



28 May 2021
ONC-CGG-21-01

To: Adam Pickford, Sales Director, Ontic

Subject: Worldwide Distribution Agreement Amendment

Attached: 1) Projects Arrow and Atari Comprehensive Part Number Listing
2) Initial Provisioning – 840 PN list

Reference: Distribution Request for Proposal for Projects Arrow & Atari, dated 15 April 2021, from Supplier to Distributor

SIDE LETTER #2 TO EXCLUSIVE WORLDWIDE DISTRIBUTION AGREEMENT (as amended the "Agreement" dated 21 September 2018 between:

ONTIC AND ENGINEERING AND MANUFACTURING UK LIMITED, incorporated in England with company number 0607516 whose registered office is at Cleeve Business Park, Bishops Cleeve, Cheltenham, Gloucestershire. GL52 8TW (Supplier)

and

AAR SUPPLY CHAIN INC, registered in the state of Illinois, USA, whose registered office is at 1100 N. Wood Dale Road, Wood Dale IL 60191 USA (Distributor)

- 1) Effective on the executed date hereof, Distributor's scope of Worldwide Distribution Agreement (the "Agreement") is increasing as a result of Supplier granting Distributor worldwide exclusivity for Projects Arrow and Atari – as contained in the Attachment (1) Part Number List.
- 2) This Amendment is in accordance with (IAW) the Referenced RFP for Projects Arrow (Licensor Esterline); and Project Atari (Licensor Ultra)
- 3) Supplier will provide "self-service" for 180 days; Seller will provide Distributor with a usage report bi-monthly for 180 days or once the cycle count is complete whichever is sooner. Distributor will not transition management of consigned inventory, until:

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- a. Supplier provides Distributor with physical warehouse location;
- b. Distributor can travel to new physical location – pending UK Travel Restrictions;
- c. Distributor completes cycle count of material contained in Attachment (2);
- d. Distributor hires additional resources to manage increased Scope
 - i. IAW Section 4, below

4) Terms of Side Letter #1, provided From Matthew Pritchard (ONTIC) to Timothy Driscoll (AAR) on 25 June 2019 remain in full effect

- a. Additional resources will be identified by the Parties, and provided by Distributor at Supplier's cost to access the Consignment Inventory; employees will be responsible to withdraw Consignment Inventory from secured location and provide the same to Supplier, in each case at Supplier's request.

4.1 The amount of resource required will be subject to execution of a Service Level Agreement within 90 days from effective date.

5) Payments:

- a. Distributor to provide Supplier \$5,237M, payable in (2) installments:
 - i. Installment 1 – \$4,237M
 - 1. Payable by 30 June 2021 for Initial Provisioning (Attachment 2) (840 PNs)
 - a. Distributor to issue Purchase Order by 31 May 2021 for PNs contained in Attachment (2) Initial Provisioning
 - b. Parties agree to execute formal Amendment by 30 June, IAW Section 10 herein
 - ii. Installment 2 – receipt by 01 December 2021 (\$1M)
 - 1. Contingent upon satisfactory cycle count and reconciliation by the Parties subject to travel restrictions.
 - iii. Reconciliation by the parties will be carried out within 30 days from completed cycle count and reconcile any variance retrospectively, from effective date to cycle count completion date.

6) Initial Provisioning Buyback:

- a. Supplier agrees to repurchase all Initial Provisioning material contained in Attachment (2) remaining in Distributors inventory sixty (60) months after the execution of this Letter at the unit prices contained in Attachment 2.



- 7) Buyback:
 - a. Any Material purchased separately from Initial Provisioning (Attachment 2) and with exception to Phase I products, is subject to Buyback provisions contained in Section 2.4 of Agreement; i.e.
 - i. Ontic will repurchase any material on Distributor's shelf that has aged 24 months since induction in Distributor's inventory
- 8) Exclusivity: Distributor retains exclusivity on entire license for Projects Arrow and Ultra
 - a. All material not included in Initial Provisioning (Attachment 2) will remain in Supplier's inventory, until there is demand, upon which Supplier will price, and then will transact through Supplier IAW Worldwide Distribution Agreement Terms, including, but not limited to Section (9) below.
- 9) Pricing: Effective upon execution of this Letter, Distributor's base markup shall increase from 14% to 16% for all future transactions from Distributor to Seller covered by Worldwide Distribution Agreement.
 - a. IAW Section 6.1, supplier's list price shall escalate not less than 3% of its then current price. Notwithstanding such annual escalation, the Parties may agree to adjust the price list and the timing of its application at any time.
 - i. For clarity, this minimum 3% increase shall apply to Ontic's annual price list escalation, which historically is provided to Distributor in January; and
 - ii. List price of material in Distributor's inventory shall increase 3% every twelve months from time of receipt to time of sale, IAW how the Parties have been transacting to date.
- 10) Parties shall execute a formal amendment to the Agreement that addresses the items set forth herein by 30 June 2021
- 11) All other terms and conditions of the Worldwide Distribution Agreement, as currently amended, shall remain in full force and effect until such time as the Agreement expires, is terminated or further modified by the Parties.



Adam Pickford

Signed by Adam Pickford, Sales Director for and on behalf of Ontic Engineering and Manufacturing UK Limited

M. McDonald

Signed by Mark McDonald, Vice President, Operations – ROW for and on behalf of Ontic Engineering and Manufacturing UK Limited

E. Young

Signed by Eric Young, Vice President, for and behalf of AAR Supply Chain Inc.

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