

DISTRIBUTORSHIP AGREEMENT

THIS AGREEMENT, made and entered into this 22nd day of July 2013, by and between Northrop Grumman Systems Corporation acting through its Aersospace Systems sector, a Delaware corporation having offices at 600 Grumman Road West, Bethpage, New York 11714 (hereinafter referred to as "Seller"), and **AAR Parts Trading, Inc.**, an Illinois corporation having offices at 1100 North Wood Dale Road, Wood Dale, Illinois 60191 (hereinafter referred to as "Distributor"), either or both of which may be hereinafter referred to as "Party" or "Parties", respectively

The "Territory" shall mean and encompass the country of Japan. "Customer" shall mean the Sumitomo Corporation (its affiliates and subsidiaries, JASDF, Kawasaki Heavy Industries, and Toshiba.

WITNESSETH:

For and in consideration of the mutual covenants set forth herein, the Parties hereto agree as follows:

1. SUBJECT MATTER OF DISTRIBUTORSHIP AND SALE.

- A. Distributor will be the exclusive Seller's approved distributor for Japan E-2C parts identified in all Seller proposals provided to Distributor to be resold by Distributor in the Territory.
- B. In connection with Distributor's purchases of Products, Seller will manufacture, sell, and deliver (F.O.B. Origin) such Products to Distributor.

2. CHARGES AND PAYMENT.

- A. Seller may sell to the Distributor and the Distributor may purchase from the Seller the Products at the prices set forth in the provided proposals within the validity period of (90) days.
- B. Distributor will pay Seller the full Purchase Price for Products in the following increments: fifteen percent (15% upon contract award, twenty-five percent (25%) at the midpoint of the contract lead time (such date shall be established in the Purchase Order) and sixty percent (60%) upon contract line item delivery. net thirty (30) days after Distributor's receipt of invoice.
- C. The Purchase Price is exclusive of all applicable taxes.
- D. Distributor will initiate purchases of Products hereunder by issuing its purchase order to Seller setting forth the Product(s) being ordered, the date or dates of deliveries, quantities, prices and shipping instructions. Except as otherwise

expressly provided herein, the provisions of this Agreement will govern the purchase of any and all Products by Distributor from Seller. All other terms, whether printed, stamped, typed or written or otherwise attached to Distributor's purchase orders or on the reverse thereof will not apply. Distributor will place its orders for Products quoted by Seller in accordance with Seller's quotation for said Products. Seller may accept an order either by written acknowledgment or by shipment of the Products.

3. **DISTRIBUTOR'S PERFORMANCE.** Distributor will:

- A. Purchase and maintain sufficient stock of the Products for purposes of adequately meeting customer requirements.
- B. Give reasonable consideration to such recommendations as may be made by Seller from time to time with respect to the adequacy of Distributor's coverage of the Territory.

4. **TITLE AND RISK OF LOSS.**

Title to and risk of loss of the Products will pass to Distributor upon delivery to Distributor of said Products by Seller, F.O.B. Origin. Seller covenants that title to the Products will be free and clear of all liens, charges and encumbrances.

5. **EXCUSABLE DELAY.**

Neither Party will be responsible nor deemed to be in default for delays in performance due to delays of suppliers, acts of God or public enemy, acts of Government, civil war, insurrection, sabotage, strikes or other labor disputes, riots, fires, floods, earthquakes, failure of transportation facilities, epidemics, quarantine restrictions, or any other causes beyond the reasonable control of such Party providing that such Party shall, within thirty (30) days from becoming aware of such delay, notify the other Party in writing. To the extent that such causes actually delay delivery on the part of Seller, the time for the performance will be extended for as many days beyond the date thereof, as is required to obtain removal of such causes or such other time as may be reasonably agreed to by the Parties. Neither Party shall, in any event, be liable for any incidental or consequential damages on account of any such delay.

6. **NOTICES.**

All notices given in connection with this Agreement will be given in writing and will be sent by first class mail, postage prepaid, electronically transmitted or any other customary means of communication to the addresses listed below, unless either Party notifies the other Party of a different address.

Seller: Northrop Grumman Systems Corporation
Aerospace Systems
600 Grumman Road West
Bethpage, New York 11714
Attention: Manny Encizo
E-mail: _manny.encizo@ngc.com

Distributor: AAR Parts Trading, Inc.
1100 North Wood Dale Road
Wood Dale, Illinois 60191
Attention: Jim Warren
E-mail: James.Warren@aarcorp.com

The effective date of any notice will be the date of receipt by the addressee.

7. **WARRANTY.**

Seller's warranty for the Products covers workmanship and material only and shall be thirteen (13) months from the time of delivery to Customer. However, no warranty period shall exceed thirty-six (36) months from time of delivery to Customer. Delivery exceptions outside this thirty-six (36) month period will be available on a case-by-case basis.

8. **TERM.**

Unless earlier terminated pursuant to the terms hereof, this Agreement will be for a term of sixty (60) months commencing on the date hereof and continuing for an initial term through 22 July 2018, and thereafter will automatically renew on a year to year basis unless one Party provides the other Party written notice of its intent not to renew at least sixty (60) days prior to the renewal date;

9. **TERMINATION.**

This Agreement may be terminated as follows:

- A. Either Party may terminate this Agreement without cause by giving the other Party sixty (60) days written notice.
- B. If a Party fails to perform its obligations under this Agreement, including but not limited to payment of monies due and such failure to perform continues for a period of thirty (30) days after written notice to such Party by the other Party thereof, the other Party may terminate this Agreement immediately upon written

notice. The right of each Party to require strict performance of any obligations hereunder will not be affected in any way by any previous waiver, forbearance or course of dealing.

- C. If either Party exercises its right to terminate under this Article 9, such action will not affect or impair its right to bring suit for any default or breach of this Agreement. No rights or causes of action will accrue to the non-terminating Party by reason of any termination pursuant to this Article 9.
- D. If the Order is terminated, the Seller shall be compensated as follows:
 - 1) The Order price for completed supplies or services accepted by the Distributor not previously paid for,
 - 2) The total of the costs incurred and profit to be fair and reasonable in the performance of the work terminated, including initial costs and preparatory expense allocable thereto, but excluding any costs attributable to supplies or services paid or to be paid under 1) above,
 - 3) The cost of settling and paying termination settlement proposals under terminated subcontracts that are properly chargeable to the terminated portion of the Order if not included in 2) above,
 - 4) The reasonable costs of settlement of the work terminated, including:
 - (i) Accounting, legal, clerical and other expenses reasonably necessary for the preparation of termination settlement proposals and supporting data;
 - (ii) The termination and settlement of subcontracts; and
 - (iii) Storage, transportation, and other costs incurred, reasonably necessary for the preservation, protection, or disposition of the termination inventory.
- E. In the event this Agreement is terminated for any reason, neither Party shall by reason thereof be liable to the other for compensation or damage of any kind or nature whatsoever, including, but not limited to direct, incidental or consequential damages, losses, costs or liabilities incurred as the result of such termination, whether on account of the loss of present or prospective profits on sales or anticipated sales, or expenditures, investments or commitments made in connection therewith or in connection with the establishment, development, or maintenance of the other's business, or on account of any other cause or thing whatsoever.
- F. Upon expiration or termination of this Agreement or as otherwise provided herein, the Parties agree that Seller may elect, at its sole discretion, to purchase from Distributor the existing inventory acquired pursuant to this Agreement, not otherwise allocated to Customer contracts. Distributor shall provide Seller a list

of said inventory and the price paid for it within thirty (30) days after the expiration or termination of this Agreement or as otherwise provided herein. The Seller may elect to purchase the inventory within thirty (30) days after receiving the list from the Distributor. If the Seller elects to purchase, the Seller shall purchase such inventory at the price originally paid by the Distributor for the Product and shall pay Distributor the price paid for such inventory net thirty (30) days from receipt of invoice. In addition, notwithstanding the expiration or termination of this Agreement, the Parties agree that Distributor shall have the continuing right under this Agreement to purchase products from Seller and supply Products to its Customer(s), to the extent such Products were contracted with Distributor's Customer(s) prior to the expiration or termination of this Agreement. Distributor shall also have the right to offer for sale and sell any Inventory acquired pursuant to and remaining unsold upon expiration or termination of this Agreement on a first opportunity basis to the Customer(s) or other customers subject to U.S. Department of State approval and Seller and Distributor agree to work together and exert commercially reasonable efforts to facilitate the sale of said remaining Inventory. In this connection, Seller shall refer all Customer inquiries for the Products in the Territory to Distributor until such time as Distributor's inventory is depleted.

10. **ASSIGNMENT.**

Neither Party shall assign this Agreement in whole or in part without the prior written consent of the other Party (which consent shall not be reasonably withheld), and any such attempted assignment shall be void, provided, however, that either Party may assign this Agreement and its rights and obligations to a successor corporation resulting from a merger or consolidation of such Party. Subject to the foregoing, all of the terms, conditions, covenants and agreements contained herein will inure to the benefit of, and be binding upon, any successor corporation and any permitted assignees. Consent by either Party to such assignment in one instance will not constitute consent by that Party to any other assignment.

11. **RETURNS.**

Distributor may return for Japan warranty claims only to Seller, for credit, exchange, or refund, any and all Products which Distributor purchases. Distributor agrees that it will prepay all transportation charges and assume all other expenses in connection with such return. Seller will, if the Products so returned are unused, and undamaged, issue to the Distributor a credit, or refund equal to the gross amount paid to Seller by the Distributor for such Products. This return policy applies only in the event that Japan returns Product to Distributor. Seller will work with Distributor to obtain additional buyers for items delivered to Japan requirements are less than what has been projected and procured. This return policy shall also apply if the Agreement has been previously terminated.

12. **ENTIRETY OF AGREEMENT.**

This Agreement embodies the entire agreement of the Parties with respect to the sale of the Products and supersedes all agreements between the Parties hereto with respect to the subject matter hereof.

13. **PARTIAL INVALIDITY.**

If any provision of this Agreement is held invalid for any reason the remainder hereof shall nevertheless remain in full force and effect.

14. **GOVERNING LAW.**

This Agreement will be governed by and construed in accordance with the laws of the State of New York.

15. **COUNTERPARTS.**

This Agreement may be executed in any number of counterparts, all of which together will constitute one and the same instrument. A facsimile signature on any counterpart hereto will be deemed an original for all purposes.

16. **REMEDIES.**

The remedies afforded a non breaching party are cumulative and in addition to any and all other rights in law, equity or otherwise.

17. **PERMITS, CUSTOMS CLEARANCES AND DUTIES**

The Distributor shall obtain all export licenses and permits required to export Supplies from the United States to Japan for any equipment, materials, and supplies furnished by the Seller to Distributor .

18. **INDEPENDENT CONTRACTOR.**

It is understood and agreed that with respect to the performance of its responsibilities hereunder, Distributor is an independent contractor and nothing in this Agreement shall be construed to constitute Distributor an agent or legal representative of Seller for any purpose whatsoever, except as specifically set forth herein. Distributor has no authority or right by virtue hereof to create any obligation, express or implied, on behalf of Seller to any customer or third party, and Seller does not assume any responsibility for

proposals, guarantees, contracts, or other representations offered by Distributor to others in the sale of Products.

19. **CONFIDENTIAL INFORMATION AND TRADE SECRETS.**

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

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

Notwithstanding anything herein to the contrary, if Receiving Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation demand or similar process) to disclose the information, material, documents and data provided by Other Party, it is agreed that Receiving Party will provide Other Party with prompt notice of such request or requirement so that Other Party may seek an appropriate protective order and/or waive Receiving Party's compliance with this provision. It is further agreed that, in the absence of a protective order or the receipt of a waiver hereunder, if Receiving Party or any of its representatives is nonetheless, in the opinion of Receiving Party's counsel, compelled to disclose such information, material, documents or data, to any tribunal, Receiving Party or such representative may disclose such document or information to such tribunal without liability hereunder provided Receiving Party has given Other Party prompt notice of such request or requirement.

20. **PENALTY FOR LATE DELIVERY**

In the event any failure to perform or delay in performance by Seller under this Agreement arises out of causes other than those excused under the clause entitled "Excusable Delays" and such failure or delay subsequently causes failure or delay of performance by Distributor's contract with the Customer, the following shall apply:

For the first procurement of each part number procured from Seller, the penalty amount shall be determined on a unit price basis and shall be not more than $\frac{1}{4000}$ of Seller's contract item unit price amount for delay per day for each unit delayed with a maximum ceiling of $\frac{1}{20}$ of the contract unit price affected by the delay or the failure to perform or both.


Seller and Distributor understand and agree that no penalty will be imposed on Seller by Distributor unless imposed on Distributor by the Customer.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers on the day and year first written above.

**NORTHROP GRUMMAN SYSTEMS CORPORATION –
AEROSPACE SYSTEMS**

By: 
Name: Catherine Rice
Title: Director of Contracts

AAR PARTS TRADING, INC.

By: 
Name: _____
Title: **John M. Holmes**
Vice President