan Provisions

Eligibility:	All employees represented by the Union in the bargaining unit defined in collective bargaining agreement between the Company and the Union.
Vesting Service:	An employee earns one year of vesting in any calendar year for which they complete 1,000 hours.
Credited Service:	1/10 th of a year of Credited Service is earned for each 170 hours worked in a calendar year. No more than one year of Credited Service may be earned in any given year.
Payment form:	Life only.
Normal Retirement Date:	Age 65 and 5 years of plan participation.
Early Retirement Date:	Age 55 and 10 years of Vesting Service.
Eligibility for vested benefit:	100% vesting after five years.
Eligibility for surviving spouse death benefit:	Death occurring while: 1. Actively employed and completed 5 years of vesting service. 2. Terminated with a vested deferred benefit but before benefit commencement. There is a charge for this coverage after the age of 60 of 1/20th of 1% for each month the Pre-retirement Survivor Benefit coverage is in effect.
Eligibility for disability benefit:	Disability occurring while actively employed with ten years of Vesting Service.
Monthly Accrued Benefit:	The multiplier below times Credited Service.

Termination Date	Benefit Multiplier
On or after 8/1/2004	\$21.00
On or after 8/1/2006	\$22.00
On or after 8/1/2007	\$23.00

Schedule SB, Part V – Summary of Plan Provisions

Normal retirement benefit:	Monthly Accrued Benefit as of Normal Retirement Date.
Early retirement benefit:	Monthly Accrued Benefit reduced by $\frac{1}{2}$ of 1% for each complete calendar Month between age 60 and 65 by which the age at commencement precedes age 65, and by $\frac{1}{4}$ of 1% for each month by which the age at commencement of payments precedes age 60.
Disability benefit:	<u>Eligible for Social Security Disability Benefit</u> Monthly Accrued Benefit with no reduction for commencement prior to age 65. <u>Not Eligible for Social Security Disability Benefit</u> 200% of the Monthly Accrued Benefit with no reduction for commencement prior to age 65.
Deferred monthly retirement benefit for termination prior to retirement:	Monthly Accrued Benefit as of date of termination. The benefit can commence as early as age 60. The reduction for commencement prior to age 65 is $\frac{6}{10}$ of 1% for each complete calendar month the participant is under age 65.
Surviving spouse monthly death benefit:	50% of the benefit that would have been payable to the participant had the participant retired the day before their death and the pension is payable immediately in the form of a 50% joint and survivor annuity. Notwithstanding the above, if the participant dies prior to early retirement eligibility, the surviving spouse is eligible to receive a monthly benefit equal to 50% of the amount to which the participant would have been entitled to had the participant terminated employment the day prior to his death, survived to their Early Retirement Date and begun receiving a 50% joint and survivor annuity. This benefit is payable at the participant's Early Retirement Date.
Death benefit:	A \$1,000 Post-retirement death benefit is payable to the beneficiary or estate of any participant who dies subsequent to the date of his retirement. This benefit is not payable under a deferred retirement or surviving spouse death benefit.

Summary of Changes Since the Prior Valuation

None.

Schedule SB, Part V – Summary of Plan Provisions

Eligibility: All employees represented by the Union in the bargaining unit defined in collective bargaining agreement between the Company and the Union.

Vesting Service: An employee earns one year of vesting in any calendar year for which they complete 1,000 hours.

Credited Service: 1/10th of a year of Credited Service is earned for each 170 hours worked in a calendar year. No more than one year of Credited Service may be earned in any given year.

Payment form: Life only.

Normal Retirement Date: Age 65 and 5 years of plan participation.

Early Retirement Date: Age 55 and 10 years of Vesting Service.

Eligibility for vested benefit: 100% vesting after five years.

Eligibility for surviving spouse death benefit:

Death occurring while:

1. Actively employed and completed 5 years of vesting service.
2. Terminated with a vested deferred benefit but before benefit commencement.

There is a charge for this coverage after the age of 60 of 1/20th of 1% for each month the Pre-retirement Survivor Benefit coverage is in effect.

Eligibility for disability benefit: Disability occurring while actively employed with ten years of Vesting Service.

Monthly Accrued Benefit: The multiplier below times Credited Service.

Termination Date	Benefit Multiplier
On or after 8/1/2004	\$21.00
On or after 8/1/2006	\$22.00
On or after 8/1/2007	\$23.00

Schedule SB, Part V – Summary of Plan Provisions

Normal retirement benefit:	Monthly Accrued Benefit as of Normal Retirement Date.
Early retirement benefit:	Monthly Accrued Benefit reduced by $\frac{1}{2}$ of 1% for each complete calendar Month between age 60 and 65 by which the age at commencement precedes age 65, and by $\frac{1}{4}$ of 1% for each month by which the age at commencement of payments precedes age 60.
Disability benefit:	<u>Eligible for Social Security Disability Benefit</u> Monthly Accrued Benefit with no reduction for commencement prior to age 65. <u>Not Eligible for Social Security Disability Benefit</u> 200% of the Monthly Accrued Benefit with no reduction for commencement prior to age 65.
Deferred monthly retirement benefit for termination prior to retirement:	Monthly Accrued Benefit as of date of termination. The benefit can commence as early as age 60. The reduction for commencement prior to age 65 is $\frac{6}{10}$ of 1% for each complete calendar month the participant is under age 65.
Surviving spouse monthly death benefit:	50% of the benefit that would have been payable to the participant had the participant retired the day before their death and the pension is payable immediately in the form of a 50% joint and survivor annuity. Notwithstanding the above, if the participant dies prior to early retirement eligibility, the surviving spouse is eligible to receive a monthly benefit equal to 50% of the amount to which the participant would have been entitled to had the participant terminated employment the day prior to his death, survived to their Early Retirement Date and begun receiving a 50% joint and survivor annuity. This benefit is payable at the participant's Early Retirement Date.
Death benefit:	A \$1,000 Post-retirement death benefit is payable to the beneficiary or estate of any participant who dies subsequent to the date of his retirement. This benefit is not payable under a deferred retirement or surviving spouse death benefit.

Summary of Changes Since the Prior Valuation

None.

Schedule SB, line 25 – Change in Method

The changes made to the plan's funding method are those required by Code section 430 and are consistent with the requirements of Code section 430. As such, the changes do not need IRS approval.

The asset valuation method has been changed from market value to a method that spreads gains/(losses) over 8 quarters.

Schedule SB, line 32 – Schedule of Amortization Bases

Date Established	Type of Base	Remaining Installments	Shortfall Amortization Installment	Present Value of Remaining Installments
January 1, 2008	Shortfall	6	73,753	369,996
January 1, 2009	Shortfall	7	<u>25,463</u>	<u>143,497</u>
			99,216	513,493

Schedule SB, PART V – Statement of Actuarial Assumptions/Methods

Economic Assumptions

Funding

Current Year:	Full yield curve, 2 month look back Effective Interest Rate	8.18%
Prior Year:	Full yield curve, 0 month look back Effective Interest Rate	6.31%

FAS 35 discount rate

Current Year:	8.50%
Prior Year:	8.50%

PBGC variable premium

Current Year:	Same as for funding	
Prior Year:	First Segment Rate	4.93%
	Second Segment Rate	6.13%
	Third Segment Rate	6.69%

Schedule SB, PART V – Statement of Actuarial Assumptions/Methods

Non-economic Assumptions

Expenses

Expected administrative expenses of \$11,162 were added to Target Normal Cost

Disability rates

Not applicable. No active participants

Frequency of optional payment forms

63% elect Life Only Annuity

37% elect Joint and 50% Annuity

Marital percentage

100% of participants are assumed to be married at death.

Mortality

	Current Year	Prior Year
Annuitant	RP-2000 Healthy Annuitant Table projected to 2016	RP-2000 Healthy Annuitant Table projected to 2015
Non-annuitant	RP-2000 Employees Table projected to 2024	RP-2000 Employees Table projected to 2023

Retirement rates

All participants assumed to retire at 65

Withdrawal rates

Not applicable. No active participants.

Schedule SB, PART V – Statement of Actuarial Assumptions/Methods

Methods

Actuarial cost method

For minimum required and maximum contribution purposes:

The Funding Target is the present value of accrued benefits and based on compensation and service to date. The Target Normal Cost is the present value of benefits expected to be accrued during the current plan year, including the effect of expected compensation increases during the year.

Asset valuation method

For minimum required and maximum contribution purposes:

The Valuation Assets are determined using a method that spreads asset gains/(losses) over 8 quarters. The gain/(loss) for each period is determined as the actual return during the period less the expected return based on an assumed earnings rate chosen by the actuary but required by PPA to be not greater than the applicable third segment rate. The resulting value is constrained to be within a corridor of 90% to 110% of market value. The discounted value of accrued contributions, if any, are included in the Valuation Assets.

Summary of Changes from the January 1, 2008 Valuation

1. The mortality and funding interest rates were changed to those required by PPA 2006.

AAR Cargo Systems Retirement Income Plan

Financial Report
December 31, 2009

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4 - 14

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Retirement Plan Administrative Committee
AAR Cargo Systems Retirement Income Plan
Wood Dale, Illinois

We were engaged to audit the statements of net assets available for benefits of the AAR Cargo Systems Retirement Income Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified or provided by The Northern Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the trustee holds the Plan's investment assets and executes investment transactions. As disclosed in Note 3, the Plan Administrator has obtained certifications from the trustee regarding the completeness and accuracy of the investment information provided to the Plan Administrator by the trustee as of and for the years ended December 31, 2009 and 2008.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements taken as a whole. The form and content of the information included in the financial statements, other than that derived from the information certified or provided by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 11, 2010

AAR Cargo Systems Retirement Income Plan

Statements of Net Assets Available for Benefits
December 31, 2009 and 2008

	2009	2008
Assets		
Investments, at fair value		
Plan interest in the AAR CORP. Retirement Trust	\$ 2,360,868	\$ 1,895,688
Receivables,		
Company contribution	50,000	-
Total assets	2,410,868	1,895,688
Liabilities, administrative expenses	31,978	19,410
Net assets available for benefits	\$ 2,378,890	\$ 1,876,278

See Notes to Financial Statements.

AAR Cargo Systems Retirement Income Plan

Statements of Changes in Net Assets Available for Benefits Years Ended December 31, 2009 and 2008

	2009	2008
Plan interest in the AAR CORP. Retirement Trust investment income (loss)	\$ 562,756	\$ (772,189)
Company contributions	171,000	-
	<u>733,756</u>	<u>(772,189)</u>
Deductions from net assets attributed to:		
Benefits paid to participants	185,227	181,449
Administrative expenses	45,917	33,507
	<u>231,144</u>	<u>214,956</u>
Net increase (decrease) in net assets available for benefits	502,612	(987,145)
Net assets available for benefits:		
Beginning of year	<u>1,876,278</u>	<u>2,863,423</u>
End of year	<u>\$ 2,378,890</u>	<u>\$ 1,876,278</u>

See Notes to Financial Statements.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 1. Plan Description

General: The following brief description of AAR Cargo Systems Retirement Income Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan is a defined benefit, noncontributory pension plan sponsored by AAR Manufacturing, Inc. (the Company) a wholly owned subsidiary of AAR CORP. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Pension benefits: All employees represented by the UAW Local 157 Union in the bargaining unit defined in the collective bargaining agreement between the Company and the UAW Local 157 Union are eligible to participate upon date of hire. Under terms of the Plan, participants are eligible for normal plan benefits upon reaching age 65 after 5 years of service. Reduced benefits are available to participants who have attained the age of 55 after 10 years of service. Monthly benefit payments are determined based on specified rates for each year of credited service.

The Plan also contains provisions for disability, deferred vesting, and surviving spouse benefits. Participants are 100% vested in their benefits after five years of credited service. Participants should refer to the Plan document for more complete information, which may be obtained from the Company.

Administration: AAR CORP. has established two committees to take responsibility for the administrative and investment functions of the Plan.

Day to day administration of the Plan is the responsibility of the Retirement Plan Administrative Committee (the Administrative Committee), comprised of four members appointed by AAR CORP. Two of the appointed members must be members of the UAW Local 157 Union. The Administrative Committee is assisted by Towers Watson, the actuary for the Plan.

Investment policy and investment activities are the responsibility of the Retirement Plan Investment Committee (the Investment Committee), consisting of three senior officers of AAR CORP. appointed by the Board of Directors. The Investment Committee has retained the services of Stratford Advisory Group, Inc. as investment advisors in establishing investment policies, selecting investment choices and determining portfolio allocations of the AAR CORP. Retirement Trust's (Master Trust) assets.

Trustee: The Company entered into an agreement with The Northern Trust Company to act as Trustee of the Master Trust on behalf of the Plan and two other retirement plans sponsored by the Company. The Trustee administers the Master Trust in accordance with directions and policies established by the Administrative and Investment Committees.

Funding policy: The Company's funding policy is to contribute annually, at a minimum, an amount which is deductible for federal income tax purposes and that is sufficient to meet the minimum funding requirements of ERISA.

The Company made contributions of \$171,000 and \$0 in 2009 and 2008, respectively, and has met the ERISA minimum funding requirements.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

Accounting policies: The Company follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the *FASB Accounting Standards CodificationTM*, sometimes referred to as the Codification or ASC. The Codification is effective for periods ending on or after September 15, 2009.

Basis of accounting: The financial statements of the Plan are prepared under the accrual basis of accounting.

Investment valuation and income recognition: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in Plan net assets available for benefits and actuarial present value of accumulated Plan benefits during the reporting period and related disclosures. Actual results could differ from those estimates.

Payment of benefits: Benefits, paid monthly, are made on either a life annuity or joint and survivor basis, and are recorded when distributed.

Administrative expenses: Administrative expenses such as trustees', consultants' and investment managers' fees, as well as the Pension Benefit Guarantee Corporation (PBGC) premiums are paid by the Master Trust. Other administrative expenses are paid by the Company.

Subsequent events: The Plan has evaluated subsequent events through October 11, 2010, the date the financial statements were available to be issued.

New accounting pronouncements: In September 2009, the FASB issued an amendment, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2009-12), which provides guidance on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can now be determined using net asset value (NAV) per share as a practical expedient, when the fair value is not readily determinable, unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used. This amendment was effective for periods ending after December 15, 2009, with early adoption permitted. The adoption of the provisions did not have a material impact on the financial statements.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The FASB issued new guidance on accounting for uncertainty in income taxes. The Plan adopted this new guidance for the year ended December 31, 2009. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. Tax returns filed by the entity generally are subject to examination by U.S. and state taxing authorities for years ended after December 31, 2006.

Pending accounting pronouncement: In January 2010, the FASB issued an amendment, *Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements* (ASU 2010-16), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and those disclosures should include a discussion of inputs and valuation techniques. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these charges. With respect to matters other than Level 3 measurements, the amendment is effective for periods beginning after December 15, 2009. The guidance related to Level 3 measurements is effective for periods beginning after December 15, 2010. Management is currently evaluating the impact of the guidance related to disclosures in the financial statements.

Note 3. Information Certified by The Northern Trust Company

The following is a summary of the investment information as of December 31, 2009 and 2008, and for the years then ended, included throughout the Plan's financial statements that was prepared by or derived from information provided by the trustee and furnished to the Plan Administrator. The Plan Administrator has obtained certifications from the trustee that the information provided to the Plan Administrator by the trustee related to the following investments is complete and accurate. Accordingly, as permitted by 29 CFR 2520.103-8 of the United States Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA, the Plan Administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to information which appears throughout the financial statements related to the following investments:

	2009	2008
Plan interest in the AAR CORP. Retirement Trust	\$ 2,360,868	\$ 1,895,688

The trustee also certified to the completeness and accuracy of \$562,756 of investment income and \$772,189 of investment loss related to the aforementioned investments for the years ended December 31, 2009 and 2008, respectively.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan Interest in the Master Trust

Effective January 1, 1994, three plans, (1) AAR CORP. Retirement Plan, (2) AAR Cargo Systems Retirement Income Plan, and (3) AAR Cadillac Manufacturing Division Pension Plan for Hourly Employees, contributed all respective plan assets for an undivided interest in the Master Trust. The assets of the Master Trust, which include investments and receivables, are held by the trustee for the benefit of the participating plans.

The equity interest in the Master Trust is valued at the Plan's share of the fair value of the net assets held by the Master Trust. The fair value of the Plan's interest in the Master Trust is based on the beginning of year value of the Plan's interest in the Master Trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses. Investment income and administrative expenses relating to the Master Trust are allocated to the individual plan based on monthly balances invested in each plan.

The assets of the Master Trust are held by The Northern Trust Company, the trustee. At December 31, 2009 and 2008, the Plan's interest in the net assets of the Master Trust was 5.01% and 4.83%, respectively.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for the Master Trust's assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Common and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Partnership interests: Valued at fair value, which is the partnership's proportionate interest in the underlying investment, as determined by the investment manager. In determining this fair value, the investment manager generally uses the valuations of the underlying private investment funds.

Common/collective trusts: Valued at the total net asset value of underlying shares of mutual funds and cash held by the trust at year-end.

Shares of registered investment companies: Valued at the net asset value of shares held by the Master Trust at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Plan's interest in the net assets of the Master Trust is included in the accompanying statements of net assets available for benefits. A summary of the assets, including investments of the Master Trust as of December 31, 2009 and 2008, is as follows:

	December 31,	
	2009	2008
Investment at fair value:		
Common and preferred stocks	\$ 8,399,730	\$ 6,216,200
Partnership interests	1,140,789	986,857
Common/collective trusts	7,741,350	5,659,744
Shares of registered investment companies	29,828,957	26,371,931
	<u>47,110,826</u>	<u>39,234,732</u>
Accrued investment income	71,086	84,793
Receivable for securities sold	-	62,389
Pending trade purchases	(65,138)	(121,138)
	<u>5,948</u>	<u>26,044</u>
	<u>\$ 47,116,774</u>	<u>\$ 39,260,776</u>

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

Investment income (loss) for the Master Trust for the years ending December 31, 2009 and 2008, is as follows:

	2009	2008
Net appreciation (depreciation) in fair value of investments:		
Common and preferred stocks	\$ 2,102,054	\$ (5,308,643)
Partnership interests	153,932	(173,023)
Common/collective trusts	1,119,278	(1,409,473)
Registered investment companies	6,829,189	(10,235,975)
	<u>10,204,453</u>	<u>(17,127,114)</u>
Interest	1,656	41,166
Dividends	877,106	1,073,970
	<u>\$ 11,083,215</u>	<u>\$ (16,011,978)</u>

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets measured at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Preferred stocks	\$ 166,283	\$ -	\$ -	\$ 166,283
Common stocks				
Business services	258,208	-	-	258,208
Consumer goods	309,650	-	-	309,650
Consumer services	681,509	-	-	681,509
Energy	757,656	-	-	757,656
Financial services	1,450,502	-	-	1,450,502
Hardware	626,160	-	-	626,160
Healthcare	960,807	-	-	960,807
Industrial materials	620,992	-	-	620,992
Media	438,335	-	-	438,335
Software	546,355	-	-	546,355
Telecommunications	643,062	-	-	643,062
Utilities	114,128	-	-	114,128
Foreign stocks	826,083	-	-	826,083
Partnership interests	-	-	1,140,789	1,140,789
Common/collective trusts	-	7,741,350	-	7,741,350
Shares of registered investment companies				
International funds	6,876,909	-	-	6,876,909
Mid cap blend	1,965,815	-	-	1,965,815
Large cap growth	4,714,009	-	-	4,714,009
Large cap value	4,220,516	-	-	4,220,516
Fixed income-intermediate term	4,476,583	-	-	4,476,583
Fixed income bond fund	3,909,526	-	-	3,909,526
Fixed income intermediate term bond	3,665,599	-	-	3,665,599
	<u>\$ 38,228,687</u>	<u>\$ 7,741,350</u>	<u>\$ 1,140,789</u>	<u>\$ 47,110,826</u>

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy, the Master Trust's assets measured at fair value as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Common and preferred stocks	\$ 6,216,200	\$ -	\$ -	\$ 6,216,200
Partnership interests	-	-	986,857	986,857
Common/collective trusts	-	5,659,744	-	5,659,744
Shares of registered investment companies	26,371,931	-	-	26,371,931
	<u>\$ 32,588,131</u>	<u>\$ 5,659,744</u>	<u>\$ 986,857</u>	<u>\$ 39,234,732</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Master Trust's Level 3 assets for the year ended December 31, 2009.

	Partnership Interests
Balance, beginning of year	\$ 986,857
Unrealized gains relating to instruments still held at the reporting date	153,932
Balance, end of year	<u>\$ 1,140,789</u>

The table below sets forth a summary of changes in the fair value of the Master Trust's Level 3 assets for the year ended December 31, 2008.

	Partnership Interests
Balance, beginning of year	\$ 1,159,880
Unrealized gains (losses) relating to instruments still held at the reporting date	(173,023)
Balance, end of year	<u>\$ 986,857</u>

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table sets forth additional disclosures of the Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2009:

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Common/collective trusts:				
The Weatherlow Offshore Fund II Ltd. (a)	\$ 5,197,649	\$ -	Quarterly	12 months initially/ 65 days thereafter
Collective Short Term Investment Fund (b)	299,383	-	Daily	None
Palisade Strategic Fund (Cayman) Limited (c)	1,157,353	-	Quarterly	90 days
Aurora Offshore Fund LTD. II (d)	1,086,965	-	Monthly/Quarterly	Various
	<u>\$ 7,741,350</u>			

- (a) The Weatherlow Fund I L.P. (the "Partnership") is organized as a Delaware limited partnership. The Partnership is a multi-manager, multi-strategy "fund-of-funds" formed to invest predominately in limited partnerships and similar pooled investment vehicles referred to as "Portfolio Funds."
- (b) The Collective Short Term Investment Fund is composed of high-grade money market instruments with short maturities. The Fund's objective is to provide an investment vehicle for cash reserves while offering a competitive rate of return. Liquidity is emphasized to provide for redemption of units on any business day. Principal preservation is also a prime objective. High quality securities are used in this Fund. Within quality, maturity and sector diversification guidelines, investments are made in those securities with the most attractive yields. Admissions and withdrawals are daily. Interest is accrued daily and distributed monthly.
- (c) The Master Fund's principal investment objective is to aggressively seek capital appreciation through worldwide investments in U.S. and non-U.S. securities and other instruments, including bonds and other fixed income securities (both corporate and governmental and rated and unrated), commodities, commodity futures, real estate and real estate-related securities, mortgage-backed securities, swaps, repurchase agreements, currencies and currency forward contracts, equities, equity-related securities (including convertible debt securities and stock market indices) and warrants, as well as listed and over-the-counter options on the foregoing and any other investments the Investment Advisor deems suitable for the Master Fund (collectively, "Securities").
- (d) The Fund is organized to invest and trade directly and indirectly in securities and other financial instruments through advisory accounts and investments in other private investment funds. The Fund's investment objective is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through a portfolio having a diversified risk profile.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 5. Investments

The fair value of investments that represent 5 percent or more of the Plan's net assets as of December 31, 2009 and 2008, are as follows:

	2009	2008
Plan interest in the AAR CORP. Retirement Trust	\$ 2,360,868	\$ 1,895,688

During 2009 and 2008, the Plan's investments in the Master Trust, including investments bought, sold and held during each year, appreciated (depreciated) in value by \$562,756 and \$(772,189), respectively.

Note 6. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (i) retired or terminated participants or their beneficiaries, (ii) beneficiaries of participants who have died, and (iii) present participants or their beneficiaries.

The actuarial present value of accumulated plan benefits is determined by an actuary from Towers Watson and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used during 2009 and 2008 were: (i) interest rate to calculate plan liabilities is 8.5 percent; (ii) assumed retirement at age of 65; and (iii) assumed mortality, disability, and withdrawal rates based on published statistical data (the RP-2000 Healthy Annuitant Table and the RP-2000 Employees Table were used).

The following changes in assumptions and methods were made as part of this valuation.

- The interest rate used to determine the Funding Target was changed from the full yield curve with a two month look back to the three-segment rates with a four month look back (September rates). This change is being made as elected by the plan sponsor and is deemed to be automatically approved by the IRS pursuant to regulations under IRC Section 430.
- Based upon an election by the plan sponsor, the asset valuation method changed from a method that spreads asset gains/(losses) over eight quarters to a method that spreads asset gains/(losses) over two years. Changes in the asset method for plan years beginning in 2010 to any permissible asset method are deemed to be automatically approved by the IRS.
- The amount included this year for plan-related expenses increased from \$11,162 to \$26,000.

Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 6. Actuarial Present Value of Accumulated Plan Benefits (Continued)

The accumulated plan benefits as of December 31, 2009 and 2008, are presented from information provided by the actuary as of January 1, 2010 and 2009, respectively. There has been no significant change in the Plan's provisions or coverage from December 31 to January 1.

The actuarial present value of accumulated plan benefits as of the date of the latest actuarial valuation and changes therein are as follows:

	December 31,	
	2009	2008
Vested benefits:		
Deferred vested	\$ 1,268,065	\$ 1,287,022
Retirees and beneficiaries	1,228,678	1,229,107
	<u>\$ 2,496,743</u>	<u>\$ 2,516,129</u>

Changes in actuarial present value of accumulated plan benefits for the respective years ended:

	December 31,	
	2009	2008
Actuarial present value of accumulated plan benefits at beginning of the period	\$ 2,516,129	\$ 2,494,285
(Decrease) increase during the year attributed to:		
Benefits paid	(185,227)	(181,449)
Benefits accumulated and other	(44,478)	(1,167)
Change in the assumptions	4,320	-
Interest	205,999	204,460
	<u>(19,386)</u>	<u>21,844</u>
Actuarial present value of accumulated plan benefits at end of period	<u>\$ 2,496,743</u>	<u>\$ 2,516,129</u>

Note 7. Related Party Transactions

The Northern Trust Company, the trustee, provides to the Plan certain trustee, accounting and administrative services for which \$2,295 and \$2,214 of expenses were charged for the years ended December 31, 2009 and 2008, respectively.

Note 8. Tax Status of the Plan

The Plan has received a favorable determination letter from the Internal Revenue Service (IRS) dated March 10, 2003, qualifying it under the provisions stated in section 401(a) of the Internal Revenue Code (Code). Therefore, the Plan is exempt from federal income taxes under section 501(a) of the Code. The Plan Administrator is not aware of any activity or transactions that may adversely affect the qualified status of the Plan.

AAR Cargo Systems Retirement Income Plan

Notes to Financial Statements

Note 9. Plan Termination

Although the Company has not expressed any intent to terminate the Plan, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under the Plan provisions in effect at any time during the five years preceding Plan termination.
- b. Other vested benefits insured by the PBGC up to the applicable limitations (discussed below).
- c. All other vested benefits (not insured by the PBGC).
- d. All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. For plan terminations occurring during 2010 the ceiling is \$4,500 per month. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity, and are at least 65 years old at the time of retirement or plan termination (whichever comes later). For younger annuitants, or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

Whether all participants receive their benefits, should the Plan terminate at some future time, will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Company and the level of benefits guaranteed by the PBGC.

Note 10. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits is reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Schedule SB, line 22 – Description of Weighted Average Retirement Age

Age at Retirement	Percentage Retiring	Percentage of Total Group Remaining	Percentage of Total Group Retiring	Weighted Retirement Age
54	0.00%	100.000000%	0.000000%	0.00
55	0.00%	100.000000%	0.000000%	0.00
56	0.00%	100.000000%	0.000000%	0.00
57	0.00%	100.000000%	0.000000%	0.00
58	0.00%	100.000000%	0.000000%	0.00
59	0.00%	100.000000%	0.000000%	0.00
60	0.00%	100.000000%	0.000000%	0.00
61	0.00%	100.000000%	0.000000%	0.00
62	0.00%	100.000000%	0.000000%	0.00
63	0.00%	100.000000%	0.000000%	0.00
64	0.00%	100.000000%	0.000000%	0.00
65	100.00%	0.000000%	100.000000%	65.00
Retirement Age				65.00

Schedule SB, Line 21b – Applicable Month of Discount Rate

The discount rate is full yield curve with a 2 month lookback. Line 21b is left blank because EFAST2 generates an error when 2 appears in line 21b and Full Yield Curve is checked in line 21a.