

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): August 28, 2020

Communications Systems, Inc.
(Exact name of Registrant as Specified in its Charter)

Minnesota
(State Or Other Jurisdiction Of Incorporation)

001-31588
(Commission File Number)

41-0957999
(I.R.S. Employer
Identification No.)

10900 Red Circle Drive
Minnetonka, MN
(Address of Principal Executive Offices)

55343
(Zip Code)

952-996-1674
Registrant's Telephone Number, Including Area Code

Securities Registered Pursuant to Section 12(b) of the Act

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value, \$.05 per share	JCS	Nasdaq

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
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
-

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 1.01 Entry Into a Material Definitive Agreement

On August 28, 2020, Communications Systems, Inc. (the “Company”) entered into a \$5.0 million credit facility with Wells Fargo Bank, National Association. The Company’s obligations under the credit facility are secured by a security agreement covering a securities accounts the Company maintains with Wells Fargo and Wells Fargo-affiliated entities. There are no other security interests on Company assets in connection with the credit facility. The Company’s obligations under the credit facility are guaranteed by Company’s subsidiaries, Transition Networks, Inc.; JDL Technologies, Inc.; Ecessa Corporation; and Twisted Technologies, Inc. These subsidiaries have not pledged any assets to support their guarantees.

The credit facility contains customary covenants.

Item 1.02 Termination of a Material Definitive Agreement

In connection with the Company’s entering into a new \$5.0 million credit facility described in Item 1.01 of this Form 8-K, the Company and Wells Fargo terminated the prior credit facility and related agreements with Wells Fargo, except that the security agreement between the Company and Wells Fargo and the Guaranty by the Company’s subsidiaries were amended and updated as of August 28, 2020.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Exhibit Name
10.1	Credit Agreement dated as of August 28, 2020, by and between Communications Systems, Inc. and Wells Fargo Bank, National Association
10.2	Amended Securities Account Security Agreement dated as of August 28, 2020
10.3	Revolving Line of Credit Note dated as of August 28, 2020 in the amount of \$5.0 million
10.4	Continuing Guaranty of Communications Systems, Inc obligations by Ecessa Corporation, JDL Technologies, Incorporated, Transition Networks, Inc.; and Twisted Technologies, Inc. dated as of August 28, 2020.

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, thereunto duly authorized.

COMMUNICATIONS SYSTEMS, INC.

By: /s/ Mark D. Fandrich
Mark D. Fandrich, Chief Financial Officer

Date: September 3, 2020

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") dated August 28, 2020, is by and between COMMUNICATIONS SYSTEMS, INC., a Minnesota corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1 LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including August 28, 2021, not to exceed at any time the aggregate principal amount of \$5,000,000 ("Line of Credit"), the proceeds of which shall be used Borrower's for working capital purposes and general corporate purposes (including the issuance of letters of credit in accordance with the terms hereof). Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note, originally of even date herewith (as amended, restated, supplemented, extended, renewed, replaced or otherwise modified from time to time, "Line of Credit Note").

(b) Limitation on Borrowings. Outstanding borrowings under the Line of Credit, to a maximum of the principal amount set forth in clause (a) above, shall not at any time exceed an aggregate amount of (the following, the "Borrowing Base"):

- (i) the Margin Value of Eligible Pledged Securities, *minus*
- (ii) the current Purchasing Card Commitment, *minus*
- (iii) undrawn amount of all Subfeature Letters of Credit, *minus*
- (iv) the aggregate amount of Reserves, if any, established by Bank from time to time.

As used herein, the following terms have the meanings set forth below:

(A) "Eligible Pledged Securities" means those marketable securities owned by Borrower on deposit in the Pledged Securities Account and in which Bank has a perfected first-priority security interest, and that are (i) designated as eligible or otherwise of a type or types determined acceptable to Bank from time to time in its Permitted Discretion, (ii) held in the Pledged Securities Account and subject to a Securities Account Control Agreement in favor of Bank that is in full force and effect, and (iii) not subject to a security interest or Lien in favor of any other person or entity other than Bank.



(B) "Margin Value" has the meaning set forth in that certain Security Agreement: Securities Account of even date herewith executed by Borrower in favor of Bank (as the same may be amended, restated, supplemented or otherwise modified from time to time).

(C) "Permitted Discretion" means a determination made in the exercise of the good faith judgment of Bank.

(D) "Pledged Securities" means the marketable securities on deposit in the Pledged Securities Account.

(E) "Pledged Securities Account" means, collectively, that certain securities account number [Account Number Redacted] maintained by Borrower with Wells Fargo Securities, LLC and that certain safekeeping account number [Account Number Redacted] maintained by Borrower with Wells Fargo Bank, National Association, in each case together with all subaccounts thereof and any duplicate, corollary or replacement account thereof, as each of the foregoing may be renewed, substituted, re-numbered or recaptioned from time to time.

(F) "Purchasing Card Commitment" means Bank's then-current commitment in respect of purchase cards offered to Borrower (including so-called "procurement cards" or "p-cards"), which as of the date of this Agreement is \$750,000.

(G) "Reserves" means, as of any date of determination, an amount or percentage of a specific category or item that Bank establishes in its Permitted Discretion from time to time to reduce availability under the Line of Credit to reflect events, conditions, contingencies, or risks which might affect the assets, business or prospects of any of Borrower, any Guarantor, any other Third Party Obligor or any of the Collateral or its value or the enforceability, perfection or priority of Bank's security interest or other Lien in any of collateral pledged as security for the Obligations.

(H) "Securities Account Control Agreement" means a securities account control agreement of even date herewith, covering the Pledged Securities Account and in form and substance satisfactory to Bank, executed and delivered by Borrower, Wells Fargo Securities, LLC and Wells Fargo Bank, N.A to Bank, as the same may be amended, restated, supplemented or otherwise modified in accordance with the terms thereof.

(c) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth herein.

(d) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause a branch, a subsidiary or an affiliate to issue standby letters of credit and sight commercial letters of credit for the account of Borrower ("Subfeature Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Subfeature Letters of Credit shall not at any time exceed \$500,000. Bank shall have no obligation to issue a Subfeature Letter of Credit if (i) any order, judgment, or decree of any governmental authority or arbitrator shall, by its terms, purport to enjoin or restrain Bank from issuing such Subfeature Letter of Credit, or any law applicable to Bank or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over Bank shall prohibit or request that Bank refrain from the issuing of letters of credit generally or such Subfeature Letter of Credit in particular, or (ii) such

Subfeature Letter of Credit would violate one or more policies of Bank applicable to letters of credit generally, or (iii) if amounts demanded to be paid under any Subfeature Letter of Credit will or may not be in United States Dollars. The form and substance of each Subfeature Letter of Credit shall be subject to approval by Bank, in its sole discretion. Each Subfeature Letter of Credit shall be issued for a term not to exceed one year, as designated by Borrower; provided however, that no Subfeature Letter of Credit shall have an expiration date subsequent to the maturity date of the Line of Credit. The undrawn amount of all Subfeature Letters of Credit shall be reserved under the Line of Credit (including the Borrowing Base) and shall not be available for borrowings thereunder. Each Subfeature Letter of Credit shall be subject to the additional terms and conditions of Bank's standard standby letter of credit agreement or Bank's standard commercial letter of credit agreement and all applications and related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Subfeature Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit.

SECTION 1.2 [RESERVED].

SECTION 1.3 INTEREST/FEEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith. The promissory notes or other instruments or documents executed in connection with the credit(s) subject to this Agreement may calculate interest at a rate equal to the sum of an index rate of interest plus a margin rate of interest. In the event any index rate of interest would be less than 0.75%, then the index rate of interest shall be deemed to be 0.75% and the applicable promissory note or other instrument or document shall bear interest at a rate equal to the margin rate of interest.

(b) Computation and Payment. Interest shall be computed on the basis set forth in each promissory note or other instrument or document required hereby. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to 0.20% per annum (computed on the basis of a 360-day year, actual days elapsed) on the daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the first day of each quarter commencing on October 1, 2020.

(d) Commercial Subfeature Letter of Credit Fees and Commissions Borrower shall pay to Bank:

(i) non-refundable up front issuance fees or commissions for the issuance, extension or increase of each commercial Subfeature Letter of Credit in an amount equal to Bank's standard issuance fee or commission then in effect for the issuance, extension or increase of commercial letters of credit, with such fees and commissions payable at the time of issuance, extension or increase or, if applicable, by such later date as may be specified in a billing for such amount sent by Bank to Borrower; and

(ii) fees or commissions for each drawing under any such commercial Subfeature Letter of Credit and for the occurrence of any transfer, assignment, amendment, cancellation or

other activity with respect to any such commercial Subfeature Letter of Credit (including without limitation fees for document examination, discrepancies, acceptances, deferred payment, reinstatement, document delivery, special handling and other trade services), determined in accordance with Bank's standard fees and charges then in effect for such activity, and correspondent bank fees and fees of any adviser, confirming institution or entity or other nominated person, with such fees and commissions payable at the time of such activity or, if applicable, by such later date as may be specified in a billing for such amount sent by Bank to Borrower.

(c) Standby Subfeature Letter of Credit Fees and Commissions Borrower shall pay to Bank:

(i) non-refundable up front issuance fees or commissions for the issuance, extension or increase (including any auto-extension) of each standby Subfeature Letter of Credit in an amount equal to 1.25% per annum (computed on the basis of a 360 day year, actual days projected to elapse) of the face or increased amount, as applicable, of such standby Subfeature Letter of Credit calculated over the projected term thereof (up to the scheduled expiration date), with such fees and commissions payable at the time of issuance, extension or increase or, if applicable, by such later date as may be specified in a billing for such amount sent by Bank to Borrower; and

(ii) fees or commissions for each drawing under any such standby Subfeature Letter of Credit and for the occurrence of any transfer, assignment, amendment, cancellation or other activity with respect to such standby Subfeature Letter of Credit (including without limitation fees for document examination, discrepancies, reinstatement, document delivery, special handling and other trade services), determined in accordance with Bank's standard fees and charges then in effect for such activity, and correspondent bank fees and fees of any adviser, confirming institution or entity or other nominated person, with such fees and commissions payable at the time of such activity or, if applicable, by such later date as may be specified in a billing for such amount sent by Bank to Borrower.

SECTION 1.4 COLLECTION OF PAYMENTS. Except to the extent expressly specified otherwise in any Loan Document other than this Agreement, Borrower authorizes Bank to collect all amounts due to Bank from Borrower under this Agreement or any other Loan Document (whether for principal, interest or fees, or as reimbursement of drafts paid or other payments made by Bank under any credit subject to this Agreement) by debiting any deposit account maintained by Borrower with Bank for the full amount thereof. Should there be insufficient funds in Borrower's deposit accounts with Bank to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.5 COLLATERAL. As security for all Obligations, Borrower shall grant to Bank a Lien of first priority in the Pledged Securities. The foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, control agreements, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall pay to Bank immediately upon demand the full amount of all charges, costs and expenses (to include fees paid to third parties and all allocated costs of Bank in-house counsel, if any), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees, search fees, and costs of appraisals, audits and title insurance. As used herein, "Obligations" means (a) all loans (including the advances made under the Line of Credit), debts, principal, interest (including any interest that accrues after the beginning of any proceeding under the Bankruptcy Code or any other state or federal bankruptcy or insolvency law, assignments for the benefits of creditors, receiverships and similar proceedings, in each case regardless of whether allowed or allowable in whole or in part as

claim in any such proceeding), premiums, liabilities, obligations (including indemnification obligations), fees, expenses (including any fees or expenses that accrue after the commencement of any bankruptcy, insolvency or similar proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such proceeding), guaranties, and all covenants and duties of any other kind and description owing by Borrower under or evidenced by this Agreement or any of the other Loan Documents or otherwise owing to Bank under any other present or future document, instrument or agreement, and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, liquidated or unliquidated, determined or undetermined, voluntary or involuntary, due, not due or to become due, sole, joint, several or joint and several, incurred in the past or now existing or hereafter arising, however arising, and including all interest not paid when due, and all other expenses or other amounts that Borrower is required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents, and (b) all obligations indebtedness, liabilities, reimbursement obligations, fees, or expenses owing by Borrower to Bank or any of Bank's affiliates with respect to any financial product or accommodation extended to Borrower, whether direct or indirect, absolute or contingent, liquidated or unliquidated, determined or undetermined, voluntary or involuntary, due, not due or to become due, incurred in the past or now existing or hereafter arising, however arising. In addition, as used herein, "Lien" means, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or its income, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the above, and the filing of any financing statement or similar instrument under the Minnesota Uniform Commercial Code (as in effect from time to time) or comparable law of any jurisdiction.

SECTION 1.6 GUARANTIES; GUARANTOR SECURITY AGREEMENTS. The payment and performance of the Obligations shall be guaranteed jointly and severally by JDL Technologies, Incorporated, a Minnesota corporation ("JDL"), Ecessa Corporation, a Minnesota corporation ("Ecessa"), Transition Networks, Inc., a Minnesota corporation ("Transition Networks"), Twisted Technologies, Inc., a Georgia corporation ("Twisted Technologies"; collectively, JDL, Ecessa, Transition Networks and Twisted Technologies, together with each other person or entity that may execute a guaranty of the Obligations from time to time, the "Guarantors" and each a "Guarantor"), as evidenced by and subject to the terms of guaranties in form and substance satisfactory to Bank. If at any time Suttle, Inc., a Minnesota corporation ("Suttle"), (x) owns assets with a value in excess of \$1,500,000 in the aggregate, (y) acquires additional assets after the date hereof with an aggregate value in excess of \$50,000, or (z) otherwise conducts any business operations other than those current activities conducted by it pursuant to a transition services agreement existing as of the date hereof (the "Suttle Transition Services Agreement"), Borrower agrees that it will cause Suttle to execute a guaranty in favor of Bank, in each case in form and substance acceptable to Bank.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, on the date hereof and on the date of each subsequent request for any extension of credit hereunder (including, without limitation, the issuance of any product under any subfeature contained herein, to the extent applicable), which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1 LEGAL STATUS. (a) Borrower is a corporation duly organized and validly existing and in good standing under the laws of Minnesota, and each subsidiary of Borrower is duly organized, validly existing and in good standing under the laws of the state of its formation or

incorporation, and Borrower and each subsidiary of Borrower is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect; and (b) no member of the Borrowing Group (as defined below) is a Sanctioned Target (as defined below) of economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes or restrictions and anti-terrorism laws imposed, administered or enforced from time to time by the United States of America, the United Nations Security Council, the European Union, the United Kingdom, any other governmental authority with jurisdiction over Borrower or any member of the Borrowing Group (collectively, "Sanctions"). As used herein, "Borrowing Group" means: (i) Borrower, (ii) any direct or indirect parent of Borrower, (iii) any affiliate or subsidiary of Borrower (including each Guarantor), (iv) any Third Party Obligor (as defined below), and (v) any officer, director or agent acting on behalf of any of the parties referred to in items (i) through and including (iv) with respect to the obligations hereunder, this Agreement or any of the other Loan Documents. "Sanctioned Target" means any target of Sanctions, including (A) persons on any list of targets identified or designated pursuant to any Sanctions, (B) persons, countries, or territories that are the target of any territorial or country-based Sanctions program, (C) persons that are a target of Sanctions due to their ownership or control by any Sanctioned Target(s), or (D) persons otherwise a target of Sanctions, including vessels and aircraft, that are designated under any Sanctions program. Suttle, Inc., a Minnesota corporation ("Suttle"), is a wholly-owned subsidiary of Borrower that has no assets or liabilities in excess of \$1,500,000 and has no operations other than fulfilling its obligations under a transition services agreement.

SECTION 2.2 AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, security agreement, guaranty, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, as the same may be amended, restated, supplemented or otherwise modified, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower, Guarantor or the party which executes the same, in each case enforceable in accordance with their respective terms.

SECTION 2.3 NO VIOLATION. The execution, delivery and performance by Borrower and Guarantors of each of the Loan Documents to which they are a party do not violate any provision of any law or regulation, or contravene any provision of the organizational and governing documents of Borrower or any Guarantor, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower or any Guarantor is a party or by which Borrower or any Guarantor may be bound.

SECTION 2.4 LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which involve more than \$500,000 or which could reasonably be expected to have a material adverse effect on the financial condition or operation of Borrower or any Guarantor (individually or in the aggregate) other than those existing as of the date hereof and disclosed in Schedule 2.4 attached hereto.

SECTION 2.5 CORRECTNESS OF FINANCIAL STATEMENTS AND OTHER INFORMATION. The annual financial statement of Borrower dated December 31, 2019, and all interim or audited financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the December 31, 2019, there has been no material adverse change in the financial condition of

Borrower or any Guarantor (whether as a result of COVID-19 or otherwise), nor has Borrower or any Guarantor mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing. All information provided from time to time by Borrower, any Guarantor or any other Third Party Obligor to Bank for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes was complete and correct at the time such information was provided and, except as specifically identified to Bank in a subsequent writing, remains complete and correct today. Borrower and each Guarantor is solvent, and no transfer of property is being made by Borrower or any Guarantor and no obligation is being incurred by Borrower or any Guarantor in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of Borrower or any Guarantor.

SECTION 2.6 TAXES. Borrower and each subsidiary of Borrower has timely filed all tax returns and reports required to be filed by it, and paid when due all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon Borrower, each subsidiary of Borrower and their respective assets, income, businesses and franchises that are due and payable. Borrower does not know of any unpaid tax or assessment or proposed tax or assessment against Borrower or any of its subsidiaries except (a) as set forth on Schedule 2.6 and (b) taxes owing for current or future periods that are not yet due and payable.

SECTION 2.7 NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower or any Guarantor is a party or by which Borrower or any Guarantor may be bound that requires the subordination in right of payment of any of the Obligations to any other obligation of Borrower or any Guarantor.

SECTION 2.8 PERMITS, FRANCHISES. Except as the absence thereof would not reasonably be expected to have a material adverse effect on Borrower or any of its subsidiaries, Borrower and each subsidiary of Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9 ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred in the past six (6) years and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10 OTHER OBLIGATIONS; NO OTHER LIENS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation. None of Borrower, any Guarantor, or any subsidiary of Borrower or any Guarantor has granted a Lien in or otherwise encumbered any of its assets or properties except in favor of Bank and except for Permitted Liens.

SECTION 2.11 ENVIRONMENTAL MATTERS. Except as set forth in Schedule 2.11 attached hereto, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations or properties, including without limitation,

the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12 SANCTIONS, ANTI-MONEY LAUNDERING AND ANTI-CORRUPTION LAWS. (a) each member of the Borrowing Group has instituted, maintains and complies with policies, procedures and controls reasonably designed to assure compliance with Anti-Money Laundering Laws and Anti-Corruption Laws (each as defined below), and Sanctions; and (b) to the best of Borrower's knowledge, after due care and inquiry, no member of the Borrowing Group is under investigation for an alleged violation of any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws by a governmental authority that enforces such laws. As used herein: "Anti-Corruption Laws" means: (i) the U.S. Foreign Corrupt Practices Act of 1977, as amended; (ii) the U.K. Bribery Act 2010, as amended; and (iii) any other anti-bribery or anti-corruption laws, regulations or ordinances in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business. "Anti-Money Laundering Laws" means applicable laws or regulations in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business that relates to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto.

SECTION 2.13 COMPLIANCE WITH LAWS, ETC. None of Borrower, any Guarantor, or any subsidiary of Borrower or any Guarantor is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. None of Borrower, any Guarantor, or any subsidiary of Borrower or any Guarantor is engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower, each Guarantor, and each subsidiary of Borrower and each Guarantor has complied in all material respects with the Federal Fair Labor Standards Act. None of Borrower, any Guarantor, or any subsidiary of Borrower or any Guarantor has violated any laws, ordinances or rules, the violation of which could reasonably be expected to result in a material adverse change or subject such parties to costs or liability in excess of \$500,000.

ARTICLE III CONDITIONS

SECTION 3.1 CONDITIONS TO THE EFFECTIVENESS OF THIS AGREEMENT. The effective date of this Agreement shall be (a) the date that each of the following conditions set forth in this Section 3.1 have been satisfied or waived, as determined by Bank, or (b) such alternative date to which Bank and Borrower may mutually agree, in each case as evidenced by Bank's system of record. Notwithstanding the occurrence of the effective date of this Agreement, Bank shall not be obligated to extend credit under this Agreement or any other Loan Document until all conditions to each extension of credit set forth in Section 3.2 have been fulfilled to Bank's satisfaction.

- (a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Agreement shall be satisfactory to Bank's counsel.
 - (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties (as applicable):
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- (i) This Agreement and each promissory note or other instrument or document required hereby.
- (ii) With respect to the Pledged Securities, the Security Agreement: Securities Account and Securities Account Control Agreement, in each case duly executed by Borrower, Bank and, with respect to such control agreement, Wells Fargo Securities, LLC.
- (iii) A guaranty, duly executed by each Guarantor.
- (iv) A copy of the current account agreement and recent account statement with respect to the Pledged Securities Account.
- (v) Completed Statements of Purpose for an Extension of Credit Secured by Margin Stock – FR U-1, in each case duly executed by Borrower.
- (vi) Uniform Commercial Code and other searches and all Uniform Commercial Code and other filings deemed necessary by Bank with respect to Borrower will have been completed and will have confirmed Bank's first-priority Liens in the collateral pledged pursuant to the Loan Documents, and the results thereof will be otherwise satisfactory to Bank.
- (vii) Certificates of insurance and related endorsements thereto, noting Bank's interest therein.
- (viii) Such other documents as Bank may require.

(c) Satisfaction of Regulatory and Compliance Requirements. In addition to any requirements set forth above, and notwithstanding Borrower's execution or delivery of this Agreement or any other Loan Document, all regulatory and compliance requirements, standards and processes shall be completed to the satisfaction of Bank.

SECTION 3.2 CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true in all material respects (or, in the case of any such representation or warranty already qualified by materiality, in all respects) on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be true and correct in all material respects (or, in the case of any such representation or warranty already qualified by materiality, in all respects) only as of such specified date), and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default (each, a "Default"), shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit, including, without limitation, the following:

- (i) For the issuance of a commercial letter of credit under any credit subject to this Agreement, Bank's standard Application for Commercial Letter of Credit.
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(ii) For the issuance of a standby letter of credit under any credit subject to this Agreement, Bank's standard Application for Standby Letter of Credit.

(iii) For any credit extension that is subject to confirmation of compliance with any limitation on borrowings hereunder at the time it is made, if requested by Bank, a borrowing base certificate demonstrating compliance with such requirements.

(c) Letter of Credit Documentation. Prior to the issuance of any letter of credit, Bank shall have received a Letter of Credit Agreement and any other letter of credit documentation required by Bank, in each case completed and duly executed by Borrower.

(d) Payment of Fees. Bank shall have received payment in full of any fee required by any of the Loan Documents to be paid at the time such credit extension is made.

(e) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, any Guarantor or any other Third Party Obligor hereunder, if any, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower, Guarantor or any other Third Party Obligor, if any.

ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto and termination of all obligations of Bank under the Loan Documents, Borrower shall, and shall cause all Guarantors and subsidiaries of Borrower and Guarantors to, unless Bank otherwise consents in writing:

SECTION 4.1 PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2 ACCOUNTING RECORDS; INSPECTIONS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower; provided that, so long as no Default or Event of Default is continuing, such inspection, audit and examination shall be conducted with 48 hours' written notice to Borrower. If at any time any change in generally accepted accounting principles would affect the computation of any covenant (including the computation of any financial covenant) set forth in this Agreement or any other Loan Document, Borrower and Bank shall negotiate in good faith to amend such covenant to preserve the original intent in light of such change; provided, that, until so amended, (i) such covenant shall continue to be computed in accordance with the application of generally accepted accounting principles prior to such change and (ii) Borrower shall provide to Bank a written reconciliation in form and substance reasonably satisfactory to Bank, between calculations of such covenant and/or pricing grid made before and after giving effect to such change in generally accepted accounting principles.

SECTION 4.3 FINANCIAL STATEMENTS AND OTHER INFORMATION. Provide to Bank all of the following, in form and detail satisfactory to Bank:

- (a) no later than 5 days after the last day of each month, a current account statement for the Pledged Securities Account as of such last day of the month, containing an accurate and complete statement of the Pledged Securities in the Pledged Securities Account;
- (b) as soon as available but no later than 45 days after each quarter end, a consolidated and consolidating unaudited balance sheet, income statement, statement of cash flow, and statement of owner's equity with respect to Borrower, Guarantors and their respective subsidiaries during such period and compared to the prior period and plan, prepared in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes, together with a corresponding discussion and analysis of results from management;
- (c) contemporaneously with each quarterly financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower, as applicable, that said financial statements are accurate, that Borrower is in compliance with all financial covenants in this Agreement (as evidenced by detailed calculations attached to such certificate), and that there exists no Default or Event of Default (a "Compliance Certificate");
- (d) as soon as available but no later than 120 days after the end of each fiscal year of Borrower, consolidated and consolidating financial statements of Borrower, Guarantors and their respective subsidiaries for such fiscal year, audited by independent certified public accountants reasonably acceptable to Bank, prepared in accordance with GAAP, and certified, without any qualifications (including any (i) "going concern" or like qualification or exception, (ii) qualification or exception as to the scope of such audit, or (iii) qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item), by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, statement of cash flow, and statement of owner's equity and, if prepared, such accountants' letter to management), together with a Compliance Certificate;
- (e) if and when filed by Borrower, copies of each form 10-Q quarterly report, form 10-K annual report, and form 8-K current reports, together with copies of any other filings made by Borrower with the Securities and Exchange Commission and any other information that is provided by Borrower to its shareholders generally;
- (f) from time to time such other financial and business information as Bank may reasonably request, including without limitation, copies of rent rolls and other information with respect to any real property collateral required hereby;
- (g) not later than March 31 of each year, a copy of Borrower's consolidated and consolidating projections for such calendar year, to include balance sheet, income statement, statement of cash flows, and sources and uses of funds statement; and
- (h) from time to time such other information as Bank may request for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes.

SECTION 4.4 COMPLIANCE.

- (a) Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents
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under which Borrower or any Guarantor is organized and/or which govern Borrower and each Guarantor and their respective subsidiaries all laws, rules, regulations and orders of any governmental authority applicable to Borrower, any Guarantor and/or its business, and each subsidiary thereof and/or its business, the failure to maintain or comply with which could reasonably be expected to cause a material adverse change; and

(b) comply with, and cause each member of the Borrowing Group to comply with, all Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws.

SECTION 4.5 INSURANCE. (a) Maintain and keep in force, for each business in which Borrower and each subsidiary of Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, commercial general liability, flood, and, if required by governmental regulation or Bank, hurricane, windstorm, seismic property damage, workers' compensation, marine cargo insurance, and specific hazards affecting any real property, including terrorism, with all such insurance carried in amounts satisfactory to Bank and where required by Bank, with replacement cost, mortgagee loss payable and lender loss payable endorsements in favor of Bank, and (b) deliver to Bank prior to the date hereof, and from time to time at Bank's request, schedules setting forth all insurance then in effect, together with a lender's loss payee and other assignments and endorsements for all such insurance naming Bank as a lender loss payee with regard to property coverage and business interruption insurance and as additional insured with regard to liability insurance. Such insurance may be obtained from an insurer or through an insurance agent of Borrower's choice, provided that any insurer chosen by Borrower is acceptable to Bank on such reasonable grounds as may be permitted under applicable law.

SECTION 4.6 FACILITIES. Keep all properties useful or necessary to Borrower's and each of its subsidiaries' businesses in good repair and condition, ordinary wear and tear excepted, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7 TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments.

SECTION 4.8 LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower or any subsidiary of Borrower involving more than \$250,000 or which could reasonably be expected to cause a material adverse change.

SECTION 4.9 FINANCIAL CONDITION. Maintain Borrower's consolidated financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Tangible Net Worth of not less than \$35,000,000 at all times, reported to Bank on a quarterly basis. As used herein, "Tangible Net Worth" means the aggregate of total stockholders', members' and partners' equity, as applicable, *minus* any intangible assets, *minus* any loans or advances to, or investments in, any affiliates or other related entities or individuals.

(b) [Reserved.]

SECTION 4.10 NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter and in no event more than one (1) business day after the occurrence of each such event or matter described below with respect to Sanctions, Anti-Money

Laundering Laws, and Anti-Corruption Laws) give written notice to Bank in reasonable detail of: (a) the occurrence of any Default or Event of Default; (b) any change in the name or the organizational structure of Borrower or subsidiary of Borrower, including, by illustration, merger, conversion or division; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; (d) any termination or cancellation of any insurance policy which Borrower or any subsidiary is required to maintain, or any loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's or any subsidiary's property in excess of an aggregate of \$250,000; or (e) any breach of any covenant contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws or the Borrower's inability to make the representations and warranties contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws on any date, or the failure of any representations and warranties contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws to be true and correct in all respects on or as of any date.

SECTION 4.11 WINDDOWN OF SUTTLE. Within 45 days (or such longer period as agreed by Bank in writing) after Suttle's completion of its obligations under the Suttle Transition Services Agreement, Borrower shall provide written notice of the same to Bank and shall (a) liquidate Suttle's remaining assets, distribute all proceeds to Borrower and dissolve Suttle, or (b) merge Suttle into Borrower, and shall promptly deliver written evidence of such dissolution or merger, as applicable, to Bank.

SECTION 4.12 AMENDMENT OF ARTICLES. No later than June 30, 2021, Borrower shall deliver to Bank a copy of a duly approved and filed amendment to Borrower's articles of incorporation reflecting the removal of any requirement that Borrower obtain its shareholders' vote, approval or consent prior to granting a lien in, pledge of, or mortgage of any of Borrower's assets (or any portion thereof).

ARTICLE V NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto and termination of all obligations of Bank under the Loan Documents, Borrower will not, and will not permit any Guarantor or subsidiary of Borrower and Guarantors to, without Bank's prior written consent:

SECTION 5.1 USE OF FUNDS. SOURCES OF REPAYMENT AND COLLATERAL.

(a) Use, or permit any member of the Borrowing Group to use, any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof, or directly or indirectly use any such proceeds to fund, finance or facilitate any activities, business or transactions: (i) that are prohibited by Sanctions; (ii) that would be prohibited by Sanctions if conducted by Bank or any of Bank's affiliates; or (iii) that would be prohibited by any Anti-Money Laundering Laws or Anti-Corruption Laws.

(b) Fund any repayment of the obligations hereunder or under any other Loan Document with proceeds, or provide any property as collateral for any such obligations, or permit any third party to provide any property as collateral for any such obligations, that is directly or indirectly derived from any transaction or activity that is prohibited by any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws, or that could otherwise cause Bank or any of Bank's affiliates to be in violation of any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) Use, or permit any member of the Borrowing Group to use, any of the proceeds of any credit extended hereunder to purchase or carry margin stock or for any other purpose that violates the terms of Regulation T, U, or X of the Board of Governors of the Federal Reserve System.

SECTION 5.2 CAPITAL EXPENDITURES. Make any additional investment in fixed or capital assets (including assets leased under capital leases), except to the extent constituting Permitted Indebtedness.

SECTION 5.3 [RESERVED].

SECTION 5.4 OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the Obligations, and (b) Permitted Indebtedness. As used herein:

(i) "Indebtedness" means the following, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several: (A) all obligations for borrowed money (including recourse and other obligations to repurchase accounts or chattel paper under factoring, receivables purchase or similar financing arrangement or for the deferred purchase price of property or services); (B) all obligations in respect of surety bonds and letters of credit; (C) all obligations evidenced by notes, bonds, debentures or other similar instruments; (D) all capital lease obligations; (E) all obligations or liabilities of others secured by a Lien on any asset of Borrower, any Guarantor or any subsidiary of Borrower or any Guarantor, whether or not such obligation or liability is assumed; (F) all obligations to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices); (G) all guaranties of the obligations of another Person; and (H) all obligations owing under any "swap agreement" as that term is defined in Section 101(53B)(A) of the United States Bankruptcy Code (which amounts will be calculated based on the amount that would be payable by the applicable Loan Party if such agreement were terminated on the date of determination) (such agreements under this clause (H) referred to herein as "Hedge Agreements").

(ii) "Permitted Indebtedness" means (A) Indebtedness described on Schedule 5.4 hereto; (B) purchase money indebtedness incurred in connection with the financing of the purchase of fixed assets (including capitalized leases permitted hereunder) in an aggregate amount outstanding at any time not to exceed \$1,000,000; and (C) Indebtedness acquired in connection with a Permitted Acquisition, so long as such Indebtedness is either purchase money indebtedness or a capital lease with respect to Equipment or mortgage financing with respect to real property, such Indebtedness was in existence prior to the date of such Permitted Acquisition, and such Indebtedness was not incurred in connection with, or in contemplation of, such Permitted Acquisition.

(iii) "Permitted Acquisition" means an acquisition by Borrower of (A) assets constituting a business, division or product line of any entity not already a subsidiary of Borrower, or (B) the capital stock or equity of any such entity (including by way of merger) as a result of which stock acquisition such entity shall become a subsidiary of Borrower or shall be merged with and into a subsidiary of Borrower, provided that (in each case):

(I) no Default or Event of Default shall have occurred and be continuing or would result from the consummation of the proposed acquisition and the proposed acquisition is consensual;

(II) no Indebtedness will be incurred, assumed, or would exist with respect to Borrower or its subsidiaries as a result of such acquisition, other than Indebtedness permitted under clause (C) of the definition of Permitted Indebtedness and no Liens will be incurred, assumed, or would exist with respect to the assets of Borrower or its Subsidiaries as a result of such acquisition other than Permitted Liens;

(III) if requested by Bank, Borrower has provided Bank with its due diligence package relative to the proposed acquisition, in form and substance reasonably satisfactory to Bank;

(IV) Borrower has provided Bank with written notice of the proposed acquisition at least 15 business days prior to the anticipated closing date of the proposed acquisition and, not later than 5 business days prior to the anticipated closing date of the proposed acquisition, copies of the acquisition agreement and other material documents relative to the proposed acquisition, which agreement and documents must be reasonably acceptable to Bank;

(V) the business activities of the acquired entity are substantially similar to the business activities conducted by Borrower or its subsidiaries at the time of the transaction or a reasonable extension thereof;

(VI) in the case of any consolidation or merger, Borrower or an existing subsidiary of Borrower shall be the continuing or surviving corporation (provided, however, that under no circumstances may Borrower merge into or consolidate with any subsidiary of Borrower); and

(VII) the purchase consideration payable in respect of all Permitted Acquisitions (including all proposed acquisitions and including all deferred payment and earn-out obligations) shall not exceed \$5,000,000 in the aggregate in any rolling twelve-month period.

SECTION 5.5 MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Cause, permit, participate in or suffer to occur, any of the following (including by way of division): (a) merge with or consolidate with any other person or entity; provided, however, that a subsidiary of Borrower may merge into Borrower so long as Borrower is the surviving entity; (b) make any substantial change in the nature of the business of Borrower, any Guarantor or any subsidiary of Borrower or Guarantor as conducted as of the date hereof; (c) make any material change in the existing executive management personnel of an Borrower, any Guarantor or any subsidiary of Borrower or Guarantor; (d) except as expressly set forth in Section 4.11, liquidate or dissolve the business of Borrower, any Guarantor or any subsidiary of Borrower or Guarantor or make any change in the organizational structure of Borrower or any Guarantor (including, by illustration, by merger, conversion or division) that is not expressly permitted under the terms of a Loan Document; provided, however, that a Guarantor or a subsidiary of Borrower or a Guarantor may liquidate or dissolve so long as all of the rights and assets of such Guarantor or subsidiary are transferred and/or assigned to Borrower or a continuing Guarantor; (e) become a member or partner in a joint venture, partnership or limited liability company; (f) acquire all or substantially all of the assets of any other person or entity (or any division, business unit or line of business of any other entity), or acquire any assets outside the ordinary course of business of any Loan Party or any Subsidiary of any Loan Party, other than in connection with a Permitted Acquisition; (g) sell, lease, transfer or otherwise dispose of any of the assets of Borrower, any Guarantor or any subsidiary of Borrower or Guarantor, except for the sale of Inventory in the ordinary course of its business and except as permitted under the foregoing clause (d); (h) other than in connection with a Permitted Acquisition, create or acquire any subsidiary; provided, however, that if a subsidiary is created or acquired in connection with a Permitted Acquisition, Borrower shall cause such subsidiary to execute a guaranty of the Obligations and deliver copies of its organizational documents and other certificates as may be necessary in connection therewith, and such

subsidiary shall thereafter be a Guarantor; (i) enter into any other transaction outside the ordinary course of business (including any sale and leaseback transaction); or (j) liquidate, wind up, or dissolve itself or suspend or cease operation of a substantial portion of its business (except in accordance with the foregoing clause (d)).

SECTION 5.6 GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower, any Guarantor or any subsidiary of Borrower or Guarantor, as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank and except those existing on the date hereof and disclosed on Schedule 5.6 hereto.

SECTION 5.7 LOANS, ADVANCES, INVESTMENTS. Make any Investment in any person or entity other than Permitted Investments. "Investment" means, with respect to any person or entity, any investment by such person or entity in any other person or entity (including affiliates) in the form of loans, guarantees, advances, capital contributions (excluding (i) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business not to exceed \$50,000 in the aggregate during any fiscal year of Borrower, and (ii) *bona fide* Accounts arising in the ordinary course of business), or acquisitions of Indebtedness, capital stock or equity, or all or substantially all of the assets of such other person or entity (or of any division or business line of such other person or entity), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with generally accepted accounting principles. "Permitted Investments" means (a) Investments in cash and cash equivalents; (b) Investments in negotiable instruments deposited or to be deposited for collection in the ordinary course of business; (c) advances made in connection with purchases of goods or services in the ordinary course of business; (d) Investments owned by Borrower, any Guarantor or any subsidiary of Borrower or any Guarantor on the date hereof and disclosed on Schedule 5.7 hereto; (e) Investments by Borrower in any subsidiary of Borrower that is not a Guarantor in an aggregate outstanding amount not to exceed \$100,000 at any time; and (f) other investments by Borrower in an aggregate amount not to exceed \$1,000,000 per fiscal year.

SECTION 5.8 [RESERVED].

SECTION 5.9 PLEDGE OF ASSETS; LIENS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or Permitted Liens. As used herein, "Permitted Liens" means (a) Liens for unpaid taxes, assessments, or other governmental charges or levies that are not yet delinquent; (b) Liens set forth on Schedule 5.9 hereto; (c) the interests of lessors under operating leases and non-exclusive licensors under license agreements; and (d) purchase money Liens or the interests of lessors under capital leases to the extent that such Liens or interests secure Permitted Indebtedness consisting of purchase money Indebtedness and so long as (i) such Lien attaches only to the asset purchased or acquired and the cash proceeds, and (ii) such Lien only secures the purchase-money Indebtedness that was incurred to acquire the asset purchased or acquired.

SECTION 5.10 AFFILIATE TRANSACTIONS. Directly or indirectly enter into, or permit to exist, any material transaction with any Affiliate of Borrower or any Guarantor, except for: (a) transactions that are in the ordinary course of the business of Borrower, such Guarantor or such subsidiary, and are on fair and reasonable terms that are no less favorable to Borrower, such Guarantor or such subsidiary than would be obtained in an arm's length transaction with a non-affiliated person or entity; and (b) so long as it has been approved by Borrower's, such Guarantor's or such subsidiary's board of directors (or comparable governing body) in accordance with applicable law, the payment of reasonable compensation, severance, or employee benefit arrangements to employees, officers, and

directors of Borrower, such Guarantor or such subsidiary in the ordinary course of business and consistent with industry practice.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1 The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

- (a) Borrower shall fail to pay when due any Obligation.
 - (b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made (or deemed made).
 - (c) Any default in the performance of or compliance with: (1) any collateral value requirement set forth herein or in any other Loan Document; (2) any negative covenant set forth in Article V hereof; (3) any affirmative covenant set forth in Article IV hereof requiring the delivery of financial statements and other information to Bank; or (4) any obligation, agreement or other provision contained herein or in any other Loan Document related to Sanctions, Anti-Money Laundering Laws, or Anti-Corruption Laws.
 - (d) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those defaults specifically described as constituting an "Event of Default" under any other subsection of this Section 6.1), and with respect to such default(s) that by their nature can be cured (excluding any defaults specifically described as constituting an "Event of Default" under any other subsection of this Section 6.1, none of which shall be subject to a cure period), such default shall continue for a period of twenty (20) days from the earlier of (A) the date on which such failure shall first become known to or should have been known by any officer of Borrower, any Guarantor or any other Third Party Obligor or (B) the date on which written notice thereof is given to Borrower by Bank.
 - (e) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any Guarantor, the owner of any collateral securing the obligations hereunder or under any other Loan Document, or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, owner of pledged collateral, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity involving an aggregate amount of \$250,000 or more, and such default (i) occurs at the final maturity of the obligations thereunder, or (ii) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of such Loan Party's obligations thereunder.
 - (f) Borrower, any Guarantor or any other Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower, any Guarantor or any other Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party
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Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower, any Guarantor or any other Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower, any Guarantor or any other Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) The filing of a notice of judgment lien against Borrower, any Guarantor or any other Third Party Obligor; or the recording of any abstract or transcript of judgment against Borrower, any Guarantor or any other Third Party Obligor in any county or recording district in which Borrower, any Guarantor or any such other Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower, any Guarantor or any other Third Party Obligor; or the entry of a judgment, order or award for the payment of money in an amount in excess of \$250,000 in any one case or in excess of \$500,000 in the aggregate (to the extent not covered by independent third-party insurance as to which the insurer has been notified of such judgment or order and has not denied or failed to acknowledge coverage) is entered or filed against any Loan Party, or with respect to any of their respective assets against Borrower, any Guarantor or any other Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower, any Guarantor or any other Third Party Obligor.

(h) There shall exist or occur (i) any event or condition that Bank in good faith believes likely to materially impair, or is substantially likely to materially impair, the prospect of payment or performance by Borrower, any Guarantor, any other Third Party Obligor, or (ii) a material adverse change.

(i) The death or incapacity of Borrower, any Guarantor or any other Third Party Obligor if an individual. The withdrawal, resignation or expulsion of any one or more of the general partners in Borrower, any Guarantor or any other Third Party Obligor if a partnership. The dissolution, division, or liquidation of Borrower, any Guarantor or any other Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower, any Guarantor or any such other Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution, division, or liquidation of Borrower, any Guarantor or any other Third Party Obligor.

(j) The occurrence of a Change of Control. As used herein, "Change of Control" means that (a) Borrower fails to own and control, directly or indirectly, 100% of the capital stock or equity interests, howsoever designated, of each of Suttle, JDL, Ecessa and Transition Networks, or (b) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 20%, or more, of the capital stock of Borrower having the right to vote for the election of members of the board of directors of Borrower, or (c) a majority of the members of the board of directors do not constitute Continuing Directors, or (d) JDL fails to own and control, directly or indirectly, 100% of the Stock of Twisted Technologies. "Continuing Director" means (a) any member of the board of directors who was a director of Borrower on the date hereof, and (b) any individual who becomes a member of the board of directors Borrower after the date hereof if such individual was approved, appointed or nominated for election to the board of directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the board of directors in office at the date hereof in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Borrower and whose initial assumption of office resulted from such contest or the settlement thereof.

(k) The sale, transfer, hypothecation, assignment or encumbrance, whether voluntary, involuntary or by operation of law, without Bank's prior written consent, of all or any part of or interest in any real property collateral required hereby (if any).

(l) Borrower, any Guarantor or any other Third Party Obligor fails to perform any obligation under any other Loan Document to which it is a party (and such failure continues beyond any applicable period of cure or grace); or Borrower, any Guarantor or any other Third Party Obligor repudiates or revokes or purports to repudiate or revoke any obligation under any other Loan Document to which it is a party.

SECTION 6.2 REMEDIES. Upon the occurrence of any Event of Default: (a) all principal, unpaid interest outstanding and other indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice (except as expressly provided in any mortgage or deed of trust pursuant to which Borrower has provided Bank a lien on any real property collateral) become immediately due and payable without presentment, demand, protest or any notices of any kind, including without limitation, notice of nonperformance, notice of protest, notice of dishonor, notice of intention to accelerate or notice of acceleration, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII MISCELLANEOUS

SECTION 7.1 NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2 NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: COMMUNICATIONS SYSTEMS, INC.
10900 Red Circle Drive
Minnetonka, MN 55343
Attn: Mark Fandrich, Chief Financial Officer
Email: mark.fandrich@commsysinc.com

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
[Account Number Redacted]
90 South Seventh Street
Minneapolis, MN 55402
Attn: Kael Peterson
Email: kael.peterson@wellsfargo.com

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by facsimile, upon receipt.

SECTION 7.3 COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including, to the extent permitted by applicable law, reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel (if any)), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, whether or not suit is brought, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower, any Guarantor or any other person or entity. Whenever in this Agreement and the other Loan Documents Borrower is obligated to pay for the attorneys' fees of Bank, or the phrase "reasonable attorneys' fees" or a similar phrase is used, it shall be Borrower's obligation to pay the attorneys' fees actually incurred or allocated, at standard hourly rates, without regard to any statutory interpretation, which shall not apply, Borrower hereby waiving the application of any such statute. Notwithstanding anything in this Agreement to the contrary, reasonable attorneys' fees shall not exceed the amount permitted by law.

SECTION 7.4 SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, any guarantor hereunder or the business of such guarantor, if any, or any collateral required hereunder.

SECTION 7.5 ENTIRE AGREEMENT; AMENDMENT. To the full extent permitted by law, this Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6 NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect

cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7 TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8 SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9 COUNTERPARTS. 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.

SECTION 7.10 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota (such State, Commonwealth or District is referred to herein as the "State"), but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

SECTION 7.11 BUSINESS PURPOSE. Borrower represents and warrants that each credit subject hereto is made for (a) a business, commercial, investment, agricultural or other similar purpose, (b) the purpose of acquiring or carrying on a business, professional or commercial activity, or (c) the purpose of acquiring any real or personal property as an investment and not primarily for a personal, family or household use.

SECTION 7.12 RIGHT OF SETOFF; DEPOSIT ACCOUNTS. Upon and after the occurrence of an Event of Default, (a) Borrower hereby authorizes Bank, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Bank to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Bank, in its sole discretion, may elect. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Borrower to Bank and whether or not the Bank is otherwise fully secured. Borrower hereby grants to Bank a security interest in all deposits and accounts maintained with Bank to secure the payment of all obligations and liabilities of Borrower to Bank under the Loan Documents.

SECTION 7.13 JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS.

(a) FORUM NON CONVENIENS. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THE LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF HENNEPIN, STATE OF MINNESOTA; PROVIDED, THAT, ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT BANK'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE BANK ELECTS TO BRING SUCH ACTION OR

WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. BORROWER, EACH GUARANTOR AND BANK WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, 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.

(b) WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, BORROWER, EACH GUARANTOR AND BANK HEREBY WAIVE THEIR RESPECTIVE RIGHTS, IF ANY, TO A JURY TRIAL OF ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF ANY LOAN DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS (EACH A "CLAIM"). EACH OF BORROWER, GUARANTORS AND BANK REPRESENTS THAT IT HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(c) SUBMISSION TO JURISDICTION. EACH OF BORROWER AND GUARANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF HENNEPIN AND THE STATE OF MINNESOTA, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN ANY LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO ANY LOAN DOCUMENT AGAINST BORROWER OR ANY GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(d) WAIVER OF CLAIMS. NO CLAIM MAY BE MADE BY BORROWER OR ANY GUARANTOR AGAINST BANK OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, COUNSEL, REPRESENTATIVE, AGENT, OR ATTORNEY-IN-FACT OF ANY OF THEM FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OR LOSSES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY ANY LOAN DOCUMENT, OR ANY ACT, OMISSION, OR EVENT OCCURRING IN CONNECTION THEREWITH, AND EACH OF BORROWER AND GUARANTORS HEREBY WAIVES, RELEASES, AND AGREES NOT TO SUE UPON ANY CLAIM FOR SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

SECTION 7.14 AMENDMENT AND RESTATEMENT; RELEASE. This Agreement constitutes an amendment to, and a complete restatement of, that certain Credit Agreement dated as of August 12, 2016 (as amended to date, the "Prior Credit Agreement"). The execution and delivery of this Agreement shall not constitute a novation of the Prior Credit Agreement or any indebtedness or other obligations owing to Bank thereunder. On the date hereof, the credit facilities described in the Prior Credit Agreement shall be amended, modified and restated in their entirety by the facilities described herein, and all loans and other obligations of Borrower outstanding as of the date hereof shall be deemed to be loans and obligations outstanding under the corresponding facilities described herein, without further action by

any person or entity. Borrower hereby absolutely and unconditionally releases and forever discharges the Bank and any and all affiliates of Bank, participants, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description related to or arising out of the Prior Credit Agreement and each other loan document, agreement, instrument, letter of credit agreement, application or other document between Borrower and the foregoing, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which Borrower has had, now has or has made claim to have against any such person or entity for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date hereof, whether such claims, demands and causes of action are matured or unmatured or known or unknown.

Signature page follows

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed as of the effective date set forth above.

COMMUNICATIONS SYSTEMS, INC.

WELLS FARGO BANK,
NATIONAL ASSOCIATION



By: _____
Name: Mark D. Fandrich
Title: Chief Financial Officer

By: _____
Name: Kael Peterson
Title: Senior Vice President

Signature Page to Credit Agreement

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed as of the effective date set forth above.

COMMUNICATIONS SYSTEMS, INC.

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

By: _____
Name: Kael Peterson
Title: Senior Vice President

Signature Page to Credit Agreement

SCHEDULES DELETED

SECURITY AGREEMENT: SECURITIES ACCOUNT

This Agreement amends and restates in its entirety, and is given as a replacement for, and not in satisfaction of or as a novation with respect to, that certain Amended and Restated Security Agreement dated as of August 12, 2016 among Debtor, JDL Technologies, Incorporated, Suttle, Inc., Transition Networks, Inc. and Bank (as amended to date, the "Original Security Agreement"). It is the intent of the parties hereto that the security interests and liens granted in any collateral under and pursuant to the Original Security Agreement shall continue in full force and effect to the extent set forth herein.

1. GRANT OF SECURITY INTEREST. For valuable consideration, the undersigned COMMUNICATIONS SYSTEMS, INC., a Minnesota corporation ("Debtor"), hereby grants and transfers to WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") a security interest in (a) Debtor's account no. 1BC29761, maintained as a safekeeping account at Wells Fargo Bank, N.A., and 1BC29761, maintained at Wells Fargo Securities, LLC, through which assets from the safekeeping account are traded (whether held in Debtor's name or as a Bank collateral account for the benefit of Debtor), any sub-account thereunder or consolidated therewith, all replacements or substitutions therefor, including any account resulting from a renumbering or other administrative re-identification thereof (such accounts each and collectively being, the "Securities Account," and the parties at which any such account is maintained each and collectively being, the "Intermediary"), (b) all financial assets credited to the Securities Account (including, without limitation, any interests or shares in hedge funds and any pending subscription or redemption amounts relating thereto (each, a "Hedge Fund"), (c) all security entitlements with respect to the financial assets credited to the Securities Account, and (d) any and all other investment property or assets maintained or recorded in the Securities Account (with all the foregoing defined as "Collateral"), together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, (i) all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, (ii) all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing, and (iii) all stock rights, rights to subscribe, stock splits, liquidating dividends, cash dividends, dividends paid in stock, new securities or other property of any kind which Debtor is or may hereafter be entitled to receive on account of any securities pledged hereunder, including without limitation, stock received by Debtor due to stock splits or dividends paid in stock or sums paid upon or in respect of any securities pledged hereunder upon the liquidation or dissolution of the issuer thereof (hereinafter called "Proceeds"), but excluding from such Collateral and Proceeds all common trust funds of Bank governed by 12 CFR 9.18 now or hereafter maintained in the Securities Account. Except as otherwise expressly permitted herein, in the event Debtor receives any such Proceeds, Debtor will hold the same in trust on behalf of and for the benefit of Bank and will immediately deliver all such Proceeds to Bank in the exact form received, with the endorsement of Debtor if necessary and/or appropriate undated stock powers duly executed in blank, to be held by Bank as part of the Collateral, subject to all terms hereof. As used herein, the terms "security entitlement," "financial asset" and "investment property" shall have the respective meanings set forth in the Uniform Commercial Code or the Business and Commerce Code of the jurisdiction identified in Section 22 below.

2. OBLIGATIONS SECURED. The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of Debtor to Bank, specifically including, without limitation, any Obligations (as defined in the Credit Agreement) and any other Reimbursement Obligations (as defined below) and (b) all obligations of Debtor and rights of



Bank under this Agreement. For the avoidance of doubt, and notwithstanding anything herein or in any other agreement between Debtor and Bank to the contrary, the statement herein that Reimbursement Obligations are specifically included in the Indebtedness secured hereby, shall be sufficient to satisfy a requirement in any agreement executed by Debtor and delivered to Bank in connection with any Credit Agreement stating that for such letter of credit or acceptance or similar product obligations to be secured, they must be specifically described.

As used in this Agreement:

(A) The word "Indebtedness" is used in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether Debtor may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

(B) "Reimbursement Obligations" means, any Indebtedness arising directly or indirectly from any of the following described in a Credit Agreement: letters of credit, bankers' acceptances, open account acceptances, trade acceptances, or similar products, including, for the avoidance of doubt, any such obligations arising under any related letter of credit agreement, acceptance agreement, open account processing agreement, or similar document.

(C) "Credit Agreement" means that certain Credit Agreement of even date herewith between Debtor and Bank, as amended, restated, supplemented or otherwise modified from time to time.

3. **EXCLUSIONS FROM COLLATERAL.** Bank may, in its sole discretion and at any time upon written notice to Debtor, release Bank's security interest in any WF Securities in the Collateral or Proceeds and exclude WF Securities from the determination of any value requirements to which the Collateral is subject hereunder. Such release, if any, shall not relieve Debtor from the obligation to satisfy any value requirements herein. As used herein, "WF Securities" means stock, securities, or obligations of Wells Fargo & Company or any affiliate thereof (as the term affiliate is defined in Section 23A of the Federal Reserve Act (12 USC § 371(c), as amended from time to time).

4. COLLATERAL VALUE PROVISIONS.

(a) Collateral Value Requirements. The Margin Value of the Collateral shall at all times exceed the outstanding Indebtedness of Debtor to Bank arising under or in connection with the line of credit granted by Bank to Debtor and evidenced by the Revolving Line of Credit Note of even date herewith, in the stated principal amount of \$5,000,000, executed by Debtor in favor of Bank, including any subfeature under the line of credit (including any amount reserved under the line of credit in connection with the subfeature), and all extensions, renewals or modifications thereof and restatements or substitutions therefor, including any modifications that increase the amount thereof. Whenever applicable, the credit limits of Regulation U of the Federal Reserve Board (12 U.S.C. § 221 et seq.) shall also be satisfied as prescribed therein. Such of the Collateral is as necessary to satisfy any other value requirement imposed by Bank shall not be eligible to satisfy value requirements herein. See Section 6 below for the definition of "Margin Value" and related definitions.

(b) Maintenance of Value. In the event the Margin Value of the Collateral, for any reason and at any time, is less than the required amount, Debtor shall, within three (3) business days, take all remedial action necessary to restore the Margin Value of the Collateral to the required amount. Remedial action may include the following in any combination or amount: (i) delivery of additional Collateral acceptable to Bank; (ii) replacement of assets providing little or no support to value requirements with assets providing greater support; and/or (iii) payoff of the Indebtedness (or if applicable, reduction thereof).

(c) Breach of Value Requirements. Bank is not obligated to permit an advance when value requirements are not met or if permitted would not be met. Failure to timely meet value requirements is an Event of Default and allows Bank, in its sole discretion, to accelerate the Indebtedness secured hereby and exercise its rights and remedies hereunder.

(d) Excess Collateral. Subject to terms of the Credit Agreement and the other Loan Documents (as defined therein), unless an Event of Default occurs, Collateral in excess of the value requirements is available for withdrawal at Debtor's request to Bank, free and clear of Bank's security interest therein. Bank shall be afforded such reasonable time, information and cooperation as may be necessary to accommodate Debtor requests for withdrawal of excess Collateral. Under no circumstances shall any Intermediary be authorized to release Collateral, or allow withdrawals of excess Collateral, without the express written consent of Bank.

(e) Rule 144/145 Collateral. Debtor shall not sell or otherwise transfer shares of securities of the issuer of any Collateral that may be subject to the provisions of SEC Rule 144 or 145 without Bank's prior written consent, which consent shall be given in Bank's sole discretion.

(f) Hedge Fund Collateral. As to any Collateral that may be a Hedge Fund credited, maintained or recorded in the Securities Account, Debtor acknowledges and agrees that such Hedge Fund is Collateral subject to the terms of this Agreement whether or not the Hedge Fund issuer's books and records reflect same and whether or not Bank has agreed the Hedge Fund may contribute to value requirements herein.

5. TRADING PERMITTED. So long as no Event of Default exists, and provided all value requirements would continue to be met, Debtor, or any party authorized by Debtor to act with respect to the Securities Account, may (a) receive payments of interest and/or cash dividends earned on Collateral in the Securities Account, and (b) trade Collateral in the Securities Account. Without Bank's prior written consent, except as permitted by the preceding sentence or paragraph 4(d), neither Debtor nor any party other than Bank may withdraw or receive any distribution of any Collateral from the Securities Account.

6. DEFINITIONS RELATED TO MARGIN VALUE. As used herein:

"Brokered Certificates of Deposit" means an FDIC-insured certificate of deposit of any financial institution other than Bank obtained from or through the mediation or assistance of Wells Fargo Clearing Services, LLC, trading as Wells Fargo Advisors, Wells Fargo Securities, LLC, or the Investment & Financial Services Group of Bank and held in the Securities Account.

"Commercial Paper" means fixed rate debt instruments of domestic corporations rated A2 or higher by Standard & Poor's and Prime 2 or higher by Moody's.

"Corporate Bonds" means bonds of domestic corporations which are not convertible to equity and which are rated BBB- or higher by Standard & Poor's and Baa3 or higher by Moody's. "Short Term" Corporate Bonds are those with 5 years or less remaining until date of maturity; all others are "Longer Term". "Convertible Corporate Bonds" are Corporate Bonds convertible to equity securities of the issuer and which are rated A or higher by Standard & Poor's.

"Equities" means: (1) common stock of domestic corporations and, except in the case of Small and Micro Cap Equities, American depository receipts ("ADR's"), which, as to all of the foregoing, have a value greater than or equal to \$10.00 per share, trade on a National Securities Exchange, and have done so for at least one year after initial settlement of the public offering of such securities; and (2) preferred stock of domestic corporations (or their affiliated trusts and entities) so long as the common stock of such issuers qualify as "Equities" (and despite that such preferred stock would not otherwise qualify as "Equities" due to market capitalization or initial public offering date). Equity securities of value less than \$10.00 per share, newly issued, trading on OTC, Pink Sheets or regional exchanges only, unregistered, unlisted or de-listed, or not publicly traded entities, and put or call options, rights or warrants, managed futures, auction rate preferred stock, and exchange funds, hedge funds, and other private equity or investment groups are not included in this definition. Otherwise qualifying restricted and control securities are included within the meaning of "Equities", but only to the extent such securities can be converted to cash by Bank in three days or less in accordance with SEC Rules 144 or 145 should an Event of Default occur. "Large Cap" Equities are those of an issuer having a market capitalization greater than \$10 billion; "Mid Cap" are those with a market capitalization greater than \$2 billion but no more than \$10 billion; "Small Cap" are those with a market capitalization greater than \$1 billion but no more than \$2 billion; and "Micro Cap" are those with a market capitalization greater than \$250 million but no more than \$1 billion.

"Exchange Traded Fund" means a security of an investment company formed under the Investment Company Act of 1940 which trades on a National Securities Exchange, whose investments track an index, commodity or basket of assets, having greater than \$100,000,000.00 in total assets under management and a minimum fair market value greater than or equal to \$4.00 per share except in the case of Money Market ETF's which shall have a minimum fair market value greater than or equal to \$1.00, and except that leveraged ETF's and inverse or "bear market" ETF's are not included in the term in this context. ETF investment objective distinctions, as well as the factors that will exclude them from eligibility in this context, shall be identical to that applied in the case of Mutual Funds.

"Fair Market Value" or "FMV" means, as to any Collateral that is uncertificated, the per share or per unit closing sale price quoted or reported at the close of the immediately preceding business day in the Securities Account, and, as to any Collateral that is certificated, the per share or per unit closing sale price quoted or reported at the close of the immediately preceding business day were such share or unit held in uncertificated form in a securities account at Wells Fargo Clearing Services, LLC, trading as Wells Fargo Advisors (or in either case if not available, such other customary publication of securities closing sale prices as Bank may reasonably elect to reference) multiplied by the number of shares or units of like Collateral. The aggregate Fair Market Value of the Collateral is the total of all such Fair Market Values so determined plus the amount of cash Collateral. If Fair Market Value cannot be determined by the foregoing procedure, then Fair Market Value shall be determined by the Bank, in its sole discretion, by reference to the notional amount of such assets or to public information and procedures that may otherwise then be available. All cash and other value references are to currency denominated in dollars of the United States of America.

“Margin Value” means the Fair Market Value of the Collateral multiplied by the applicable percentage in the following table for each type of eligible Collateral held in the Securities Account at the time of computation, with the eligibility and classification of any particular Collateral determined by Bank in its sole discretion; provided however, that (i) Bank may exclude from this computation all Collateral from an issuer if Bank, in its sole discretion, determines such issuer to be ineligible, and (ii) subject to all other provisions regarding the eligibility of Collateral to satisfy value requirements, Collateral subject to assignment, pledge or similar consent requirements of third parties is not eligible to satisfy value requirements until such consents satisfactory to Bank have been executed and delivered to Bank:

Collateral Type	Percentage of Fair Market Value
Cash and cash equivalents	95%
Brokered Certificates of Deposit	85%
Commercial Paper	80%
US Government Obligations - Short Term	90%
US Government Obligations - Longer Term	80%
Corporate & Municipal Bonds – Short Term	80%
Corporate & Municipal Bonds – Longer Term	70%
Corporate Bonds – Convertible	50%*
Equities – Common – ADR’s & Large Cap	75%*
Equities – Common – ADR’s & Mid Cap	65%*
Equities – Common - Small & Micro Cap	55%*
Equities – Preferred – Large, Mid, Small & Micro Cap	70%*
Mutual Funds - Money Market	95%
Mutual Funds/ETF’s – Bond – US Government (Short Term)	90%*
Mutual Funds/ETF’s – Bond – US Government (General and Longer Term)	80%*
Mutual Funds/ETF’s – Bond – Corporate & Municipal (Short Term)	80%*
Mutual Funds/ETF’s – Bond – Corporate & Municipal (Longer Term)	70%*
Mutual Funds/ETF’s – Bond – High Yield	60%*
Mutual Funds/ETF’s – Bond – Global & International	55%*
Mutual Funds/ETF’s – Equity – Large Cap, S&P Index, Equity Income, Balanced	75%*
Mutual Funds/ETF’s – Equity – Multi & Mid Cap	65%*
Mutual Funds/ETF’s – Equity – Small Cap, Specialty, Sector, Global & International	55%*
Master Limited Partnerships	55%*
Real Estate Investment Trusts	55%*
Unit Investment Trusts	55%*
Wells Fargo Market Linked Certificates of Deposit	70% *†
Wells Fargo Market Linked Notes	70% *†
All Other Types of Collateral	0%

* If Regulation U of the Federal Reserve Board applies, then the lower of the percentage stated or 50% shall be the percentage applied for these assets.

† In the case of these assets types, the stated percentage is applied to Fair Market Value and the resulting amount may not exceed the notional amount.

“Master Limited Partnerships” means limited partner equity interests in limited partnerships with a market capitalization greater than \$250 million and which trade on a National Securities Exchange, and have done so for at least one year after initial settlement of the public offering of such securities, if the unit value (or per share price) therein is greater than

or equal to \$10.00. Limited partner interests of value less than \$10.00 per unit, newly issued, trading on OTC, Pink Sheets or regional exchanges only, unregistered, unlisted or de-listed, or not publicly traded, and general partner interests of any kind are not included in this definition.

"Municipal Bonds" means bonds of state, city, county, municipality and other public entities rated BBB- or higher by Standard & Poor's and Baa3 or higher by Moody's. "Short Term" Municipal Bonds are those with 5 years or less remaining until date of maturity; all others are "Longer Term".

"Mutual Funds" means investment companies regulated under the Investment Company Act of 1940, except those regulated under Sections 4 and 26, that invest primarily in money markets securities ("Money Market"), short or longer term US government taxable or tax exempt bonds ("US Government"), short or longer term taxable corporate bonds ("Corporate"), short or longer term, insured and single state municipal bonds ("Municipal"), bonds that seek higher returns to compensate increased risk of investing in lower rated issuers ("High Yield"), equities of US issuers in particular market capitalization segments (Large Cap, Mid Cap, "Multi Cap" and Small Cap), bonds and/or equities of non-US issuers ("International") or worldwide including the US issuers ("Global"), or invest by designs to track the performance of the S&P 500 index ("S&P Index"), to provide both current income and growth potential ("Equity Income"), for balanced or allocated portfolios of securities ("Balanced"), for particular sectors of the economy ("Sector") or for particular specialized traits associated with their investments made ("Specialty"), and which have greater than \$100,000,000.00 in total assets under management and a minimum fair market value greater than or equal to \$4.00 per share except in the case of Money Market Mutual Funds which shall have a minimum fair market value greater than or equal to \$1.00. Leveraged mutual funds and inverse or "bear market" mutual funds, non-networked funds, funds organized under the laws of, and/or operated from within, countries other than the United States of America, and face-amount certificate and management companies are not included in this definition.

"National Securities Exchange" means securities exchanges registered with the Securities Exchange Commission as national securities exchanges in accordance with Section 6 (a) of the Securities Exchange Act of 1934.

"Real Estate Investment Trusts." means real estate investment trust equity interests with a market capitalization greater than \$250 million and which trade on a National Securities Exchange, and have done so for at least one year after initial settlement of the public offering of such securities, if the unit value (or per share price) therein is greater than or equal to \$10.00. Real estate investment trust interests of value less than \$10.00 per unit, newly issued, trading on OTC, Pink Sheets or regional exchanges only, unregistered, unlisted or de-listed, or not publicly traded, and general partner interests of any kind are not included in this definition. "Large Cap" REITs are those of an issuer having a market capitalization greater than \$10 billion; "Mid Cap" are those with a market capitalization greater than \$2 billion but no more than \$10 billion; "Small Cap" are those with a market capitalization greater than \$1 billion but no more than \$2 billion; and "Micro Cap" are those with a market capitalization greater than \$250 million but no more than \$1 billion.

"Unit Investment Trusts" means investment companies regulated primarily under Sections 4 and 26 of the Investment Company Act of 1940 that are invested primarily in municipal securities or securities of domestic corporations and which have greater than \$100,000,000.00 in total assets under management and a fair market value greater than or equal to \$4.00 per share. Leveraged and inverse or "bear market" funds, non-networked funds,

funds invested primarily in private equity, private placements, limited partnership interests, or venture capital enterprise, funds organized under the laws of, and/or operated from within, countries other than the United States of America, and face-amount certificate and management companies are not included in this definition.

“US Government Obligations” means US Treasury Bills, US Treasury Bonds and Notes, US Government Zero Coupon Bonds, Government National Mortgage Association fixed income securities and U.S. Government sponsored enterprise (Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Federal Farm Credit Banks, and Federal Agricultural Mortgage Corporation) fixed income securities. “Short Term” US Government Obligations are those with 5 years or less remaining until date of maturity; all others are “Longer Term”.

“Wells Fargo Market Linked Certificates of Deposit” means a FDIC insured and CUSIP numbered certificates of deposit issued by Bank, which provide at maturity the return of the entire original deposit amount and an interest payment based on performance of a specified market measure during the term thereof, which may be liquidated at any time without penalty or fee, which are not subject to any lock up periods, and which have no more than 96 months remaining until maturity.

“Wells Fargo Market Linked Notes” means CUSIP numbered notes issued by Wells Fargo & Company which provide at maturity the return of the entire original principal amount and an interest payment based on performance of a specified market measure during the term thereof, which may be liquidated at any time without penalty or fee, which are not subject to any lock up periods, and which have no more than 96 months remaining until maturity.

7. **TERMINATION.** This Agreement will terminate upon the performance of all obligations of Debtor to Bank secured hereby, including without limitation, the payment of all Indebtedness of Debtor to Bank secured hereby, and the termination of all commitments of Bank to extend credit to Debtor that would constitute Indebtedness secured hereby, existing at the time Bank receives written notice from Debtor of the termination of this Agreement.

8. **OBLIGATIONS OF BANK.** Bank has no obligation to make any loans hereunder. Any money received by Bank in respect of the Collateral may be deposited, at Bank’s option, into a non-interest bearing account over which Debtor shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder. Bank shall not be required to apply such money to the Indebtedness or other obligations secured hereby or to remit such money to Debtor or to any other party until the full payment of all Indebtedness of Debtor to Bank, and the termination of all commitments of Bank to extend credit to Debtor. Bank shall have no duty to take any steps necessary to preserve the rights of Debtor against prior parties, or to initiate any action to protect against the possibility of a decline in the market value of the Collateral or Proceeds. Bank shall not be obligated to take any action with respect to the Collateral or Proceeds requested by Debtor unless such request is made in writing and Bank determines, in its sole discretion, that the requested action would not unreasonably jeopardize the value of the Collateral and Proceeds as security for the Indebtedness.

9. **REPRESENTATIONS AND WARRANTIES.** Debtor represents and warrants to Bank that: (a) Debtor’s legal name is exactly as set forth on the first page of this Agreement, and all of Debtor’s organizational documents or agreements delivered to Bank are complete and accurate in every respect; (b) Debtor is the owner of the Collateral and Proceeds; (c) Debtor has the exclusive right to grant a security interest in the Collateral and Proceeds; (d) all Collateral

and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except as expressly permitted under Section 5.9 of the Credit Agreement; (e) all statements contained herein and, where applicable, in the Collateral, are true and complete in all material respects; (f) no financing statement or control agreement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, exists or is on file in any public office or remains in effect; (g) no person or entity, other than Debtor, Bank and Intermediary, has any interest in or control over the Collateral; and (h) specifically with respect to Collateral and Proceeds consisting of investment securities, instruments, chattel paper, documents, contracts, insurance policies or any like property, (i) all persons appearing to be obligated thereon have authority and capacity to contract and are bound as they appear to be, and (ii) the same comply with applicable laws concerning form, content and manner of preparation and execution.

10. COVENANTS OF DEBTOR.

(a) Debtor agrees in general: (i) to pay Indebtedness secured hereby when due; (ii) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (iii) to permit Bank to exercise its powers; (iv) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; (v) not to change its name, and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered without giving Bank prior written notice thereof; (vi) not to change the places where Debtor keeps any Collateral or Debtor's records concerning the Collateral and Proceeds without giving Bank prior written notice of the address to which Debtor is moving same; (vii) not to sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Debtor's assets except in the ordinary course of its business or except as expressly permitted under the Credit Agreement, nor accomplish any of the above by virtue of a division or similar transaction; and (viii) to cooperate with Bank in perfecting all security interests granted herein and in obtaining such agreements from third parties as Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights hereunder.

(b) Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) that Bank is authorized to file financing statements in the name of Debtor to perfect Bank's security interest in Collateral and Proceeds; (ii) not to permit any security interest in or lien on the Collateral or Proceeds, except in favor of Bank and except liens in favor of Intermediary to the extent expressly permitted under the Credit Agreement; (iii) not to hypothecate (including, by illustration, by merger, conversion or division), or permit the transfer by operation of law of any of the Collateral or Proceeds or any interest therein; (iv) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (v) if requested by Bank, to receive and use reasonable diligence to collect Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (vi) in the event Bank elects to receive payments of Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, filing, recording, record keeping and expenses incidental thereto; (vii) to provide any service and do any other acts which may be necessary to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims; and (viii) if the Collateral or Proceeds consists of securities and so long as no Event of Default exists, to vote said securities and to give consents, waivers and ratifications with respect thereto, provided that no vote shall be cast or consent,

waiver or ratification given or action taken which would impair Bank's interests in the Collateral and Proceeds or be inconsistent with or violate any provisions of this Agreement. Debtor further agrees that any party now or at any time hereafter authorized by Debtor to advise or otherwise act with respect to the Securities Account shall be subject to all terms and conditions contained herein and in any control, custodial or other similar agreement at any time in effect among Bank, Debtor and Intermediary relating to the Collateral.

11. **POWERS OF BANK.** Debtor appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not Debtor is in default: (a) to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to notify any person obligated on any security, instrument or other document subject to this Agreement of Bank's rights hereunder; (c) to collect by legal proceedings or otherwise all dividends, interest, principal or other sums now or hereafter payable upon or on account of the Collateral or Proceeds; (d) to enter into any extension, modification, reorganization, deposit, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral or Proceeds, and in connection therewith to deposit or surrender control of the Collateral and Proceeds, to accept other property in exchange for the Collateral and Proceeds, and to do and perform such acts and things as Bank may deem proper, with any money or property received in exchange for the Collateral or Proceeds, at Bank's option, to be applied to the Indebtedness or held by Bank under this Agreement; (e) to make any compromise or settlement Bank deems desirable or proper in respect of the Collateral and Proceeds; (f) to insure, process and preserve the Collateral and Proceeds; (g) to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; and (h) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. To effect the purposes of this Agreement or otherwise upon instructions of Debtor, or any of them, Bank may cause any Collateral and/or Proceeds to be transferred to Bank's name or the name of Bank's nominee. If an Event of Default has occurred and is continuing, any or all Collateral and/or Proceeds consisting of securities may be registered, without notice, in the name of Bank or its nominee, and thereafter Bank or its nominee may exercise, without notice, all voting and corporate rights at any meeting of the shareholders of the issuer thereof, any and all rights of conversion, exchange or subscription, or any other rights, privileges or options pertaining to such Collateral and/or Proceeds, all as if it were the absolute owner thereof. The foregoing shall include, without limitation, the right of Bank or its nominee to exchange, at its discretion, any and all Collateral and/or Proceeds upon the merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, or upon the exercise by the issuer thereof or Bank of any right, privilege or option pertaining to any shares of the Collateral and/or Proceeds, and in connection therewith, the right to deposit and deliver any and all of the Collateral and/or Proceeds with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Bank may determine. All of the foregoing rights, privileges or options may be exercised without liability on the part of Bank or its nominee except to account for property actually received by Bank. Bank shall have no duty to exercise any of the foregoing, or any other rights, privileges or options with respect to the Collateral or Proceeds and shall not be responsible for any failure to do so or delay in so doing.

12. **PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS.** Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, Bank

at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, and at Bank's option and subject to any restrictions under applicable law pertaining to usury, together with interest at a rate determined in accordance with the provisions of this Agreement, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

13. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any Event of Default under and as defined in the Credit Agreement, (b) any other default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness secured hereby, (ii) any other agreement between Debtor and Bank, including without limitation any loan agreement, relating to or executed in connection with any Indebtedness secured hereby, or (iii) any control, custodial or other similar agreement in effect among Bank, Debtor and Intermediary relating to the Collateral; (c) any representation or warranty made by Debtor herein shall prove to be incorrect, false or misleading in any material respect when made; (d) Debtor shall fail to observe or perform any obligation or agreement contained herein; (e) any impairment of the rights of Bank in any Collateral or Proceeds, or any attachment or like levy on any Collateral or Proceeds; and (f) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy.

14. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the Uniform Commercial Code or the Business and Commerce Code of the jurisdiction identified in Section 22 below or otherwise provided by law, including without limitation, the right (a) to contact all persons obligated to Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank, and (b) to sell, lease, license or otherwise dispose of any or all Collateral. In addition to any other remedies set forth in this Agreement, Debtor authorizes Bank to engage in "electronic self-help" as defined in and in accordance with applicable law. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales or other dispositions, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auctions, are all commercially reasonable since differences in the prices generally realized in the different kinds of dispositions are ordinarily offset by the differences in the costs and credit risks of such dispositions. While an Event of Default exists: (a) Debtor will not dispose of any Collateral or Proceeds except on terms approved by Bank; (b) Bank may appropriate the Collateral and apply all Proceeds toward repayment of the Indebtedness secured hereby in such order of application as Bank may from time to time elect; (c) Bank may, at any time, liquidate any time deposits pledged to Bank hereunder and apply the proceeds thereof to payment of the Indebtedness secured, whether or not said time deposits have matured and notwithstanding the fact that such liquidation may give rise to penalties for early withdrawal of funds, (d) Bank may

take any action with respect to the Collateral contemplated by any control, custodial or other similar agreement then in effect among Bank, Debtor and Intermediary; and (e) at Bank's request, Debtor will assemble and deliver all books and records pertaining to the Collateral or Proceeds to Bank at a reasonably convenient place designated by Bank. For any Collateral or Proceeds consisting of securities, Bank shall have no obligation to delay a disposition of any portion thereof for the period of time necessary to permit the issuer thereof to register such securities for public sale under any applicable state or Federal law, even if the issuer thereof would agree to do so. Debtor further agrees that Bank shall have no obligation to process or prepare any Collateral for sale or other disposition.

15. **DISPOSITION OF COLLATERAL AND PROCEEDS; TRANSFER OF INDEBTEDNESS.** In disposing of Collateral hereunder, Bank may disclaim all warranties of title, possession, quiet enjoyment and the like. Any proceeds of any disposition of any Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness secured hereby in such order of application as Bank may from time to time elect. Upon the transfer of all or any part of the Indebtedness secured hereby, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given.

16. **STATUTE OF LIMITATIONS.** Until all Indebtedness secured hereby shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale or other disposition and all other rights, powers, privileges and remedies granted to Bank hereunder shall, to the extent permitted by law, continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness secured hereby or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereby.

17. **MISCELLANEOUS.** When there is more than one Debtor named herein: (a) the word "Debtor" shall mean all or any one or more of them as the context requires; (b) the obligations of each Debtor hereunder are joint and several; and (c) until all Indebtedness shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank. Debtor hereby waives any right to require Bank to (i) proceed against Debtor or any other person, (ii) marshal assets or proceed against or exhaust any security from Debtor or any other person, (iii) perform any obligation of Debtor with respect to any Collateral or Proceeds, and (d) make any presentment or demand, or give any notices of any kind, including without limitation, any notice of nonpayment or nonperformance, protest, notice of protest, notice of dishonor, notice of intention to accelerate or notice of acceleration hereunder or in connection with any Collateral or Proceeds. Debtor further waives any right to direct the application of payments or security for any Indebtedness of Debtor or indebtedness of customers of Debtor.

18. **NOTICES.** All notices, requests and demands required under this Agreement must be in writing, and given to such addresses and in a manner set forth in the Credit Agreement.

19. COSTS, EXPENSES AND ATTORNEYS' FEES. Debtor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including, to the extent permitted by applicable law, reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel to the extent permissible), expended or incurred by Bank in connection with (a) the perfection and preservation of the Collateral or Bank's interest therein, and (b) the realization, enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, whether or not suit is brought or foreclosure is commenced, and where suit is brought, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. Notwithstanding anything in this Agreement to the contrary, reasonable attorneys' fees shall not exceed the amount permitted by law. Whenever in this Agreement Debtor is obligated to pay for the attorneys' fees of Bank, or the phrase "reasonable attorneys' fees" or a similar phrase is used, it shall be Debtor's obligation to pay the attorneys' fees actually incurred or allocated, at standard hourly rates, without regard to any statutory interpretation, which shall not apply, Debtor hereby waiving the application of any such statute. Subject to any restrictions under applicable law pertaining to usury, all of the foregoing shall be paid by Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

20. SUCCESSORS; ASSIGNS; AMENDMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

21. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

22. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, but giving effect to federal laws applicable to national banks.

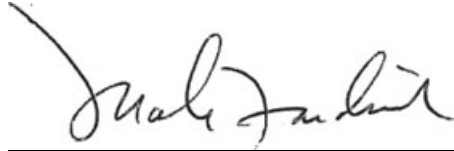
Debtor warrants that Debtor is an organization registered under the laws of the State of Minnesota.

Debtor warrants that its chief executive office (or principal residence, if applicable) is located at the following address: 10900 Red Circle Drive, Minnetonka, MN 55343.

Signature page follows

IN WITNESS WHEREOF, this agreement has been duly executed by Debtor, intending to be legally bound hereby, as of August 28, 2020.

COMMUNICATIONS SYSTEMS, INC.

A handwritten signature in black ink, appearing to read "Mark D. Fandrich", written over a horizontal line.

By: _____
Name: Mark D. Fandrich
Title: Chief Financial Officer

Signature Page to Security Agreement: Securities Account

REVOLVING LINE OF CREDIT NOTE

\$5,000,000

Minneapolis, Minnesota
August 28, 2020

This Note amends, restates and supersedes in its entirety, and is given as a replacement for, and not in satisfaction of or as a novation with respect to, that certain Amended and Restated Revolving Note in the principal amount of \$15,000,000, executed by Borrower, JDL Technologies, Incorporated, Transition Networks, Inc. and Suttle, Inc. in favor of Bank and dated August 12, 2016, as amended to date.

FOR VALUE RECEIVED, the undersigned COMMUNICATIONS SYSTEMS, INC., a Minnesota corporation (“Borrower”) promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”) at its office at 90 South 7th Street, 18th Floor, Minneapolis, MN 55402, [**Account Number Redacted**] or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of \$5,000,000, or so much thereof as may be advanced and be outstanding pursuant to the terms of the Credit Agreement, as defined herein, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

- (a) “Daily One Month LIBOR” means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period.
- (b) “LIBOR” means the rate of interest per annum determined by Bank based on the rate for United States dollar deposits for delivery of funds for one (1) month as published by the ICE Benchmark Administration Limited, a United Kingdom company, at approximately 11:00 a.m., London time, or, for any day not a London Business Day, the immediately preceding London Business Day (or if not so published, then as determined by Bank from another recognized source or interbank quotation); provided, however, that if LIBOR determined as provided above would be less than 0.75%, then LIBOR shall be deemed to be 0.75%.
- (c) “London Business Day” means any day that is a day for trading by and between banks in dollar deposits in the London interbank market.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a fluctuating rate per annum determined by Bank to be 1.25% above Daily One Month LIBOR in effect from time to time. Bank is hereby authorized to note the date and interest rate applicable to this Note and any payments made thereon on Bank’s books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i)



withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) costs, expenses and liabilities arising from or in connection with reserve percentages prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(c) Default Interest. The Bank shall have the option in its sole and absolute discretion to have the outstanding principal balance of this Note bear interest at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note (i) from and after the maturity date of this Note; (ii) from and after the date prior to the maturity date of this Note when all principal owing hereunder becomes due and payable by acceleration or otherwise; and/or (iii) upon the occurrence and during the continuance of any Event of Default.

BENCHMARK REPLACEMENT PROVISIONS:

Notwithstanding anything to the contrary contained in this Note or in any related loan document (for the purposes of these Benchmark Replacement Provisions, a Swap Agreement is not a loan document):

(a) Benchmark Replacement. If a Benchmark Transition Event or an Early Opt-in Election, as applicable, occurs, the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes under this Note or under any related loan document. Any Benchmark Replacement will become effective on the applicable Benchmark Replacement Date without any further action or consent of Borrower.

(b) Benchmark Replacement Conforming Changes. Bank will have the right to make Benchmark Replacement Conforming Changes from time to time and any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Borrower.

(c) Notices; Standards for Decisions and Determinations. Bank will promptly notify Borrower of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, (ii) the implementation of any Benchmark Replacement, and (iii) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by Bank pursuant to these Benchmark Replacement Provisions, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and will be made in its sole discretion and without Borrower consent

(d) Certain Defined Terms. As used in this Note, each of the following capitalized terms has the meaning given to such term below:

(i) "Benchmark" means, initially, LIBOR (including Daily One Month LIBOR, if applicable); provided, however, that if a Benchmark Transition Event or an Early Opt-in Election, as applicable, has occurred with respect to LIBOR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to the provisions of this Note.

(ii) “Benchmark Administrator” means, initially, ICE Benchmark Administration Limited, a United Kingdom company, or any successor administrator of the then-current Benchmark or any insolvency or resolution official with authority over such administrator.

(iii) “Benchmark Replacement” means the first alternative set forth in the order below that can be determined by Bank as of the applicable Benchmark Replacement Date:

(1) the sum of: (A) Term SOFR or, if Bank determines that Term SOFR for the Corresponding Tenor cannot be determined, Term SOFR for the longest tenor that can be determined by Bank that is shorter than the Corresponding Tenor, and (B) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for Term SOFR; provided, however, that this clause (1) shall not apply (i) to any borrowings under this Note if a Swap Agreement is in effect with respect to all or any portion of this Note as of the Benchmark Transition Event or Early Opt-in Election, and (ii) to any borrowings under this Note that bear interest at Daily One Month LIBOR;

(2) the sum of: (A) the alternate rate of interest that has been selected by Bank as the replacement for the then-current Benchmark for the Corresponding Tenor (which, without limitation, may be compounded SOFR in arrears, term SOFR, Bank’s Prime Rate, or another benchmark selected by Bank); and (B) the applicable spread adjustment or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Bank.

With respect to Bank’s decisions under this paragraph (2):

(i) if a Swap Agreement relating to a portion of this Note is in effect as of the Benchmark Transition Event or Early Opt-in Election, then Bank may without limitation, select (i) the benchmark referenced in the Swap Agreement, which may be the sum of a fallback rate and spread adjustment, for the entire balance of this Note, or (ii) the benchmark referenced in the Swap Agreement, which may be the sum of a fallback rate and spread adjustment, for the hedged portion of this Note, and the applicable Benchmark Replacement for the remaining non-hedged portion of this Note; and

(ii) in the case of a replacement rate for Daily One Month LIBOR, Bank may, without limitation, select SOFR notwithstanding the availability or feasibility of determining a daily one month SOFR; and

(iii) Bank’s selection of any applicable Benchmark Replacement shall give due consideration to (i) any selection or recommendation by the Relevant Governmental Body at such time for a replacement rate, the mechanism for determining such a rate, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for such rate, or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the then-current Benchmark, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for such alternate rate for U.S. dollar-denominated syndicated or bilateral credit facilities at such time.

Provided, however, during any period of time that the Benchmark Replacement would be less than 0.75%, the Benchmark Replacement shall be deemed to be 0.75% for the purposes of this Note and the related loan documents, subject to any applicable floor rate provision.

(iv) “Benchmark Replacement Conforming Changes” means any technical,

administrative or operational changes (including, without limitation, changes to the definition of "Interest Period," timing and frequency of determining rates and making payments of interest, prepayment provisions and other administrative matters) that Bank decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Bank.

(v) "Benchmark Replacement Date" means the date specified by Bank in a notice to Borrower following a Benchmark Transition Event or Early Opt-in Election.

(vi) "Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark: a public statement or publication of information by or on behalf of the Benchmark Administrator or a regulatory supervisor for the Benchmark Administrator announcing that (A) the Benchmark Administrator has ceased or will cease to provide the Benchmark permanently or indefinitely or (B) the Benchmark is no longer representative of underlying markets.

(vii) "Corresponding Tenor" means a tenor having approximately the same length as the Interest Period, provided, however, that the Corresponding Tenor for Daily One Month LIBOR shall be one day.

(viii) "Early Opt-in Election" means the election by Bank to declare that the Benchmark will be replaced prior to the occurrence of a Benchmark Transition Event and the provision by Bank of written notice of such election to Borrower indicating that at least five (5) currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) Term SOFR plus a spread adjustment that has been selected or recommended by the Relevant Governmental Body.

(ix) "Interest Period" means, initially, the applicable LIBOR Period, and if a Benchmark Replacement is applicable, the tenor of the Benchmark Replacement.

(x) "Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

(xi) "SOFR" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator thereof, (or a successor administrator) on its website.

(xii) "Swap Agreement" means a swap agreement by and between Borrower and Bank or its affiliates.

(xiii) "Term SOFR" means the forward-looking term rate for the Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

BORROWING AND REPAYMENT:

(a) "Borrowing and Repayment of Principal." Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above or such lesser amount as set forth in the Credit Agreement. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and

payable in full on August 28, 2021.

(b) Payment of Interest. Interest accrued on this Note shall be payable on the first day of each month, commencing October 1, 2020, and on the maturity date set forth above.

(c) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) Mark Fandrich or Kristin Hlavka, any one acting alone (subject to any of Bank's applicable authentication policies or procedures, which may require that a particular individual—including another specific individual listed above—provide verification of the identity of the requestor), who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

(d) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof.

PREPAYMENT:

Borrower may prepay principal on this Note at any time, in any amount and without penalty. If principal under this Note is payable in more than one installment, then any prepayments of principal shall be applied to the most remote principal installment or installments then unpaid.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement of even date herewith between Borrower and Bank (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any "Event of Default" as defined under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the sale, transfer, hypothecation, assignment or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, if any, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note whether or not suit is brought, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Collateral Exclusion. No lien or security interest created by or arising under any deed of trust, mortgage, security deed, or similar real estate collateral agreement ("Lien Document") shall secure the Note Obligations unless such Lien Document specifically describes the promissory note(s), instrument(s) or agreement(s) evidencing Note Obligations as a part of the indebtedness secured thereby. This exclusion shall apply notwithstanding (i) the fact that such Lien Document may appear to secure the Note Obligations by virtue of a cross-collateralization provision or other provisions expanding the scope of the secured obligations, and (ii) whether such Lien Document was entered into prior to, concurrently with, or after the date hereof. As used herein, "Note Obligations" means any obligations under this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time, or under any other evidence of indebtedness that has been modified, renewed or extended in whole or in part by this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time.

(c) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(d) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Minnesota, but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

(e) Effective Date. The effective date of this Note shall be the date that Bank has accepted this Note and all conditions to the effectiveness of the Credit Agreement have been fulfilled to Bank's satisfaction. Notwithstanding the occurrence of the effective date of this Note, Bank shall not be obligated to extend credit under this Note until all conditions to each extension of credit set forth in the Credit Agreement have been fulfilled to Bank's satisfaction.

Signature page follows

IN WITNESS WHEREOF, the undersigned have executed this Note to be effective as of the effective date set forth herein.

COMMUNICATIONS SYSTEMS, INC.



By: _____
Name: Mark D. Fandrich
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: Kael Peterson
Title: Senior Vice President

Signature Page to Revolving Line of Credit Note

IN WITNESS WHEREOF, the undersigned have executed this Note to be effective as of the effective date set forth herein.

COMMUNICATIONS SYSTEMS, INC.

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: Kael Peterson
Title: Senior Vice President

Signature Page to Revolving Line of Credit Note

CONTINUING GUARANTY

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION

1. **GUARANTY; DEFINITIONS.** In consideration of any credit or other financial accommodation heretofore, now or hereafter extended or made to COMMUNICATIONS SYSTEMS, INC., a Minnesota corporation (together with any other person or entity that becomes a borrower under the Credit Agreement referenced below from time to time, collectively, "Borrowers"), or any of them, by WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"), and for other valuable consideration, each of the undersigned ECESSA CORPORATION, a Minnesota corporation ("Ecessa"), JDL TECHNOLOGIES, INCORPORATED, a Minnesota corporation ("JDL"), TRANSITION NETWORKS, INC., a Minnesota corporation ("Transition Networks"), and TWISTED TECHNOLOGIES, INC., a Georgia corporation ("Twisted"); together with Ecessa, JDL and Transition Networks, each a "Guarantor" and collectively, "Guarantors"), jointly and severally unconditionally guarantees and promises to pay to Bank, or order, on demand in lawful money of the United States of America and in immediately available funds, any and all Indebtedness of any of the Borrowers to Bank, all without relief from valuation and appraisal laws as applicable. The term "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Borrowers and Guarantors, or any of them, including, without limitation, all Obligations (as defined in the Credit Agreement) under the Credit Agreement of even date herewith between the Borrowers and Bank (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), in each case heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether any of the Borrowers or Guarantors may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable. This Guaranty is a guaranty of payment and not collection.

2. **MAXIMUM LIABILITY; SUCCESSIVE TRANSACTIONS; REVOCATION; OBLIGATION UNDER OTHER GUARANTIES.** This is a continuing guaranty and all rights, powers and remedies hereunder shall apply to all past, present and future Indebtedness of each of the Borrowers and Guarantors to Bank, including that arising under successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create new Indebtedness after all or any prior Indebtedness has been satisfied, and notwithstanding the death, incapacity, dissolution, liquidation or bankruptcy of any of the Borrowers or Guarantors or any other event or proceeding affecting any of the Borrowers or Guarantors. This Guaranty shall not apply to any new Indebtedness created after actual receipt by Bank of written notice of its revocation as to such new Indebtedness; provided however, that loans or advances made by Bank to any of the Borrowers or Guarantors after revocation under commitments existing prior to receipt by Bank of such revocation, and extensions, renewals or modifications, of any kind, of Indebtedness incurred by any of the Borrowers or Guarantors or committed by Bank prior to receipt by Bank of such revocation, shall not be considered new Indebtedness. Any such notice must be sent to Bank by registered U.S. mail, postage prepaid, addressed to its office at 90 South 7th Street, 18th Floor, Minneapolis, MN 55402, MAC N9305- 187, or at such other address as Bank shall from time to time designate. Any payment by any Guarantor shall not reduce such Guarantor's maximum obligation hereunder unless written notice to that effect is actually received by Bank at or prior to the time of such payment. The obligations of any Guarantor hereunder shall be in addition to any obligations of any Guarantor



under any other guaranties of any liabilities or obligations of any of the Borrowers, Guarantors or any other persons or entities heretofore or hereafter given to Bank unless said other guaranties are expressly modified or revoked in writing; and this Guaranty shall not, unless expressly herein provided, affect or invalidate any such other guaranties.

3. OBLIGATIONS JOINT AND SEVERAL; SEPARATE ACTIONS; WAIVER OF STATUTE OF LIMITATIONS; REINSTATEMENT OF LIABILITY. The obligations hereunder are joint and several and independent of the obligations of Borrowers, and a separate action or actions may be brought and prosecuted against any Guarantor whether action is brought against any of the Borrowers, Guarantors or any other person or entity, or whether any of the Borrowers, Guarantors or any other person or entity is joined in any such action or actions. Each Guarantor acknowledges that this Guaranty is absolute and unconditional, there are no conditions precedent to the effectiveness of this Guaranty, and this Guaranty is in full force and effect and is binding on such Guarantor as of the date written below, regardless of whether Bank obtains collateral or any guaranties from others or takes any other action contemplated by Guarantor. To the extent permitted by applicable law, each Guarantor waives the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement thereof, and each Guarantor agrees that any payment of any Indebtedness or other act which shall toll any statute of limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to any Guarantor's liability hereunder. The liability of Guarantors hereunder shall be reinstated and revived and the rights of Bank shall continue if and to the extent for any reason any amount at any time paid on account of any Indebtedness guaranteed hereby is rescinded or must otherwise be restored by Bank, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Bank in its sole discretion; provided however, that if Bank chooses to contest any such matter at the request of any Guarantor, each Guarantor agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in connection therewith, including without limitation, in any litigation with respect thereto.

4. AUTHORIZATIONS TO BANK. Each Guarantor authorizes Bank either before or after revocation hereof, without notice to, demand on, or consent of any Guarantor, and without affecting any Guarantor's liability hereunder, from time to time to: (a) alter, compromise, renew, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; (b) do any and all of the following with respect to any Loan Document (as defined in the Credit Agreement): (i) amend, amend and restate, supplement, replace, or otherwise modify any Loan Document; (ii) waive compliance with any provision of any Loan Document on any number of occasions; (iii) consent to departure from any provision of any Loan Document on any number of occasions; and/or (iv) forbear from exercising any rights or remedies of Bank in connection with a breach of any provision of any Loan Document for any duration of time and on any number of occasions; (c) take and hold security for the payment of this Guaranty or the Indebtedness or any portion thereof, and exchange, enforce, waive, subordinate or release any such security; (d) apply such security and direct the order or manner of sale thereof, including without limitation, a non-judicial sale permitted by the terms of the controlling security agreement, mortgage or deed of trust, as Bank in its discretion may determine; (e) release or substitute any one or more of the endorsers or any other guarantors of the Indebtedness, or any portion thereof, or any other party thereto; and (f) apply payments received by Bank from any of the Borrowers or Guarantors to any Indebtedness of any of the Borrowers or Guarantors to Bank, in such order as Bank shall determine in its sole discretion, whether or not such

Indebtedness is covered by this Guaranty, and each Guarantor hereby waives any provision of law regarding application of payments which specifies otherwise. Bank may without notice assign this Guaranty in whole or in part.

5. REPRESENTATIONS, WARRANTIES, AND AGREEMENTS. Each Guarantor represents and warrants to Bank that: (a) this Guaranty is executed at Borrowers' request; (b) Bank has made no representation to any Guarantor as to the creditworthiness of any of the Borrowers or Guarantors; and (c) each Guarantor has established adequate means of obtaining from each of the Borrowers and Guarantors on a continuing basis financial and other information pertaining to Borrowers' and Guarantors' financial condition. Each Guarantor agrees with Bank: (i) to keep adequately informed from such means of any facts, events or circumstances which might in any way affect such Guarantor's risks hereunder; (ii) that Bank shall have no obligation to disclose to any Guarantor any information or material about any of the Borrowers or Guarantors which is acquired by Bank in any manner; (iii) upon Bank's request, each Guarantor shall provide to Bank copies of such Guarantor's financial statements; and (iv) that no Guarantor shall, without Bank's prior written consent, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all or a substantial or material part of such Guarantor's assets other than in the ordinary course of such Guarantor's business, nor accomplish any of the above by virtue of a division or similar transaction.

6. BANK'S RIGHTS WITH RESPECT TO GUARANTORS' PROPERTY IN BANK'S POSSESSION. In addition to all liens upon and rights of setoff against the monies, securities or other property of any Guarantor given to Bank by law, Bank shall have a lien upon and a right of setoff against all monies, securities and other property of each Guarantor now or hereafter in the possession of or on deposit with Bank, whether held in a general or special account or deposit or for safekeeping or otherwise, and every such lien and right of setoff may be exercised without demand upon or notice to any Guarantor. No lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Bank, or by any neglect to exercise such right of setoff or to enforce such lien, or by any delay in so doing, and every right of setoff and lien shall continue in full force and effect until such right of setoff or lien is specifically waived or released by Bank in writing. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Guarantors to Bank and whether or not the Bank is otherwise fully secured.

7. SUBORDINATION. Any Indebtedness of any of the Borrowers or any Guarantor now or hereafter held by any other Guarantor is hereby subordinated to the Indebtedness of Borrowers and such other Guarantor to Bank. Such Indebtedness of Borrowers or Guarantors to any other Guarantor is assigned to Bank as security for this Guaranty and the Indebtedness and, if Bank requests, shall be collected and received by such other Guarantor as trustee for Bank and paid over to Bank on account of the Indebtedness of Borrowers or Guarantors to Bank but without reducing or affecting in any manner the liability of any Guarantor under the other provisions of this Guaranty. Any notes or other instruments now or hereafter evidencing such Indebtedness of any of the Borrowers or Guarantors to any other Guarantor shall be marked with a legend that the same are subject to this Guaranty and, if Bank so requests, shall be delivered to Bank. Bank is hereby authorized in the name of each Guarantor from time to time to file financing statements and continuation statements and execute such other documents and take such other action as Bank deems necessary or appropriate to perfect, preserve and enforce its rights hereunder.

8. REMEDIES; NO WAIVER. All rights, powers and remedies of Bank hereunder are cumulative. No delay, failure or discontinuance of Bank in exercising any right, power or

remedy hereunder shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of this Guaranty, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing.

9. COSTS, EXPENSES AND ATTORNEYS' FEES. Guarantors shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including, to the extent permitted by applicable law, reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel to the extent permissible), expended or incurred by Bank in connection with the enforcement of any of Bank's rights, powers or remedies and/or the collection of any amounts which become due to Bank under this Guaranty, and the prosecution or defense of any action in any way related to this Guaranty, whether or not suit is brought, and if suit is brought, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person or entity) relating to any Guarantor or any other person or entity. Subject to any restrictions under applicable law pertaining to usury, all of the foregoing shall be paid by Guarantors with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time. Notwithstanding anything in this Guaranty to the contrary, reasonable attorneys' fees shall not exceed the maximum amount permitted by law.

10. SUCCESSORS; ASSIGNMENT. This Guaranty shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that no Guarantor may assign or transfer any of its interests or rights hereunder without Bank's prior written consent. Each Guarantor acknowledges that Bank has the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, any Indebtedness of Borrowers or Guarantors to Bank and any obligations with respect thereto, including this Guaranty. In connection therewith, Bank may disclose all documents and information which Bank now has or hereafter acquires relating to any Guarantor and/or this Guaranty, whether furnished by Borrowers, Guarantors or otherwise. Each Guarantor further agrees that Bank may disclose such documents and information to Borrowers or any other Guarantor.

11. AMENDMENT. This Guaranty may be amended or modified only in writing signed by Bank and Guarantors.

12. APPLICATION OF SINGULAR AND PLURAL. In all cases where there is but a single Borrower, then all words used herein in the plural shall be deemed to have been used in the singular where the context and construction so require; and when there is more than one Borrower named herein, the word "Borrowers" shall mean all or any one or more of them as the context requires.

13. COUNTERPARTS; GOVERNING LAW. This Guaranty may be executed in as many counterparts as may be required to reflect all parties assent; all counterparts will collectively constitute a single agreement. This Guaranty shall be governed by and construed in accordance with the laws of the State of Minnesota, but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

14. GUARANTORS' WAIVERS.

(a) Each Guarantor waives any right to require Bank to: (i) proceed against any of the Borrowers, Guarantors or any other person or entity; (ii) marshal assets or proceed against or exhaust any security held from any of the Borrowers, Guarantors or any other person or entity; (iii) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from any of the Borrowers, Guarantors or any other person or entity; (iv) take any other action or pursue any other remedy in Bank's power; or (v) make any presentment or demand for performance, or give any notices of any kind, including, without limitation, any notice of nonperformance, protest, notice of protest or notice of dishonor, notice of intention to accelerate or notice of acceleration hereunder or in connection with any obligations or evidences of indebtedness held by Bank as security for or which constitute in whole or in part the Indebtedness guaranteed hereunder, or in connection with the creation of new or additional Indebtedness; or (vi) set off against the Indebtedness the fair value of any real or personal property given as collateral for the Indebtedness (whether such right of setoff arises under statute or otherwise). In addition to the foregoing, each Guarantor specifically waives any statutory right it might have to require Bank to proceed against Borrowers, any other Guarantor or any collateral that secures the Indebtedness.

(b) Each Guarantor waives any defense to its obligations hereunder based upon or arising by reason of: (i) any disability or other defense of any of the Borrowers, Guarantors or any other person or entity; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the Indebtedness of any of the Borrowers, Guarantors or any other person or entity; (iii) any lack of authority of any officer, director, partner, agent or any other person or entity acting or purporting to act on behalf of any of the Borrowers or Guarantors which is a corporation, partnership or other type of entity, or any defect in the formation of any such Borrower or Guarantor; (iv) the application by any of the Borrowers or Guarantors of the proceeds of any Indebtedness for purposes other than the purposes represented by Borrowers or Guarantors to, or intended or understood by, Bank or any Guarantor; (v) any act or omission by Bank which directly or indirectly results in or aids the discharge of any of the Borrowers or Guarantors or any portion of the Indebtedness by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Bank against any of the Borrowers or Guarantors; (vi) any impairment of the value of any interest in security for the Indebtedness or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (vii) any modification of the Indebtedness, in any form whatsoever, including any modification made after revocation hereof to any Indebtedness incurred prior to such revocation, and including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; or (viii) or any requirement that Bank give any notice of acceptance of this Guaranty. Until all Indebtedness shall have been paid in full and all commitments of Bank to Borrowers and Guarantors have been terminated, no Guarantor shall have any right of subrogation, and each Guarantor waives any right to enforce any remedy which Bank now has or may hereafter have against any of the Borrowers, Guarantors or any other person or entity and waives any benefit of, or any right to participate in, any security now or hereafter held by Bank. To the fullest extent permitted by applicable law, each Guarantor waives all rights of a surety and the benefits of any applicable suretyship law, statute or regulation, and without limiting any of the waivers set forth herein, each Guarantor further waives any other fact or event that, in the

absence of this provision, would or might constitute or afford a legal or equitable discharge or release of or defense to Borrower or any other Guarantor.

(c) Each Guarantor further waives all rights and defenses such Guarantor may have arising out of (i) any election of remedies by Bank, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Indebtedness, destroys such Guarantor's rights of subrogation or such Guarantor's rights to proceed against any of the Borrowers or Guarantors for reimbursement, or (ii) any loss of rights such Guarantor may suffer by reason of any rights, powers or remedies of any of the Borrowers or Guarantors in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging Borrowers' or Guarantors' Indebtedness, whether by operation of law or otherwise, including any rights such Guarantor may have to claim a fair market credit with respect to a deficiency or have a fair market value hearing to determine the size of a deficiency following any foreclosure sale or other disposition of any real property security for any portion of the Indebtedness, and each Guarantor waives any right such Guarantor may have under any "one-action" rule. Each Guarantor further waives the benefit of any homestead, exemption or other similar laws.

15. UNDERSTANDING WITH RESPECT TO WAIVERS; SEVERABILITY OF PROVISIONS. Each Guarantor warrants and agrees that each of the waivers set forth herein is made with such Guarantor's full knowledge of its significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any waiver or other provision of this Guaranty shall be held to be prohibited by or invalid under applicable public policy or law, such waiver or other provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such waiver or other provision or any remaining provisions of this Guaranty.

16. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS.

(a) FORUM NON CONVENIENS. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS GUARANTY AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF HENNEPIN, STATE OF MINNESOTA; PROVIDED, THAT, ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT BANK'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE BANK ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH GUARANTOR AND BANK WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, 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.

(b) WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH GUARANTOR AND BANK HEREBY WAIVE THEIR RESPECTIVE RIGHTS, IF ANY, TO A JURY TRIAL OF ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS (EACH A "CLAIM"). EACH OF GUARANTORS AND BANK REPRESENTS THAT IT HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF

LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(c) SUBMISSION TO JURISDICTION. EACH OF GUARANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF HENNEPIN AND THE STATE OF MINNESOTA, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT AGAINST BORROWER OR ANY GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(d) WAIVER OF CLAIMS. NO CLAIM MAY BE MADE BY ANY GUARANTOR AGAINST BANK OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, COUNSEL, REPRESENTATIVE, AGENT, OR ATTORNEY-IN-FACT OF ANY OF THEM FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OR LOSSES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS GUARANTY OR ANY OTHER LOAN DOCUMENT, OR ANY ACT, OMISSION, OR EVENT OCCURRING IN CONNECTION THEREWITH, AND EACH OF GUARANTORS HEREBY WAIVES, RELEASES, AND AGREES NOT TO SUE UPON ANY CLAIM FOR SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

17. AMENDMENT AND RESTATEMENT. This Guaranty amends, restates and supersedes in its entirety, and is given as a replacement for, and not in satisfaction of or as a novation with respect to, that certain Guaranty executed by Twisted in favor of Bank and dated August 12, 2016, as amended to date.

Signature page follows

2020. IN WITNESS WHEREOF, each of the undersigned Guarantor has executed this Guaranty, intending to be legally bound hereby, as of August 28,

ECESSA CORPORATION



By: _____
Name: Mark D. Fandirch
Title: Chief Financial Officer

JDL TECHNOLOGIES, INCORPORATED



By: _____
Name: Mark D. Fandirch
Title: Chief Financial Officer

TRANSITION NETWORKS, INC.



By: _____
Name: Mark D. Fandirch
Title: Chief Financial Officer

TWISTED TECHNOLOGIES, INC.



By: _____
Name: Mark D. Fandirch
Title: Chief Financial Officer

Signature Page to Continuing Guaranty

WELLS FARGO BANK, NATIONAL ASSOCIATION



By: _____
Name: Kael Peterson
Title: Senior Vice President

Signature Page to Continuing Guaranty
