

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

Current Report

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 24, 2020

OPTICAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
**(State or other jurisdiction of
incorporation or organization)**

000-27022
**(Commission
File Number)**

54-1237042
**(I.R.S. Employer
Identification Number)**

5290 Concourse Drive
Roanoke, VA
(Address of principal executive offices)

24019
(Zip Code)

(540) 265-0690
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	OCC	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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Item 1.01 Entry into a Material Definitive Agreement

Loan and Security Agreement with North Mill Capital LLC

On July 24, 2020, Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., a Delaware corporation (“Applied”), and Centric Solutions LLC, a Delaware limited liability company (“Centric”, and together with Optical Cable Corporation and Applied, individually and collectively, the “Company”), entered into a Loan and Security Agreement (“Loan Agreement”) with North Mill Capital LLC, a Delaware limited liability company (“North Mill”). As part of the transaction, the Company also entered into a Revolving Credit Master Promissory Note with North Mill dated July 24, 2020 (the “Revolver”) and a Collateral Assignment of Patents and Trademarks (“Collateral Assignment”) dated July 24, 2020 along with certain other supporting ancillary documents.

Under the Loan Agreement, North Mill agreed to provide the Company with one or more advances in an amount up to 85% of the aggregate outstanding amount of Eligible Accounts (the “Eligible Accounts Loan Value”); plus the lowest of (i) an amount up to 35% of the aggregate value of Eligible Inventory; (ii) \$5,000,000; and (iii) an amount not to exceed 100% of the then outstanding Eligible Accounts Loan Value; minus \$1,500,000.

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The Loan Agreement defines Eligible Accounts as those accounts created by the Company in the ordinary course of business, which are acceptable to North Mill. Eligible Accounts does not include any of the following: (i) accounts with respect to which the Account debtor has failed to pay within 90 days of invoice date, and all Accounts owed by any account debtor that has failed to pay 25% or more of its accounts owed to the Company within 90 days of invoice date (with limited exceptions); (ii) accounts with respect to which the goods sold are sold on a bill and hold basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis or which contain other terms by reason of which payment by the account debtor may be conditional; (iii) accounts with respect to which the account debtor is not a resident of the United States unless such accounts are supported by foreign credit insurance or a letter of credit, in both instances satisfactory, in form and substance, to, and assigned to, North Mill; (iv) accounts with respect to which the account debtor is the United States or any department, agency or instrumentality of the United States, any State of the United States or any city, town, municipality or division thereof unless all filings have been made under the Federal Assignment of Claims Act or comparable state or other statute; (v) accounts with respect to which the account debtor is an officer, employee or agent of, or subsidiary of, related to, affiliated with or has common shareholders, officers or directors with the Company; (vi) accounts with respect to which the Company is or may become liable to the Account debtor for goods sold or services rendered by the account debtor to the Company or otherwise; (vii) accounts with respect to an account debtor whose total obligations to the Company exceed 15% of all accounts or such other percentage as the Company may agree to in writing as to a particular account debtor, to the extent such obligations exceed the applicable concentration percentage, provided that with respect to certain account debtors set forth in the schedules to the Loan Agreement, the concentration percentage shall not exceed 25%; (viii) accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto, is subject to any insolvency proceeding, becomes insolvent, fails or goes out of business; (ix) accounts arising out of a contract or purchase order for which a surety bond was issued on behalf of the Company; (x) accounts with respect to which the Company does not have a first priority and exclusive perfected security interest; (xi) accounts with respect to which the account debtor is in a jurisdiction for which the Company is required to file a notice of business activities or similar report and the Company has not filed such report within the time period required by applicable law; (xii) accounts with respect as to which an invoice has not been issued to the account debtor; or (xiii) accounts which represent a progress or "milestone" billing on a contract that has not been fully completed by the Company.

The Loan Agreement defines Eligible Inventory as Inventory consisting of first quality finished goods held for sale in the ordinary course of the Company's business and raw materials for such finished goods which are located at the Company's premises and acceptable to North Mill. Eligible Inventory does not include the following: (a) obsolete or unsalable or slow moving items (an item shall be considered "slow moving" if the inventory stock date was more than 12 months prior and the Company has more than a 12 month supply on hand, based on the most recently ended 12 months of sales); (b) work in process, components which are not part of finished goods, supplies, spare parts, packaging and shipping materials or materials used or consumed in the Company's business; (c) goods returned to, repossessed by, or stopped in transit by, the Company; (d) Inventory at the premises of third parties or subject to a security interest or lien in favor of any third party; (e) bill and hold goods, (f) Inventory which is not subject to a perfected security interest in favor of the Company; (g) returned goods (except for standardized, re-sellable goods which are in new condition in original packaging) and/or defective goods, or "seconds"; (h) Inventory purchased or sold on a consignment basis; (i) Inventory which contains any labels, trademarks, trade names or other identifying characteristics which are the property of third parties unless the use of same by the Company is under a valid license, royalty or similar agreement with the owner thereof, in form and substance satisfactory to North Mill, and which license, royalty or similar agreement remains in full force and effect, has not been terminated and the owner thereof has issued in favor of North Mill an agreement, in form and substance satisfactory to North Mill, allowing North Mill to dispose of items of inventory upon the occurrence of an Event of Default; (j) Inventory produced in violation of the Fair Labor Standards Act and subject to the so-called "hot goods" provision contained in Title 29 U.S.C. Section 215(a)(1); or (k) inventory located at a leased premises or public or private warehouse unless North Mill has received a waiver agreement, in form and content satisfactory to North Mill, from the landlord/warehouseman. Eligible Inventory shall for the purposes of this Agreement be valued at the lower of cost or market value and shall be reduced by the amount of any accrued warranties.

The maximum aggregate principal amount subject to the Revolver is \$18,000,000. Interest accrues on the daily balance at the per annum rate of 1.5% above the Prime Rate in effect from time to time, but not less than 4.75% (the "Applicable Rate"). In the Event of a Default, interest may become 6% above the Applicable Rate (the "Default Rate"). All interest payable under the Loan Documents is computed on the basis of a 360 day year for the actual number of days elapsed on the Daily Balance.

In consideration of North Mill's entering into this Agreement, the Company has agreed to pay North Mill an annual facility fee (the "Facility Fee") as follows:

(a) The First Year of the Loan

- (i) For the first year of the loan, 1% of the sum of (x) \$10,000,000 of the Advance Limit plus (y) any Advances other than under the Revolving Credit Facility.
- (ii) In addition, if the amount owed under the Revolving Credit Facility during the first year of the loan:

Loan Amount	Additional Fee
<10,000,000 but equal or less than 11,000,000	\$ 10,000
<11,000,000 but equal or less than 12,000,000	\$ 10,000
<12,000,000 but equal or less than 13,000,000	\$ 10,000
<13,000,000 but equal or less than 14,000,000	\$ 10,000
<14,000,000 but equal or less than 15,000,000	\$ 10,000
<15,000,000 but equal or less than 16,000,000	\$ 10,000
<16,000,000 but equal or less than 17,000,000	\$ 10,000
<17,000,000 but equal or less than 18,000,000	\$ 10,000

Each Loan Amount level above is an "Increment". The highest Daily Balance of the Revolving Credit Facility during the first year of the loan, but in no event less than \$10,000,000, is the "First Year Benchmark Advance Amount".

(b) The Second Year of the Loan

- (i) For the second year of the loan, the Company will owe North Mill a Facility Fee equal to one percent (1%) of the sum of (x) the First Year Benchmark Advance Amount plus (y) any advances other than under the Revolving Credit Facility.
- (ii) In addition, the Company will owe to North Mill an additional Facility Fee of \$10,000 at the initial occurrence that the amount owed under the Revolving Credit Facility during the second year of the loan exceeds the First Year Benchmark Advance by each applicable Increment. The highest Daily Balance of the Revolving Credit Facility during the second year of the loan, but in no event less than the First Year Benchmark Advance Amount, is the "Second Year Benchmark Advance Amount".

(c) The Third Year of the Loan

- (i) For the third year of the loan, the Company shall pay to North Mill a Facility Fee equal to 1% of the sum of (x) the Second Year Benchmark Advance Amount plus (y) any Advances other than under the Revolving Credit Facility.
- (ii) In addition, the Company will owe to North Mill an additional Facility Fee of \$10,000 at the initial occurrence that the amount owed under the Revolving Credit Facility during the third year of the loan exceeds the Second Year Benchmark Advance Amount by each applicable Increment. The highest Daily Balance of the Revolving Credit Facility during the third year of the loan is the "Third Year Benchmark Advance Amount".

The Company will also pay North Mill a monthly fee ("Servicing Fee") in an amount equal to 0.166% of the average Daily Balance during each month on or before the first day of each calendar month during the Term, including each renewal term, or so long as the obligations are outstanding. The Servicing Fee shall be based on a minimum daily average outstanding balance of advances of \$3,000,000.

The initial term of the loan is 3 years. After the initial term and unless otherwise terminated, the loan will be extended in one year periods at the option of North Mill. If the term is terminated by North Mill upon the occurrence of an Event of Default or is terminated by the Company before the expiration of the initial term or during a renewal term, the Company will owe North Mill a fee in an amount equal to: (a) 3% of the sum of the First Year Benchmark Advance Amount plus any advances by North Mill to or on behalf of North Mill other than under the Revolving Credit Facility, if such termination occurs on or prior to the first anniversary of the commencement date of the initial term; (b) 2% of the sum of the Second Year Benchmark Advance Amount plus any advances by North Mill to or on behalf of North Mill other than under the Revolving Credit Facility, if such termination occurs after the first anniversary of the commencement date of the initial term and on or prior to the second anniversary of the commencement date of the initial term; or (c) 1% of the sum of the Third Year Benchmark Advance Amount plus any advances by North Mill to or on behalf of North Mill other than under the Revolving Credit Facility, if such termination occurs after the second anniversary of the commencement date of the initial term and on or prior to the termination of the initial term. Notwithstanding the foregoing, in the event that the Company is acquired by a third-party on a date that is on or after the date that is the nine month (9) anniversary of the date of this Agreement, and in connection with such acquisition the term is terminated by the Company in connection with said acquisition, the termination fee shall be reduced to: (x) 1% of the sum of the First Year Benchmark Advance Amount plus any advances by North Mill to or on behalf of the Company other than under the Revolving Credit Facility, if such termination occurs on or prior to the first anniversary of the commencement date of the initial term; (y) 1% of the sum of the Second Year Benchmark Advance Amount plus any Advances by North Mill to or on behalf of North Mill other than under the Revolving Credit Facility, if such termination occurs after the first anniversary of the commencement date of the initial term and on or prior to the second anniversary of the commencement date of the initial term; or (z) 1% of the sum of the Third Year Benchmark Advance Amount plus any advances by North Mill to or on behalf of North Mill other than under the Revolving Credit Facility, if such termination occurs after the second anniversary of the commencement date of the initial term and on or prior to the termination of the initial term.

The Company granted to North Mill a continuing security interest in the Collateral in order to secure the repayment of the obligations and performance by the Company of each and all of its covenants and obligations under the Loan Agreement. The Loan Agreement defines Collateral as all of the following assets, properties, rights and interests in property of the Company whether now owned or existing, or hereafter acquired or arising, and wherever located: all Accounts, all Equipment, all Commercial Tort Claims, all General Intangibles, all Chattel Paper, all Inventory, all Negotiable Collateral, all Investment Property, all Financial Assets, all Letter-of-Credit Rights, all Supporting Obligations, all Deposit Accounts, all money or assets of the Company, which hereafter come into the possession, custody, or control of North Mill; all proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing; any and all tangible or intangible property resulting from the sale, lease, license or other disposition of any of the foregoing, or any portion thereof or interest therein, and all proceeds thereof; and any other assets of the Company which may be subject to a lien in favor of North Mill as security for the obligations under the Loan Agreement.

The Loan Agreement also contains both affirmative and negative covenants that are customary in this type of transaction.

Capitalized terms not otherwise defined herein have the meanings set forth in the Loan Agreement.

Revolving Credit Master Promissory Note

On July 24, 2020, the Company entered into the Revolving Credit Master Promissory Note (the "Note") to promise to pay to the order of North Mill up to \$18,000,000, together with interest as may be outstanding on advances by North Mill to the Company under the Loan Agreement. The principal amount owing hereunder is due to North Mill on the Termination Date, which is currently July 24, 2023, or as may otherwise be provided for in the Loan Agreement.

The Note provides that on the first day of each calendar month hereafter, the Company will pay to North Mill accrued interest, computed on the basis of a 360 day year for the actual number of days elapsed, on the Daily Balance, at the per annum rate of 1.5% above the Prime Rate in effect from time to time, but not less than 4.75% per annum. If there is a change in the Prime Rate, the rate of interest on the Daily Balance shall be changed accordingly as of the date of the change in the Prime Rate, without notice to the Company.

The Loan Agreement is attached hereto as Exhibit 4.1 and the Note is attached as Exhibit 4.2.

Item 1.02 Termination of a Definitive Agreement

In connection with the closing of the Loan Agreement, Pinnacle Bank, a Tennessee banking corporation, as successor in interest by name change and by merger with the Bank of North Carolina (“Pinnacle”) entered into a payoff letter agreement with North Mill and Optical Cable Corporation (the “Payoff Letter”) pursuant to which Pinnacle agreed to terminate its Credit Agreement with Optical Cable Corporation dated April 26, 2016 (as amended and modified by Loan Modification Agreement dated December 21, 2016, and by Second Loan Modification Agreement dated February 28, 2017, and by Third Loan Modification Agreement dated April 27, 2017, and by Fourth Loan Modification Agreement dated April 10, 2018, and by a Fifth Loan Modification Agreement dated October 15, 2018, and by Sixth Modification Agreement dated April 30, 2019 and by Seventh Loan Modification Agreement dated September 11, 2019 and by Eighth Loan Modification Agreement dated January 20, 2020 and by Ninth Loan Modification Agreement dated March 10, 2020 and by Tenth Loan Modification Agreement Dated April 15, 2020 and by Eleventh Loan Modification Agreement Dated April 30, 2020 (collectively, the “Credit Agreement”), upon payment in full by Optical Cable Corporation of the unpaid principal balance and accrued interest under the Revolving Credit Facility and related Revolving Credit Note no later than July 24, 2020 at 5:00 pm (eastern time), which condition Optical Cable Corporation satisfied by payment in full to Pinnacle in accordance with the terms of the Payoff Letter. The Payoff Letter was a condition to the Company and North Mill entering into the Loan Agreement and to Optical Cable Corporation’s payment to Pinnacle on July 24, 2020.

According to the terms of the Payoff letter, the following agreements, as amended, modified, continued or restated, remain in full force and effect: (1) Term Loan A Note by the Company dated April 26, 2016, in the original principal amount of \$1,816,609 for the benefit of Pinnacle, and Term Loan B Note in the original principal amount of \$5,271,411 by the Company for the benefit of Pinnacle (Term Loan A Note and Term Loan B Note, together, the “Pinnacle Term Notes”), and (2) the Corrected Deed of Trust dated June 4, 2008, granted by Optical Cable Corporation for the benefit of Pinnacle and encumbering real property described therein located in Roanoke County, Virginia, and recorded in the Clerk’s Office of the Circuit Court of Roanoke County, Virginia, as Instrument #200807923, as amended, modified, continued or restated and the Corrected Deed of Trust, Security Agreement and Fixture Filing dated May 30, 2008, granted by Optical Cable Corporation for the benefit of Pinnacle and encumbering the real property described therein located in Buncombe County, North Carolina, and recorded in the Office of the Register of Deeds for Buncombe County, North Carolina, in Deed Book 4573, pages 1676 – 1688 (such Corrected Deed of Trust and such Corrected Deed of Trust, Security Agreement and Fixture Filing, together, the “Pinnacle Real Estate Documents”).

Except for the Pinnacle Term Notes and Pinnacle Real Estate Documents, all other documents related to the Credit Agreement were terminated as of July 24, 2020.

As of July 28, 2020, the principal balances owed on the Pinnacle Term Notes in aggregate total \$5,241,218.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

The following is filed as an Exhibit to this Report.

Exhibit No.	Description of Exhibit
4.1	Loan and Security Agreement dated July 24, 2020 by and among Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., and Centric Solutions LLC, and North Mill Capital LLC (FILED HEREWITH)
4.2	Revolving Credit Master Promissory Note dated July 24, 2020 by Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., and Centric Solutions LLC in favor of North Mill Capital LLC (FILED HEREWITH)
4.3	Payoff Letter from Pinnacle Bank to North Mill Capital LLC and Optical Cable Corporation (FILED HEREWITH)
104	Cover page Interactive Data File (embedded within the inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OPTICAL CABLE CORPORATION

By: /s/ TRACY G. SMITH
Name: Tracy G. Smith
Title: Senior Vice President and Chief Financial Officer

Dated: July 30, 2020

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is entered into as of July 24, 2020 by and between **NORTH MILL CAPITAL LLC**, a Delaware limited liability company (*Lender*), with an office located at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540 and **OPTICAL CABLE CORPORATION**, a Virginia corporation (*Optical*), with its chief executive office located at 5290 Concourse Drive, Roanoke, Virginia 24019, **APPLIED OPTICAL SYSTEMS, INC.**, a Delaware corporation (*Applied*), with its chief executive office located at 1700 Capital Avenue, Suite 150, Plano, Texas 75074, and **CENTRIC SOLUTIONS LLC**, a Delaware limited liability company (*Centric*, and together with Optical and Applied, individually and collectively, *Borrower*), with its chief executive office located at 1700 Capital Avenue, Suite 150, Plano, Texas 75074.

The parties hereto, hereby agree as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Terms. Unless otherwise defined herein, as used in this Agreement, the following terms shall have the following meanings:

Accounts means, collectively, in addition to the definition of "Account" in the Code, all presently existing and hereafter arising accounts receivable, contract rights, health-care-insurance receivables and all other forms of obligations owing to Borrower arising out of the sale, lease, license or assignment of goods or other property or the rendition of services by Borrower, whether or not earned by performance, all credit insurance, guaranties and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

Advances means all loans, advances and other financial accommodations by Lender to or on account of the Borrower, including those under this Agreement and the other Loan Documents.

Agreement means, collectively, this Loan and Security Agreement, together with any and all exhibits, schedules, addenda or riders hereto, as each may be amended, modified, supplemented, substituted, extended or renewed from time to time.

Authorized Officer means any officer or other representative of Borrower authorized by Borrower in a writing delivered to Lender to transact business with Lender.

Availability Block means, from and after the initial Advance and at all times thereafter, an amount equal to One Million Five Hundred Thousand Dollars (\$1,500,000).

Borrower's Books means all of Borrower's books and records including all of the following: ledgers; records indicating, summarizing or evidencing Borrower's assets or liabilities, or the Collateral; all information relating to Borrower's business operations or financial condition; and all computer programs, disks or tape files, printouts, runs or other computer prepared information, whether inscribed on tangible medium or stored in an electronic or other medium and which information is retrievable in perceivable form and the goods containing such information.

Business Day means any day which is not a Saturday, Sunday, or other day on which banks in the State of New Jersey are authorized or required to close.

Change of Control means (a) at any time, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of fifty percent (50.0%) or more of the ordinary voting power for the election of directors of Optical (determined on a fully diluted basis); or (b) during any period of twenty-four (24) consecutive months, 66 2/3% of the members of the board of directors or other equivalent governing body of Optical cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least 66 2/3% of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least 66 2/3% of that board or equivalent governing body.

Chattel Paper has the same meaning ascribed to such term in the Code (whether tangible or electronic).

Code means the New Jersey Uniform Commercial Code, as amended or revised from time to time.

Collateral means all of the following assets, properties, rights and interests in property of Borrower whether now owned or existing, or hereafter acquired or arising, and wherever located: all Accounts, all Equipment, all Commercial Tort Claims, all General Intangibles, all Chattel Paper, all Inventory, all Negotiable Collateral, all Investment Property, all Financial Assets, all Letter-of-Credit Rights, all Supporting Obligations, all Deposit Accounts, all money or assets of Borrower, which hereafter come into the possession, custody, or control of Lender; all proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing; any and all tangible or intangible property resulting from the sale, lease, license or other disposition of any of the foregoing, or any portion thereof or interest therein, and all proceeds thereof; and any other assets of Borrower which may be subject to a lien in favor of Lender as security for the Obligations.

Commercial Tort Claims has the meaning ascribed to such term in the Code.

Confidential Information means any proprietary or other nonpublic information relating to Borrower which is disclosed to Lender in connection with securing and/or maintaining the loans and Advances hereunder pursuant to any Loan Document; provided that Confidential Information shall not include information which (a) is or shall become generally available to the public other than as a result of a disclosure by Lender or Lender's officers, partners, managers, directors, employees, agents and advisors (including independent auditors, lawyers and counsel) and bank group members of Lender (**Lender's Representatives**) or (b) becomes available to Lender on a non-confidential basis from a source other than Borrower or its advisors or representatives, provided that such source is not known by Lender to be bound by a confidentiality agreement with or other obligation of secrecy to Borrower or another party. **Confidential Information** includes, but is not limited to, Borrower's finances, investments, business operations, trade practices, trade secrets, assets, liabilities, income, expenses, shareholders, employees, suppliers, subcontractors, taxes, salaries, business strategies, software, patents, copyrights, technology, product designs (whether or not patented), costs, prices, programs, customers, markets, trade and other financial information, developmental plans, computer systems, processes, manufacturing methodologies, equipment and processes, and all other information of every kind and character, provided that with respect to any or all of the foregoing information (whether specifically or generally described above), such information is (i) not "publicly known" as described in clause (a) above or (ii) has not become available to Lender on a non-confidential basis as described in clause (b) above.

Daily Balance means the amount of the Obligations owed at the end of a given day.

Deposit Account has the meaning ascribed to such term in the Code.

Dilution means, as of any date of determination, a percentage based upon the experience of the immediately prior three (3) months, that is the result of dividing the amount of (a) bad debt write-downs, discounts, advertising allowances, credits or other dilutive items with respect to Borrower's Accounts during such period, by (b) Borrower's billings with respect to Accounts during such period.

Documents has the meaning ascribed to such term in the Code.

Eligible Accounts means those Accounts created by Borrower in the ordinary course of business, which are, and at all times shall continue to be, acceptable to Lender in all respects, provided that standards of eligibility may be established and revised from time to time by Lender in Lender's exclusive judgment. In determining such acceptability and standards of eligibility, Lender may, but need not, rely on agings, reports and schedules of Accounts furnished to Lender by Borrower, but reliance thereon by Lender from time to time shall not be deemed to limit Lender's right to revise its standards of eligibility and acceptability at any time, as to both Borrower's present and future Accounts. In general, an Account shall not be deemed eligible unless: (a) the Account debtor on such Account is, and at all times continues to be, acceptable to Lender and up to credit limits or standards acceptable to Lender, and (b) such Account complies in all respects with the representations, covenants and warranties set forth in this Agreement. Except in Lender's sole discretion, Eligible Accounts shall not include any of the following: (i) Accounts with respect to which the Account debtor has failed to pay within ninety (90) days of invoice date, and all Accounts owed by any Account debtor that has failed to pay twenty-five percent (25%) or more of its Accounts owed to Borrower within ninety (90) days of invoice date (except the limitations set forth in this (i) shall not apply with respect to those Accounts set forth on **Schedule 1.1(A)**); (ii) Accounts with respect to which the goods sold are sold on a bill and hold basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis or which contain other terms by reason of which payment by the Account debtor may be conditional; (iii) Accounts with respect to which the Account debtor is not a resident of the United States unless such Accounts are supported by foreign credit insurance or a letter of credit, in both instances satisfactory, in form and substance, to, and assigned to, Lender; (iv) Accounts with respect to which the Account debtor is the United States or any department, agency or instrumentality of the United States, any State of the United States or any city, town, municipality or division thereof unless all filings have been made under the Federal Assignment of Claims Act or comparable state or other statute; (v) Accounts with respect to which the Account debtor is an officer, employee or agent of, or subsidiary of, related to, affiliated with or has common shareholders, officers or directors with Borrower; (vi) Accounts with respect to which Borrower is or may become liable to the Account debtor for goods sold or services rendered by the Account debtor to Borrower or otherwise; (vii) Accounts with respect to an Account debtor whose total obligations to Borrower exceed fifteen percent (15%) of all Accounts or such other percentage as Lender may agree to in writing as to a particular Account debtor (such applicable percentage being, the **Concentration Percentage**), to the extent such obligations exceed the applicable Concentration Percentage, provided that with respect to the Account debtors set forth on **Schedule 1.1(B)** the Concentration Percentage shall not exceed twenty-five percent (25%) (rather than 15%); (viii) Accounts with respect to which the Account debtor disputes liability or makes any claim with respect thereto, is subject to any insolvency proceeding, becomes insolvent, fails or goes out of business; (ix) Accounts arising out of a contract or purchase order for which a surety bond was issued on behalf of Borrower; (x) Accounts with respect to which Lender does not have a first priority and exclusive perfected security interest; (xi) Accounts with respect to which the Account debtor is in a jurisdiction for which Borrower is required to file a notice of business activities or similar report and Borrower has not filed such report within the time period required by applicable law; (xii) Accounts with respect as to which an invoice has not been issued to the Account debtor; or (xiii) Accounts which represent a progress or "milestone" billing on a contract that has not been fully completed by Borrower.

Eligible Inventory means Inventory consisting of first quality finished goods held for sale in the ordinary course of Borrower's business and raw materials for such finished goods which are located at Borrower's premises and acceptable to Lender in all respects, provided that standards of eligibility or acceptability for Eligible Inventory may be established and revised from time to time by Lender in Lender's exclusive judgment. In determining such acceptability and standards of eligibility, Lender may, but need not, rely on reports and schedules of Inventory furnished to Lender by Borrower, but reliance thereon by Lender from time to time shall not be deemed to limit Lender's right to revise its standards of eligibility and acceptability at any time. In general, except in Lender's sole discretion, Eligible Inventory shall not include the following: (a) obsolete or unsalable or slow moving items (an item shall be considered "slow moving" if the inventory stock date was more than 12 months prior and Borrower has more than a 12 month supply on hand, based on the most recently ended 12 months of sales); (b) work in process, components which are not part of finished goods, supplies, spare parts, packaging and shipping materials or materials used or consumed in Borrower's business; (c) goods returned to, repossessed by, or stopped in transit by, Borrower; (d) Inventory at the premises of third parties or subject to a security interest or lien in favor of any third party; (e) bill and hold goods, (f) Inventory which is not subject to a perfected security interest in favor of Lender; (g) returned goods (except for standardized, re-sellable goods which are in new condition in original packaging) and/or defective goods, or "seconds"; (h) Inventory purchased or sold on a consignment basis; (i) Inventory which contains any labels, trademarks, trade names or other identifying characteristics which are the property of third parties unless the use of same by Borrower is under a valid license, royalty or similar agreement with the owner thereof, in form and substance satisfactory to Lender, and which license, royalty or similar agreement remains in full force and effect, has not been terminated and the owner thereof has issued in favor of Lender an agreement, in form and substance satisfactory to Lender, allowing Lender to dispose of said items of Inventory upon the occurrence of an Event of Default; (j) Inventory produced in violation of the Fair Labor Standards Act and subject to the so-called "hot goods" provision contained in Title 29 U.S.C. Section 215(a)(1); or (k) Inventory located at a leased premises or public or private warehouse unless Lender has received a waiver agreement, in form and content satisfactory to Lender, from the landlord/warehouseman. Eligible Inventory shall for the purposes of this Agreement be valued at the lower of cost or market value and shall be reduced by the amount of any accrued warranties.

Equipment means, collectively, in addition to the definition of "Equipment" in the Code, all of Borrower's present and hereafter acquired equipment, machinery, machine tools, motors, furniture, furnishings, fixtures, motor vehicles, rolling stock, processors, tools, pans, dies, jigs, goods (other than consumer goods or farm products), together with any warranties, rights and interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing, wherever located.

ERISA means the Employee Retirement Income Security Act of 1974, as amended or revised from time to time, and the regulations promulgated thereunder.

ERISA Affiliate means each trade or business (whether or not incorporated and whether or not foreign) which is or may hereafter become a member of a group of which Borrower is a member and which is treated as a single employer under ERISA Section 4001(b)(1) or Section 414 of the IRC.

Event of Default means each of the events specified in Section 8.

Financial Assets has the meaning ascribed to such term in the Code.

General Intangibles means, collectively, in addition to the definition of "General intangible" in the Code, all of Borrower's present and future general intangibles and other personal property (including choses or things in action, goodwill, patents, trade names, trademarks, service marks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, infringement claims, computer programs, computer discs, computer tapes, Borrower's Books, literature, reports, catalogs, Deposit Accounts, insurance premium rebates, tax refunds and tax refund claims) other than goods and Accounts.

Insolvency Proceeding means any proceeding commenced by or against any person or entity under any provision of the federal Bankruptcy Code, as amended or revised from time to time, or under any other state or federal insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions or extensions generally with its creditors.

Instruments has the meaning ascribed to such term in the Code.

Inventory means, collectively, in addition to the definition of "Inventory" in the Code, all present and future inventory in which Borrower has any interest, including goods held for sale or lease or to be furnished under a contract of service, Borrower's present and future raw materials, work in process, finished goods, tangible property, stock in trade, wares and materials used in or consumed in Borrower's business, goods which have been returned to, repossessed by, or stopped in transit by, Borrower, packing and shipping materials, wherever located, any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing.

Investment Property has the meaning ascribed to such term in the Code.

IRC means the Internal Revenue Code of 1986, as amended or revised from time to time, and the regulations promulgated thereunder.

Lender Expenses means, collectively, (a) costs and expenses (whether taxes, assessments, insurance premiums or otherwise) required to be paid by Borrower under any of the Loan Documents which are paid or advanced by Lender, (b) filing, recording, publication, appraisal, inspection, field examination and search fees paid or incurred by Lender in connection with Lender's transactions with Borrower, (c) costs and expenses incurred by Lender in the disbursement or collection of funds to or from Borrower or its Account debtors, (d) charges resulting from the dishonor of checks, costs and expenses incurred by Lender to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (e) costs and expenses incurred by Lender in enforcing or defending the Loan Documents or otherwise exercising its rights and remedies upon the existence of an Event of Default, including, but not limited to, costs and expenses incurred in connection with any proceeding, suit, enforcement of judgment, or appeal and (f) Lender's reasonable attorneys' fees and expenses, including allocated fees of in-house counsel, incurred in advising, structuring, drafting, reviewing, administering, amending, modifying, terminating, enforcing, defending, or otherwise representing Lender with respect to the Loan Documents or the Obligations.

Letter-of-Credit Rights has the meaning ascribed to such term in the Code.

Loan Documents means, collectively, this Agreement, any Note or Notes, any security agreements, pledge agreements, mortgages, deeds of trust or other encumbrances or agreements which secure the Obligations, and any other agreement entered into between Borrower and Lender or by Borrower in favor of Lender relating to or in connection with this Agreement or the Obligations, as each may be amended, modified, supplemented, substituted, extended or renewed from time to time.

Multiemployer Plan means a **multiemployer plan** as defined in ERISA Sections 3(37) or 4001(a)(3) or IRC Section 414(f).

Negotiable Collateral means all of Borrower's present and future letters of credit, notes, drafts, Instruments, Documents, leases and Chattel Paper.

Note means any promissory note made by Borrower to the order of Lender concurrently herewith or at any time hereafter, as the same may be amended, modified, supplemented, substituted, extended or renewed from time to time.

Obligations means all Advances, debts, liabilities (including all interest and amounts charged to the Obligations pursuant to any agreement authorizing Lender to charge the Obligations), obligations, lease payments, guaranties, covenants and duties owing by Borrower to Lender of any kind and description (whether pursuant to or evidenced by the Loan Documents or by any other agreement between Lender and Borrower, and irrespective of whether for the payment of money), whether made or incurred prior to, on or after the Termination Date, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, whenever executed, including, without limitation, contingent obligations for dishonored or returned checks or ACH transfers subject to being called back or reversed, and further including any debt, liability or obligation owing from Borrower to others which Lender may obtain by assignment or otherwise, and all interest thereon (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any Insolvency Proceeding relating to Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all Lender Expenses.

Perfection Certificate means the perfection certificate executed by Borrower prior to or concurrently herewith.

Permitted Liens means (a) liens for taxes, fees, assessments, or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the enforcement of such lien) for which adequate reserves in accordance with GAAP are being maintained provided the same have no priority over any of Lender's security interests; (b) liens of materialmen, mechanics, carriers, or other similar liens arising in the ordinary course of business in an aggregate amount not to exceed \$100,000 and securing obligations which are not delinquent or are being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the enforcement of such lien) for which adequate reserves in accordance with GAAP are being maintained; (c) liens which constitute banker's liens, rights of set-off, or similar rights as to deposit accounts or other funds maintained with a bank or other financial institution (but only to the extent such banker's liens, rights of set-off or other rights are in respect of customary service charges relative to such deposit accounts and other funds, and not in respect of any loans or other extensions of credit by such bank or other financial institution to any Borrower); (d) cash deposits or pledges of an aggregate amount not to exceed \$100,000 to secure the payment of worker's compensation, unemployment insurance, or other social security benefits or obligations, public or statutory obligations, surety or appeal bonds, bid or performance bonds, or other obligations of a like nature incurred in the ordinary course of business; and (f) judgment liens in respect of judgments that do not constitute an Event of Default so long as such judgment liens are not levied upon.

Plan means any plan described in ERISA Section 3(2) maintained for employees of Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

Prime Rate means that rate designated by Wells Fargo Bank, National Association, or any successor thereof, from time to time as its prime rate, which shall not necessarily constitute its lowest available rate.

Revolving Credit Facility means the revolving credit facility defined and provided for in Section 2.1.

Solicitation means (a) to effect, seek, offer or propose (whether publicly or otherwise) (i) any acquisition of any Borrower securities (or beneficial ownership thereof), (ii) any tender or exchange offer or merger or other business combination involving any Borrower, or (iii) any solicitation of "proxies" (as such terms are used in the proxy rules of the U.S. Securities and Exchange Commission) or consents to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of any Borrower; (b) form, join or in any way participate in a "group" (as defined under the Securities Act of 1934, as amended); (c) take any action which may force Borrower to make a public announcement or disclosure regarding any of the types of matters set forth in (a) or (b), above; or (d) enter into any discussions or arrangements with or advise, assist or encourage, any third party with respect to any of the foregoing, or disclose any intention, plan or arrangement inconsistent with the foregoing.

Supporting Obligation has the same meaning ascribed to such term in the Code.

Term means the period from the date of the execution and delivery by Lender of this Agreement through and including the later of (a) the Termination Date and (b) the payment and performance in full of the Obligations.

Termination Date means (a) July 24, 2023 (the period through such date, being, the **Initial Term**), unless such date is extended pursuant to Section 3.1, and if so extended on one or more occasions, the last date of the last such extension, or (b) if earlier terminated by Lender pursuant to Section 9.1, the date of such termination.

1.2 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and to the singular include the plural. The words **hereof, herein, hereby, hereunder** and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, paragraph, clause, Exhibit or Schedule references used in this Agreement refer to the specific Section, subsection, paragraph or clause of, or Exhibit or Schedule to, this Agreement unless otherwise specified. Words importing a particular gender mean and include every other gender.

1.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with U.S. generally accepted accounting principles (**GAAP**) as in effect from time to time. When used herein, the term **financial statements** includes the notes and schedules thereto.

1.4 Exhibits, Etc. All of the Exhibits, Schedules, addenda or riders attached to this Agreement are deemed incorporated herein by reference.

1.5 Code. Any terms used in this Agreement which are defined in the Code shall be construed and defined as set forth in the Code, unless otherwise defined herein.

2. ADVANCES AND TERMS OF PAYMENT

2.1 Revolving Advances; Advance Limit. Upon the request of Borrower made at any time from and after the date hereof until the Termination Date, and so long as no Event of Default has occurred, Lender may, in its sole and absolute discretion, make Advances to Borrower under a revolving credit facility (the **Revolving Credit Facility**) in an amount up to:

(a) eighty-five percent (85%) of the aggregate outstanding amount of Eligible Accounts (the **Eligible Accounts Loan Value**), so long as Dilution is less than three percent (3%); plus

(b) the lowest of:

(i) (x) an amount up to thirty-five percent (35%) of the aggregate value of Eligible Inventory¹;

(ii) Five Million Dollars (\$5,000,000); and

(iii) an amount not to exceed one hundred percent (100%) of the then outstanding Eligible Accounts Loan Value;

(c) minus the Availability Block (the sum of amounts of clauses (a) and (b) less (c) being, the **Borrowing Base**);

provided, however, in no event at any time shall the maximum aggregate principal amount outstanding under the Revolving Credit Facility exceed Eighteen Million Dollars (\$18,000,000) (said dollar limit being, the **Advance Limit**). Lender may create reserves against, or reduce its advance percentages based on Eligible Accounts or Eligible Inventory without declaring an Event of Default if Lender determines, in its good faith discretion, that such reserves or reduction are necessary, without limitation, to protect Lender's interest in the Collateral and/or against diminution in the value of any Collateral and/or to insure that the prospect of payment or performance by Borrower of its Obligations to Lender are not impaired.

2.2 Overadvances. All Advances shall be added to and be deemed part of the Obligations when made. If, at any time and for any reason, the aggregate amount of the outstanding Advances under the Revolving Credit Facility exceeds the dollar or percentage limitations contained in Section 2.1 (any such excess being, an **Overadvance**), Borrower shall, upon demand by Lender, immediately pay to Lender in cash, the amount of any such Overadvance. Without affecting Borrower's obligation to immediately repay to Lender the amount of each Overadvance, if such Overadvance is not cured within two (2) Business Days after Lender's delivery to Borrower of a written demand therefor, Borrower shall pay Lender a fee (the **Overadvance Fee**) in an amount to be agreed upon between Lender and Borrower, but in any event, not less than \$500.00 per occurrence of an Overadvance, plus interest on such Overadvance amount at the Default Rate set forth below. Further, without affecting Borrower's obligation to immediately repay to Lender the amount of each Overadvance, all Overadvances are deemed Obligations and are secured by the Collateral.

2.3 Authorization to Make Advances. Lender is hereby authorized to make the Advances based upon telephonic or other instructions received from anyone purporting to be an Authorized Officer, or, at the discretion of Lender, if such Advances are necessary to satisfy any Obligations. All requests for Advances shall specify the date on which such Advance is to be made (which day shall be a Business Day) and the amount of such Advance. Requests received after 12:00 p.m. Eastern time on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Advances made under this Agreement shall be conclusively presumed to have been made to, and at the request and for the benefit of, Borrower when deposited or otherwise disbursed in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement. Unless otherwise requested by Borrower, all Advances shall be made by a wire transfer to the Deposit Account of Borrower designated on **Schedule 2.3** or to such other account as Borrower shall notify Lender in writing. Borrower shall pay to Lender a funds transfer fee of \$35.00 for each Advance, which such fee shall be payable on the first (1st) calendar day of each month of the Term for all Advances made during the preceding month.

¹ Lender shall have the right to order an updated inventory appraisal every twelve (12) months thereafter or upon the existence of an Event of Default, in each case with all costs of any such inventory appraisal to be paid by Borrower.

2.4 Interest.

(a) Except where specified to the contrary in the Loan Documents, interest shall accrue on the Daily Balance at the per annum rate of one and one-half percentage points (1.5%) above the Prime Rate in effect from time to time, but not less than four and three-quarters percent (4.75%) (the **Applicable Rate**). At the option of Lender, (i) from and after the occurrence of an Event of Default, and without constituting a waiver of any such Event of Default, and (ii) if the Obligations are not paid in full by the Termination Date, and without waiving the maturity of the Obligations on the Termination Date, the Obligations shall bear interest at the per annum rate of six percentage points (6%) above the Applicable Rate (the **Default Rate**). All interest payable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed on the Daily Balance. Interest as provided for herein shall continue to accrue until the Obligations are indefeasibly paid in full.

(b) The interest rate payable by Borrower under the terms of this Agreement shall be adjusted in accordance with any change in the Prime Rate, from time to time, on the date of any such change. All interest payable by Borrower shall be due and payable on the first (1st) day of each calendar month during the Term. Lender may, at its option, add such interest, fees and charges payable by Borrower under the Loan Documents and all Lender Expenses to the Obligations, and the Obligations (as so increased by the amount of such interest, fees, charges and Lender Expenses), shall thereafter accrue interest at the rate then applicable under this Agreement. Notwithstanding anything to the contrary contained in the Loan Documents, the minimum monthly interest payable by Borrower on the Advances in any month shall be calculated on an average Daily Balance of Three Million Dollars (\$3,000,000).

(c) In no event shall interest on the Obligations exceed the highest lawful rate in effect from time to time. It is not the intention of the parties hereto to make an agreement which violates any applicable state or federal usury laws. In no event shall Borrower pay, nor shall Lender accept or charge, any interest which, together with any other charges on the principal or any portion thereof, exceeds the maximum lawful rate of interest allowable under any applicable state or federal usury laws. Should any provision of this Agreement or any existing or future Notes or Loan Documents between the parties be construed to require the payment of interest or any other fees or charges that could be construed as interest, which, with any other charges upon the principal or any portion thereof and any other fees or charges that could be construed as interest, exceed the maximum lawful rate of interest, then any such excess shall be applied to the remaining principal balance of the Obligations, if any, and any remainder shall be refunded to Borrower.

(d) Notwithstanding any of the foregoing in this Section 2.4, for purposes of this Agreement, it is the intention of Borrower and Lender that **interest** shall mean, and be limited to, any payment to Lender which compensates Lender for (i) the extension of credit to Borrower and the availability to Borrower of the Revolving Credit Facility and (ii) any default or breach by Borrower of a condition upon which such credit was extended and such Revolving Credit Facility was made available. Borrower and Lender agree that for the sole purpose of calculating the **interest** paid by Borrower to Lender, it is the intention of Borrower and Lender that **interest** shall mean and include, and be expressly limited to, any interest accrued on the aggregate outstanding Daily Balance of the Obligations during the term hereof pursuant to subsections 2.4(a) and 2.4(b), any Overadvance Fee, Facility Fee (as defined below) and late fees charged to Borrower during the term hereof. Borrower and Lender further agree that it is their intention that the following fees shall not constitute **interest**: any Servicing Fees (as defined below), any Field Examination Fees (as defined below), any attorney fees incurred by Lender, any premiums or commissions attributable to insurance guaranteeing repayment, finders' fees, credit report fees, appraisal fees or fees for document preparation or notarization. To the extent however that New Jersey law excludes from the calculation of **interest** any fees defined herein as interest or includes as interest any fees or other sums which are intended not to constitute interest, New Jersey law shall supersede and prevail, and all such **interest** shall be subject to subsection 2.4(c) above.

2.5 Collection of Accounts. Lender or Lender's designee may at any time, with or without notice to Borrower, subject to the second sentence of this Section 2.5, (a) notify customers, Account debtors or other obligors of Borrower that the Accounts and other Collateral have been assigned to Lender and that Lender has a security interest therein and (b) collect the Accounts and other Collateral directly and add the collection costs and expenses thereof to the Obligations; provided, however, unless and until Lender takes such action or gives Borrower other written instructions, Borrower shall notify all Account debtors and other obligors of Borrower to remit payments on the Accounts and other Collateral to a lockbox to be designated by Lender, or in the case of payments to be made by wire transfer, ACH or other electronic means, to an account designated by Lender over which Lender shall have control. In the event Lender or Lender's designee provides notice to customers, Account debtors or other obligors of Borrower as provided for in this Section 2.5, Lender agrees that Lender will use its best efforts to notify Borrower of same within five (5) Business Days. All such payments remitted to the lockbox or made by wire transfer, ACH or other electronic means to the account designated by Lender shall then be credited to a deposit account of Lender into which remittances from Account debtors and other obligors of Borrower and obligors of other customers of Lender may be credited. If, notwithstanding any notices that may be sent to Account debtors or other obligors of Borrower, Borrower obtains payment on any Account or other Collateral, including, without limitation, collections under credit card sales, Borrower shall receive any and all such payments on Accounts and other Collateral and other proceeds (including cash) in trust for Lender and shall immediately deliver said payments to Lender in the original form as received, together with any necessary endorsements thereof, and/or at the discretion of Lender, shall deposit said payments into a deposit account designated by, and in the name of and under the exclusive control of, Lender.

2.6 Crediting Payments. The receipt of any item of payment by Lender for the sole purpose of determining availability under the Revolving Credit Facility, *subject to final payment of such item*, shall be provisionally applied to reduce the Obligations on the date of receipt of such item of payment by Lender; provided however, the receipt of such item of payment by Lender for determining the Daily Balance and for all other purposes hereunder, including, without limitation, the calculation of interest on the Obligations and the calculation of the Servicing Fee, shall not be deemed to have been paid to Lender until three (3) Business Days after the date of Lender's actual receipt of such item of payment. Notwithstanding anything to the contrary contained herein, payments received by Lender after 12:00 pm (noon) Eastern time shall be deemed to have been received by Lender as of the opening of business on the immediately following Business Day.

2.7 Facility Fee. In consideration of Lender's entering into this Agreement, Borrower shall pay to Lender an annual facility fee (the **Facility Fee**) as follows:

(a) (i) For the **first (1st) contract (loan) year** of the Initial Term, Borrower shall pay to Lender a Facility Fee equal to one percent (1%) of the sum of (x) Ten Million Dollars (\$10,000,000) of the Advance Limit plus (y) any Advances other than under the Revolving Credit Facility. One twelfth (1/12) of such Facility Fee shall be paid simultaneously with the execution of this Agreement, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

(ii) In addition, if the amount owed under the Revolving Credit Facility during the **first (1st) contract (loan) year** of the Initial Term (A) exceeds Ten Million Dollars (\$10,000,000), but is equal to or less than Eleven Million Dollars (\$11,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, (B) exceeds Eleven Million Dollars (\$11,000,000), but is less than or equal to Twelve Million Dollars (\$12,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, (C) exceeds Twelve Million Dollars (\$12,000,000), but is less than or equal to Thirteen Million Dollars (\$13,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, (D) exceeds Thirteen Million Dollars (\$13,000,000), but is less than or equal to Fourteen Million Dollars (\$14,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, (E) exceeds Fourteen Million Dollars (\$14,000,000), but is less than or equal to Fifteen Million Dollars (\$15,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, (F) exceeds Fifteen Million Dollars (\$15,000,000), but is less than or equal to Sixteen Million Dollars (\$16,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, (G) exceeds Sixteen Million Dollars, but is less than or equal to Seventeen Million Dollars (\$17,000,000), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof, or (H) exceeds Seventeen Million Dollars (\$17,000,000), but is less than or equal to the Advance Limit (that is, Eighteen Million Dollars (\$18,000,000)), an additional Facility Fee of Ten Thousand Dollars (\$10,000) will be charged at the initial occurrence thereof (each such \$1,000,000 increment in clauses (A)-(H) above, being hereinafter referred to as an **Increment**). The highest Daily Balance of the Revolving Credit Facility during the **first (1st) contract (loan) year** of the Initial Term (rounded upward to the next \$1,000,000, unless such amount is a multiple of \$1,000,000, in which case, such amount need not be rounded upward), but in no event less than Ten Million Dollars (\$10,000,000), shall hereinafter be referred to as the **First Year Benchmark Advance Amount**.

(b) (i) For the **second (2nd) contract (loan) year** of the Initial Term, Borrower shall pay to Lender a Facility Fee equal to one percent (1%) of the sum of (x) the First Year Benchmark Advance Amount plus (y) any Advances other than under the Revolving Credit Facility. One twelfth (1/12) of such Facility Fee shall be paid on August 1, 2021, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

(ii) In addition, Borrower shall pay to Lender an additional Facility Fee of Ten Thousand Dollars (\$10,000) at the initial occurrence that the amount owed under the Revolving Credit Facility during the **second (2nd) contract (loan) year** of the Initial Term exceeds the First Year Benchmark Advance by each applicable Increment. The highest Daily Balance of the Revolving Credit Facility during the **second (2nd) contract (loan) year** of the Initial Term (rounded upward to the next \$1,000,000 unless such amount is a multiple of \$1,000,000, in which case, such amount need not be rounded upward), but in no event less than the First Year Benchmark Advance Amount, shall hereinafter be referred to as the **Second Year Benchmark Advance Amount**.

(c) (i) For the **third (3rd) contract (loan) year** of the Initial Term, Borrower shall pay to Lender a Facility Fee equal to one percent (1%) of the sum of (x) the Second Year Benchmark Advance Amount plus (y) any Advances other than under the Revolving Credit Facility. One twelfth (1/12) of such Facility Fee shall be paid on August 1, 2022, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

(ii) In addition, Borrower shall pay to Lender an additional Facility Fee of Ten Thousand Dollars (\$10,000) at the initial occurrence that the amount owed under the Revolving Credit Facility during the **third (3rd) contract (loan) year** of the Initial Term exceeds the Second Year Benchmark Advance Amount by each applicable Increment. The highest Daily Balance of the Revolving Credit Facility during the **third (3rd) contract (loan) year** of the Initial Term (rounded upward to the next \$1,000,000 unless such amount is a multiple of \$1,000,000, in which case, such amount need not be rounded upward), but in no event less than the Second Year Benchmark Advance Amount, shall hereinafter be referred to as the **Third Year Benchmark Advance Amount**.

The Facility Fee for the entire Initial Term is deemed to be fully earned upon the execution of this Agreement. The unpaid balance of the Facility Fee for the entire Initial Term shall be payable in full on the earlier of (a) termination of this Agreement and (b) at Lender's option, upon Lender's declaration of an Event of Default. Should Lender and Borrower agree to continue this Agreement beyond the Initial Term, both parties shall negotiate the terms of a Facility Fee during any extension/renewal thereof.

2.8 Servicing Fee. In consideration of Lender's services for the preceding calendar month, Borrower shall pay to Lender a monthly fee (the **Servicing Fee**) in an amount equal to one hundred sixty-six thousandths percent (.166%) of the average Daily Balance during each month on or before the first (1st) day of each calendar month during the Term, including each Renewal Term (as defined below), or so long as the Obligations are outstanding. Notwithstanding anything to the contrary contained in the Loan Documents, the Servicing Fee shall be based on a minimum daily average outstanding balance of Advances of Three Million Dollars (\$3,000,000).

2.9 Field Examination Fee. Borrower shall pay Lender a fee (the **Field Examination Fee**) in an amount equal to Nine Hundred Ninety-Nine Dollars (\$999) per day, per examiner plus out-of-pocket expenses for each examination of Borrower's Books or the other Collateral performed by Lender or its designee, provided that so long as no Event of Default exists, Borrower has not made a request for Advances beyond the lending parameters set forth in Section 2.1 or other requests outside of the ordinary course of business, and Borrower has provided or shall provide Lender with any and all of Borrower's Books, or other documentation requested or deemed necessary by Lender to complete the field examination within the allotted timeframe, Borrower shall be responsible for no more than three (3) field examinations (not counting the initial "installation" exam and the follow-up exam conducted within approximately forty-five (45) days from the initial Advance under this Agreement) during any contract (loan) year of the Term.

2.10 Late Reporting Fee. Borrower shall pay to Lender a fee in an amount equal to Fifty Dollars (\$50.00) per document, per day for each Business Day any report, financial statement or schedule required by this Agreement to be delivered to Lender is past due after two (2) Business Days.

2.11 StuckyNet-Link Fee. Borrower shall pay to Lender a fee in an amount equal to One Hundred Dollars (\$100.00) per month in connection with the StuckyNet-Link software program for collateral reporting.

2.12 Monthly Statements. Lender may render monthly statements to Borrower of all Obligations, including statements of all principal, interest and Lender Expenses, and Borrower shall have fully and irrevocably waived all objections to such statements and the contents thereof unless, within thirty (30) days after receipt, Borrower shall deliver to Lender, by registered, certified or overnight mail as set forth in Section 12, a written objection to such statement, specifying the error or errors, if any, contained therein.

3. TERM

3.1 Term and Renewal Date. This Agreement shall become effective upon execution by Lender and, provided that Borrower shall not have exercised its termination right as hereinafter provided, shall continue in full force and effect through the Initial Term, and from year to year thereafter (each a **Renewal Term**), if Lender, at its option, in writing agrees to extend the Term for a period of one (1) year from the then Termination Date. Borrower may terminate the Term on the then Termination Date by giving Lender at least sixty (60) days' prior written notice by registered or certified mail, return receipt requested. In addition, Lender shall have the right to terminate this Agreement immediately at any time upon the occurrence of an Event of Default. No such termination by either Borrower or Lender shall relieve or discharge Borrower of its duties, Obligations and covenants hereunder until all Obligations have been indefeasibly paid and performed in full, and Lender's continuing security interest in the Collateral shall remain in effect until the Obligations have been indefeasibly fully and irrevocably paid and satisfied in cash or cash equivalent. On the Termination Date, the Obligations shall be immediately due and payable in full.

3.2 Termination Fee. If the Term is terminated by Lender upon the occurrence of an Event of Default or is terminated by Borrower, other than in compliance with Section 3.1, in view of the impracticability and extreme difficulty of ascertaining actual damages, and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits, as a result thereof, in addition to payment of all principal, interest, fees, expenses and other Obligations, Borrower shall pay Lender upon the effective date of such termination a fee in an amount equal to: (a) three percent (3%) of the sum of the First Year Benchmark Advance Amount plus any Advances by Lender to or on behalf of Borrower other than under the Revolving Credit Facility, if such termination occurs on or prior to the first (1st) anniversary of the commencement date of the Initial Term; (b) two percent (2%) of the sum of the Second Year Benchmark Advance Amount plus any Advances by Lender to or on behalf of Borrower other than under the Revolving Credit Facility, if such termination occurs after the first (1st) anniversary of the commencement date of the Initial Term and on or prior to the second (2nd) anniversary of the commencement date of the Initial Term; or (c) one percent (1%) of the sum of the Third Year Benchmark Advance Amount plus any Advances by Lender to or on behalf of Borrower other than under the Revolving Credit Facility, if such termination occurs after the second (2nd) anniversary of the commencement date of the Initial Term and on or prior to the termination of the Initial Term. (Should Lender and Borrower agree to continue this Agreement beyond the Initial Term, both parties shall negotiate the terms of a termination fee during any extension/renewal thereof.) Such fee shall be presumed to be the amount of damages sustained by Lender as the result of termination, and Borrower acknowledges that such fee is reasonable under the circumstances currently existing. The fee provided for in this Section 3.2 shall be deemed included in the Obligations. Notwithstanding the foregoing, in the event that Optical is acquired by a third-party on a date that is on or after the date that is the ninth month (9) anniversary of the date of this Agreement, and in connection with such acquisition the Term is terminated by Borrower in connection with said acquisition, the termination fee shall be reduced to: (x) one percent (1%) of the sum of the First Year Benchmark Advance Amount plus any Advances by Lender to or on behalf of Borrower other than under the Revolving Credit Facility, if such termination occurs on or prior to the first (1st) anniversary of the commencement date of the Initial Term; (y) one percent (1%) of the sum of the Second Year Benchmark Advance Amount plus any Advances by Lender to or on behalf of Borrower other than under the Revolving Credit Facility, if such termination occurs after the first (1st) anniversary of the commencement date of the Initial Term and on or prior to the second (2nd) anniversary of the commencement date of the Initial Term; or (z) one percent (1%) of the sum of the Third Year Benchmark Advance Amount plus any Advances by Lender to or on behalf of Borrower other than under the Revolving Credit Facility, if such termination occurs after the second (2nd) anniversary of the commencement date of the Initial Term and on or prior to the termination of the Initial Term. (Should Lender and Borrower agree to continue this Agreement beyond the Initial Term, both parties shall negotiate the terms of a termination fee during any extension/renewal thereof.)

4. CREATION OF CONTINUING SECURITY INTEREST

4.1 Grant of Continuing Security Interest. Borrower hereby grants to Lender a continuing security interest in the Collateral in order to secure the prompt repayment of the Obligations and the prompt performance by Borrower of each and all of its covenants and Obligations under the Loan Documents and otherwise. Lender's continuing security interest in the Collateral shall attach to all Collateral without further act on the part of Lender or Borrower.

4.2 Negotiable Collateral. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, Borrower shall notify Lender and, upon the request of Lender, shall immediately endorse and assign such Negotiable Collateral to Lender and deliver physical possession of such Negotiable Collateral to Lender.

4.3 Delivery of Additional Documentation Required. Concurrently with Borrower's execution and delivery of this Agreement and at any time thereafter at the request of Lender, Borrower shall execute and deliver to Lender all security agreements, chattel mortgages, pledges, assignments, endorsements of certificates of title, applications for title, affidavits, reports, notices, schedules of accounts, letters of authority and all other documents that Lender may request, in form satisfactory to Lender, to perfect and maintain perfected Lender's continuing security interests in the Collateral and to fully consummate all of the transactions contemplated under the Loan Documents. Borrower hereby (a) authorizes Lender to file and/or record such financing statements and other documents as Lender deems necessary or desirable to perfect and maintain Lender's continuing security interest in the Collateral, (b) agrees any such financing statement may contain an "all asset" or "all property" description of the Collateral and (c) hereby ratifies any such financing statement or other document heretofore filed by Lender.

4.4 Power of Attorney. Borrower hereby irrevocably makes, constitutes and appoints Lender (and any person designated by Lender) as Borrower's true and lawful attorney-in-fact with power to sign the name of Borrower on any of the documents described in Section 4.3 or on any other similar documents to be executed, recorded or filed in order to perfect or continue perfected Lender's continuing security interest in the Collateral. In addition, Borrower hereby appoints Lender (and any person designated by Lender) as Borrower's attorney-in-fact with power to: (a) sign Borrower's name on verifications of Accounts and other Collateral and on notices to Account debtors; (b) send requests for verification of Accounts and other Collateral; (c) endorse Borrower's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into Lender's possession; (d) notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender, to receive and open all mail addressed to Borrower, and to retain all mail relating to the Collateral and forward all other mail to Borrower; and (e) make, settle and adjust all claims under Borrower's policies of insurance, endorse the name of Borrower on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and make all determinations and decisions with respect to such policies of insurance. The appointment of Lender as Borrower's attorney-in-fact and each and every one of Lender's rights and powers, being coupled with an interest, is irrevocable so long as any Accounts in which Lender has a continuing security interest remain unpaid and until all of the Obligations have been fully, indefeasibly repaid and performed.

4.5 Right To Inspect. Lender shall have the right at any time or times hereafter during Borrower's usual business hours, or during the usual business hours of any third party having control over Borrower's Books, to inspect Borrower's Books in order to verify the amount or condition of, or any other matter relating to, the Collateral or Borrower's financial condition. Lender also shall have the right at any time or times hereafter during Borrower's usual business hours, to inspect, examine and appraise the Inventory, the Equipment and other Collateral and to check and test the same as to quality, quantity, value and condition.

5. REPRESENTATIONS AND WARRANTIES AND COVENANTS

Borrower represents and warrants to Lender, and covenants and acknowledges, the following:

5.1 No Prior Encumbrances; Security Interests. Borrower has good and marketable title to the Collateral, free and clear of liens, claims, security interests or encumbrances, except for the security interests to be satisfied from the proceeds of the first Advances hereunder, the continuing security interests granted to Lender by Borrower, Permitted Liens and those disclosed on **Schedule 5.1**. Other than those liens, claims, security interests or encumbrances expressly permitted by this Agreement, Borrower will not create, suffer or permit to be created any security interest, lien, pledge, mortgage or encumbrance on any Collateral or any of its other assets.

5.2 Bona Fide Accounts. All Accounts reported to Lender as Eligible Accounts represent bona fide sales or leases of goods and/or services for which Borrower has an unconditional right to payment and as to which the goods have been delivered to the customer or Account debtor and/or the services have been rendered, as applicable. None of the Accounts reported to Lender as Eligible Accounts is subject to any right of offset, counterclaim, cancellation or contractual right of return. All Accounts reported to Lender as Eligible Accounts conform to the requirements of Eligible Accounts.

5.3 Eligible Inventory. All Inventory reported to Lender as Eligible Inventory:

(a) is now and at all times hereafter shall be of good and merchantable quality, free from defects, and held for sale in the ordinary course of business;

(b) is located at Borrower's premises identified to Lender or at leased premises or public or private warehouses where Lender has received a waiver agreement, in form and content satisfactory to Lender, from the landlord/warehouseman; and

(c) conforms to the requirements of Eligible Inventory.

5.4 Location of Inventory and Equipment. The Inventory and Equipment is not now, and shall not at any time or times hereafter be, stored with a bailee, warehouseman, processor or similar third party. Borrower shall keep the Inventory and Equipment only at its address set forth on the first page hereof and at the locations set forth in the Perfection Certificate (except the movement, in the ordinary course of business, of motor vehicles or other Collateral intended to be mobile, the movement of Collateral between the locations set forth in the Perfection Certificate in the ordinary course of business, and Inventory and Equipment of Borrower not exceeding net book value of \$500,000 in the aggregate that may be located at Borrower's suppliers and vendors, from time to time). If any of the Inventory and Equipment is located at a premises not owned by Borrower, Borrower shall cause the landlord of such premises, or other third party having an interest in said premises, to execute and deliver to Lender a landlord waiver and subordination, or similar agreement, satisfactory in form and substance to Lender.

5.5 Inventory Records. Borrower now keeps, and hereafter at all times shall keep, correct and accurate records itemizing and describing the kind, type, quality and quantity of the Inventory and Borrower's cost of said items, and none of Borrower's Inventory contains any labels, trademarks, trade-names or other identifying characteristics which are the properties of third parties unless the use of same by Borrower is under a valid license, royalty or similar agreement.

5.6 Retail Accounts. No Accounts arise from the sale of goods or rendition of services for personal, family or household purposes.

5.7 Relocation of Chief Executive Office. The chief executive office of Borrower and the location of all books and records of Borrower relating to the Collateral is at the address indicated on the first page of this Agreement, and Borrower will not, without thirty (30) days' prior written notice to Lender and compliance with Section 4.3, relocate such office.

5.8 Due Incorporation/Formation/Organization and Qualification. Borrower is, and shall at all times hereafter, be a corporation/limited liability company duly incorporated/formed, organized and existing under the laws of the state of its incorporation/formation as set forth on the first page hereof, and Borrower is, and shall at all times hereafter be, qualified and licensed to do business and is in good standing in any state in which the conduct of its business or its ownership of assets requires that it be so qualified.

5.9 Actual and Fictitious Name. Borrower's exact name is set forth on the first page hereof, and except as set forth in the Perfection Certificate, Borrower has not changed its name within the last five (5) years. Borrower is conducting its business under the trade or fictitious name(s) set forth in the Perfection Certificate, and no others. Borrower has complied with the fictitious name laws of all jurisdictions in which compliance is required in connection with its use of such name(s).

5.10 Permits and Licenses. Borrower holds all licenses, permits, franchises, approvals and consents required for the conduct of its business and the ownership and operation of its assets.

5.11 Due Authorization; Enforceability. Borrower has the right and power and is duly authorized to enter into the Loan Documents to which it is a party; all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken; and Borrower is and will continue to be duly authorized to borrow under this Agreement and to perform all of the other terms and provisions of the Loan Documents throughout the Term. The Loan Documents, when executed and delivered by Borrower, will constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their terms.

5.12 Compliance with Organizational Documents, Etc. The execution and delivery by Borrower of the Loan Documents to which it is a party and the performance of the terms thereof do not constitute a breach of any provision contained in Borrower's Certificate or Articles of Incorporation/Organization or its Bylaws/operating agreement, nor does the execution and delivery by Borrower of the Loan Documents to which it is a party or the performance of the terms thereof constitute an event of default under any material agreement to which Borrower is now or may hereafter become a party.

5.13 Litigation. Except as set forth on **Schedule 5.13**, there are no actions, proceedings or claims pending by or against Borrower, whether or not before any court or administrative agency, and Borrower has no knowledge or notice of any pending, threatened or imminent litigation, governmental investigations, or claims, complaints, actions, or prosecutions involving Borrower, except for ongoing collection matters in which Borrower is the plaintiff. If any such actions, proceedings or claims presently exist or arise during the Term, Borrower shall promptly notify Lender in writing and shall, from time to time, notify Lender of all material events relating thereto.

5.14 Accuracy of Information and No Material Adverse Change in Financial Statements. All information furnished by Borrower to Lender, and all statements made by Borrower to Lender, including, without limitation, information set forth in any loan application, client profile and in the Perfection Certificate are true, accurate and complete in all respects and do not contain any misstatement of fact or omit to state any facts necessary to make the statements or information contained therein not misleading. All quarterly and/or annual financial statements relating to Borrower which have been or may hereafter be delivered to Lender have been or will be prepared in accordance with GAAP. All financial statements relating to Borrower which have been or may hereafter be delivered to Lender: (a) fairly present Borrower's financial condition as of the date thereof and Borrower's results of operations for the period then ended; and (b) disclose all contingent obligations of Borrower. No material adverse change in the financial condition of Borrower has occurred since the date of the most recent of such financial statements.

5.15 Solvency. Borrower is now, and shall be at all times throughout the Term, solvent and able to pay its debts (including trade debts) as they mature.

5.16 ERISA. Neither Borrower or any ERISA Affiliate, nor any Plan is or has been in violation of any of the provisions of ERISA, any of the qualification requirements of IRC Section 401(a) or any of the published interpretations thereof. No lien upon the assets of Borrower has arisen with respect to any Plan. No **prohibited transaction** within the meaning of ERISA Section 406 or IRC Section 4975(c) has occurred with respect to any Plan. No **reportable event** as defined under Section 4043 has occurred with respect to any Plan which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Section 4042 of ERISA. Neither Borrower nor any ERISA Affiliate has incurred any withdrawal liability with respect to any Multiemployer Plan. Borrower and each ERISA Affiliate have made all contributions required to be made by them to any Plan or Multiemployer Plan when due. There is no accumulated funding deficiency in any Plan, whether or not waived.

5.17 Environmental Laws and Hazardous Materials. Borrower has complied, and at all times through the Term will comply, with all Environmental Laws (as defined below). Borrower has not and will not cause or permit any Hazardous Materials (as defined below) to be located, incorporated, generated, stored, manufactured, transported to or from, released, disposed of, or used at, upon, under, or within any premises at which Borrower conducts its business, or in connection with Borrower's business. To the best of Borrower's knowledge, no prior owner, occupant or operator of any premises at which Borrower conducts its business has caused or permitted any of the above to occur at, upon, under, or within any of the premises. Borrower will not permit any lien to be filed against the Collateral or any part thereof under any Environmental Law, and will promptly notify Lender of any proceeding, inquiry or claim relating to any alleged violation of any Environmental Law, or any alleged loss, damage or injury resulting from any Hazardous Material. Lender shall have the right to join and participate in, as a party if it so elects, any legal or administrative proceeding initiated with respect to any Hazardous Material or in connection with any Environmental Law. For purposes hereof, **Hazardous Material** includes without limitation any substance, material, emission, or waste which is or hereafter becomes regulated or classified as a hazardous substance, hazardous material, toxic substance or solid waste under any Environmental Law, asbestos, petroleum products, urea formaldehyde, polychlorinated biphenyls (PCBs), radon, and any other hazardous or toxic substance, material, emission or waste, and substances containing excessive moisture, mildew, mold, microbial contamination, microbial growth or other fungi, or biological agents that can or are known to produce mycotoxins or other bioaerosols, such as antigens, bacteria, amoebae and microbial organic compounds or other similar matter, in each case that poses a risk to human health or the environment. **Environmental Laws** means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the Clean Water Act and the regulations pertaining to such statutes, and any other safety, health or environmental statutes, laws, regulations or ordinances of the United States or of any state, county or municipality in which Borrower conducts its business or the Collateral is located, and the rules, resolutions, directives, orders, executive orders, consent orders, guidance from regulatory agencies, policy statements, judicial decrees, standards, permits, licenses and ordinances or any judicial or administrative interpretation of any of the foregoing, pertaining to the protection of land, water, air, health, safety or the environment, whether now or in the future enacted, promulgated or issued.

5.18 Tax Compliance. Borrower has filed all tax returns required to be filed by it and has paid all taxes due and payable on said returns and on any assessment made against it or its assets.

5.19 Reliance by Lender; Cumulative. Each warranty, representation and agreement contained in this Agreement shall be automatically deemed repeated by Borrower with each request for an Advance and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The warranties, representations and agreements set forth herein shall be cumulative and in addition to any and all other warranties, representations and agreements which Borrower shall now or hereafter give, or cause to be given, to Lender.

5.20 Use of Proceeds. The proceeds of the initial Advance will be used by Borrower for the purposes set forth on **Schedule 5.20**. Absent Lender's written consent to the contrary, the proceeds of Advances after the initial Advance will be used by Borrower solely for working capital purposes.

5.21 Motor Vehicles and Intellectual Property. The Perfection Certificate identifies all motor vehicles, patents, patent applications, copyrights, trademarks, trade-names and other intellectual property, registered or unregistered, owned by Borrower. Borrower will promptly notify Lender of all motor vehicles or intellectual property hereafter owned by Borrower, and the status of all patent and trademark applications and the issuance of patents and trademarks, and all copyrights registrations, and in accordance with Section 4.3, will cooperate with Lender in taking all actions required by Lender to have a perfected security interest or lien on such motor vehicles and intellectual property.

5.22 Commercial Tort Claims. Borrower does not, as of the date hereof, have any Commercial Tort Claims against any third parties. If Borrower does hereafter have any such Commercial Tort Claims, Borrower shall furnish Lender with prompt written notice thereof, and in accordance with Article 4 hereof, shall execute and deliver such supplemental documents and cooperate with Lender in taking all action as required by Lender to have a perfected security interest or lien on such Commercial Tort Claims.

6. AFFIRMATIVE COVENANTS

Borrower covenants and acknowledges that throughout the Term, Borrower shall comply with all of the following:

6.1 Collateral and Other Reports. Borrower shall at least once every week and each time it requests an Advance under the Revolving Credit Facility utilize Lender's StuckyNet-Link software for collateral reporting and shall furnish to Lender a borrowing base report and loan request, satisfactory in form and substance to Lender, report to Lender all sales and Accounts arising since its most recent report to Lender and shall execute and deliver to Lender, no later than the fifteenth (15th) day of each month during the Term, a detailed aging of the Accounts, a reconciliation statement and a summary aging, by vendor, of all accounts payable of Borrower and any book overdraft. Borrower and Lender agree that each authorized signer's (on behalf of Borrower) signature on borrowing base reports may be provided via an electronic signature (that is, by each authorized signer's password for such program). Borrower shall provide Lender a listing of each authorized signer. Borrower shall deliver to Lender, as Lender may from time to time require, collection reports, sales journals, invoices, copies of or original delivery receipts, customers' purchase orders, shipping instructions, bills of lading and other documentation respecting shipment arrangements and such other matters requested by Lender. Absent such a request by Lender, copies of all such documentation shall be held by Borrower as custodian for Lender. Whenever permitted, Borrower shall at all times provide Lender with all current "passwords" or similar access requirements relative to all computer systems available to Borrower with its Account debtors so as to enable Lender to have access to said computer systems so as to verify the status of Accounts owing to Borrower from said Account debtors.

6.2 Returns. Returns and allowances, if any, as between Borrower and any Account debtors, shall be permitted on the same basis and in accordance with the usual customary practices of Borrower as they exist as of the date hereof. If at any time prior to the occurrence of an Event of Default any Account debtor returns any Inventory to Borrower, Borrower shall promptly determine the reason for such return and, if Borrower accepts such return, issue a credit memorandum (with a copy to be sent to Lender) in the appropriate amount to such Account debtor. It is understood and agreed that Borrower will report all returns and recoveries and disputes and claims to Lender on each borrowing base report, and in any event on a weekly basis.

6.3 Designation of Inventory. Borrower shall contemporaneously with the execution of this Agreement, and from time to time hereafter, but not less frequently than weekly, execute and deliver to Lender a designation of Inventory specifying the cost and the wholesale market value of Borrower's raw materials, work in process and finished goods, and further specifying such other information as Lender may reasonably request. Borrower shall promptly, in writing, notify Lender if any of Borrower's Inventory contains any labels, trademarks, trade-names or other identifying characteristics that are the properties of third parties unless the use of same by Borrower is under a valid license, royalty or similar agreement.

6.4 Financial Statements, Reports, Certificates. Borrower shall deliver to Lender: (a) as soon as available, but in any event within thirty (30) days after the end of each month during the Term, a balance sheet and profit and loss statement prepared by Borrower covering Borrower's operations during such period, together with management prepared consolidating schedules as to each Borrower (by location); and (b) as soon as available, but in any event within ninety (90) days after the end of each fiscal year of Borrower, financial statements of Borrower for each such period, audited by independent certified public accountants acceptable to Lender. Such financial statements shall include a balance sheet and profit and loss statement and statements of cash flows, if available, and the accountants' management letter, if any, shall be prepared in accordance with GAAP and shall be prepared on a consolidated basis. In addition, Borrower shall deliver Borrower's Form 10-Qs, 10-Ks or 8-Ks, if any, as soon as the same become available, and any other report reasonably requested by Lender relating to the Collateral and the financial condition of Borrower. Borrower shall also deliver with its financial statements, a certificate, substantially in the form of **Exhibit 6.4**, signed by Borrower's chief financial officer (or similar officer) to the effect that (a) all reports, statements or computer prepared information of any kind or nature delivered or caused to be delivered to Lender under this Section 6.4 fairly present Borrower's financial condition and (b) there exists on the date of delivery of such certificate to Lender no condition or event which constitutes an Event of Default, and, among other things, certifying as to compliance with Section 7.10.

6.5 Tax Returns, Receipts. Borrower shall deliver to Lender copies of each of its federal income tax returns (including all schedules thereto), and any amendments thereto, within thirty (30) days of the filing thereof. Borrower further shall promptly deliver to Lender, upon request, satisfactory evidence of Borrower's payment of all withholding and other taxes required to be paid by Borrower.

6.6 Reserved.

6.7 Title to Equipment. Upon Lender's request, Borrower shall immediately deliver to Lender any and all evidence of ownership of, certificates of title, or applications for title to any items of Equipment, properly endorsed to Lender, as applicable.

6.8 Maintenance of Equipment. Borrower shall keep and maintain the Equipment in good operating condition and repair, and shall make all necessary replacements thereto so that the value and operating efficiency of its Equipment shall at all times be maintained and preserved. Borrower shall not permit any item of Equipment to become a fixture to real estate or an accession to other property without the appropriate waiver in place to protect Lender's security interest. The Equipment is now and shall at all times remain Borrower's personal property.

6.9 Taxes. All federal, state and local assessments and taxes, whether real, personal or otherwise, due or payable by, or imposed, levied or assessed against Borrower or any of its assets or in connection with Borrower's business shall hereafter be paid in full, before the same become delinquent or before the expiration of any extension period. Borrower shall make due and timely payment or deposit of all federal, state and local taxes, assessments or contributions required of it by law, and will execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof.

6.10 Insurance. Borrower, at its expense, shall keep and maintain insurance to protect the Collateral against all risk of loss covered under a Special property form. If any of the tangible Collateral is located in a flood zone, Borrower must also have flood insurance. The coverage shall be written on a replacement cost basis. The property limit(s) shall be no less than those necessary to satisfy the coinsurance requirement contained in the insurance policy. Borrower, at its expense, shall keep and maintain Business Income Coverage. Business Income Coverage shall insure against loss covered under a Special policy form. The limit must contemplate a benefit period of no less than twelve (12) months and meet the minimum limit needed to satisfy the coinsurance requirement contained in the policy. Business Income coverage can be written on an agreed amount basis, or with a coinsurance percentage from 80% to 100%. All policies of insurance covering business personal property and business income shall contain a Lender's Loss Payable endorsement in a form satisfactory to Lender. All policies insuring real property on which Lender has a mortgage or other lien shall contain a Mortgagee endorsement in form satisfactory to Lender. Either or both form(s) shall contain a waiver of warranties. All proceeds payable under such policies shall be payable to Lender and applied to the Obligations. Borrower shall cause to be delivered to Lender a properly executed Evidence of Property Insurance form along with a copy of the Lender's Loss Payable and/or Mortgagee endorsement(s) as applicable, in advance of the closing date for the credit facilities hereunder and thereafter at least thirty (30) days prior to the expiration date(s) of the policy(ies). All Mortgagee and Lender's Loss Payable endorsements shall contain the following address for notification purposes, or such other address as Lender may, from time to time, notify Borrower:

North Mill Capital LLC
821 Alexander Road, Suite 130
Princeton, New Jersey 08540
Attention: Heidi Ames, Senior Vice President

Borrower, at its expense, shall keep and maintain Commercial General Liability Coverage insuring against all risks relating to or arising from Borrower's ownership and use of the Collateral and its other assets, products and operations. Lender and its directors, officers and employees shall be named as additional insureds for Commercial General Liability on Borrower's policy. Borrower shall cause to be delivered to Lender a properly executed Certificate of Insurance, containing the required additional insured wording, before the closing date for the credit facilities hereunder and thereafter at least thirty (30) days prior the expiration date of the policy. Along with the Certificate of Insurance, Borrower shall also deliver a copy of the General Liability endorsement whereby Lender and its directors, officers and employees are added to the policy as additional insureds.

All required policies shall be in such form, with such companies and in such amounts as may be satisfactory to Lender. All policies shall contain a thirty (30) day notice for cancellation or non-renewal. Lender reserves the right to change insurance specifications at any time.

6.11 Lender Expenses. Borrower shall immediately, and without demand, reimburse Lender for all Lender Expenses, and Borrower hereby authorizes the payment of such Lender Expenses.

6.12 Compliance With Law. Borrower shall comply, in all material respects, with the requirements of all applicable laws, rules, regulations and orders of governmental authorities relating to Borrower and the conduct of its business.

6.13 Accounting System. Borrower shall at all times hereafter maintain a standard and modern system of accounting in accordance with GAAP with ledger and account cards or computer tapes, disks, printouts and records pertaining to the Collateral containing such information as may from time to time be requested by Lender.

7. NEGATIVE COVENANTS

Borrower covenants and acknowledges to Lender that throughout the Term, Borrower shall not undertake any of the following:

7.1 Extraordinary Transactions and Disposal of Assets. (a) Enter into any transaction not in the ordinary and usual course of its business as conducted on the date hereof, including, but not limited to, the sale, lease, disposal, movement, relocation or transfer, whether by sale or otherwise, of any the Collateral, other than sales of Inventory in the ordinary and usual course of its business as presently conducted; (b) incur (i) any indebtedness for borrowed money, including, without limitation, merchant advances, or purchase money indebtedness, or (ii) any other indebtedness outside the ordinary and usual course of its business as conducted on the date hereof, except for renewals or extensions of existing indebtedness permitted by Lender and as set forth on **Schedule 7.1**; (c) make any advance or loan to any third party; or (d) grant a lien on any of its assets except (i) in favor of Lender or (ii) the continuing liens and security interests, if any, set forth on **Schedule 5.1**.

7.2 Change Name, etc. Change its name, business structure, jurisdiction of incorporation or formation, as applicable, or identity, or add any new fictitious name.

7.3 Merge, Acquire. Merge, acquire, or consolidate with or into any other business organization; provided, however, either Centric or Applied may merge with or into Optical with 30 days' advance written notice to Lender.

7.4 Guaranty. Guaranty or otherwise become in any way liable with respect to the obligations of any third party, except by endorsement of instruments or items of payment for deposit to the account of Borrower for negotiation and delivery to Lender.

7.5 Restructure. Make any change in its financial structure or business operations.

7.6 Prepayments. Prepay any existing indebtedness owing to any third party other than trade payables and the CARES loan set forth in item #1 in **Schedule 7.1**.

7.7 Change of Ownership/Change of Control. Cause, permit or any (a) change, direct or indirect, in the ownership of the capital stock or other equity interest of Applied and/or Centric, or (b) Change of Control of Optical.

7.8 Reserved.

7.9 Loans and Advances. Make any loans, advances or extensions of credit to any officer, director, executive employee or shareholder of Borrower (or any relative of any of the foregoing), or to any entity which is a subsidiary of, related to, affiliated with, or has common shareholders, officers or directors with, Borrower.

7.10 Capital Expenditures. Make any plant or fixed capital expenditure, or any commitment therefor, or purchase or lease any real or personal assets or replacement Equipment in excess of (a) Five Hundred Thousand Dollars (\$500,000) in the aggregate during fiscal year 2020 or (b) in excess of Seven Hundred Fifty Thousand Dollars (\$750,000) in the aggregate during each of fiscal year 2021 and 2022.

7.11 Consignments of Inventory. Consign any Inventory to any third party or obtain any Inventory on a consignment basis from any third party.

7.12 Dividends or Distributions. Make any distribution of, or declare or pay any dividends (in cash) on, or purchase, acquire, redeem or retire any of, its capital stock or other equity interest, of any class, whether now or hereafter outstanding, in excess of \$50,000 in any fiscal year; provided, however, Lender agrees that Borrower may (a) exercise any net vesting of shares granted pursuant to stock incentive or equity grants pursuant to Optical's 2017 Stock Incentive Plan or success or plan(s) and/or (b) make distributions and dividends up to the amount of the prior year's profits, provided that no Event of Default exists or would result from the making of such dividends or distributions and after the making of such dividends or distributions, Borrower would have sufficient availability under the Revolving Credit Facility.

7.13 Accounting Methods. Modify or change its method of accounting (unless required by GAAP), or enter into, modify or terminate any agreement presently existing or at any time hereafter entered into with any third party for the preparation or storage of Borrower's records of Accounts and financial condition without such third party's agreeing to provide Lender with information regarding the Collateral or Borrower's financial condition. Borrower waives the right to assert a confidential relationship, if any, it may have with any such third party in connection with any information requested by Lender hereunder and agrees that Lender may contact any such third party directly in order to obtain such information.

7.14 Business Suspension. Suspend or go out of business.

8. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an *Event of Default* by Borrower hereunder:

8.1 Failure to Pay. Borrower's failure to pay when due and payable, or when declared due and payable, any portion of the Obligations (whether principal, interest, taxes, Lender Expenses, or otherwise);

8.2 Failure to Perform. Borrower's failure to perform, keep or observe any term, provision, condition, representation, warranty, covenant or agreement contained in this Agreement, in any of the Loan Documents or in any other present or future agreement between Borrower and Lender;

8.3 Misrepresentation. Any misstatement or misrepresentation now or hereafter exists in any warranty, representation, statement, aging or report made to Lender by Borrower or any officer, employee, agent or director thereof, or if any such warranty, representation, statement, aging or report is withdrawn by such person;

8.4 Material Adverse Change. There is a material adverse change in Borrower's business or financial condition;

8.5 Material Impairment. There is a material impairment of the prospect of repayment of the Obligations or a material impairment of Lender's continuing security interests in the Collateral;

8.6 Levy or Attachment. Any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant or is levied upon, or comes into the possession of any judicial officer or assignee;

8.7 Insolvency by Borrower. An Insolvency Proceeding is commenced by Borrower;

8.8 Insolvency Against Borrower. An Insolvency Proceeding is commenced against Borrower;

8.9 Injunction Against Borrower. Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business;

8.10 Government Lien. A notice of lien, levy or assessment is filed of record with respect to any of Borrower's assets by the United States Government or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, or any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether inchoate or otherwise, upon Borrower's assets and the same is not paid on the payment date thereof;

8.11 Judgment. A judgment is entered against Borrower in excess of \$100,000 and is not covered by any insurance policy as to which the insurer has not contested coverage is entered against Borrower;

8.12 Default to Third Party. There is a default in any material agreement to which Borrower is a party or which binds Borrower or any of its respective assets;

8.13 Subordinated Debt Payments. Borrower makes any payment on account of indebtedness which has now or hereafter been subordinated to the Obligations, except to the extent such payment is allowed under any subordination agreement entered into with Lender;

8.14 Reserved;

8.15 Change in Management/Day-To-Day Business Activities. (a) (i) If Neil D. Wilkin, Jr. ceases to be actively engaged in the management of Optical as the Chairman of the Board, president and chief executive officer Optical, or (ii) if Tracy G. Smith ceases to be actively engaged in the day-to-day business activities of Optical as the chief financial officer of Optical, provided, however, the foregoing shall not constitute an Event of Default, if Borrower provides written notice to Lender of the failure of Neil D. Wilkin, Jr. or Tracy G. Smith to be actively engaged in the day-to-day business activities of Optical as the Chairman of the Board, president and chief executive officer or chief financial officer of Optical, respectively, and within sixty (60) days thereafter, the Board of Directors of Optical appoints an interim acting (or permanent) replacement Chairman of the Board, president and chief executive officer or chief financial officer, as applicable, reasonably acceptable to Lender in all respects, who assumes all applicable duties of the such positions and executes and delivers to Lender a liquidation assistance agreement in form and substance similar to such agreement provided to Lender in connection with this Agreement, by the end of such sixty (60) day period; or (b) if Neil D. Wilkin, Jr. (or his acceptable replacement as in clause (a) above) and Tracy G. Smith (or her acceptable replacement as in clause (a)) cease to be actively engaged in the management of Optical;

8.16 ERISA Violation. A *prohibited transaction* shall occur with respect to a Plan which could have a material adverse effect on the financial condition of Borrower; any lien upon the assets of Borrower in connection with any Plan shall arise; Borrower or any ERISA Affiliate shall completely or partially withdraw from a Multiemployer Plan and such withdrawal could, in the opinion of Lender, have a material adverse effect on the financial condition of Borrower; Borrower or any of its ERISA Affiliates shall fail to make full payment when due of all amounts which Borrower or any of its ERISA Affiliates may be required to pay to any Plan or any Multiemployer Plan as one or more contributions thereto; Borrower or any of its ERISA Affiliates creates or permits the creation of any accumulated funding deficiency, whether or not waived; the voluntary or involuntary termination of any Plan which termination could, in the opinion of Lender, have a material adverse effect on the financial condition of Borrower; or Borrower shall fail to notify Lender promptly, and in any event within ten (10) days, of the occurrence of an event which constitutes an Event of Default under this Section 8.16 or would constitute an Event of Default upon the exercise of Lender's judgment;

8.17 Loss of License, etc. If any license, permit, distributor, franchise or similar agreement necessary for the continued operation of Borrower's business in the ordinary course is revoked, suspended or terminated; or

8.18 Other Agreements with Lender. A default under any other obligation by or of Borrower in favor of Lender, including any obligation under any instrument securing or evidencing such obligation, whether or not such obligation is otherwise secured, which default is not cured within any applicable grace or cure period.

Notwithstanding anything contained in this Agreement to the contrary, Lender shall refrain from exercising its rights and remedies and an Event of Default shall not be deemed to have occurred by reason of the occurrence of any of the events set forth in Sections 8.6, 8.8, 8.10 or 8.11 hereof if, within ten (10) days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, Lender shall not be obligated to make Advances to Borrower during any such period.

In the event Lender has determined that any Borrower has experienced an Event of Default, Lender shall provide prompt notice to Borrower of such Event of Default. Lender's obligation to provide notice shall in no way extend any cure period or otherwise effect such Event of Default.

9. LENDER'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence of an Event of Default, Lender may, at its election, without notice of such election and without demand, do any one or more of the following:

- (a) Declare all Obligations, whether evidenced by the Loan Documents or otherwise, immediately due and payable in full;
- (b) Cease advancing money or extending credit to or for the benefit of Borrower under the Loan Documents or under any other agreement between Borrower and Lender;
- (c) Terminate this Agreement as to any future liability or obligation of Lender, but without affecting Lender's rights and security interest in the Collateral and without affecting the Obligations;
- (d) Settle or adjust disputes and claims directly with Account debtors for amounts and upon terms which Lender considers advisable and, in such cases, Lender will credit the Obligations with the net amounts received by Lender in payment of such disputed Accounts, after deducting all Lender Expenses;
- (e) Cause Borrower to hold all returned Inventory in trust for Lender, segregate all returned Inventory from all other property of Borrower or in Borrower's possession and conspicuously label said returned Inventory as the property of Lender;
- (f) Without notice to or demand upon Borrower, make such payments and do such acts as Lender considers necessary, desirable or reasonable to protect its security interest in the Collateral. Borrower shall assemble the Collateral if Lender so requires and deliver or make the Collateral available to Lender at a place designated by Lender. Borrower authorizes Lender to enter any premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest or compromise any encumbrance, charge or lien on the Collateral which in Lender's determination appears to be prior or superior to its security interest or lien, and to pay all expenses incurred in connection therewith;
- (g) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, lease, license or other disposition, advertise for sale, lease, license or other disposition, and sell, lease, license or otherwise dispose (in the manner provided for herein or in the Code) the Collateral. Lender is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any asset of a similar nature, pertaining to the Collateral, in completing the production of, advertising for sale, lease, license or other disposition, and sale, lease, license or other disposition of the Collateral. Borrower's rights under all licenses and all franchise agreements shall inure to Lender's benefit; and/or

(h) Sell, lease, license or otherwise dispose of the Collateral at either a public or private proceeding, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Lender determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale. Lender shall give notice of the disposition of the Collateral as follows:

(i) to Borrower and all other parties entitled to receive a notice of disposition under the Code, a notice in writing of the time and place of the public sale or other disposition, or if the sale or other disposition is a private sale or some other disposition other than a public sale, a notice in writing of the time on or after which the private sale or other disposition is to be made; and

(ii) the notice hereunder shall be personally delivered or mailed, postage prepaid, to Borrower as provided in Section 12, at least ten (10) calendar days before the date fixed for the sale or other disposition, or at least ten (10) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to persons other than Borrower claiming an interest in the Collateral shall be sent to such addresses as is required or authorized under the Code.

Lender may credit bid and purchase at any public sale and, if permitted by applicable law, at any private sale, and any deficiency that exists after disposition of the Collateral as provided herein, shall be immediately paid by Borrower. Any excess will be remitted without interest by Lender to the party or parties legally entitled to such excess.

In addition to the foregoing, Lender shall have all rights and remedies provided by law (including those set forth in the Code) and at equity, and any rights and remedies contained in any Loan Documents and all such rights and remedies shall be cumulative.

9.2 No Waiver. No delay on the part of Lender in exercising any right, power or privilege under any Loan Document shall operate as a waiver of the terms and conditions hereof, nor shall any single or partial exercise of any right, power or privilege under such Loan Documents or otherwise, preclude any other or further exercise of any such right, power or privilege.

9.3 Waivers. If Lender seeks to take possession of any of the Collateral by court process, Borrower hereby irrevocably waives: (a) any bond and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession; (b) any demand for possession prior to the commencement of any suit or action to recover possession thereof; and (c) any requirement that Lender retain possession of, and not dispose of, any such Collateral until after trial or final judgment.

9.4 Commercially Reasonable Sale. Borrower and Lender agree that a sale or other disposition of any Collateral which complies with the following standards will conclusively be deemed to be commercially reasonable (but nothing herein implies that other methods or manners of sale are not commercially reasonable): (a) notice of the sale is given to Borrower at least (10) ten days prior to the sale, and, in the case of a public sale, notice of the sale is published at least seven (7) days before the sale in a newspaper of general circulation in the county where the sale is to be conducted; (b) notice of the sale describes the Collateral in general, non-specific terms; (c) the sale is conducted at a place designated by Lender, with or without the Collateral being present; (d) the sale commences at any time between 8:00 a.m. and 6:00 p.m.; (e) payment of the purchase price in cash or by cashier's check or wire transfer is required; and (f) with respect to any sale of any of the Collateral, Lender may (but is not obligated to) direct any prospective purchaser to ascertain directly from Borrower any and all information concerning the Collateral. Lender shall be free to employ other methods of noticing and selling the Collateral, in its discretion, if they are commercially reasonable.

10. TAXES AND EXPENSES REGARDING THE COLLATERAL. If Borrower fails to pay any monies (whether taxes, assessments, insurance premiums or otherwise) due to third persons or entities, fails to make any deposits or furnish any required proof of payment or deposit or fails to perform any of Borrower's other covenants under any of the Loan Documents, then in its discretion and without prior notice to Borrower, Lender may do any or all of the following: (a) make any payment which Borrower has failed to pay or any part thereof; (b) set up such reserves in Borrower's loan account as Lender deems necessary to protect Lender from the exposure created by such failure; (c) obtain and maintain insurance policies of the type described in Section 6.10 and take any action with respect to such policies as Lender deems prudent; or (d) take any other action deemed necessary to preserve and protect its interests and rights under the Loan Documents. Any payments made by Lender shall not constitute: (i) an agreement by Lender to make similar payments in the future or (ii) a waiver by Lender of any Event of Default. Lender need not inquire as to, or contest the validity of, any such expense, tax, security interest, encumbrance or lien, and the receipt of notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. WAIVERS

11.1 Demand, Protest. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, notice of intention to accelerate, notice of acceleration, and notice of nonpayment at maturity and acknowledges that Lender may compromise, settle or release, without notice to Borrower, any Collateral and/or guaranties at any time held by Lender. Borrower hereby consents to any extensions of time of payment or partial payment at, before or after the Termination Date.

11.2 No Marshaling. Borrower, on its own behalf and on behalf of its successors and assigns, hereby expressly waives all rights, if any, to require a marshaling of assets by Lender or to require that Lender first resort to some portion(s) of the Collateral before foreclosing upon, selling or otherwise realizing on any other portion thereof.

11.3 Lender's Non-Liability for Inventory or Equipment or for Protection of Rights. So long as Lender complies with its obligations, if any, under Section 9-207 of the Code, Lender shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Inventory or Equipment; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency or other person whomsoever. All risk of loss, damage or destruction of the Inventory or Equipment shall be borne by Borrower. Lender shall have no obligation to protect any rights of Borrower against any person obligated on any Collateral.

11.4 Limitation of Damages. In any action or other proceeding against Lender under this Agreement or relating to the transactions between Lender and Borrower, Borrower waives the right to seek any consequential or punitive damages.

12. NOTICES. Unless otherwise provided herein, all consents, waivers, notices or demands by any party relating to the Loan Documents shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be telecopied/sent by facsimile transmission or other electronic transmission .pdf (followed up by a mailing or overnight delivery), personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by receipted overnight delivery service to Borrower or to Lender, as the case may be, at their addresses set forth below

If to Borrower: Optical Cable Corporation
Applied Optical Systems, Inc.
Centric Solutions LLC
c/o Optical Cable Corporation
5290 Concourse Drive
Roanoke, Virginia 24019
Attn: Neil D. Wilkin, Jr., Chief Executive Officer

If to Lender: North Mill Capital LLC
821 Alexander Road, Suite 130
Princeton, New Jersey 08540
Attn: Heidi Ames, Senior Vice President

The parties' email and facsimile numbers are set forth on **Schedule 11**.

Any party may change the address at which it is to receive notices hereunder by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 12 shall be deemed received on the earlier of the date of actual receipt or five (5) calendar days after the deposit thereof in the mail or on the date telecommunicated if telecopied.

13. DESTRUCTION OF BORROWER'S DOCUMENTS. All documents, schedules, invoices, agings or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender four (4) months after they are delivered to or received by Lender, unless Borrower requests in writing the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return.

14. GENERAL PROVISIONS

14.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by Lender.

14.2 Successors and Assigns; Assignments and Participations; Third Party Beneficiaries. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, Borrower may not assign this Agreement or any rights hereunder, and any such prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release Borrower from its Obligations. Without notice to or the consent of Borrower, Lender may assign this Agreement and its rights and duties hereunder, and Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection therewith, Lender may disclose all documents and information which Lender now or hereafter may have relating to Borrower or Borrower's business. Borrower and Lender do not intend any of the benefits of the Loan Documents to inure to any third party, and no third party shall be a third party beneficiary hereof or thereof.

14.3 Section Headings. Article, Section and Exhibit headings and numbers thereof have been set forth herein for convenience only.

14.4 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each party and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

14.5 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of such provision.

14.6 Amendments in Writing. This Agreement cannot be changed or terminated orally. This Agreement supersedes all prior agreements, understandings and negotiations, if any, all of which are merged into this Agreement. **THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES REGARDING THE SUBJECT MATTER HEREIN AND THEREIN, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

14.7 Counterparts and Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same Agreement. Any signature to a Loan Document delivered by a party via telecopy/facsimile transmission or other electronic means shall be deemed to be an original signature.

14.8 Indemnification. Borrower hereby indemnifies, protects, defends and saves harmless Lender and any member, officer, director, investor, bank group member, official, agent, employee and attorney of Lender, and their respective heirs, successors and assigns (collectively, the **Indemnified Parties**), from and against any and all losses, damages, expenses or liabilities of any kind or nature and from any suits, claims or demands, including reasonable counsel fees incurred in investigating or defending such claim, suffered by any of them and caused by, relating to, arising out of, resulting from, or in any way connected with the Loan Documents and the transactions contemplated therein or the Collateral (unless caused by the gross negligence or willful misconduct of the Indemnified Parties) including, without limitation: (a) losses, damages, expenses or liabilities sustained by Lender in connection with any environmental cleanup or other remedy required or mandated by any Environmental Law; (b) any untrue statement of a material fact contained in information submitted to Lender by Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete; (c) the failure of Borrower to perform any obligations required to be performed by Borrower under the Loan Documents; and (d) the ownership, construction, occupancy, operations, use and maintenance of any of Borrower's assets. The provisions of this Section 14.8 shall survive termination of this Agreement and the other Loan Documents.

14.9. Joint and Several Obligations; Dealings with Multiple Borrowers. If more than one person or entity is named as Borrower hereunder, all Obligations, representations, warranties, covenants and indemnities set forth in the Loan Documents to which such person or entity is a party shall be joint and several. Lender shall have the right to deal with any Authorized Officer of any Borrower with regard to all matters concerning the rights and obligations of Lender and Borrower hereunder and pursuant to applicable law with regard to the transactions contemplated under the Loan Documents. All actions or inactions of the officers, managers, members and/or agents of any Borrower with regard to the transactions contemplated under the Loan Documents shall be deemed with full authority and binding upon all Borrowers hereunder. Each Borrower hereby appoints each other Borrower as its true and lawful attorney-in-fact, with full right and power, for purposes of exercising all rights of such person hereunder and under applicable law with regard to the transactions contemplated under the Loan Documents. The foregoing is a material inducement to the agreement of Lender to enter into this Agreement and to consummate the transactions contemplated hereby. Each Borrower represents that it and each other Borrower, together, are operated as part of one consolidated business entity and are directly dependent upon each other for and in connection with each of their respective business activities and financial resources. Each Borrower will receive a direct economic and financial benefit from the Obligations incurred under this Agreement and the incurrence of such Obligations is in the best interests of each Borrower.

14.10. Setoff. Borrower hereby grants to Lender a lien, security interest and right of setoff as security for all Obligations to Lender upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Lender, or any entity under the control of Lender, or its parent entity(ies), or in transit to any of them. At any time, without demand or notice, Lender may set off the same or any part thereof and apply the same to the Obligations of Borrower, even though unmaturing and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHTS OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

15. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER. THE VALIDITY OF THE LOAN DOCUMENTS, THEIR CONSTRUCTION, INTERPRETATION AND ENFORCEMENT AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THE PARTIES HERETO AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THE LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE COURTS LOCATED IN THE COUNTY OF MERCER, STATE OF NEW JERSEY, THE FEDERAL COURTS WHOSE VENUE INCLUDES THE STATE OF NEW JERSEY, OR AT THE SOLE OPTION OF Lender, IN ANY OTHER COURT IN WHICH Lender SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. **BORROWER AND LENDER EACH WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY** IN ANY PROCEEDING UNDER THE LOAN DOCUMENTS OR RELATING TO THE DEALINGS OF BORROWER AND Lender AND ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF "FORUM NON CONVENIENS" OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 15.

16. **CONFIDENTIALITY.** Lender agrees to use commercially reasonable efforts not to disclose Confidential Information to any Person without the prior consent of the Borrower; **provided**, that nothing herein contained shall limit any disclosure of any information (a) to the extent required by applicable law, statute, rule, regulation or judicial process or in connection with the exercise of any right or remedy under the Loan Documents, or as may be required in connection with the examination, audit or similar investigation of Lender, (b) to examiners, auditors, accountants or any regulatory authority, (c) to the officers, partners, managers, directors, employees, agents and advisors (including independent auditors, lawyers and counsel) and bank group members of Lender, (d) in connection with any litigation or dispute which relates to this Agreement or any other Loan Document to which Lender is a party or is otherwise subject, and/or (e) to any assignee or participant (or prospective assignee or participant) which agrees to be bound by this Section 16. Lender agrees that, for the term of this Agreement and a period of five (5) years thereafter, unless requested by the Board of Directors of Borrower in writing, Lender shall not in any manner, whether directly or indirectly, participate in a Solicitation. The obligations of Lender under this Section 16 shall survive termination of this Agreement and shall supersede and replace the obligations of Lender under any confidentiality letter or provision in respect of this financing or any other financing previously signed and delivered by Lender to any Borrower.

[SIGNATURES CONTINUED ON NEXT PAGE]

- 26 -

REVOLVING CREDIT MASTER

PROMISSORY NOTE

\$18,000,000.00

Princeton, New Jersey

July 24, 2020

FOR VALUE RECEIVED, the undersigned **OPTICAL CABLE CORPORATION**, a Virginia corporation, **APPLIED OPTICAL SYSTEMS, INC.**, a Delaware corporation, and **CENTRIC SOLUTIONS LLC**, a Delaware limited liability company (individually and collectively, "**Borrower**"), jointly and severally, promise to pay to the order of **NORTH MILL CAPITAL LLC**, a Delaware limited liability company ("**Lender**"), at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540, or such other address as Lender may notify Borrower, such sum up to **Eighteen Million and 00/100 (\$18,000,000.00) Dollars**, together with interest as hereinafter provided, as may be outstanding on Advances by Lender to Borrower under Section 2.1 of the Loan and Security Agreement dated as of even date herewith by and between Lender and Borrower (as amended, modified, supplemented, substituted, extended or renewed from time to time, the "**Loan Agreement**"). Capitalized terms not otherwise defined herein have the meanings set forth in the Loan Agreement. The Loan Agreement is incorporated herein as though fully set forth, and Borrower acknowledges its reading and execution thereof. The principal amount owing hereunder shall be paid to Lender on the Termination Date, which is currently July 24, 2023, or as may otherwise be provided for in the Loan Agreement.

On the first day of each calendar month hereafter, Borrower shall pay to Lender accrued interest, computed on the basis of a 360 day year for the actual number of days elapsed, on the Daily Balance, at the per annum rate of one and one-half (1.5%) percentage points above the Prime Rate in effect from time to time, but not less than four and three-quarters percent (4.75%) per annum. If there is a change in the Prime Rate, the rate of interest on the Daily Balance shall be changed accordingly as of the date of the change in the Prime Rate, without notice to Borrower.

To secure the payment of this Note and the Obligations, Borrower has granted to Lender a continuing security interest in and lien on the Collateral.

In addition to all remedies provided by law upon default on payment of this Note, or upon an Event of Default, Lender may, at its option:

- (1) declare this Note and the Obligations immediately due and payable;
- (2) collect interest on this Note at the Default Rate set forth in the Loan Agreement from the date of such Event of Default, and if this Note is referred to an attorney for collection, collect reasonable attorneys' fees; and
- (3) exercise any and all remedies provided for in the Loan Agreement.

BORROWER WAIVES PRESENTMENT FOR PAYMENT, PROTEST AND NOTICE OF PROTEST FOR NON-PAYMENT OF THIS NOTE AND TRIAL BY JURY IN ANY ACTION UNDER OR RELATING TO THIS NOTE AND THE ADVANCES EVIDENCED HEREBY. THIS NOTE IS GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

[signatures on next page]

- 1 -

OPTICAL CABLE CORPORATION

By: /s/ Neil D. Wilkin, Jr.
Name: Neil D. Wilkin, Jr.
Title: President and CEO

APPLIED OPTICAL SYSTEMS, INC.

By: /s/ Neil D. Wilkin, Jr.
Name: Neil D. Wilkin, Jr.
Title: President and CEO

CENTRIC SOLUTIONS LLC

By: /s/ Neil D. Wilkin, Jr.
Name: Neil D. Wilkin, Jr.
Title: President and CEO

Pinnacle Bank
150 3rd Avenue South
Nashville, TN 37201

July 23, 2020

Optical Cable Corporation
5290 Concourse Drive
Roanoke, Virginia 24019

North Mill Capital LLC
821 Alexander Road, Suite 130
Princeton, New Jersey 08540

Re: Credit Agreement dated April 26, 2016, by and between Pinnacle Bank, a Tennessee banking corporation, successor in interest through name change and merger with Bank of North Carolina ("**Pinnacle**"), and Optical Cable Corporation, a Virginia corporation ("**Borrower**") (as amended, modified, supplemented, substituted, extended or renewed from time to time, the "**Credit Agreement**"; all capitalized terms used in this payoff letter and not defined have the meanings ascribed to such terms in the Credit Agreement)

Ladies and Gentlemen:

We understand that North Mill Capital LLC, a Delaware limited liability company ("**NMC**"), proposes to make loans and advances to Borrower (and its subsidiaries), which loans and advances are to be secured by a security interest in the personal property assets of Borrower (and its subsidiaries). As of the date hereof, Borrower is indebted to Pinnacle under a revolving credit facility and term loans heretofore made by Pinnacle to Borrower, which revolving credit facility and term loans are secured by the liens and security interests heretofore granted by Borrower to Pinnacle in Borrower's real and personal property. The real property is described in the real estate documents set forth on **Exhibit A** attached hereto (collectively, the "**Real Estate Documents**"), and the personal property assets are the subject of various UCC financing statements set forth on **Exhibit B** attached hereto (the "**Pinnacle Financing Statements**").

Pinnacle and Borrower acknowledge that payments by Borrower's account debtors are, if made by check, paid to a post office box of Borrower, and if made by ACH or wire transfer, remitted directly into Borrower's depository account at Pinnacle. Borrower remits payment to Pinnacle under the revolving credit facility and term loans on a monthly basis.

Borrower is indebted to Pinnacle on the date hereof in the following amounts with respect to the revolving credit facility only:

Principal	\$	5,500,000.00
Accrued Interest	\$	13,750.00
Deferred Interest	\$	0.00
Escrow Balance	\$	0.00
Late Charges	\$	0.00
Prepayment Penalty	\$	0.00
Other Charges	\$	0.00
Memo Posted	\$	0.00
Total Revolver Payoff Amount	\$	5,513,750.00

This payoff is based on the principal balance above and may not include any unposted loan payments or advances processed after the date hereof.

In addition, Borrower must forward signed closing instructions to Borrower's Financial Advisor at Pinnacle via mail, email or fax number to close Borrower's loan account. Borrower should include its name, loan number and the desired closing date.

Payment to Pinnacle of the Total Revolver Payoff Amount shall be made by wire transfer as follows:

[REDACTED WIRE INSTRUCTIONS]

The aforesaid Total Revolver Payoff Amount shall only apply if Pinnacle receives a wire transfer of the aforesaid Total Revolver Payoff Amount on or before 5:00 p.m. (Eastern time) on July 24, 2020. If payment is to be made thereafter, kindly contact us for a current payoff amount.

Effective upon Pinnacle's confirmation to NMC that Pinnacle is in receipt of the Total Revolver Payoff Amount:

(a) The Credit Agreement shall be terminated;

(b) Pinnacle's liens upon and security interests in the personal property assets of Borrower shall be terminated, and NMC shall be authorized to file the UCC termination statements with respect to Pinnacle Financing Statements (and as any and all other UCC financing statements against Borrower on which Pinnacle is the secured party), and Pinnacle shall execute and deliver to NMC such other documents as NMC may reasonably request to release Pinnacle's liens of record, if any, against the personal property assets of Borrower, all costs and expenses incurred in connection therewith to be paid by Borrower. For the avoidance of doubt, Pinnacle acknowledges and agrees that the only loan documents that will continue with regard to the remaining obligations of Borrower to Pinnacle (that is under the term loans made by Pinnacle to Borrower, the "**Term Loans**") will be the notes set forth on **Exhibit C** attached hereto and the Real Estate Documents, and the only remaining collateral security that Pinnacle holds for the Term Loans is the real property described in in the Real Estate Documents and the fixtures of Borrower, and that with respect to any grant of a lien upon/security interest in the equipment of Borrower, as set forth in the Real Estate Documents (or otherwise), notwithstanding any wording to the contrary therein, is deemed to be against the fixtures of Borrower attached to the real property only, and not against personal property equipment of Borrower and no further financial covenants shall apply to the Term Loans; and

(c) Pinnacle confirms there is no automatic sweep from Borrower's depository account, and Borrower shall make all payments under the Term Loans directly to Pinnacle.

By its execution of this payoff letter below, until Borrower's account debtors have been notified to make payments on Borrower's accounts receivable to the lockbox and/or blocked account designated by NMC and the cash has been so transitioned to said lockbox/blocked accounts, Borrower agrees to provide NMC with a daily screen shot of Borrower's depository account at Pinnacle (and the other financial institutions where payments on Borrower's account receivables have been received), and Borrower shall (a) forward to directly NMC at the address set forth on **Exhibit D** attached hereto on a daily basis by reputable overnight carrier all checks received by Borrower at Borrower's headquarters or in Borrower's post office box, and (b) advise Pinnacle to send by wire transfer to the blocked account designated by NMC and set forth on **Exhibit D**, all wires/ACH payments received in Borrower's depository account at Pinnacle.

Pinnacle acknowledges to Borrower and NMC that, after payment of the Total Revolver Payoff Amount and termination of the Credit Agreement, no defaults or Events of Default currently exist under the notes evidencing the Term Loans and/or the Real Estate Documents.

Kindly indicate your acceptance of the terms of this letter by signing in the space provided below. This letter may be executed in counterparts and by facsimile or other electronic transmission with each such counterpart, facsimile or other electronic transmission constituting a valid, effective and enforceable agreement.

Exhibit A

Real Estate Documents

1. The Corrected Deed of Trust dated June 4, 2008, granted by Optical Cable Corporation and encumbering real property described therein located in Roanoke County, Virginia, and recorded in the Clerk's Office of the Circuit Court of Roanoke County, Virginia, as Instrument #200807923, as amended, modified, continued or restated.
2. The Corrected Deed of Trust, Security Agreement and Fixture Filing dated May 30, 2008, granted by Optical Cable Corporation and encumbering the real property described therein located in Buncombe County, North Carolina, and recorded in the Office of the Register of Deeds for Buncombe County, North Carolina, in Deed Book 4573, pages 1676 – 1688, as amended, modified, continued or restated.

Exhibit B

Pinnacle Financing Statements

SOS VA

1. Initial UCC Financing Statement #-06091272359, filed on September 12, 2006 with the Secretary of the Commonwealth of Virginia; Secured Party: Bank of North Carolina (now Pinnacle Bank, National Association); Collateral: Blanket lien

The priority of the liens and security interests granted to Pinnacle Bank, National Association and the enforcement thereof are subject to a certain intercreditor agreement by and between Pinnacle Bank, National Association and Lender.

Clerk of the Circuit Court of Roanoke County, VA

1. Initial UCC Financing Statement #200700003, filed on January 18, 2007 with the Clerk of the Circuit Court of Roanoke County, Virginia; Secured Party: Bank of North Carolina (now Pinnacle Bank, National Association); Collateral: Blanket lien

Exhibit C

Term Loan Notes

1. Term Loan A Note, dated April 26, 2016, by Optical Cable Corporation in favor of Pinnacle Bank in the original principal amount of \$1,816,609.03
2. Term Loan B Note, dated April 26, 2016, by Optical Cable Corporation in favor of Pinnacle Bank in the original principal amount of \$5,271,410.83