



April 1, 1998  
MCA.LLS98-022

AAR Corp.  
1100 N. Wood Dale Road  
Wood Dale, Illinois 60191

Attention: Mr. David E. Prusiecki, Staff Vice President-Marketing  
Military and Industrial

Subject: APU Distributorship Agreement

Reference: Agreement No. 98878

Dear Mr. Prusiecki:

Please find enclosed two (2) original copies of the subject agreement, signed by an authorized official of Sundstrand Corporation.

If the subject is acceptable, please sign both originals of the Agreement, indicating the date on Page 1, and return one (1) signed original to my attention.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'L.J. Schneeberger'.

L.J. Schneeberger  
Manager, Military Contracts Administration

LJS/ra  
Enclosures



1 EP

8 April, 1998

Len Schneeberger  
Sundstrand Aerospace  
4747 Harrison Avenue  
P.O. Box 7002  
Rockford, IL 61125-7002

Re: APU Distributorship Agreement

Dear Len,

Enclosed herewith is one original, signed copy of subject Agreement.

We are most pleased to expand our distributorship agreement and look forward to substantial increase in purchases. We have our next meeting at DLA-Richmond in two weeks. We will keep you informed of developments.

Very truly yours,

A handwritten signature in cursive script, appearing to read "David", is written above the printed name.

David Prusiecki

Enclosure  
L0408sm1

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## ***DISTRIBUTORSHIP AGREEMENT***

### **Recitals**

This DISTRIBUTORSHIP AGREEMENT (hereinafter referred to as the "AGREEMENT") is entered into this April 8, 1998, by and between SUNDSTRAND AEROSPACE, SUNDSTRAND CORPORATION, a corporation organized and existing under the Laws of the State of Delaware, U.S.A., having offices in Rockford, Illinois (hereinafter referred to as "Sundstrand"), and AAR Defense Systems, a division of AAR Allen Group, Inc., an Illinois corporation having its offices at 1100 N. Wood Dale Road, Wood Dale, IL 60191 (hereinafter referred to as "AAR"). Sundstrand and AAR may be referred to individually as the "PARTY" or collectively as the "PARTIES".

### **WITNESSETH**

WHEREAS, Sundstrand primarily designs and manufactures aerospace systems and components used by the armed services of the United States and its allies and procured by Defense Supply Centers; and

WHEREAS, a primary business of AAR is the acquisition, warehousing and distribution of aerospace material to support the needs of their customers; and

WHEREAS, the various DoD buying agencies and other users of Sundstrand equipment, in efforts to reduce their costs, are looking to Industry to provide the stocking and distribution function, including the delivery of material directly to the user organizations, within days of requisition; and

WHEREAS, representatives of Sundstrand and AAR possess the proper authority to execute a binding AGREEMENT.

NOW, THEREFORE, in consideration of these promises and the mutual promises and covenants contained herein, the PARTIES agree as follows:

#### **1. SUBJECT MATTER OF DISTRIBUTORSHIP AND SALE:**

- a. AAR is hereby appointed as Sundstrand's exclusive distributor of subassemblies and piece parts (the "Products") for the components listed in Appendix 1 in the "Territory" as defined in Appendix 1. This right is non-transferable.
- b. In connection therewith, Sundstrand will manufacture, sell, and deliver (F.O.B. Sundstrand's facilities) to AAR, and AAR will purchase from Sundstrand the Products.
- c. Sundstrand will undertake good faith reasonable efforts to refer their regular customers, and other potential customers, to AAR. Sundstrand reserves the right to sell products directly to U.S. government agencies and other customers under the following circumstances:
  - i. In fulfillment of existing contracts for the supply of products.
  - ii. If AAR cannot meet the requirements of the customers.

#### **2. CHARGES AND PAYMENT:**

- a. Sundstrand may sell to AAR and AAR may purchase from Sundstrand the Products at prices established by Sundstrand.

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- b. AAR will pay Sundstrand the Purchase Price in full within thirty (30) days after receipt of invoice.
- c. The Purchase Price is exclusive of all applicable taxes.
- d. AAR will initiate purchases of Products hereunder by issuing its purchase order setting forth the Product 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 AAR and Sundstrand. All other terms, whether printed, stamped, typed or written or otherwise attached to AAR's purchase orders, or Sundstrand's invoice, or on the reverse thereof will not apply. AAR will place its orders for Products quoted by Sundstrand in accordance with Sundstrand's quotation for said Products. Sundstrand will accept an order by written acknowledgment.
- e. Other than that which is contained above, nothing in this Agreement shall restrict AAR's activity in the Territory, as defined in Appendix 1, within which AAR shall be free to sell the Products.

### **3. DISTRIBUTOR'S PERFORMANCE:**

AAR will:

- a. Exercise good faith efforts on behalf of Sundstrand to promote the sale of the Products in the territory.
- b. Purchase and maintain sufficient stock of the Products for purposes of adequately meeting customer requirements as mutually agreed to by AAR and customer.
- c. Provide adequate warehousing for the Products.
- d. Provide a written summary of sales records, to include customer, quantity, prices and delivery information on a quarterly basis.

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

Title to and risk of loss of the Products will pass to AAR upon delivery to AAR of said Products by Sundstrand F.O.B. Sundstrand's facility. 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 will, 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 Sundstrand, 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. Neither Party shall, in any event, be liable for any incidental or consequential damages on account of any such delay.

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### **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, telex, cable or any other customary means of communication to the addresses listed below, unless either party notifies the other party of a different address.

**Seller:** Sundstrand Aerospace  
4747 Harrison Avenue  
P.O. Box 7002  
Rockford, Illinois 61108  
Attention: Vice President, Customer Service  
Facsimile: 815-226-7488

**Distributor:** AAR Defense Systems  
1100 N. Wood Dale Road  
Wood Dale, Illinois 60191  
Attention: President  
Facsimile: 847-437-0285

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

### **7. WARRANTY:**

- a. Sundstrand warrants that it will have good and merchantable title to the Products which it sells to AAR hereunder, at the time of delivery, free and clear of all liens and encumbrances, and that the Products will be free from defects in material and workmanship. If within 24 months after delivery of the product to AAR or 12 months after delivery of the product to AAR's customer, whichever is sooner, any such product is found to be defective in material or workmanship, Sundstrand shall, if it confirms existence of the defect, repair or, at its option, replace such defective product at its expense and with reasonable promptness. AAR shall provide Sundstrand with written notice of a claimed defect within three (3) months after the defect becomes apparent to AAR. Said notice will contain reasonable proof that the claimed defect is covered by Sundstrand's warranty. This warranty is specifically conditioned upon the proper handling, use, and maintenance of the products by AAR and/or any ultimate user.
- b. THE ONLY WARRANTIES MADE BY SUNDSTRAND ARE THOSE EXPRESSLY PROVIDED HEREIN. ANY OTHER STATEMENTS EXPRESSED IN THE AGREEMENT, INCLUDING BUT NOT LIMITED TO, PROPOSALS, SPECIFICATIONS, DRAWINGS, OR MANUALS SHALL NOT BE DEEMED TO CONSTITUTE A WARRANTY OF THE PRODUCT.

THE WARRANTIES SET FORTH HEREIN ARE EXCLUSIVE AND NO OTHER WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ALL WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE, SHALL APPLY. THE REMEDIES SET FORTH IN THIS ARTICLE ARE THE SOLE AND EXCLUSIVE REMEDIES OF AAR FOR ANY CLAIMS, EXPENSES, OR DAMAGE ARISING OUT OF OR RELATED TO PRODUCTS DELIVERED UNDER THIS CONTRACT.

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IN NO EVENT SHALL SUNDSTRAND BE LIABLE IN TORT OR IN CONTRACT FOR ANY INCIDENTAL, SPECIAL, INDIRECT, CONSEQUENTIAL DAMAGES, OR OTHER ECONOMIC LOSS.

**8. PATENT INDEMNITY:**

Sundstrand will defend, indemnify and hold AAR harmless from and against any and all loss, damage, liability, costs, claims and expenses (including attorney's fees), resulting from, or in any way arising out of allegations of infringement of any U.S. or foreign patents or patent rights by reason of the use, sale or resale of any item furnished to AAR by Sundstrand which was designed or manufactured by Sundstrand; AAR will give Sundstrand full written information with respect to any such infringement promptly upon receipt of notice thereof by AAR and, if Sundstrand so elects, will give Sundstrand complete control of the defense thereof; provided further, that in no event will Sundstrand consent to any injunction, decree, judgment or order which would have the effect of preventing AAR's or AAR's customers use of the Product without AAR's prior written consent. If in any such action, such item is held to constitute an infringement and AAR's or AAR's customers use is permanently enjoined, Sundstrand may, without altering the provisions of this Agreement and not in diminution of the foregoing indemnity, (a) procure the right, at Sundstrand's expense, to continue the use of the same for AAR or AAR's customers; or (b) replace the same with non-infringing assemblies, components, accessories, or parts equally suitable, provided that Sundstrand shall pay AAR's or AAR's customers reasonable expenses of substituting such assemblies, components, accessories, or parts; or (c) modify said assemblies, components, accessories or parts so as to be non-infringing, provided that Sundstrand shall pay AAR's or AAR's customers reasonable expenses resulting from such modification; or (d) remove such Product and refund the purchase price and all other costs incurred by AAR in connection with such product and the return thereof.

**9. TERM:**

This Agreement will be for a term of sixty (60) months and thereafter from year-to-year until terminated by either party upon not less than thirty (30) days advance written notice to the other party prior to the renewal date; unless earlier terminated pursuant to the terms hereof.

**10. TERMINATION:**

This Agreement may be terminated as follows:

- a. Either party to this Agreement may terminate it without cause upon sixty (60) days written notice.
- b. Either party may terminate this Agreement immediately, upon written notice to the other party, for any of the following reasons:
  1. The filing by or against either party in any court of competent jurisdiction of a petition in bankruptcy of insolvency, or for the appointment of a receiver or trustee or the making of an assignment for the benefit of creditors where permitted by law, or the cessation or suspension of business;

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2. Except as relates to affiliated companies, the determination by either party in the determining party's reasonable discretion that there has been a significant change in ownership, or organizational or management structure of the other party;
- c. If either 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 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.
- d. If either party exercises its right to terminate under this Paragraph 10, 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 Paragraph 10, except under 10.C.
- e. If this Agreement is terminated early for any reason, other than under 10.C., 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. If this Agreement is terminated under the provisions of Paragraph 10, the parties agree that AAR shall have the continuing rights of this Agreement to purchase Products from Sundstrand and supply Products to its customers, to the extent such Products were contracted with its customers prior to said termination.

### **11. ASSIGNMENT:**

Neither party will assign this Agreement in whole or in part without the prior written consent of the other party, 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, given the assignees continued ability to perform the obligations of this Agreement. 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.



**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. Any amendments or additions to this Agreement will be null and void unless agreed to between both Parties.

**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 Illinois.

**15. COMPLIANCE WITH LAWS**

- a. Sundstrand is subject to U.S. laws and regulations governing the export of U.S. products and technology. AAR agrees that it will not directly or indirectly engage in any acts which would constitute a violation of such laws or regulations, as communicated by Sundstrand to AAR from time to time.
- b. AAR acknowledges that the Foreign Corrupt Practices Act of the United States may result in the imposition of sanctions on Sundstrand and its employees in the event that, directly or indirectly, offers, promises, or payments are made to government officials or others for the purpose of influencing decisions favorable to Sundstrand.
- c. AAR agrees to furnish to Sundstrand, by affidavit or other reasonable means from time to time at Sundstrand's request, and to the reasonable satisfaction of Sundstrand, assurances that AAR's activities under this Agreement are proper and lawful under the Foreign Corrupt Practices Act.

**16. 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.

**17. REMEDIES:**

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

**18. INDEPENDENT CONTRACTOR:**

It is understood and agreed that with respect to the performance of its responsibilities hereunder, AAR is an independent contractor and nothing in this Agreement shall be construed as establishing a joint venture or partnership or to constitute AAR an agent or legal representative of Sundstrand for any purpose whatsoever. AAR has no authority or right by virtue hereof to create any obligation, express or implied, on behalf of Sundstrand to any customer or third party, and Sundstrand does not assume any responsibility for proposals, guarantees, contracts, or other representations offered by AAR to others in the sale of Products.

**19. CONFIDENTIAL INFORMATION, TRADE SECRETS, AND ADVERTISING:**

- a. 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 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:
  - i. is or will become part of the public domain other than by reason of any default on the part of a party hereto;
  - ii. was in that party's possession prior to the execution of this Agreement and which was not otherwise confidential; or
  - iii. 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.

- b. This Agreement shall not be construed to grant AAR or its affiliated companies the right to use in any manner any trademarks, service marks, or logos belonging to or used by Sundstrand or its affiliated, related or subsidiary companies without the prior written approval of Sundstrand.

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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.

SUNDSTRAND AEROSPACE  
SUNDSTRAND CORPORATION  
Seller

By:

  
Arthur R. Charles

Title: V.P., Contracts Compliance and Management Services

DEFENSE SYSTEMS  
AAR ALLEN GROUP, INC.  
Distributor

By:



Title: Vice President Marketing - Military and Industrial

**APPENDIX 1 TO  
DISTRIBUTORSHIP AGREEMENT BETWEEN  
SUNDSTRAND AEROSPACE AND AAR DEFENSE SYSTEMS**

**PRODUCTS:**

CH47D Auxiliary Power Unit, Model T-62T-2B

CH46 Auxiliary Power Unit, Model T-62T-11

CH53 Auxiliary Power Unit, Model T-62T-27

Blackhawk Auxiliary Power Unit, Model T-62T-40-1

KC135R Auxiliary Power Unit, Model T-62T-40LC-2

**DISTRIBUTOR'S TERRITORY:**

The Distributor's Territory will be the United States of America.