

## DISTRIBUTORSHIP AGREEMENT

This Distributorship Agreement (this "Agreement"), made and entered into this 14th day of December, 2016 by and between Milton Industries, Inc., a Delaware corporation having its offices at 4500 W. Cortland Street, Chicago, IL 60639 (hereinafter referred to as "Seller"), and AAR Supply Chain, Inc., an Illinois corporation having its offices at 1100 North Wood Dale Road, Wood Dale, Illinois 60191 (hereinafter referred to as "Distributor").

### 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 is hereby appointed as Seller's exclusive source for sales and exclusive worldwide distributor (the "Territory") of any and all of the Seller's products for the commercial aviation and global military markets (the "Products") in accordance with the terms and conditions of this Agreement. Except as otherwise provided herein, upon execution of this Agreement Seller shall forward all third party sales inquiries for the Products directly to Distributor for handling.
- B. In connection with Distributor's purchases of Products, Seller will manufacture, sell, and deliver (F.O.B. Distributors' facility in Wood Dale, IL) such Products to Distributor.

#### 2. CHARGES AND PAYMENT.

- A. Seller may sell to Distributor and Distributor may purchase from Seller the Products at the prices established from time to time by Seller based on a percentage discount from Distributor's net price as follows (the "Purchase Price"): (i) a 5% percent (5%) volume discount for aggregate sales in any one year of this Agreement equal to or less than \$900,000 ~~Seven~~ Nine Hundred Thousand Dollars (the "Baseline Sales Figure"); (ii), a ten percent (10%) discount for aggregate sales in any one year of this Agreement which are between \$900,001 and \$2,000,000; a twenty percent (20%) volume discount for aggregate sales in any one year of this Agreement which are between \$2,000,001 and \$4,000,000; a twenty-five percent (25%) volume discount for aggregate sales in any one year of this Agreement which amount to \$4,000,001 or more. The parties expressly agree that the foregoing volume discount terms afforded to Distributor shall be evaluated by the parties on the six (6) month anniversary of this Agreement. Upon review, the parties may agree to modify the foregoing volume discount terms by a separate writing to this Agreement; provided, however, that if the foregoing volume

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discount terms are not modified by the parties they shall continue in full force and effect.

Notwithstanding anything to the contrary set forth in this Agreement, the parties agree that Seller may continue to sell the Products in the Territory to the Seller approved customers and to the DLA under the Seller approved Long-Term Contracts more fully described on Schedule I attached hereto (the "Seller Approved Customers") ; provided, however, that Seller's sales to Seller Approved Customers shall not exceed US\$1,300,000 during any one year of this Agreement and provided further that in the event Seller's sales to Seller Approved Customers do exceed US\$1,300,000 during any one year of this Agreement that in such event the value of all such sales which exceed US\$1,300,000 shall be deemed sales credited to Distributor hereunder for purposes of calculating Distributor's volume discount set forth herein.

- B. Distributor will pay Seller the Purchase Price for Products 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 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 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.
- E. Nothing in this Agreement shall restrict the Territory within which the Distributor shall be free to sell the Products.

3. **PERFORMANCE.**

Distributor will:

- (i) Exercise good faith efforts on behalf of Seller to promote the sale of the Products in the Territory.



- (ii) Purchase and maintain sufficient stock of the Products for purposes of adequately meeting customer requirements.
- (iii) 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.
- (iv) To the extent practicable, Seller agrees from time to time to furnish Distributor at no charge with reasonable quantities of literature, technical data, publications, and technical support, relating to the Products for the purpose of assisting Distributor in promoting the sales of the Products within the Territory.
- (v) Distributor shall furnish to Seller upon request (but not more than 4 times annually) all raw point sales data, and support quarterly business reviews.

Seller will:

- (vi) Upon request, a Seller sales representative shall make no less than four (4) international sales trips with a Distributor representative in each calendar year during the Term.
- (vii) A Seller sales representative shall attend no less than three (3) but no more than four (4) military sales shows with a Distributor representative in each calendar year during the Term.
- (viii)

Seller shall use its best efforts to cooperate with Distributor in order to achieve competitive pricing, and shall reasonably revise its pricing in response to demonstrative market evidence of changing pricing dynamics.

- (ix) Seller shall list Distributor on its website and in all marketing material as the exclusive distributor for Products in the Territory.
- (x) Seller shall fully support Distributor's quality audit processes and procedures.

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. Distributors' facility. 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 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 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 unless Distributor notifies Seller that Products are no longer desired for whatever reason, and Seller will refund to Distributor all monies paid for such Products. 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, telex, fax, 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: Milton Industries, Inc.  
4500 W. Cortland Street  
Chicago, IL 60639  
Attention: Dan Lawrence  
Facsimile: 773-235-3221

Distributor: AAR Supply Chain, Inc.  
1100 North Wood Dale Road  
Wood Dale, Illinois 60191  
Attention: Eric Young  
Facsimile: (630) 227-2419

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

7. **WARRANTY.**

Seller's warranty for the Products is set forth in Exhibit A hereto. Seller acknowledges and agrees that Distributor will assign such warranty to customers that purchase the Products.



8. **INTELLECTUAL PROPERTY INDEMNITY.**

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

9. **TERM.**

This Agreement will be for a term of ten (10) years commencing on the date hereof and continuing for an initial term through the 19th day of November, 2026, 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; unless earlier terminated pursuant to the terms hereof. Although Distributor is not required to stock inventory of Product hereunder, Distributor shall have the right to return all inventory of Products in stock, if any, for full refund of monies expended in purchase of the Product and cancel Products on order upon termination of this Agreement.

10. **TERMINATION.**

This Agreement may be terminated as follows:

- A. Either party may terminate this Agreement without cause upon sixty (60) days written notice to the other party.

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- B. A party may terminate this Agreement immediately, upon written notice to the other party, for any of the following reasons:
- (i) The filing by or against the other party in any court of competent jurisdiction of a petition in bankruptcy or 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;
  - (ii) Except as relates to affiliated companies, the determination by a 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 constituting a change of control;
- C. 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 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 Article 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 Article 10.
- E. Subject to section G below, Distributor shall have the right at its convenience and discretion to terminate an order, in whole or part, by delivery to Seller of a notice of termination under this article specifying the extent to which performance of work under the order is terminated and the date upon which such termination shall become effective.
- F. In the event of a default or expiration, or if this Agreement is terminated early 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.



- G. In the event of termination of an order by Distributor for any reason hereunder, Distributor shall remit to Seller Seller's reasonable costs and expenses (including labor and materials) expended with respect to the relevant order or incurred in anticipation of completing the order. Seller shall document those items in writing with supporting documentation to Distributor.

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. 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. **INDEMNITY AND INSURANCE.**

- A. Seller agrees to and does hereby defend, indemnify and hold harmless Distributor, its directors, officers, agents and employees from and against any and all liabilities, demands, claims, suits, damages, causes of action, fines or judgments, including costs, attorney's and witnesses' fees and expenses incident thereto which may be suffered by, accrue against, be charged to or recoverable from the Distributor by reason of any loss, damage, death or injury arising out of or in connection with the Products furnished pursuant to this Agreement, provided, however, that Seller will not indemnify Distributor against the willful misconduct of the Distributor, its directors, officers, agents or employees. In the event that any demand or claim is made or suit is commenced against Distributor, Distributor will give prompt written notice to Seller and Seller shall have the right to compromise such claim to the extent of its own interests and will undertake the defense of any such suit.

- B. Seller shall cause it's insurer to include Distributor on Seller's broad form vendor's endorsement to Seller's comprehensive general liability policy, and to provide Distributor evidence of such endorsement.

13. **RETURNS.**

The parties expressly agree that Distributor shall have no obligation hereunder to stock the Products in its inventory. Notwithstanding the foregoing, the parties further agree as follows:

- A. Distributor may return for any reason to Seller, for credit, exchange, or refund, any and all Products which Distributor purchases. In the event that the Distributor, for any cause or causes other than those related to the contractual provisions as specified in paragraph 13.B. hereinafter, shall desire to return to Seller for credit, exchange, or refund any of the Products purchased under the terms of this Agreement, the Distributor agrees that it will prepay all transportation charges in connection with such return. In the event that Distributor returns any Products pursuant to the contractual provisions as specified in paragraph 13.B. hereinafter, Seller 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; provided, however that with respect to the return of made-to-order products Seller shall charge a ten percent (10%) re-stocking fee.
- B. Distributor may return to Seller, for credit, exchange or refund any and all Products which Seller chooses to discontinue or delete.

14. **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.

15. **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.

16. **GOVERNING LAW.**

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

17. **COUNTERPARTS.**

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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.

18. **REMEDIES.**

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

19. **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.

20. **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 has 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 legally compelled (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.

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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.

[Milton]

By:   
Name: DANIEL P. LAWRENCE  
Title: CFO

**AAR Supply Chain, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A TO  
DISTRIBUTORSHIP AGREEMENT BETWEEN  
\_\_\_\_\_ AND  
AAR Supply Chain, Inc.  
DATED \_\_\_\_\_, 20\_\_.

SELLER'S WARRANTY

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# SCHEDULE I

## SELLER APPROVED CUSTOMERS

MIDWEST TUBE FABRICATORS INC  
 J.G.B.  
 KEM KREST CORP  
 LOCKHEED MARTIN CORP  
 BONEAL INC  
 VTC VETERANS TRADING CO. LLC  
 KIPPER TOOL CO.  
 GARRISON WALKER GROUP  
 SNAP-ON TOOLS CORP.  
 HABCO INDUSTRIES  
 WRIGHT TOOL CO.  
 LOCKHEED WEBORDERS  
 OSHKOSH DEFENSE, LLC-Production  
 OSHKOSH DEFENSE, LLC-Aftermarket

## SELLER APPROVED DLA LONG-TERM CONTRACTS

| Milton<br>P/N | Contract       | NSN              |
|---------------|----------------|------------------|
| 1076          | SPE4A6613D5169 | 6685-01-209-9139 |
| 1065-7        | SPE4A613D5594  | 4920-01-378-9028 |
| 1064          | SPE4A614D0245  | 6685-00-816-4146 |
| 1068          | SPE4A614D5706  | 4920-00-124-5820 |
| 1066          | SPE4A614D7163  | 6685-00-758-1162 |
| 78-J1-976     | SPE7L715D5009  | 4910-00-204-3170 |
| 1007          | SPE7LX16D0121  | 2640-00-758-6274 |
| 61-J2-        |                |                  |
| 1506          | SPE7LX16D0121  | 4910-01-003-9599 |
| 1063          | SPM4A613D006   | 6685-00-020-2976 |
| 64-A2-        |                |                  |
| 1506          | SPM7L207D7001  | 4910-01-298-5479 |
| 727           | SPM7M112D5A51  | 4730-00-494-3271 |
| 1006          | SPM7M113D5A69  | 4720-00-241-5856 |
| 1014          | SPM7M311D501   | 4730-00-477-6602 |
| 1075          | SPM7MX13D5003  | 4910-01-143-7915 |

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