



HAMMONDS TECHNICAL SERVICES, INC.

AN INTERNATIONAL DISTRIBUTORSHIP AGREEMENT

This Distributorship Agreement is made by and between HAMMONDS TECHNICAL SERVICES, INC., a Texas Corporation (hereinafter referred to as "HAMMONDS"), and **OTC LTD.** (hereinafter referred to as "Distributor"), of the Republic of Korea (hereinafter referred to as "Korea").

1. APPOINTMENT AND ACCEPTANCE

HAMMONDS hereby appoints Distributor a distributor for the sale of HAMMONDS parts, equipment and systems listed in Exhibit A, attached hereto and made a part hereof, together with such other products and equipment as the parties may from time to time agree (hereinafter referred to as the "Products") during the term of this Agreement, and Distributor hereby accepts HAMMONDS' distributorship appointment.

2. RESPONSIBILITIES OF HAMMONDS

HAMMONDS' responsibilities include:

- 2.1 To provide representatives to act in a consulting capacity for and furnish technical assistance to the Distributor or any of the Distributor's customers when requested by the Distributor.
- 2.2 To provide, a reasonable quantity of descriptive literature, technical information, promotional material and other related materials deemed reasonably necessary by Distributor for the sale of the Products. All such materials and information will remain the property of HAMMONDS, to be used only as agreed by HAMMONDS, and will be returned upon HAMMONDS' request.
- 2.3 To promptly assist Distributor in responding to or resolving any complaints or problems that the end user may have or encounter with the Products and to honor any warranty extended by HAMMONDS on the Products, in accordance with its terms.
- 2.4 To refer all inquiries related to the Products and markets covered by the Distributor within the Distributor Territory defined in Exhibit B.
- 2.5 To do whatever else is necessary in HAMMONDS' judgment to aid Distributor in maintaining and enhancing HAMMONDS' reputation with the ultimate users of the Products.

3. RESPONSIBILITIES OF DISTRIBUTOR

Distributor's responsibilities include:

- 3.1 To promote and protect HAMMONDS' goodwill and reputation for quality products and to use its best efforts to promote the sale of the Products for use in their particular industry. In its marketing efforts, Distributor shall have access to HAMMONDS specifications and maintenance data and promotional material relating to the Products. Distributor shall protect all HAMMONDS proprietary information while in the possession of the Distributor. Distributor agrees and acknowledges that it shall not have or acquire any ownership or interest in the engineering concept, design, manufacturing process or other similar property relating to the Products, and Distributor shall not seek to patent or otherwise appropriate as its own, any such information or property. The Distributor agrees not to sell or represent any other fluid powered injection equipment that conflicts or competes directly with HAMMONDS Products without the expressed written consent of HAMMONDS Technical Services, Inc.
- 3.2 When using HAMMONDS' name, trademarks and distinctive trade names, if any, to keep them separate from its own name, trademarks and distinctive trade names so as to preserve the distinctiveness thereof, and upon the termination of the Agreement, to discontinue any use whatsoever of HAMMONDS' name, trademarks and distinctive trade names. Distributor expressly acknowledges that it shall have no right, title or interest in HAMMONDS' name, trademarks or distinctive trade names during or after the term of this Agreement.



- 3.3 To incur no liability on behalf of HAMMONDS and in no way pledge or purport to pledge HAMMONDS' credit or describe or hold itself out as a dependent agent or legal representative of HAMMONDS for the performance of Distributor's activities pursuant to this Agreement.
- 3.4 To conduct business in its own name, in such manner as is necessary to perform its responsibilities thereunder, and to pay all expenses and charges for its employees, office facilities and activities, HAMMONDS having no responsibility whatsoever for same.
- 3.5 To save and hold HAMMONDS harmless from and against all claims and demands for the payment of expenses, losses or liabilities incurred by Distributor, or its employees, agents or representatives, by virtue of or in connection with this Agreement, excepting only claims and demands arising out of HAMMONDS' gross negligence.
- To save and hold Distributor harmless from and against all claims and demands for the payment of expenses, losses or liabilities incurred by HAMMONDS, or its employees, agents or representatives, by virtue of or in connection with this Agreement, excepting only claims and demands arising out of Distributor's gross negligence or in connection with a defective Product.
- 3.6 To discharge and hold HAMMONDS harmless on account of any taxes or governmental charges which may be imposed with respect to income earned or payment received by Distributor by virtue of or in connection with this Agreement.
- 3.7 To maintain annual sales totaling \$100,000.00 US.

4. DISTRIBUTOR TERRITORY

- 4.1 The geographical area described and illustrated in Exhibit B shall be designated as the "Distributor Territory," herein referred to as "Territory." All inquiries coming to the attention of HAMMONDS and originating from within the boundaries of the Territory will be directed to the Distributor assigned to that particular Territory.

5. FACTORY DIRECT, CUSTOMER EXEMPTIONS

- 5.1 HAMMONDS has manufactured specialized equipment for the U.S. military and Defense Fuel Supply. HAMMONDS reserves the right to sell directly to all U.S. Military without any consideration to the local distributor.
- 5.2 HAMMONDS reserves the right to deviate from normal published pricing when negotiating with U.S. governmental agencies world-wide.

6. EXPORT SALES

- 6.1 The Distributor may pursue any export sale on a non-exclusive, local basis. HAMMONDS reserves the right to sell to customers buying for export in the distributor territory without any commissions or consideration to the local Distributor. That is, merchants within may purchase from HAMMONDS, equipment for export, that is not to be used within without consideration or commission to the local Distributor. In areas of conflict, the Distributor agrees to abide by guidelines set forth by HAMMONDS.
- 6.2 HAMMONDS reserves the right to deviate from normal factory pricing when negotiating sales for export.

7. DISTRIBUTOR COMMISSIONS

- 7.1 Due to the complexity of a system or customer request, there may be cases when the factory will be asked to handle a user sale directly. In such cases, the Distributor will be compensated as follows:

Commission: In Accordance with Exhibit C

Payment terms: Shipments valued < \$15,000.00 - Wire transfer prior to shipment

Shipments valued > \$15,000.00 - Letter of Credit, add \$250.00 to order total to cover banking costs.

- 7.2 HAMMONDS offers no point of destination commissions or split commissions with other territories.



8. ORDERS, PRICES, DISCOUNTS AND TERMS AND CONDITIONS OF SALE

- 8.1 Distributor agrees to send all orders for the Products to HAMMONDS' office in Houston, Texas for acceptance or rejection by HAMMONDS.
- 8.2 Unless agreed otherwise in writing by the parties, all Products sold by HAMMONDS to Distributor thereunder will be sold at the list prices in effect on the date of receipt of the order in question, less the appropriate discount set forth in Exhibit C, "Price & Discount Schedule." All prices quoted are F.O.B. HAMMONDS' manufacturing plant in Houston, Texas. HAMMONDS may change prices and discounts at any time during the term of this Agreement upon Sixty-(60) days written notice to Distributor.
- 8.3 All products sold by HAMMONDS are subject to HAMMONDS' Terms and Conditions of Sale for such Products in effect at the time of the sale, a copy of such Terms and Conditions being set forth in Exhibit D, attached hereto and made a part hereof for all purposes, except to the extent such Terms and Conditions conflict with this Agreement, in which case this Agreement shall prevail. HAMMONDS may change such Terms and Conditions of Sale at any time during the term of this Agreement upon sixty-(60) days written notice to Distributor. It is the responsibility of the Distributor to inform all customers purchasing HAMMONDS products that HAMMONDS' Terms and Conditions of Sale are a part of every transaction.
- 8.4 Invoices for the full amount of the Products will be rendered to Distributor when the order in question is shipped from HAMMONDS. Terms of payment are set forth in Exhibit D.
- 8.5 The prices indicated in HAMMONDS' price list do not include sales, use, excise or similar taxes, shipping and mailing costs, insurance charges or other charges by Federal, State or local governments. Any taxes or charges assessed will be to the Distributor's account.
- 8.6 Distributor will determine resale prices for the Products in its sole discretion.
- 8.7 Pricing on all quotes are based on Hammonds standard manufacturing practices. Additional requirements or specifications required by the distributor or customers will be added onto the quoted sales prices.

9. WARRANTIES

HAMMONDS' liability to Distributor, and its customers with regard to the Products is expressed entirely by its standard warranties set forth in Exhibit D, attached hereto and made a part hereof for all purposes. HAMMONDS may change its standard warranties at any time during the term of this agreement upon sixty-(60) days written notice to Distributor. All products will be covered by warranties in effect at the time of sale.

10. TERM AND TERMINATION

This agreement will continue in effect until canceled by either HAMMONDS or Distributor upon ninety-(90) days written notice to the other party. All orders placed with HAMMONDS and accepted prior to the receipt of the ninety-day notice, will remain in effect notwithstanding the termination hereof.

11. RETURNED GOODS POLICY

In the event that either the Distributor or HAMMONDS cancel a Distributorship Agreement, all unused, current merchandise in resalable condition may be returned to the factory at original distributor invoice cost less ten- percent charge for re-stocking. Transportation costs to HAMMONDS will be the responsibility of the Distributor, and is subject to the inspection and final acceptance of HAMMONDS. The Distributor must submit a list of such inventory for return authorization prior to return or distributor may continue to sell remaining inventories at time of cancellation until inventory is depleted.



12. ANNUAL INVENTORY REVIEW

Does not apply

13. DEFAULT

In the event that: (i) Distributor shall default in the payment of any sum payable by Distributor thereunder and such default shall continue for more than ten (10) days after the due date and written notice of such default; or (ii) Distributor shall default in the observance of performance of any other covenant or term contained in this Agreement and such default shall continue for more than thirty (30) days after written notice thereof; or (iii) bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy similar law or laws for relief of debtors shall be instituted by or against Distributor, or Distributor shall become insolvent, bankrupt or admit in writing its inability to pay its debts as they mature; or (iv) Distributor shall make any assignment or transfer of Distributor's interest thereunder; then, in any such cases, HAMMONDS at its option, may;

- (a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Distributor of the applicable covenants and terms of this agreement or to recover damages for the breach thereof.
- (b) By notice in writing to Distributor, terminate this Agreement immediately, whereupon HAMMONDS may, directly or by its agent, enter upon the premises of Distributor and take possession of any unsold Products not yet paid for by Distributor, any damage occasioned by such taking being hereby waived by Distributor. In the event of any such termination, in addition to other rights and remedies thereunder, HAMMONDS shall be entitled to recover from Distributor all sums accrued and unpaid by Distributor thereunder.

The remedies herein proved in favor of HAMMONDS, in the event of default as herein above set forth, shall not be deemed to be exclusive, but shall be cumulative and shall be in addition to all other remedies in HAMMONDS' favor existing in law, equity or bankruptcy.

14. GENERAL PROVISION

- 14.1 No right or obligation of either party may be assigned without the prior consent of the other party. This agreement will be binding upon and insure to the benefit of both parties, their successors and assigns.
- 14.2 This Agreement, including all exhibits hereto, supersedes all prior agreements and understandings between the parties, and constitutes the entire agreement between the parties regarding the subject matter hereof. Unless otherwise provided herein, this agreement may be amended only by agreement in writing signed by both parties.
- 14.3 The failure of either party to require performance of any provision thereunder will not affect that party's right to enforce such provision at a later time. No waive by either party of any provision, or breach of any provision, of this Agreement will be deemed to be further continuing waiver of any such or similar provision or breach.
- 14.4 Unless expressly provided to the contrary, nothing contained herein will be deemed to authorize Distributor to act for or on behalf of HAMMONDS, commit HAMMONDS to any obligation, extend any warranty or make any representation on behalf of HAMMONDS. This Agreement will not constitute Distributor an employee or agent of HAMMONDS for any purpose.



- 14.5 Any notice required or allowed under this Agreement will be sufficient if written and delivered in person, sent by registered or certified mail, or by telafax, addressed to:

HAMMONDS TECHNICAL SERVICES, INC.

15760 West Hardy, Suite 400
Houston, Texas 77060-3147
Attn: Mr. Carl Hammonds
Fax Number: 281-847-1857

And if to the distributor:

OTC LTD.

RM 602, Dong Won Building, 128-27
Dangju-Dong, Chongro-Ku
Seoul, Korea
Attn: Mr. Sang K. Lah
Fax Number: 011-82-2-739-3788

or, to such other address or fax number as either party may designate by written notice to the other party.

- 14.6 Section headings are used only for convenience and shall have no effect on the interpretation of this Agreement.
- 14.7 This Agreement will be interpreted in accordance with the rules and regulations of Foreign Trade Dept., Ministry of Commerce, Republic of Korea. However, any and all legal action that may be required regarding actions as a result of this agreement will take place in the State of Texas.
- 14.8 If one or more of the provisions of this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not effect any other provision hereof and this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.
- 14.9 In the event it shall be necessary for either party to take any legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to an award of its costs and reasonable attorney's fees.

IN WITNESS WHEREOF the parties have executed this Agreement this _____ day of _____, _____.



HAMMONDS TECHNICAL SERVICES, INC.

By _____

Title _____

OTC LTD.

By _____

Title _____