

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001- 34278



BROADWIND ENERGY, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of or other jurisdiction of
incorporation or organization)
3240 S. Central Avenue
Cicero, Illinois
(Address of principal executive offices)

88-0409160
(I.R.S. Employer
Identification No.)

60804
(Zip code)

Registrant's telephone number, including area code: (708) 780-4800

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

Title of Class	Name of Exchange on which Registered
Preferred Stock Purchase Rights	The NASDAQ Capital Market

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

Title of Class	Name of Exchange on which Registered
Common Stock, \$0.001 par value	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the Registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes No

As of June 30, 2018 the aggregate market value of the Registrant's voting common stock held by non-affiliates of the Registrant was approximately \$28,651,000, based upon the \$2.36 per share closing sale price of the Registrant's common stock as reported on the NASDAQ Capital Market. For purposes of this calculation, the Registrant's directors and executive officers and holders of 5% or more of the Registrant's outstanding shares of voting common stock have been assumed to be affiliates, with such affiliates holding an aggregate of 3,330,000 shares of the Registrant's voting common stock on June 30, 2018.

The number of shares of the Registrant's common stock, par value \$0.001, outstanding as of February 22, 2019, was 15,708,685.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2019 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

BROADWIND ENERGY, INC.

FORM 10-K

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PART I

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10 K (“Annual Report”) contains “forward looking statements”— that is, statements related to future, not past, events—as defined in Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that reflect our current expectations regarding our future growth, results of operations, financial condition, cash flows, performance, business prospects and opportunities, as well as assumptions made by, and information currently available to, our management. We have tried to identify forward looking statements by using words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “should,” “may,” “plan” and similar expressions, but these words are not the exclusive means of identifying forward looking statements. Forward looking statements include any statement that does not directly relate to a current or historical fact. Our forward-looking statements may include or relate to our beliefs, expectations, plans and/or assumptions with respect to the following: (i) state, local and federal regulatory frameworks affecting the industries in which we compete, including the wind energy industry, and the related extension, continuation or renewal of federal tax incentives and grants and state renewable portfolio standards; (ii) our customer relationships and our substantial dependency on a few significant customers and our efforts to diversify our customer base and sector focus and leverage relationships across business units; (iii) our ability to continue to grow our business organically and through acquisitions; (iv) the production, sales, collections, customer deposits and revenues generated by new customer orders and our ability to realize the resulting cash flows; (v) the sufficiency of our liquidity and alternate sources of funding, if necessary; (vi) our ability to realize revenue from customer orders and backlog; (vii) our ability to operate our business efficiently, comply with our debt obligations, manage capital expenditures and costs effectively, and generate cash flow; (viii) the economy and the potential impact it may have on our business, including our customers; (ix) the state of the wind energy market and other energy and industrial markets generally and the impact of competition and economic volatility in those markets; (x) the effects of market disruptions and regular market volatility, including fluctuations in the price of oil, gas and other commodities; (xi) the effects of the change of administrations in the U.S. federal government; (xii) our ability to successfully integrate and operate companies and to identify, negotiate and execute future acquisitions; (xiii) the potential loss of tax benefits if we experience an “ownership change” under Section 382 of the Internal Revenue Code of 1986, as amended (the “IRC”); (xiv) the limited trading market for our securities and the volatility of market price for our securities; and (xv) the impact of future sales of our common stock or securities convertible into our common stock on our stock price. These statements are based on information currently available to us and are subject to various risks, uncertainties and other factors that could cause our actual growth, results of operations, financial condition, cash flows, performance, business prospects and opportunities to differ materially from those expressed in, or implied by, these statements. We are under no duty to update any of these statements. You should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or other factors that could cause our current beliefs, expectations, plans and/or assumptions to change. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results.

(Dollar amounts are presented in thousands, except per share data and unless otherwise stated)

ITEM 1. BUSINESS

As used in this Annual Report, the terms “we,” “us,” “our,” “Broadwind” and the “Company” refer to Broadwind Energy, Inc., a Delaware corporation headquartered in Cicero, Illinois, and its wholly-owned subsidiaries (the “Subsidiaries”). Dollars are presented in thousands unless otherwise stated.

Business Overview

We provide technologically advanced high-value products to energy, mining and infrastructure sector customers, primarily in the United States of America (the “U.S.”). Our most significant presence is within the U.S. wind energy industry, although we have diversified into other industrial markets in order to improve our capacity utilization, reduce our customer concentrations, and reduce our exposure to uncertainty related to governmental policies currently impacting the U.S. wind energy industry. The December 2015 multi-year extension of the federal Production Tax Credit (the “PTC”) and the Investment Tax Credit (“ITC”) for new wind energy development projects have helped stabilize wind energy markets for the medium term. Within the U.S. wind energy industry, we provide products primarily to wind turbine manufacturers. We also provide precision gearing and heavy fabrications to a broad range of industrial customers for oil and gas (“O&G”), mining, steel and other industrial applications.

On February 1, 2017, we acquired Red Wolf Company, LLC (“Red Wolf”), a Sanford, North Carolina-based, privately held fabricator, kitter and assembler of industrial systems primarily supporting the global natural gas turbine market, for approximately \$18,983. Red Wolf is being operated as a wholly-owned subsidiary, as more fully described in Note 21, “Business Combinations” in the notes to our consolidated financial statements. The Red Wolf acquisition enables us to expand our market reach, competencies, capabilities and customer relationships. The Red Wolf acquisition aligns with our growth strategy focused on expanding and diversifying our business through organic growth and strategic bolt-on acquisitions. Red Wolf’s operations are reported in the “Process Systems” segment.

In December of 2015, we substantially completed the divestiture of our Services segment. Consequently, this segment has been reported as a discontinued operation. All current and prior period financial results have been revised to reflect these changes. As a result of the 2017 Red Wolf acquisition and the divestiture of the Services segment, we revised our segment presentation to include three reportable operating segments: Towers and Weldments, Gearing, and Process Systems. See Note 16 “Segment Reporting” in the notes to our consolidated financial statements for further discussion of our segments. In the fourth quarter 2017, the Towers and Heavy Fabrications segment changed its name from “Towers and Weldments” to “Towers and Heavy Fabrications” to more accurately reflect the nature of the segment’s activities.

In 2018, 49% of our sales were linked to new wind energy installations, representing a reduction in concentration from 72% in 2017, as we diversified our sales across end markets and experienced lower demand for towers. The market for new U.S. wind energy installations is affected by a number of factors, including: (i) economic growth and the associated demand for new electricity generation; (ii) the cost of competing energy sources, primarily natural gas and solar power; (iii) federal and state-level renewable energy development incentives; (iv) available transmission infrastructure and the proliferation of smart grid technology; (v) improvements in wind energy cost competitiveness resulting from the maturation of technologies and services within the wind energy industry; and (vi) state and federal government actions relating to regulation of carbon emissions.

The highest impact development incentive has been the PTC for new wind energy projects. Legislative support for the PTC has been intermittent since its introduction in 1992, which has caused volatility in the demand for new wind energy projects. The PTC extension in 2015 for a five-year period phases-out the amount of the credit allowed over time based on the year when construction of the wind project is started. The phase-out schedule provides for: 100% extension of the credit for projects commenced before the end of 2016, 80% for projects commenced in 2017, 60% in 2018 and 40% in 2019. Qualifying projects must either be completed within three years from their commencement or the developer must demonstrate that they are in continuous construction between commencement and completion.

The market for wind towers is closely correlated to the demand for new wind turbines. However, demand for our towers is also reflective of the level of market competition, the strength of our customer relationships and the proximity of our plants to wind farm development sites, the economics and availability of imported towers, as well as other factors. In 2016, orders for our wind towers were strong, driven by a multi-year baseload order received in response to the PTC extension. Our orders have declined since, and in 2017, were impacted by the consolidation of our two largest customers, and their decision to reduce inventories of towers and other turbine components globally. In 2018, we were also adversely impacted by steel plate availability and pricing issues primarily attributable to steel tariffs introduced in early 2018.

Outside of the market for wind energy installations, we serve a number of other industrial markets, including O&G development and extraction, mining, gas-fired turbines, and steel production. The market for O&G equipment and mining equipment rebounded early in 2017 as prices recovered significantly in response to changes in the supply and demand balance. Due to the rebound in the market conditions, we have raised production in order to meet our customers’ demand. Outside of towers manufactured to support the wind energy market, our products include gearboxes (both new and rebuilt), loose gearing, heavy fabrications and components for gas turbines. The following table details the percentage of our revenue generated in each sector for the past two years:

	Annual Revenue	
	2018	2017
Wind	49 %	72 %
Industrial	51 %	28 %
Total	100 %	100 %

Business and Operating Strategy

We intend to capitalize on the markets for wind energy, gas turbines, O&G, mining, and other industrial verticals in North America by leveraging our core competencies in welding, manufacturing, assembling and kitting. Our strategic objectives include the following:

- **Improve our commercial efforts and expand and diversify our customer base.** In 2018, sales derived from our top five customers represented 78% of total sales, a modest improvement in customer diversification as compared to 85% in 2017. To reduce the concentration of sales and our wind energy industry concentration, we have focused our market research activities and our sales force on expanding and diversifying our customer base. The Red Wolf acquisition in early 2017 further improved our customer and end market diversification.
- **Improve capacity utilization and profitability.** We are working to improve our capacity utilization and financial results by leveraging our existing manufacturing capacity and adjusting capacity where we can, in response to changing market conditions. Tower and gear manufacturing each require significant capital investments. We have manufacturing capacity available that could support a significant increase in our annual revenues, particularly for gearing and heavy fabrications. In 2018, we completed a multi-year rationalization of our operational footprint, which significantly reduced our cumulative square footage through the sale or exit of several operational locations.
- **Reduce fixed manufacturing costs and operating expenses to improve profitability.** In response to decreased tower demand from our customers in 2017, we reduced our cost structure by \$2.3 million in 2017 and an additional \$2.3 million in 2018. In our Towers and Heavy Fabrications segment, we are expanding production capabilities and leveraging our fabrication competencies to support growth in mining, construction, and other industrial markets. In our Gearing segment, after several years of reducing workforce and selling excess gear cutting and grinding equipment, we are modestly increasing our production capabilities in response to improving market conditions. Outside of Gearing, we have focused on reducing professional fees and expenses, lowering our administrative costs and eliminating non-critical overhead positions.
- **Improve production technology and operational efficiency.** We believe that the proper coordination and integration of the supply chain, consistent use of systems to manage our production activities and “Continuous Improvement” initiatives are key factors that enable high operating efficiencies, increased reliability, better delivery and lower costs. We have introduced robust Advanced Product Quality Processes (APQP) to support the introduction of new products. We have developed better supply chain expertise, worked with lean enterprise resources, upgraded and improved systems utilization and invested capital to help enhance our operational efficiency and flexibility. We have staffed our operations with Continuous Improvement experts in order to optimize our production processes to increase output, leverage our scale and lower our costs while maintaining product quality.

COMPANY HISTORY

We were incorporated in 1996 in Nevada as Blackfoot Enterprises, Inc., and through a series of subsequent transactions, became Broadwind Energy, Inc., a Delaware corporation, in 2008. Through acquisitions in 2007 and 2008, we focused on expanding upon our core platform as a wind tower component manufacturer, established our Gearing segment, and developed our Heavy Fabrications capabilities. In early 2017, we acquired Red Wolf, a kitter and assembler of industrial components primarily supporting the global gas turbine market.

SALES AND MARKETING

We market our towers, gearing, kitting and heavy fabrications products through a direct sales force and independent sales agents. Our sales and marketing strategy is to develop and maintain long-term relationships with our energy and infrastructure sector customers. Within the wind energy industry, our customer base consists primarily of wind turbine manufacturers who supply end-users and wind farm operators with wind turbines and wind farm operators who use our replacement gears in their installed turbines. Within the O&G and mining industries, our customer base consists of manufacturers of hydraulic fracturing and mud pumps, drilling and production equipment, mining equipment, and off-highway vehicles. Within the gas turbine industry, our customers supply end-users with natural gas turbines and after-market replacement and efficiency upgrade packages. To support the efforts of our sales force, we utilize a number of

marketing tactics to build our brand and position and promote our products. Our efforts include participation in industry conferences, media relations, use of social media and other channels and use of our website to connect with customers.

COMPETITION

Each of our businesses faces competition from both domestic and international companies. The December 2015 extension of the PTC attracted additional investment and competition for wind towers. The industrial gearing industry has experienced consolidation of producers and acquisitions by strategic buyers in response to strong international competition, although recent tariff and trade uncertainties have caused buyers to shift more of their purchases to domestic gear manufacturers.

For our Towers and Heavy Fabrications segment, the largest North American based competitor is Arcosa Inc., which was formerly a Trinity Industries company. Other competitors include Vestas Wind Systems, which has periodically produced towers for third party customers in addition to meeting its own captive tower requirements, and Marmen Industries, a Canadian company that also has a production facility in the U.S. We also face competition from imported towers, although imports from China and Vietnam have substantially ceased following a determination by the U.S. International Trade Commission (“USITC”) in 2013 that wind towers from those countries were being sold in the U.S. at less than fair value. As a result of the determination, the U.S. Department of Commerce (“USDOC”) issued antidumping and countervailing duty orders on imports of wind towers from China and an antidumping duty order on imports of towers from Vietnam, which are currently under review for a five-year extension. In May 2018, the U.S. Court of Appeals affirmed the decision from the U.S. Court of International Trade resulting in CS Wind Vietnam being excluded from the antidumping order. U.S. tariffs have been imposed on imported steel, but have not been applied to fabricated wind towers, which has increased competition from other international competitors. We continue to monitor wind tower imports.

In our Gearing segment, which is focused on the O&G, wind energy, mining and steel markets, our key competitors in a fragmented market include Overton Chicago Gear, Cincinnati Gearing Systems, Merit Gear, Milwaukee Gear and Horsburgh & Scott. In addition, we compete with the internal gear manufacturing capacity of relevant equipment manufacturers and face competition from foreign competitors.

In our Process Systems segment, which is primarily focused on the gas turbine market, our key competitors include Gexpro and other small independent companies.

ENVIRONMENTAL REGULATION AND COMPLIANCE

Our operations are subject to numerous federal, state and local environmental laws and regulations. Although it is our objective to maintain compliance with these laws and regulations, it may not be possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that we may undertake in the future. Several of our facilities have a history of industrial operations, and contaminants have been detected at some of our facilities.

BACKLOG

We sell our towers under either supply agreements or individual purchase orders (“POs”), depending on the size and duration of the purchase commitment. Under the supply agreements, we typically receive a purchase commitment for towers to be delivered in future fiscal quarters, then receive POs on a periodic basis depending upon the customer’s forecast of production volume requirements within the contract terms. For our Gearing and Process Systems segments, sales are generally based on individual POs. As of December 31, 2018, the dollar amount of our backlog believed to be firm under our supply agreements and POs awarded was approximately \$96 million. This represents a 30% decrease from the backlog at December 31, 2017, which is due in part to the run-off of a three-year tower framework agreement in mid-2016, against which we are still delivering. The reduction in tower backlog has been partially offset by higher gearing orders due to strong demand from mining and wind customers, and an increase in heavy fabrication orders due to strong mining and industrial demand.

SEASONALITY

The majority of our business is not affected by seasonality.

EMPLOYEES

We had 425 employees at December 31, 2018, of which 378 were in manufacturing related functions and 47 were in administrative functions. As of December 31, 2018, approximately 23% of our employees were covered by collective bargaining agreements with local unions in our Cicero, Illinois and Neville Island, Pennsylvania locations. The five-year collective bargaining agreement with the Neville Island union was renegotiated in November 2017, and is expected to remain in effect through October 2022. A new four-year collective bargaining agreement with the Cicero union was negotiated in the third quarter of 2018 and is expected to remain in effect through February 2022. We believe that our relationship with our employees is generally positive.

RAW MATERIALS

The primary raw material used in the construction of wind towers and gearing products is steel in the form of plate, bar stock, forgings or castings. The market for tower steel has become increasingly globalized. Although we are generally responsible for procurement of the raw materials, our global tower customers often negotiate the prices and terms for steel purchases, and, through a “directed buy”, we purchase under these agreements. We then pass the steel cost through to our end customer plus a conversion margin.

Outside of these directed buys, we operate a multiple supplier sourcing strategy and source our raw materials through various suppliers located throughout the U.S. and abroad. We generally do not have long-term supply agreements with our raw materials suppliers, and closely match terms with those of our customers to limit our exposure to commodity price fluctuations. We believe that we will be able to obtain an adequate supply of steel and other raw materials in 2019 to meet our manufacturing requirements, although from time to time we have faced shortages of specific grades of steel. Our business has been impacted by steel plate availability and pricing issues primarily attributable to steel tariffs introduced in early 2018. We have made modifications to our supply chain management practices to deal more effectively with potential disruptions arising from these purchasing practices.

QUALITY CONTROL

We have a long-standing focus on processes for ensuring the manufacture of high-quality products. To achieve high standards of production and operational quality, we implement strict and extensive quality control and inspections throughout our production processes. We maintain internal quality controls over all core manufacturing processes and carry out quality assurance inspections at the completion of each major manufacturing step to ensure the quality of our products. The manufacturing process at our Gearing segment, for example, involves transforming forged steel into precision gears through cutting, heat treating, testing and finishing. We inspect and test raw materials before they enter the assembly process, re-test the raw materials after rough machining, test the functioning of gear teeth and cores after thermal treatment and accuracy test final outputs for compliance with product specifications. We believe our investment in industry-leading heat treatment, high precision machining, specialized grinding technologies and cutting-edge welding has contributed to our high product reliability and the consistent performance of our products under varying operating conditions. All of our core operating facilities are ISO 9001:2015 certified.

CUSTOMERS

We manufacture products for a variety of customers in the wind energy, O&G, mining and other infrastructure industries. The majority of our wind energy industry customer base consists of wind turbine manufacturers who supply wind farm operators and wind farm developers with completed wind turbines. In the other industrial sectors, we sell our products through our trained sales force or through manufacturers’ representatives to a wide variety of customers. The wind turbine market is very concentrated. According to Wood Mackenzie Power & Renewables 2018 industry data, the top four wind turbine manufacturers constituted approximately 98% of the U.S. market. As a result, although we have historically produced towers for most of these global wind turbine manufacturers, in any given year a limited number of customers have accounted for the majority of our revenues. Sales to Siemens Gamesa Renewable Energy (“SGRE”) and Gardner Denver represented greater than 10% of our consolidated revenues for the year ended December 31, 2018. Sales to SGRE represented greater than 10% of our consolidated revenues for the year ended December 31, 2017. The loss of one of these customers could have a material adverse effect on our business, results of operation or financial condition. As a result, we are seeking to diversify our customer base.

WORKING CAPITAL

Our primary customers are wind turbine manufacturers and various other industrial customers. In general, we produce to order rather than to stock. For wind towers, the industry has historically used customized contracts with varying terms and conditions between suppliers and customers, depending on the specific objectives of each party. Our practices mirror this historical industry practice of negotiating agreements on a case-by-case basis. As a result, working capital needs, including levels of accounts receivable (“A/R”), customer deposits and inventory, can vary significantly from quarter to quarter based on the contractual terms associated with each quarter’s sales, such as whether and when we are required to purchase and supply steel pursuant to such sales.

In analyzing our liquidity, an important short-term factor is our use of operating working capital (“OWC”) in relationship to revenue. OWC is comprised of A/R and inventories, net of accounts payable (“A/P”) and customer deposits. Our OWC at December 31, 2018 was \$5,000 or 5% of trailing three months of sales annualized. This is a decrease of \$6,376 from December 31, 2017, when OWC was \$11,376, or 16% of trailing three months of sales annualized. The decrease in total OWC was driven by increased customer deposits received in late 2018, due to higher scheduled production levels in our Towers and Heavy Fabrications segment for 2019.

CORPORATE INFORMATION

Our principal executive office is located at 3240 South Central Avenue, Cicero, IL 60804. Our phone number is (708) 780-4800 and our website address is www.bwen.com.

OTHER INFORMATION

On our website at www.bwen.com, we make available under the “Investors” menu selection, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such reports or amendments are electronically filed with, or furnished to, the Securities and Exchange Commission (the “SEC”). Also, the SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information that we file electronically with the SEC.

ITEM 1A. RISK FACTORS

Our financial and operating performance is subject to certain factors out of our control, including the state of the wind energy market in North America.

As a supplier of products to wind turbine manufacturers, our results of operations (like those of our customers) are subject to general economic conditions, and specifically to the state of the wind energy market. In addition to the state and federal government policies supporting renewable energy described above, the growth and development of the larger wind energy market in North America is subject to a number of factors, including, among other things:

- the availability and cost of financing for the estimated pipeline of wind energy development projects;
- the cost of electricity, which may be affected by a number of factors, including government regulation, power transmission, seasonality, fluctuations in demand, and the cost and availability of fuel and particularly natural gas;
- the general demand for electricity or “load growth”;
- the costs of competing power sources, including natural gas, nuclear power, solar power and other power sources;
- the development of new power generating technology or advances in existing technology or discovery of power generating natural resources;
- the development of electrical transmission infrastructure;
- state and federal laws and regulations regarding avian protection plans and noise or turbine setback requirements;
- state and federal laws and regulations, particularly those favoring low carbon energy generation alternatives;
- administrative and legal challenges to proposed wind energy development projects;
- the improvement in efficiency and cost of wind energy, as influenced by advances in turbine design and operating efficiencies; and
- public perception and localized community responses to wind energy projects.

In addition, while some of the factors listed above may only affect individual wind energy project developments or portions of the market, in the aggregate they may have a significant effect on the successful development of the wind energy market as a whole, and thus affect our operating and financial results.

We may have difficulty maintaining our current financing arrangements or obtaining additional financing when needed or on acceptable terms, and there can be no assurance that our operations will generate cash flows in an amount sufficient to enable us to pay our indebtedness.

We rely on banks and capital markets as a source of liquidity for capital requirements not satisfied by cash flows from operations or asset sales. We have experienced operating losses for most periods during which we have operated, and our committed sources of liquidity may be inadequate to satisfy our operational needs. There can be no assurances that even if we were to achieve in part any or all of our strategic objectives that we would be successful in obtaining and improving profitability. If we are not able to access capital at competitive rates, the ability to implement our business plans may be adversely affected. In the absence of access to capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations at times when the prices for such assets or operations are depressed. In such event, we may not be able to consummate those dispositions. Furthermore, the proceeds of any such dispositions may not be adequate to meet our debt service obligations when due.

Our ability to comply with the restrictive covenants contained in our debt instruments, to make scheduled payments on our existing or future debt obligations, and to fund our operations will depend on our future financial and operating performance. Such performance is, to a significant extent, subject to general economic, financial, competitive and other factors that are beyond our control. If assumptions regarding our production, sales and subsequent collections from certain of our large customers, as well as customer deposits and revenues generated from new customer orders, are materially inconsistent with actual results, or any future restructuring efforts are not successful, we may encounter cash flow and liquidity issues. Additionally, new or existing customers may request acceleration of production or we may accept new orders or modify existing orders to purchase steel opportunistically or to build products with deposits, which will reduce our liquidity. There can be no assurances that our operations will generate sufficient cash flows to enable us to maintain compliance with the restrictive covenants contained in our debt instruments, pay our remaining indebtedness or to fund our other liquidity needs. If we cannot make scheduled payments on our debt, we will be in default and, as a result, among other things, our debt holders could declare all outstanding principal and interest to be due and payable which could force us to liquidate certain assets or alter our business operations or debt obligations, and we could be forced into a restructuring, bankruptcy or liquidation. We cannot assure you that we will be able to do any of the foregoing on commercially reasonable terms or at all, or on terms that would be advantageous to our stockholders. In addition, raising capital in the equity capital markets could result in limitations on our ability to use our net operating loss carryforwards.

Borrowings under our Credit Facility and other variable rate indebtedness may use the London Interbank Offering Rate (“LIBOR”) as a benchmark for establishing the applicable interest rate. LIBOR is the subject of recent regulatory guidance and proposals for reform, which may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments with respect to LIBOR cannot be entirely predicted, but could result in an increase in the cost of our variable rate indebtedness causing a negative impact on our financial position and operating results.

We are substantially dependent on a few significant customers.

Historically, the majority of our revenues are highly concentrated with a limited number of customers. In 2018, two customers, Siemens Gamesa Renewable Energy (“SGRE”) and Gardner Denver, accounted for more than 10% of our consolidated revenues, and our five largest customers accounted for 78% of our consolidated revenues. Certain of our customers periodically have expressed their intent to scale back, delay or restructure existing customer agreements, which has led to reduced revenues from these customers. It is possible that this may occur again in the future. As a result, our operating profits and gross margins have historically been negatively affected by significant variability in production levels, which has created production volume inefficiencies in our operations and cost structures.

The U.S. wind energy industry is significantly impacted by tax and other economic incentives and political and governmental policies. A significant change in these incentives and policies could significantly impact our results of operations and growth .

We sell towers to wind turbine manufacturers who supply wind energy generation facilities. The U.S. wind energy industry is significantly impacted by federal tax incentives and state Renewable Portfolio Standards (“RPS’s”). Despite recent reductions in the cost of wind energy, due to variability in wind quality and consistency, and other regional differences, wind energy may not be economically viable in certain parts of the country absent such incentives. These programs have provided material incentives to develop wind energy generation facilities and thereby impact the demand for our products. The increased demand for our products that generally results from the credits and incentives could be impacted by the expiration or curtailment of these programs.

One such federal government program, the PTC, provides economic incentives to the owners of wind energy facilities in the form of a tax credit. The PTC has been extended several times since its initial introduction in 1992. The FY16 Omnibus Appropriations Bill, passed on December 18, 2015, included a five-year extension and phase-down of the PTC, as well as providing the option to elect the ITC for wind energy projects. As a result, the PTC has been extended at full value for projects commenced by the end of 2016, was reduced to 80% of full value for projects commenced in 2017, 60% for projects commenced in 2018, and 40% for projects commenced in 2019. Similarly, for the ITC election, projects that started construction in 2015 and 2016 are eligible for a full 30% ITC, and projects that start construction in 2017, 2018 and 2019 are eligible for an ITC of 24%, 18% and 12%, respectively. As before, the rules allow wind energy projects to qualify so long as construction is started before the end of the respective period and either completed within three years, or under continuous construction between the start date and completion. The PTC tax benefits are available for the first ten years of operation of a wind energy facility, and also applies to significant redevelopment of existing wind energy facilities.

RPSs generally require or encourage state regulated electric utilities to supply a certain proportion of electricity from renewable energy sources or to devote a certain portion of their plant capacity to renewable energy generation. Typically, utilities comply with such standards by qualifying for renewable energy credits evidencing the share of electricity that was produced from renewable sources. Under many state standards, these renewable energy credits can be unbundled from their associated energy and traded in a market system, allowing generators with insufficient credits to meet their applicable state mandate. These standards have spurred significant growth in the wind energy industry and a corresponding increase in the demand for our products. Currently, the majority of states have RPS's in place and certain states have voluntary utility commitments to supply a specific percentage of their electricity from renewable sources. The enactment of RPS's in additional states or any changes to existing RPS's (including changes due to the failure to extend or renew the federal incentives described above), or the enactment of a federal RPS or imposition of other greenhouse gas regulations, may impact the demand for our products. We cannot assure that government support for renewable energy will continue. The elimination of, or reduction in, state or federal government policies that support renewable energy could have a material adverse impact on our business, results of operations, financial performance and future development efforts.

New tariffs have resulted in increased prices and could adversely affect our consolidated results of operations, financial position and cash flows. The Trump Administration imposed Section 232 tariffs on certain steel products imported into the U.S. which have increased the prices of these inputs. Increased prices for imported steel products have lead domestic sellers to respond with market-based increases to prices for such inputs as well. Additional tariffs have been announced that may be imposed on goods imported from China in the future. The new tariffs, along with any additional tariffs or trade restrictions that may be implemented by the U.S. or other countries, could result in further increased prices and a decreased available supply of steel as well as additional imported components and inputs. We may not be able to pass price increases on to our customers and may not be able to secure adequate alternative sources of steel on a timely basis. While retaliatory tariffs imposed by other countries on U.S. goods have not yet had a significant impact, we cannot predict further developments.

U.S. tariffs have been imposed on imported steel, but have not been applied to fabricated wind towers, which has adversely impacted our cost structure and competitiveness relative to imported towers. This has contributed to a general decrease in tower margins, which has reduced the profitability of our business.

The existence of government subsidies available to our competitors in certain countries may affect our ability to compete on a price basis.

In 2013, the U.S. International Trade Commission ("USITC") determined that wind towers from China and Vietnam were being sold in the U.S. at less than fair value. As a result of that determination, the U.S. Department of Commerce ("USDOC") issued antidumping and countervailing duty orders on imports of wind towers from China and an antidumping duty order on imports of towers from Vietnam. Since that time, imports of wind towers from those countries have substantially ceased. Those orders expired in 2018 and are currently under review for a five-year extension. There can be no assurance that they will be renewed or extended. Additionally, producers in other countries not subject to those orders may benefit from government subsidies (particularly with respect to the price of steel, the primary raw material used in the production of wind towers) which could lead to increased competition from those producers in the U.S. market, causing us to lose market share and/or reducing our margins.

Our customers may be significantly affected by disruptions and volatility in the economy and in the wind energy market.

Market disruptions and regular market volatility, including decreases in oil and commodity prices, may adversely impact our customers' ability to pay amounts due to us and could cause related increases in our working capital or borrowing needs. In addition, our customers have in the past attempted and may attempt in the future to renegotiate the terms of contracts or reduce the size of orders with us as a result of disruptions and volatility in the markets. We cannot predict with certainty the amount of our backlog that we will ultimately ship to our customers.

Market disruptions and regular market volatility may also result in an increased likelihood of our customers asserting warranty or remediation claims in connection with our products that they would not ordinarily assert in a more stable economic environment. In the event of such a claim, we may incur costs if we decide to compensate the affected customer or to engage in litigation with the affected customer regarding the claim. We maintain product liability insurance, but there can be no guarantee that such insurance will be available or adequate to protect against such claims. A successful claim against us could have a material adverse effect on our business.

Consolidation among wind turbine manufacturers could increase our customer concentration and/or disrupt our supply chain relationships.

Wind turbine manufacturers are among our primary customers. There has been consolidation among these manufacturers, and more consolidation may occur in the future. For example, both Siemens and Gamesa were customers for our tower business until their business combination in early 2017, at which time SGRE became our largest customer. Customer consolidation may result in pricing pressures, to which we are subject, leading to downward pressure on our margins and profits, and may also disrupt our supply chain relationships.

We face competition from industry participants who may have greater resources than we do.

Our businesses are subject to risks associated with competition from new or existing industry participants who may have more resources and better access to capital. Certain of our competitors and potential competitors may have substantially greater financial resources, customer support, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than we do. Among other things, these industry participants compete with us based upon price, quality, location and available capacity. We cannot be sure that we will have the resources or expertise to compete successfully in the future. We also cannot be sure that we will be able to match cost reductions by our competitors or that we will be able to succeed in the face of current or future competition.

We face significant risks associated with uncertainties resulting from changes to policies and laws with the periodic changes in the U.S. administration as well as risks associated with changes in our relationship with our significant customers.

Changes of administration in the U.S. federal government may affect our business in a manner that currently cannot be reliably predicted, especially given the potentially significant changes to various laws and regulations that affect us. These uncertainties may include changes in laws and policies in areas such as corporate taxation, taxation on imports of internationally-sourced products, international trade including trade treaties such as the North American Free Trade Agreement, environmental protection and workplace safety laws, labor and employment law, immigration and health care, which individually or in the aggregate could materially and adversely affect our business, results of operations or financial condition.

Additionally, if our relationships with significant customers should change materially, it could be difficult for us to immediately and profitably replace lost sales in a market with such concentration, which could have a material adverse effect on our operating and financial results. We could be adversely impacted by decreased customer demand for our products due to (i) the impact of current or future economic conditions on our customers, (ii) our customers' loss of market share to their competitors that do not use our products, and (iii) our loss of market share with our customers. We could lose market share with our customers to our competitors or to our customers themselves, should they decide to become more vertically integrated and produce the products that we currently provide.

In addition, even if our customers continue to do business with us, we could be adversely affected by a number of other potential developments with our customers. For example:

- The inability or failure of our customers to meet their contractual obligations could have a material adverse effect on our business, financial position and results of operations.
- Certain customer contracts provide the customer with the opportunity to cancel a substantial portion of its volume obligation by providing us with notice of such election prior to commencement of production. Such contracts generally require the customer to pay a sliding cancellation fee based on how far in advance of commencement of production such notice is provided.
- If we are unable to deliver products to our customers in accordance with an agreed upon schedule we may become subject to liquidated damages provisions in certain supply agreements for the period of time we are unable to deliver finished products. Although the liquidated damages provisions are generally capped, they can become significant and may have a negative impact on our profit margins and financial results.

- A material change in payment terms with a significant customer could have a material adverse effect on our short term cash flows.

Our plans for growth, diversification, and restructuring may not be successful, and could result in poor financial performance.

The Company continues to strategically diversify, restructure and grow the business to improve operational efficiency and meet customer demand. Our diversification efforts further into the natural gas turbine (“NGT”) power generation, O&G, mining and other industries, particularly within our gearing and Heavy Fabrications businesses and through our 2017 acquisition of Red Wolf, may require additional investments in personnel, equipment and operational infrastructure. Moreover, although we have historically participated in most of these lines of business, there is no assurance that we will be able to grow our presence in these markets at a rate sufficient to compensate for a potentially weaker wind energy market. If we are unable to further penetrate these markets, our plans to diversify our operations may not be successful and our anticipated future growth may be adversely affected.

Our restructuring efforts, including the 2018 restructuring plan, may involve occasionally opening or closing facilities to rationalize facility capacity and management structure, and consolidating and increasing efficiencies in certain operations. If the Company is unable to generate anticipated costs savings or successfully implement its strategies, the Company’s financial results could suffer. These efforts and strategies could also have a negative impact on the Company’s relationships, including those with its employees or customers, which could also adversely affect the Company’s financial results.

Our growth efforts through increased production levels at existing facilities, acquisitions and continuous improvement activities such as the proper coordination and integration of the supply chain, the consistent use of systems with respect to production activities, the Advanced Product Quality Processes (APQP) to support the introduction of new products, and the hiring of continuous improvement experts to optimize our production processes, will require coordinated efforts across the Company and continued enhancements to our current operating infrastructure. If the cost of making these changes increases or if our efforts are unsuccessful, the Company may not realize anticipated benefits and our future earnings may be adversely affected.

If our projections regarding the future market demand for our products are inaccurate, our operating results and our overall business may be adversely affected.

We have previously made significant capital investments in anticipation of rapid growth in the U.S. wind energy market. However, the growth in the U.S. wind energy market has not kept pace with our expectations when some of these capital investments were made, and there can be no assurance that the U.S. wind energy market will grow and develop in a manner consistent with our expectations, or that we will be able to fill our capacity through the further diversification of our operations. Our internal manufacturing capabilities have required significant upfront fixed costs. If market demand for our products does not increase at the pace we have anticipated and align with our manufacturing capacity, we may be unable to offset these costs and achieve economies of scale, and our operating results may continue to be adversely affected by high fixed costs, reduced margins and underutilization of capacity which may cause us to continue to incur significant losses and may prevent us from achieving or maintaining profitability. In light of these considerations, we may be forced to reduce our labor force and production to minimum levels, as was done at certain operating locations in both 2017 and 2018, temporarily idle existing capacity or sell to third parties manufacturing capacity that we cannot utilize in the near term, in addition to the steps that we have already taken to adjust our capacity more closely to demand. Alternatively, if we experience rapid increased demand for our products in excess of our estimates, or we reduce our manufacturing capacity, our installed capital equipment and existing workforce may be insufficient to support higher production volumes, which could adversely affect our customer relationships and overall reputation. In addition, we may not be able to expand our workforce and operations in a timely manner, procure adequate resources or locate suitable third party suppliers to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our business could be adversely affected. Our ability to meet such excess customer demand could also depend on our ability to raise additional capital and effectively scale our manufacturing operations.

Our growth strategies could be ineffective due to the risks of acquisitions and risks relating to integration.

Our growth strategy has included acquiring complementary businesses, such as Red Wolf, as more fully described in Note 21, “Business Combinations” in the notes to our consolidated financial statements. In regards to Red Wolf, or any other future acquisitions, we could fail to identify, finance or complete suitable acquisitions on acceptable terms and prices. Acquisitions and the related integration processes could increase a number of risks, including diversion of operations personnel, financial personnel and management’s attention, difficulties in integrating systems and operations, potential loss of key employees and customers of the acquired companies and exposure to unanticipated liabilities. The price we pay for a business may exceed the value realized and we cannot provide any assurance that we will realize the expected synergies and benefits of any acquisition, including Red Wolf. Our discovery of, or failure to discover, material issues during due diligence investigations of acquisition targets, either before closing with regard to potential risks of the acquired operations, or after closing with regard to the timely discovery of breaches of representations or warranties, could materially harm our business. Our failure to meet the challenges involved in integrating a new business to realize the anticipated benefits of an acquisition could cause an interruption or loss of momentum in our existing activities and could adversely affect our profitability. Acquisitions also may result in the recording of goodwill and other intangible assets which are subject to potential impairments in the future that could harm our financial position and operating results.

Our diversification outside of the wind energy market exposes us to business risks associated with the gas turbine, oil and gas, and mining industries, among others, which may slow our growth or penetration in these markets.

Although we have experience in the gas turbine, oil and gas and mining industry markets, these markets have not historically been our primary focus. In further diversifying our business to serve these markets, we face competitors who may have more resources, longer operating histories and more well established relationships than we do, and we may not be able to successfully or profitably generate additional business opportunities in these industries. Moreover, if we are able to successfully diversify into these markets, our businesses may be exposed to risks associated with these industries, which could adversely affect our future earnings and growth. These risks include, among other things:

- the prices and relative demand for oil, gas, minerals and other commodities;
- domestic and global political and economic conditions affecting the O&G and mining industries;
- changes in technology;
- the price and availability of alternative fuels and energy sources, as well as changes in energy consumption or supply; and
- federal, state and local regulations, including, among others, regulations relating to hydraulic fracturing and greenhouse gas emissions.

We have substantially generated net losses since our inception.

We have experienced operating losses since inception, except that we were profitable in 2016. We have incurred significant costs in connection with the development of our businesses, and because we have operated at low capacity utilization in certain facilities, there is no assurance that we will generate sufficient revenues to offset anticipated operating costs. Although we anticipate deriving revenues from the sale of our products, no assurance can be given that these products can be sold on a profitable basis. We cannot give any assurance that we will be able to sustain or increase profitability on a quarterly or annual basis in the future.

We may continue to incur significant losses in the future for a number of reasons, including other risks described in this Annual Report on Form 10-K, and we may encounter unforeseen expenses, difficulties, complications, delays, and other unknown factors.

Current or future litigation and regulatory actions could have a material adverse impact on us.

From time to time, we are subject to litigation and other legal and regulatory proceedings relating to our business. No assurance can be given that the results of these matters will be favorable to us. An adverse resolution of lawsuits, investigations or arbitrations could have a material adverse effect on our business, financial condition and results of operations. Defending ourselves in these matters may be time consuming, expensive and disruptive to normal business operations and may result in significant expense and a diversion of management's time and attention from the operation of our business, which could impede our ability to achieve our business objectives. Additionally, any amount that we may be required to pay to satisfy a judgment or settlement may not be covered by insurance. Under our charter and the indemnification agreements that we have entered into with our officers, directors and certain third parties, we are required to indemnify and advance expenses to them in connection with their participation in certain proceedings. There can be no assurance that any of these payments will not be material.

We may need to hire additional qualified personnel, including management personnel, and the loss of our key personnel could adversely affect our business.

Our future success will depend largely on the skills, efforts and motivation of our executive officers and other key personnel. Our success also depends, in large part, upon our ability to attract and retain highly qualified management and other key personnel throughout our organization. We face competition in the attraction and retention of personnel who possess the skill sets we seek. In addition, key personnel may leave us and subsequently compete against us. The loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could have a material adverse effect on our business, results of operations or financial condition.

We rely on unionized labor, the loss of which could adversely affect our future success.

We depend on the services of unionized labor and have collective bargaining agreements with certain of our operations workforce at our Cicero, Illinois and Neville Island, Pennsylvania Gearing facilities. The loss of the services of these and other personnel, whether through terminations, attrition, labor strike or otherwise, or a material change in our collective bargaining agreements, could have a material adverse impact on us and our future profitability. In November 2017, a five-year collective bargaining agreement was ratified by the collective bargaining union in our Neville Island facility and is expected to remain in effect through October 2022. A new four-year collective bargaining agreement with the Cicero union was negotiated in the third quarter of 2018 and is expected to remain in effect through February 2022. As of December 31, 2018, these collective bargaining units represented approximately 23% of our workforce.

We could incur substantial costs to comply with environmental, health and safety (“EHS”) laws and regulations and to address violations of or liabilities under these requirements.

Our operations are subject to a variety of EHS laws and regulations in the jurisdictions in which we operate and sell products governing, among other things, health, safety, pollution and protection of the environment and natural resources, including the use, handling, transportation and disposal of non-hazardous and hazardous materials and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water, groundwater and soil, product content, performance and packaging. We cannot guarantee that we have been, or will at all times be in compliance with such laws and regulations. Changes in existing EHS laws and regulations, or their application, could cause us to incur additional or unexpected costs to achieve or maintain compliance. Failure to comply with these laws and regulations, obtain the necessary permits to operate our business, or comply with the terms and conditions of such permits may subject us to a variety of administrative, civil and criminal enforcement measures, including the imposition of civil and criminal sanctions, monetary fines and penalties, remedial obligations, and the issuance of compliance requirements limiting or preventing some or all of our operations. The assertion of claims relating to regulatory compliance, on or off site contamination, natural resource damage, the discovery of previously unknown environmental liabilities, the imposition of criminal or civil fines or penalties and/or other sanctions, or the obligation to undertake investigation, remediation or monitoring activities could result in potentially significant costs and expenditures to address contamination or resolve claims or liabilities. Such costs and expenditures could have a material adverse effect on our business, financial condition or results of operations. Under certain circumstances, violation of such EHS laws and regulations could result in us being disqualified from eligibility to receive federal government contracts or subcontracts under the federal government’s debarment and suspension system.

We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of currently and formerly owned, leased or operated properties, or properties to which hazardous substances or wastes were sent by current or former operators at our current or former facilities, regardless of whether we directly caused the contamination or violated any law at the time of discharge or disposal. Several of our facilities have a history of industrial operations, and contaminants have been detected at some of our facilities. The presence of contamination from hazardous substances or wastes could interfere with ongoing operations or adversely affect our ability to sell, lease or use our properties as collateral for financing. We also could be held liable under third party claims for property damage, natural resource damage or personal injury and for penalties and other damages under such environmental laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

Our ability to comply with regulatory requirements is critical to our future success, and there can be no guarantee that our businesses are in full compliance with all such requirements.

As a manufacturer and distributor of wind and other energy industry products we are subject to the requirements of federal, state, local and foreign regulatory authorities. In addition, we are subject to a number of industry standard setting authorities, such as the American Gear Manufacturers Association and the American Welding Society. Changes in the standards and requirements imposed by such authorities could have a material adverse effect on us. In the event we are unable to meet any such standards when adopted, our businesses could be adversely affected. We may not be able to obtain all regulatory approvals, licenses and permits that may be required in the future, or any necessary modifications to existing regulatory approvals, licenses and permits, or maintain all required regulatory approvals, licenses and permits. There can be no guarantee that our businesses are fully compliant with such standards and requirements.

We may be unable to keep pace with rapidly changing technology in wind turbine and other industrial component manufacturing.

The global market for wind turbines, as well as for our other manufactured industrial components, is rapidly evolving technologically. Our component manufacturing equipment and technology may not be suited for future generations of products being developed by wind turbine companies. As turbines grow in size, tower manufacturing becomes more complicated and may require investments in new manufacturing equipment. For example, some wind turbine manufacturers are using wind turbine towers made partially or fully from concrete instead of steel. To maintain a successful business in our field, we must keep pace with technological developments and the changing standards of our customers and potential customers and meet their constantly evolving demands. If we fail to adequately respond to the technological changes in our industry, or are not suited to provide components for new types of wind turbines, our business, financial condition and operating results may be adversely affected.

Disruptions in the supply of parts and raw materials, or changes in supplier relations, may negatively impact our operating results.

We are dependent upon the supply of certain raw materials used in our production process, and these raw materials are exposed to price fluctuations on the open market. Raw material costs for materials such as steel, our primary raw material, have fluctuated significantly and may continue to fluctuate. To reduce price risk caused by market fluctuations, we have generally tried to match raw material purchases to our sales contracts or incorporated price adjustment clauses in our contracts. However, limitations on availability of raw materials or increases in the cost of raw materials (including steel), energy, transportation and other necessary services may impact our operating results if our manufacturing businesses are not able to fully pass on the costs associated with such increases to their respective customers. Alternatively, we will not realize material improvements from any decline in steel prices as the terms of our contracts generally require that we pass these cost savings through to our customers. In addition, we may encounter supplier constraints, be unable to maintain favorable supplier arrangements and relations or be affected by disruptions in the supply chain caused by events such as natural disasters, shipping delays, power outages and labor strikes. Additionally, our supply chain has become more global in nature and, thus, more complex from a shipping and logistics perspective. In the event of limitations on availability of raw materials or significant changes in the cost of raw materials, particularly steel, our margins and profitability could be negatively impacted.

If our estimates for warranty expenses differ materially from actual claims made, or if we are unable to reasonably estimate future warranty expense for our products, our business and financial results could be adversely affected.

We provide warranty terms generally ranging between one and five years to our customers depending upon the specific product and terms of the customer agreement. We reserve for warranty claims based on prior experience and estimates made by management based upon a percentage of our sales revenues related to such products. From time to time, customers have submitted warranty claims to us. However, we have a limited history on which to base our warranty estimates for certain of our manufactured products. Our assumptions could materially differ from the actual performance of our products in the future and could exceed the levels against which we have reserved. In some instances our customers have interpreted the scope and coverage of certain of our warranty provisions differently from our interpretation of such provisions. The expenses associated with remediation activities in the wind energy industry can be substantial, and if we are required to pay such costs in connection with a customer's warranty claim, we could be subject to additional unplanned cash expenditures. If our estimates prove materially incorrect, or if we are required to cover remediation expenses in addition to our regular warranty coverage, we could be required to incur additional expenses and could face a material unplanned cash expenditure, which could adversely affect our business, financial condition and results of operations.

If we are unable to produce, maintain and disseminate relevant and/or reliable data and information pertaining to our business in an efficient, cost-effective, secure and well-controlled fashion and avoid security breaches affecting our information technology systems, such inability may have significant negative impacts on our confidentiality obligations, and proprietary needs and therefore on our future operations, profitability and competitive position.

Management relies on information technology infrastructure and architecture, including hardware, network, software, people and processes, to provide useful and confidential information to conduct our business in the ordinary course, including correspondence and commercial data and information interchange with customers, suppliers, consultants, advisors and governmental agencies, and to support assessments and conclusions about future plans and initiatives pertaining to market demands, operating performance and competitive positioning.

There has been an increase in global cybersecurity threats, computer viruses and more sophisticated and targeted cyber-related attacks as well as cybersecurity failures resulting from human and technological errors. While we attempt to mitigate these risks, including through the use of protective systems, monitoring and testing and employee training, any material failure, interruption of service, compromised data security, computer virus or cybersecurity threat or attack could adversely affect our relations with suppliers and customers, place us in violation of confidentiality and data protection laws, rules and regulations, and result in negative impacts to our reputation, market share, operations and profitability. Despite our use of measures to protect our systems and confidential information, security breaches, human or technological error or other failures in our information technology could result in theft, destruction, loss, misappropriation or release of confidential data or intellectual property which could materially and adversely impact our future results.

Future sales of our common stock or securities convertible into our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock or securities convertible into our common stock in the public market, or the perception that these sales might occur, may reduce the prevailing market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities and may make it more difficult for our stockholders to sell their common stock at a time and price that they deem appropriate.

On August 11, 2017, we filed a registration statement on Form S-3 (File No. 333-219931), which was declared effective by the SEC on October 10, 2017, to register securities that we may choose to issue in the future (the “Broadwind Form S-3”). Under the registration statement, we have the option to offer and sell up to \$50,000 in the aggregate of securities in one or more offerings. On July 31, 2018, we entered into a \$10,000 At Market Issuance Sales Agreement (the “ATM Agreement”) with Roth Capital Partners, LLC. During 2018, the Company issued 15,112 shares of the Company’s common stock under the ATM Agreement and the net proceeds (before upfront costs) to the Company from the sale of the Company’s common stock were approximately \$33 after deducting commissions paid of approximately \$1. As of December 31, 2018, approximately \$9,967 remained available for issuance with respect to the ATM Agreement.

There is a limited trading market for our securities and the market price of our securities is subject to volatility.

Our common stock trades on the Nasdaq Capital Market. The absence of an active trading market increases price volatility and reduces the liquidity of our common stock. The market price and level of trading of our common stock could be subject to wide fluctuations in response to numerous factors, many of which are beyond our control. These factors include, among other things, our limited trading volume, actual or anticipated variations in our operating results and cash flow, the nature and content of our earnings releases, announcements or events that impact our business and the general state of the securities market, as well as general economic, political and market conditions and other factors that may affect our future results. In 2018, the price of our common stock varied from a high of \$3.15 per share to a low of \$1.20 per share. Stockholders may have incurred substantial losses with regard to any investment in our common stock adversely affecting stockholder confidence.

Limitations on our ability to utilize our net operating losses (“NOLs”) may negatively affect our financial results.

We may not be able to utilize all of our NOLs. For financial statement presentation, all benefits associated with the NOL carryforwards have been reserved; therefore, this potential asset is not reflected on our balance sheet. To the extent available, we will use any NOL carryforwards to reduce the U.S. corporate income tax liability associated with our operations. However, if we do not achieve profitability prior to their expiration, we will not be able to fully utilize our NOLs to offset income. Section 382 of the IRC (“Section 382”) generally imposes an annual limitation on the amount of NOL carryforwards that may be used to offset taxable income when a corporation has undergone certain changes in stock ownership. Our ability to utilize NOL carryforwards and built in losses may be limited, under Section 382 or otherwise, by our issuance of common stock or by other changes in ownership of our stock. After analyzing Section 382 in 2010 we determined that aggregate changes in our stock ownership had triggered an annual limitation of NOL carryforwards and built in losses available for utilization to \$14,284 per annum. Although this event limited the amount of pre ownership change date NOLs and built in losses we can utilize annually, it does not preclude us from fully utilizing our current NOL carryforwards prior to their expiration. However, subsequent changes in our stock ownership could further limit our ability to use our NOL carryforwards and our income could be subject to taxation earlier than it would if we were able to use NOL carryforwards and built in losses without an annual limitation, which could result in lower profits. To address these concerns, in February 2013 we adopted a Section 382 Stockholder Rights Plan, which was subsequently approved by our stockholders and extended in 2016 for an additional three-year period (as amended, the “Rights Plan”), designed to preserve our substantial tax assets associated with NOL carryforwards under Section 382. The Rights Plan is intended to deter any person or group from being or becoming the beneficial owner of 4.9% or more of our common stock and thereby triggering a further limitation of our available NOL carryforwards. On February 7, 2019, the Board of Directors (the “Board”) approved an amendment extending the Rights Plan for an additional three years. The amendment is subject to approval by our stockholders at our 2019 Annual Meeting of Stockholders. See Note 14, “Income Taxes” of our consolidated financial statements for further discussion of our Rights Plan. There can be no assurance that our stockholders will ratify the extension of the Rights Plan or that the Rights Plan will be effective in protecting our NOL carryforwards.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Cicero, Illinois, a suburb located west of Chicago, Illinois. In addition, the Subsidiaries own or lease operating facilities, which are presented by operating segment as follows (information below is as of December 31, 2018).

<u>Operating Segment and Facility Type</u>	<u>Location</u>	<u>Owned / Leased</u>	<u>Approximate Square Footage</u>
<i>Towers and Heavy Fabrications (1)</i>			
Tower Manufacturing	Manitowoc, WI	Leased	213,000
Tower Manufacturing	Abilene, TX	Owned	175,000
Heavy Fabrications Manufacturing	Manitowoc, WI	Leased	30,000
<i>Gearing and Corporate</i>			
Gearing System Manufacturing—Machining and Corporate Administration	Cicero, IL	Leased	301,000
Gearing System Manufacturing—Heat Treatment and Gearbox Repair	Neville Island, PA	Owned	52,000
<i>Process Systems</i>			
Red Wolf Manufacturing	Sanford, NC	Leased	105,000

(1) The Towers and Heavy Fabrications segment listing does not include the tower storage yards of 36 acres in Manitowoc, WI and 25 acres in Abilene, TX.

We consider our active facilities to be in good condition and adequate for our present and future needs.

ITEM 3. LEGAL PROCEEDINGS

We are party to a variety of legal proceedings that arise in the ordinary course of our business. While the results of these legal proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect, individually or in the aggregate, on our results of operations, financial condition or cash flows. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial condition or cash flows. It is possible that if one or more of such matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our financial condition and cash flows in the period in which we would be required to pay such liability.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

(Dollar amounts are presented in thousands, except per share data and unless otherwise stated)

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Capital Market ("NASDAQ") under the symbol "BWEN." The following table sets forth the high and low bid prices of our common stock traded on the NASDAQ.

	<u>Common Stock</u>	
	<u>High</u>	<u>Low</u>
2018		
First quarter	\$ 2.85	\$ 2.20
Second quarter	3.15	2.11
Third quarter	2.54	2.07
Fourth quarter	2.22	1.20

	Common Stock	
	High	Low
2017		
First quarter	\$ 8.33	\$ 4.02
Second quarter	9.41	4.57
Third quarter	4.84	2.98
Fourth quarter	3.91	2.35

The closing price for our common stock as of February 22, 2019 was \$1.30. As of February 22, 2019, there were 47 holders of record of our common stock.

Dividends

We have never paid cash dividends on our common stock and have no current plan to do so in the foreseeable future. The declaration and payment of dividends on our common stock are subject to the discretion of our Board and are further limited by our credit agreement and other contractual agreements we may have in place from time to time. The decision of our Board to pay future dividends will depend on general business conditions, the effect of a dividend payment on our financial condition, and other factors our Board may consider relevant. The current policy of our Board is to reinvest cash generated in our operations to promote future growth and to fund potential investments.

Repurchases

There were no repurchases of our equity securities under our repurchase program made during the years ended December 31, 2018 and 2017.

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities for the years ended December 31, 2018 or 2017.

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this Annual Report for information as of December 31, 2018 with respect to shares of our common stock that may be issued under our existing share-based compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and as such are not required to provide information under this item.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this Annual Report, the terms “we,” “us,” “our,” “Broadwind,” and the “Company” refer to Broadwind Energy, Inc., a Delaware corporation headquartered in Cicero, Illinois, and its Subsidiaries.

(Dollar amounts are presented in thousands, except per share data and unless otherwise stated)

We booked \$83,241 in net new orders in 2018, down from \$87,562 in 2017. This decrease in orders was driven primarily by lower orders for towers as planned production shifted into 2019 due to steel plate unavailability and increased foreign competition primarily attributable to steel tariffs. Partially offsetting the impact of the decrease in towers orders was an increase in heavy fabrications orders primarily due to strong mining demand and increased Gearing orders associated with strong demand from aftermarket wind and mining customers. Gearing orders increased by \$4,648 in 2018 to \$41,576. Our Process Systems segment had \$18,154 in orders in 2018, an increase of \$2,393 over 2017 primarily due to higher demand from mining and other industrial customers.

We recognized revenue of \$125,380 in 2018, down from revenue of \$146,785 in 2017. The Towers and Heavy Fabrications segment revenues decrease was primarily due to a 34% decrease in tower sections sold and a lower average sales price on the product mix sold, partially offset by an increase in heavy fabrication sales. Partially offsetting the Towers

and Heavy Fabrications decrease was an increase in Gearing segment revenues of \$12,370 or 48%, primarily as a result of the recovery in the oil and gas (“O&G”) and industrial markets and improved plant efficiencies. The Process Systems segment recognized revenue of \$18,319 in 2018 as compared to \$17,390 in 2017 due primarily to increased sales within mining and industrial markets. At December 31, 2018, total backlog was \$96,456, down 30% from \$138,198 at December 31, 2017, which is due in part to the winding down of a three-year tower framework agreement in mid-2016, against which we are still delivering.

We reported a net loss of \$24,146, or \$1.56 per share in 2018, compared to a net loss of \$3,641 or \$0.24 per share in 2017. The change in earnings was primarily due to a \$7,592 intangible asset impairment charge recognized during the fourth quarter of 2018, a \$4,993 goodwill impairment charge recognized during the second quarter of 2018, lower tower margin reflecting reduced production volumes and a less favorable product mix and start-up costs associated with restoring production levels as we ramped up activity during the first quarter of 2018 following a near shutdown in late 2017. Partially offsetting these factors were improvements in Gearing plant utilization and efficiencies and a \$2,249 gain recognized upon extinguishment of the New Markets Tax Credit (NMTC) loan.

During the first quarter of 2018, we conducted a review of our business strategies and product plans given the outlook of the industries we serve and our business environment. As a result, we executed a restructuring plan to rationalize our facility capacity and management structure, and to consolidate and increase the efficiencies in our Abilene facility operations. We exited the market for natural gas compression units and transferred remaining operations from a leased facility in Abilene, TX into other production locations. We vacated the leased Abilene facility in 2018 (following the expiration of the New Markets Tax Credit Transaction compliance period) and incurred costs totaling \$668 for the year ended December 31, 2018. In conjunction with this initiative, all costs associated with this vacated facility were recorded as restructuring expenses within the Process Systems segment. We expect any remaining restructuring costs associated with the restructuring plan to be immaterial. We anticipate future annual cost savings of approximately \$575 in facility expenses related to the restructuring.

We use our credit facility to fund working capital requirements and believe that our credit facility, together with the operating cash generated by our businesses, and any potential proceeds from access to the public or private debt or equity markets, are sufficient to meet all cash obligations over the next twelve months. For a further discussion of our capital resources and liquidity, including a description of recent amendments and waivers under our credit facility, please see the discussion under “Liquidity, Financial Position and Capital Resources”.

RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The summary of selected financial data table below should be referenced in connection with a review of the following discussion of our results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017.

	For the Year Ended December 31,				2018 vs. 2017	
	2018	% of Total Revenue	2017	% of Total Revenue	\$ Change	% Change
Revenues	\$ 125,380	100 %	\$ 146,785	100.0 %	\$ (21,405)	(14.6)%
Cost of sales	121,684	97.1 %	138,626	94.4 %	(16,942)	(12.2)%
Restructuring	631	0.5 %	—	0.0 %	631	100.0 %
Gross profit	3,065	2.4 %	8,159	5.6 %	(5,094)	(62.4)%
Operating expenses						
Selling, general and administrative expenses	13,625	10.9 %	13,828	9.4 %	(203)	(1.5)%
Impairment charges	12,585	10.0 %	—	0.0 %	12,585	100.0 %
Intangible amortization	1,884	1.5 %	1,764	1.2 %	120	6.8 %
Restructuring	37	— %	—	— %	37	100.0 %
Total operating expenses	28,131	22.4 %	15,592	10.6 %	12,539	80.4 %
Operating loss	(25,066)	(20.0)%	(7,433)	(5.1)%	(17,633)	(237.2)%
Other expense						
Interest expense, net	(1,496)	(1.2)%	(798)	(0.5)%	(698)	(87.5)%
Other, net	2,355	1.9 %	3	0.0 %	2,352	78,400.0 %
Total other expense, net	859	0.7 %	(795)	(0.5)%	1,654	208.1 %
Net loss before benefit for income taxes	(24,207)	(19.3)%	(8,228)	(5.6)%	(15,979)	(194.2)%
Benefit for income taxes	(205)	(0.2)%	(5,045)	(3.4)%	4,840	95.9 %
Loss from continuing operations	(24,002)	(19.1)%	(3,183)	(2.2)%	(20,819)	(654.1)%
Loss from discontinued operations	(144)	(0.1)%	(458)	(0.3)%	314	68.6 %
Net loss	\$ (24,146)	(19.3)%	\$ (3,641)	(2.5)%	\$ (20,505)	(563.2)%

Consolidated

Revenues decreased by \$21,405 from \$146,785 for the year ended December 31, 2017, to \$125,380 for the year ended December 31, 2018.

Lower sales in our Towers and Heavy Fabrications segment of \$34,574 were partially offset by higher sales in the Gearing segment of \$12,370 and higher sales in the Process Systems segment of \$929. The Towers and Heavy Fabrications segment revenue decrease was primarily due to a 34% decrease in towers sections sold and a lower average sales price on the product mix sold. Partially offsetting the impact of the towers revenue decrease was an increase in the volume of heavy fabrications primarily due to the recovery in mining and other industrial markets and the expansion of our machining capabilities. Gearing segment revenues increased primarily due to improved order intake beginning in the second half of 2017, primarily resulting from the recovery in demand from O&G and mining customers due to expanding our customer base.

Gross profit decreased by \$5,094, from \$8,159 for the year ended December 31, 2017, to \$3,065, for the year ended December 31, 2018. The decrease in gross profit was primarily attributable to lower capacity utilization in the tower plants early in 2018 following a near shutdown at year end 2017 as our major customer rebalanced inventories. This decrease was partially offset by a \$3,571 improvement in gross profit in our Gearing segment due to improved plant utilization and manufacturing efficiencies. As a result, our gross margin decreased from 5.6% for the year ended December 31, 2017, to 2.4% for the year ended December 31, 2018.

Operating expenses increased from \$15,592 during the year ended December 31, 2017, to \$28,131 during the year ended December 31, 2018. The increase was primarily attributable to a \$7,592 intangible asset impairment charge recognized during the fourth quarter of 2018 and a \$4,993 goodwill impairment charge recognized during the second quarter of 2018. As a result, operating expenses as a percentage of sales increased from 10.6% in 2017 to 22.4% in 2018.

Loss from continuing operations increased from a loss of \$3,183 for the year ended December 31, 2017 to a loss of \$24,002 for the year ended December 31, 2018, primarily as a result of the factors described above, partially offset by a \$2,249 gain recognized on the NMTC Transaction during the current year.

The Company had a net loss of \$3,641 for the year ended December 31, 2017, compared to a net loss of \$24,146 for the year ended December 31, 2018, primarily as a result of the factors described above, in addition to the absence of a

\$5,034 benefit from income taxes in the prior year due to the release of a portion of the tax provision related to the acquisition of Red Wolf.

Towers and Heavy Fabrications Segment

The following table summarizes the Towers and Heavy Fabrications segment operating results for the years ended December 31, 2018 and 2017:

	Twelve Months Ended	
	December 31,	
	2018	2017
Orders	\$ 23,511	\$ 34,873
Revenues	68,815	103,389
Operating (loss) income	(4,346)	2,667
Operating margin	(6.3)%	2.6 %

Towers orders decreased from \$34,873 for the year ended December 31, 2017 to \$23,511 for the year ended December 31, 2018. Lower demand for towers was partially offset by increased heavy fabrication orders for the year ended December 31, 2018 primarily due to the recovery in mining demand, and in response to a strategic focus on broadening our manufacturing capabilities and diversifying the customer base in this segment. Towers and Heavy Fabrications segment revenues decreased by \$34,574, from \$103,389 during the year ended December 31, 2017 to \$68,815 during the year ended December 31, 2018 primarily due to a 34% reduction in towers sections sold and a lower average sales price on the product mix sold. Partially offsetting the impact of the decrease in towers revenue was an increase in heavy fabrications due primarily to the recovery in mining activity.

Towers and Heavy Fabrications segment operating income decreased by \$7,013, from income of \$2,667 during the year ended December 31, 2017, to a loss of \$4,346 during the year ended December 31, 2018. This reduction was primarily attributable to lower capacity utilization, a lower margin product mix and start-up costs associated with restoring production levels as we ramped up activity during the first quarter following a near shutdown in late 2017. These factors were partially offset by increased sales and margins on the heavy fabrications product line, a reduction in manufacturing overhead and productivity improvements. The operating margin decreased from 2.6% during the year ended December 31, 2017, to a loss of 6.3% during the year ended December 31, 2018.

Gearing Segment

The following table summarizes the Gearing segment operating results for the years ended December 31, 2018 and 2017:

	Twelve Months Ended	
	December 31,	
	2018	2017
Orders	\$ 41,576	\$ 36,928
Revenues	38,376	26,006
Operating income (loss)	51	(2,632)
Operating margin	0.1 %	(10.1)%

Gearing segment orders rose 13% from the year ended December 31, 2017, primarily due to strong demand from wind and mining customers. As a result of the recovery in order intake that began in the prior year, revenue increased from \$26,006 during the year ended December 31, 2017, to \$38,376 during the year ended December 31, 2018.

The Gearing segment had operating income of \$51 during the year ended December 31, 2018, an improvement from a loss of \$2,632 during the year ended December 31, 2017. The operating income improvement was primarily due to improved plant utilization and manufacturing efficiencies, and higher labor productivity. Partially offsetting this was the absence of the \$727 environmental reserve reversal that occurred in the prior year, as well as increased commissions and overhead costs to support higher production levels. The operating margin improved based on the above items from (10.1%) during the year ended December 31, 2017, to 0.1% during the year ended December 31, 2018.

Process Systems Segment

The following table summarizes the Process Systems segment operating results for the years ended December 31, 2018 and 2017.

	Year Ended December 31,	
	2018	2017
Orders	\$ 18,154	\$ 15,761
Revenues	18,319	17,390
Impairment charges	12,585	-
Operating loss	(16,442)	(2,269)
Operating margin	(89.8)%	(13.0)%

Process Systems segment orders increased \$2,393 from \$15,761 during the year ended December 31, 2017, to \$18,154 during the year ended December 31, 2018 primarily due to higher demand from mining and industrial customers, partially offset by weaker natural gas turbine component demand.

Process Systems segment revenues increased by \$929, from \$17,390 during the year ended December 31, 2017, to \$18,319 during the year ended December 31, 2018 primarily due to the recovery in mining and other industrial markets and the full year impact of the Red Wolf acquisition which closed in February of 2017.

The Process Systems segment operating loss increased by \$14,173, from \$2,269 during the year ended December 31, 2017, to \$16,442 during the year ended December 31, 2018 primarily due to a \$7,592 intangible asset impairment charge recognized during the fourth quarter of 2018, a \$4,993 impairment charge resulting from the write-off of goodwill and \$668 of restructuring costs related to the exit of a leased production facility in Abilene, TX. The operating margin decreased from a loss of 13.0% during the year ended December 30, 2017, to a loss of 89.8% during the year ended December 31, 2018.

Corporate and Other

Corporate and Other expenses decreased by \$870, from \$5,199 for the year ended December 31, 2017, to \$4,329 for the year ended December 31, 2018. The decrease was primarily attributable to lower salaries and benefits expense of \$811, partially offset by the \$254 reduction in the Red Wolf earn-out release in the current period compared to the prior year.

SUMMARY OF CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments that we use in applying our critical accounting policies have a significant impact on the results that we report in our financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain.

We have identified the accounting policies listed below to be critical to obtain an understanding of our consolidated financial statements. This section should also be read in conjunction with Note 1, "Description of Business and Summary of Significant Accounting Policies" in the notes to our consolidated financial statements for further discussion of these and other significant accounting policies.

Revenue Recognition

We recognize revenue when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Customer deposits and other receipts are deferred and recognized when the revenue is realized and earned. Cash payments to customers, like those made for liquidated damages, are presumed to be classified as reductions of revenue in our statement of operations.

In many instances within our Towers and Heavy Fabrications segment, products are sold under terms included in bill and hold sales arrangements that result in different timing for revenue recognition due to our customers' preference to ship towers in batches to support efficient construction of wind farms. We recognize revenue under these arrangements when there is a substantive reason for the arrangement (i.e. the buyer requests the arrangement), the ordered goods are segregated from inventory and not available to fill other orders, the goods are currently ready for physical transfer to the customer, and we do not have the ability to use the product or to direct it to another customer. Assuming these required

revenue recognition criteria are met, revenue is recognized upon completion of product manufacture and customer acceptance.

We adopted the provisions of Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, for the fiscal year beginning January 1, 2018 and elected the modified retrospective approach. Through our assessment of the ASC 606, we determined minimal changes to the assumptions utilized for the year ending December 31, 2017 and the adoption of the guidance did not result in a material impact on our consolidated financial statements.

Warranty Liability

We provide warranty terms that generally range from one to five years for various products relating to workmanship and materials supplied by us. In certain contracts, we have recourse provisions for items that would enable us to seek recovery from third parties for amounts paid to customers under warranty provisions. We estimate the warranty accrual based on various factors, including historical warranty costs, current trends, product mix and sales.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. Raw materials consist of components and parts for general production use. Work-in-process consists of labor and overhead, processing costs, purchased subcomponents, and materials purchased for specific customer orders. Finished goods consist of components purchased from third parties as well as components manufactured by us.

Inventories are stated at the lower of cost or market and net realizable value. We have recorded a reserve for the excess of cost over market value in our inventory allowance. Market value of inventory, and management’s judgment concerning the need for reserves, encompasses consideration of other business factors including physical condition, inventory holding period, contract terms and usefulness. Inventories are valued based either on actual cost or using a first-in, first out method.

Long-Lived Assets

We review property and equipment and other long-lived assets (“long-lived assets”) for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. In evaluating the recoverability of long-lived assets, we utilize a fair value technique accepted by ASC 820, Fair Value Measurement, which is the asset accumulation approach. If the fair value of the asset group is less than the carrying amount, we recognize an impairment loss.

Due to the Gearing segment’s operating losses in 2017 combined with its history of operating losses, we continue to evaluate the recoverability of certain of the long-lived assets associated with the Gearing segment. Based on third-party appraisals and other estimates of the fair value of the Gearing asset group, we determined the fair value of the asset group is in excess of carrying amounts under ASC 360 testing, and no impairment was indicated as of December 31, 2018 or 2017. The appraised value of the assets was determined primarily through the use of market value third-party appraisals. To the extent assumptions used in our evaluations are not achieved, there may be a negative effect on the valuation of these assets.

During the second quarter of 2018, we identified triggering events associated with the release of Red Wolf’s final earn-out reserve, Red Wolf’s recent operating results, a reduction in Red Wolf’s major customer’s performance and the delay of new initiatives being implemented. As a result, we evaluated the recoverability of the Red Wolf asset group. In accordance with GAAP, we compared the carrying value of the Red Wolf asset group to the forecast undiscounted cash flows associated with this asset group. Based on the analysis performed, the forecast undiscounted cash flows exceeded the carrying value and no impairment of this group was indicated or recorded.

Next we compared the carrying value of the Red Wolf reporting unit to the fair value of the Red Wolf reporting unit. The fair value was determined using significant unobservable inputs, or level 3 in the fair value hierarchy. The two main assumptions utilized in the forecast discounted cash flow analysis were the cash flows from operations and the weighted average cost of capital of 18.6%. Based on the analysis performed, we determined that the carrying amount of the reporting unit exceeded the fair value and recorded a \$4,993 goodwill impairment charge in the second quarter of 2018. We utilized a third-party appraisal to validate the results of the analysis.

During the fourth quarter of 2018, we identified triggering events associated with Red Wolf’s recent operating results, a reduction in Red Wolf’s major customer’s performance and the delay of new initiatives being implemented. As a result, we tested the long-lived assets associated with Red Wolf for impairment. The carrying value of the asset group was

found to exceed both its undiscounted cash flows and its fair value determined using the asset accumulation approach. We relied upon a third-party valuation and determined that the customer relationship intangible asset was impaired, and recorded a corresponding \$7,592 impairment charge during the fourth quarter of 2018. The two main assumptions utilized in the valuation were the cash flows from operations and the weighted average cost of capital of 18.5%.

Income Taxes

We account for income taxes based upon an asset and liability approach. Deferred tax assets and liabilities represent the future tax consequences of the differences between the financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Under this method, deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The impact of tax rate changes on deferred tax assets and liabilities is recognized in the year that the change is enacted.

In connection with the preparation of our consolidated financial statements, we are required to estimate our income tax liability for each of the tax jurisdictions in which we operate. This process involves estimating our actual current income tax expense and assessing temporary differences resulting from differing treatment of certain income or expense items for income tax reporting and financial reporting purposes. We also recognize the expected future income tax benefits of NOL carryforwards as deferred income tax assets. In evaluating the realizability of deferred income tax assets associated with NOL carryforwards, we consider, among other things, expected future taxable income, the expected timing of the reversals of existing temporary reporting differences, and the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits. Changes in, among other things, income tax legislation, statutory income tax rates or future taxable income levels could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate; (2) eliminating the corporate alternative minimum tax; (3) creating a new limitation on deductible interest expense; and (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

We also account for the uncertainty in income taxes related to the recognition and measurement of a tax position taken or expected to be taken in an income tax return. We follow the applicable pronouncement guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition related to the uncertainty in these income tax positions.

Workers' Compensation Reserves

At the beginning of the third quarter of 2013, we began to self-insure for our workers' compensation liability, and began establishing reserves for self-retained losses. Historical loss experience combined with actuarial evaluation methods and the application of risk transfer programs are used to determine required workers' compensation reserves. We take into account claims incurred but not reported when determining our workers' compensation reserves. Workers' compensation reserves are included in accrued liabilities. While we believe that we have adequately reserved for these claims, the ultimate outcome of these matters may exceed the amounts recorded and additional losses may be incurred. Although we entered into a guaranteed cost program at the beginning of the third quarter of 2016, we maintain a liability for the trailing claims associated with the self-insured policy years.

Health Insurance Reserves

At the beginning of the first quarter of 2014, we began to self-insure for our health insurance liabilities, including establishing reserves for self-retained losses. Historical loss experience combined with actuarial evaluation methods and the application of risk transfer programs are used to determine required health insurance reserves. We take into account claims incurred but not reported when determining our health insurance reserves. Health insurance reserves are included in accrued liabilities. While we believe that we have adequately reserved for these claims, the ultimate outcome of these matters may exceed the amounts recorded and additional losses may be incurred.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

As of December 31, 2018, cash and cash equivalents totaled \$1,177, an increase of \$1,099 from December 31,

2017. Debt and capital lease obligations at December 31, 2018 totaled \$14,876, and we had the ability to borrow up to \$10,319 under our Credit Facility (as defined in Note 10, “Debt and Credit Agreement” in the notes to our consolidated financial statements). We anticipate that we will be able to satisfy the cash requirements associated with, among other things, working capital needs, capital expenditures and lease commitments through at least the next twelve months primarily through cash generated from operations, available cash balances, our Credit Facility, additional equipment financing, and access to the public or private debt equity markets, including the option to raise capital under the Form S-3.

On January 29, 2018, we executed the Third Amendment to Loan and Security Agreement (the “Third Amendment”), which waived the Fixed Charge Coverage Ratio Covenant as of December 31, 2017 and added new minimum EBITDA and capital expenditure covenants through June 30, 2018. Among other changes, the Third Amendment also revised the Fixed Charge Coverage Ratio Covenant to be recalculated for future periods commencing with the quarter ending June 30, 2018.

On May 3, 2018, we executed the Fourth Amendment to Loan and Security Agreement (the “Fourth Amendment”), which waived our non-compliance with the minimum EBITDA covenant through March 31, 2018. The Fourth Amendment, among other changes, amended the minimum EBITDA thresholds for the period ending June 30, 2018 and adjusted the definition of EBITDA to add back certain restructuring expenses.

On October 26, 2018, we executed the Fifth Amendment to Loan and Security Agreement which, among other changes, removed the Fixed Charge Coverage Ratio and capital expenditure covenants as of the period ending December 31, 2018 and added minimum EBITDA covenants through June 30, 2019.

On January 16, 2019, we executed the Sixth Amendment to Loan and Security Agreement which increased our capability to issue letters of credit.

On February 25, 2019, we executed an Amended and Restated Loan and Security Agreement (the “Amended and Restated Loan Agreement”) which expanded our Credit Facility to \$35,000 and extended the term to February 25, 2022. The Amended and Restated Loan Agreement includes minimum EBITDA covenants through September 30, 2019 and introduces a Fixed Charge Coverage Ratio thereafter. For a more detailed description of the Amended and Restated Loan Agreement refer to Item 9B of this Form 10-K.

While we believe that we will continue to have sufficient cash available to operate our businesses and to meet our financial obligations and amended debt covenants, there can be no assurance that our operations will generate sufficient cash, that we will be able to comply with applicable loan covenants or that credit facilities will be available in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

Sources and Uses of Cash

Operating Cash Flows

During the year ended December 31, 2018 net cash provided by operations was \$2,045 compared to net cash used in operating activities of \$9,350 for the year ended December 31, 2017. The operating cash flow improved versus the prior year due to a significant increase in customer deposits associated with higher scheduled Tower production levels in 2019. Partially offsetting this increase was a greater use of cash for accounts receivable and inventory that supported higher production levels in the current year as compared to the prior year when our largest tower customer reduced orders to correct inventories.

Investing Cash Flows

During the year ended December 31, 2018, net cash used in investing activities was \$1,648 compared to net cash used in investing activities of \$19,894 for the year ended December 31, 2017. The decrease in net cash used in investing activities as compared to the prior-year period was primarily due to the \$16,449 cash paid for the Red Wolf acquisition in February 2017. In addition, we realized a \$4,968 decrease in net purchases of property and equipment, primarily driven by the completion of our Abilene, TX tower plant upgrade and expansion project in the prior year, partially offset by the \$3,171 liquidation of available-for-sale securities in 2017.

Financing Cash Flows

During the year ended December 31, 2018, net cash provided by financing activities totaled \$807 compared to net cash provided by financing activities of \$10,660 for the year ended December 31, 2017. The decrease in net cash provided by financing activities as compared to the prior-year period was primarily due to the increased usage of our Credit Facility in 2017, which subsequently flattened in 2018 partially offset by an increase of \$842 in net proceeds on long-term debt.

Other

The \$2,600 liability associated with the NMTC transaction described further in Note 18, “New Markets Tax Credit Transaction” in the notes to our consolidated financial statements is included in the line of credit, NMTC and other notes payable line item of our consolidated financial statements as of December 31, 2017. During the third quarter of 2018, the NMTC loan was extinguished and we recorded a gain of \$2,249 in other income, net of transaction expenses.

Separately in 2016, we entered into a \$570 loan agreement with the Development Corporation of Abilene which is included in long-term debt, less current maturities. The loan is forgivable upon us meeting and maintaining specific employment thresholds. During 2018, \$114 of the loan was forgiven. In addition, we have outstanding notes payable for capital expenditures in the amount of \$1,882 and \$1,146 as of December 31, 2018 and 2017, respectively, with \$930 and \$804 included in the “Line of credit, NMTC and other notes payable” line item of our consolidated financial statements as of December 31, 2018 and 2017, respectively. The notes payable have monthly payments that range from \$3 to \$36 and an interest rate of 5%. The equipment purchased is utilized as collateral for the notes payable. The outstanding notes payable have maturity dates that range from April 2020 to May 2021.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and as such are not required to provide information under this item.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and as such are not required to provide information under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial information required by Item 8 is contained in Part IV, Item 15 “EXHIBITS AND FINANCIAL STATEMENT SCHEDULES” of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We seek to maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. This information is also accumulated and communicated to management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the most recent fiscal year reported on herein. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective as of December 31, 2018.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Report of Management on Internal Control Over Financial Reporting

Our management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Our management, including our CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. Management based this assessment on criteria for effective internal control over financial reporting described in “Internal Control—Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that our internal control over financial reporting was effective as of December 31, 2018.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February, 25, 2019, the Company and its subsidiaries Brad Foote Gear Works, Inc. (“Brad Foote”), Broadwind Towers, Inc. (“Broadwind Towers”), Broadwind Services, LLC (“Broadwind Services”), and Red Wolf (each individually, a “Subsidiary” and collectively, the “Subsidiaries”), entered into an Amended and Restated Loan and Security Agreement (the “Amended and Restated Loan Agreement”), with CIBC Bank USA, formerly known as The PrivateBank and Trust Company (“CIBC”), as administrative agent and sole lead arranger and the other financial institutions party thereto (the “Lenders”), providing the Company and its Subsidiaries with a \$35 million secured credit facility (the “Credit Facility”).

Under the terms of the Amended and Restated Loan Agreement, the Credit Facility is a three-year asset-based revolving credit facility, pursuant to which the Lenders will advance funds against a borrowing base consisting of approximately (a) 85% of the face value of eligible receivables of the Company and the Subsidiaries, plus (b) the lesser of (i) 50% of the lower of cost or market value of eligible inventory of the Company, (ii) 85% of the orderly liquidation value of eligible inventory and (iii) \$12.5 million, plus (c) the lesser of (i) the sum of (A) 75% of the appraised net orderly liquidation value of the Company’s eligible machinery and equipment plus (B) 50% of the fair market value of the Company’s mortgaged property and (ii) \$12 million. Subject to certain borrowing base conditions, the aggregate Credit Facility limit under the Amended and Restated Loan Agreement is \$35 million with a sublimit for letters of credit of \$10 million. Borrowings under the Credit Facility bear interest at a per annum rate equal to, at the option of the Company, the one, two or three-month LIBOR rate or the base rate, plus a margin. The applicable margin is 5.50% for LIBOR rate loans and 3.50% for base rate loans. Upon certain pay downs, a pricing grid based on the Company’s trailing twelve month fixed charge coverage ratio may become effective under which applicable margins would range from 2.25% to 2.75% for LIBOR rate loans and 0.00% to 0.75% for base rate loans. Letter of credit fees are payable on outstanding letters of credit in an amount equal to the applicable LIBOR margin under the pricing grid, plus other customary fees. The Company must also pay an unused facility fee equal to 0.50% per annum on the unused portion of the Credit Facility along with other standard fees. The initial term of the Amended and Restated Loan Agreement ends on February 25, 2022.

The Company is allowed to prepay in whole or in part advances under the Credit Facility without penalty or premium other than customary “breakage” costs with respect to LIBOR loans.

The Amended and Restated Loan Agreement contains customary representations and warranties applicable to the Company and the Subsidiaries. It also contains a requirement that the Company, on a consolidated basis, maintain minimum quarterly EBITDA levels through September 30, 2019 and a minimum quarterly fixed charge coverage ratio thereafter, along with other customary restrictive covenants, certain of which are subject to materiality thresholds, baskets and customary exceptions and qualifications. These restrictive covenants include limitations on the ability of the Company and the Subsidiaries to, among other things, form or acquire subsidiaries, incur indebtedness, create liens, enter into a merger, consolidation, reorganization or recapitalization, dispose of assets, pay dividends, cause or permit a change of control, make investments or enter into affiliate transactions.

The Amended and Restated Loan Agreement also contains customary events of default including, without limitation, non-payment of obligations, non-performance of covenants and obligations, material judgments, bankruptcy or insolvency, default on other material debt, change of control, breaches of representations and warranties, limitation or termination of any guarantee with respect to the Amended and Restated Loan Agreement, impairment of security or invalidity or unenforceability of documentation or liens related to the Amended and Restated Loan Agreement. The occurrence of an event of default could, among other things, result in the acceleration of the obligations under the Amended and Restated Loan Agreement.

The obligations under the Amended and Restated Loan Agreement are secured by, subject to certain exclusions, (i) a first priority security interest in all of the accounts, inventory, equipment, chattel paper, payment intangibles, cash and cash equivalents and other personal property and stock or other equity interest in subsidiaries of the Company and the Subsidiaries and (ii) a first priority mortgage of the real property of Abilene, Texas and Pittsburgh, Pennsylvania.

The Company and the Subsidiaries may use the proceeds from the Credit Facility for working capital purposes, to refinance the debt of the Company and its Subsidiaries and for other business purposes.

The foregoing description of the Amended and Restated Loan Agreement is not intended to be complete and is qualified in its entirety by reference to the Amended and Restated Loan Agreement, which is attached hereto as Exhibit 10-25 to this Annual Report on Form 10-K and is incorporated herein by reference.

PART II

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

With the exception of the description of our Code of Ethics and Business Conduct below, the information required by this item is incorporated herein by reference from the discussion under the headings “Directors and Director Compensation,” “Corporate Governance,” “Executive Officers” and “Other Matters—Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive Proxy Statement to be filed in connection with our 2019 Annual Meeting of Stockholders (the “2019 Proxy Statement”).

Code of Ethics

We have adopted a Code of Ethics and Business Conduct (the “Code”) that applies to all of our directors, executive officers and senior financial officers (including our principal executive officer, principal financial officer, principal accounting officer, controller, and any person performing similar functions). The Code is available on our website at www.bwen.com under the caption “Investors” and is available in print, free of charge, to any stockholder who sends a request for a paper copy to Broadwind Energy, Inc., Attn: Investor Relations, 3240 South Central Avenue, Cicero, IL 60804. We intend to include on our website any amendment to, or waiver from, a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding director and executive compensation is incorporated by reference from the discussion under the headings “Directors and Director Compensation” and “Executive Officers and Executive Compensation” in the 2019 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Certain of the information required by this item is incorporated herein by reference from the discussion under the heading “Security Ownership of Certain Beneficial Holders and Management” in the 2019 Proxy Statement.

The following table provides information as of December 31, 2018, with respect to shares of our common stock that may be issued under our existing equity compensation plans:

EQUITY COMPENSATION PLAN INFORMATION

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	862,706	(1)\$ 3.95	135,192
Total	862,706	\$ 3.95	135,192

(1) Includes outstanding stock options to purchase shares of our common stock and outstanding restricted stock awards pursuant to the Amended and Restated Broadwind Energy, Inc. 2007 Equity Incentive Plan, the Broadwind Energy, Inc. 2012 Equity Incentive Plan, and the Broadwind Energy, Inc. 2015 Equity Incentive Plan. Each of these plans has been approved by our stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference from the discussion under the headings “Certain Transactions and Business Relationships” and “Corporate Governance” in the 2019 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference from the discussion under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm” in the 2019 Proxy Statement.

PART I V

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

The financial statements listed on the Index to Financial Statements (page 34) are filed as part of this Annual Report.

2. Financial Statement Schedules

These schedules have been omitted because the required information is included in the consolidated financial statements or notes thereto or because they are not applicable or not required.

3. Exhibits

The exhibits listed on the Index to Exhibits (pages 70 through 72) are filed as part of this Annual Report.

ITEM 16. FORM 10-K SUMMARY

None.

INDEX TO FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Broadwind Energy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Broadwind Energy, Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2016.

Chicago, Illinois
February 26, 2019

BROADWIND ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET S

(In thousands, except share data)

	As of December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,177	\$ 78
Accounts receivable, net	17,455	13,644
Inventories, net	22,670	19,279
Prepaid expenses and other current assets	1,776	1,798
Current assets held for sale	—	580
Total current assets	<u>43,078</u>	<u>35,379</u>
LONG-TERM ASSETS:		
Property and equipment, net	49,087	55,693
Goodwill	—	4,993
Other intangible assets, net	6,602	16,078
Other assets	398	207
TOTAL ASSETS	<u>\$ 99,165</u>	<u>\$ 112,350</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit, NMTC and other notes payable	\$ 11,930	\$ 14,138
Current maturities of long-term debt	—	114
Current portions of capital lease obligations	967	762
Accounts payable	11,618	11,756
Accrued liabilities	3,806	4,393
Customer deposits	23,507	9,791
Current liabilities held for sale	27	30
Total current liabilities	<u>51,855</u>	<u>40,984</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	1,408	797
Long-term capital lease obligations, net of current portions	571	941
Other	1,969	3,557
Total long-term liabilities	<u>3,948</u>	<u>5,295</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value; 30,000,000 shares authorized; 15,982,622 and 15,480,299 shares issued as of December 31, 2018, and December 31, 2017, respectively	16	15
Treasury stock, at cost, 273,937 shares as of December 31, 2018 and December 31, 2017	(1,842)	(1,842)
Additional paid-in capital	381,441	380,005
Accumulated deficit	(336,253)	(312,107)
Total stockholders' equity	<u>43,362</u>	<u>66,071</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 99,165</u>	<u>\$ 112,350</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROADWIND ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATION S
(In thousands, except per share data)

	For the Years Ended December 31,	
	2018	2017
Revenues	\$ 125,380	\$ 146,785
Cost of sales	121,684	138,626
Restructuring	631	—
Gross profit	<u>3,065</u>	<u>8,159</u>
OPERATING EXPENSES:		
Selling, general and administrative	13,625	13,828
Impairment charges	12,585	—
Intangible amortization	1,884	1,764
Restructuring	37	—
Total operating expenses	<u>28,131</u>	<u>15,592</u>
Operating loss	<u>(25,066)</u>	<u>(7,433)</u>
OTHER (EXPENSE) INCOME, net:		
Interest expense, net	(1,496)	(798)
Other, net	2,355	3
Total other income (expense), net	<u>859</u>	<u>(795)</u>
Net loss before benefit for income taxes	(24,207)	(8,228)
Benefit for income taxes	(205)	(5,045)
LOSS FROM CONTINUING OPERATIONS	<u>(24,002)</u>	<u>(3,183)</u>
LOSS FROM DISCONTINUED OPERATIONS	<u>(144)</u>	<u>(458)</u>
NET LOSS	<u>\$ (24,146)</u>	<u>\$ (3,641)</u>
NET LOSS PER COMMON SHARE—BASIC:		
Loss from continuing operations	\$ (1.55)	\$ (0.21)
Loss from discontinued operations	(0.01)	(0.03)
Net loss	<u>\$ (1.56)</u>	<u>\$ (0.24)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC	15,469	15,053
NET LOSS PER COMMON SHARE—DILUTED:		
Loss from continuing operations	\$ (1.55)	\$ (0.21)
Loss from discontinued operations	(0.01)	(0.03)
Net loss	<u>\$ (1.56)</u>	<u>\$ (0.24)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—DILUTED	15,469	15,053

The accompanying notes are an integral part of these consolidated financial statements.

BROADWIND ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares Issued	Issued Amount	Shares	Issued Amount			
BALANCE, December 31, 2016	15,175,767	\$ 15	(273,937)	\$ (1,842)	\$ 378,876	\$ (308,466)	\$ 68,583
Stock issued for restricted stock	190,482	—	—	—	—	—	—
Stock issued under defined contribution 401(k) retirement savings plan	114,050	—	—	—	316	—	316
Share-based compensation	—	—	—	—	813	—	813
Net loss	—	—	—	—	—	(3,641)	(3,641)
BALANCE, December 31, 2017	15,480,299	\$ 15	(273,937)	\$ (1,842)	\$ 380,005	\$ (312,107)	\$ 66,071
Stock issued for restricted stock	156,472	1	—	—	—	—	1
Stock issued under defined contribution 401(k) retirement savings plan	330,739	—	—	—	685	—	685
Share-based compensation	—	—	—	—	803	—	803
Sale of common stock, net of expenses	15,112	—	—	—	(52)	—	(52)
Net loss	—	—	—	—	—	(24,146)	(24,146)
BALANCE, December 31, 2018	15,982,622	\$ 16	(273,937)	\$ (1,842)	\$ 381,441	\$ (336,253)	\$ 43,362

The accompanying notes are an integral part of these consolidated financial statements.

BROADWIND ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW S
(In thousands)

	December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (24,146)	\$ (3,641)
Loss from discontinued operations	(144)	(458)
Loss from continuing operations	(24,002)	(3,183)
Adjustments to reconcile net cash provided by (used in) operating activities:		
Depreciation and amortization expense	9,183	8,999
Deferred income taxes	(307)	(5,045)
Impairment charges	12,585	80
Remeasurement of contingent consideration	(1,140)	(1,394)
Stock-based compensation	803	813
Extinguishment of New Markets Tax Credits obligation	(2,249)	—
Allowance for doubtful accounts	(35)	37
Common stock issued under defined contribution 401(k) plan	685	316
Gain on disposal of assets	(116)	(12)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(3,776)	884
Inventories	(2,944)	7,057
Prepaid expenses and other current assets	22	651
Accounts payable	801	(5,287)
Accrued liabilities	553	(4,921)
Customer deposits	13,716	(8,219)
Other non-current assets and liabilities	(1,734)	(126)
Net cash provided by (used in) operating activities of continuing operations	2,045	(9,350)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition	—	(16,449)
Sales of available for sale securities	—	2,221
Maturities of available for sale securities	—	950
Purchases of property and equipment	(2,324)	(6,688)
Proceeds from disposals of property and equipment	676	72
Net cash used in investing activities of continuing operations	(1,648)	(19,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	141,414	158,856
Payments on line of credit	(141,040)	(148,009)
Proceeds from long-term debt	2,060	457
Payments on long-term debt	(761)	—
Principal payments on capital leases	(814)	(644)
Proceeds from sale of common stock, net of expenses	(52)	—
Net cash provided by financing activities of continuing operations	807	10,660
DISCONTINUED OPERATIONS:		
Operating cash flows	(105)	(78)
Net cash used in discontinued operations	(105)	(78)
Add: Cash balance of discontinued operations, beginning of period	—	2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,099	(18,660)
CASH AND CASH EQUIVALENTS beginning of the period	78	18,738
CASH AND CASH EQUIVALENTS end of the period	\$ 1,177	\$ 78
Supplemental cash flow information:		
Interest paid	\$ 1,168	\$ 585
Income taxes paid	\$ 116	\$ 44
Non-cash activities:		
Issuance of restricted stock grants	\$ 803	\$ 813
Equipment additions via capital lease	\$ 650	\$ 844
Non-cash purchases of property and equipment	\$ 64	\$ 1,003
Contingent consideration related to business acquisition	\$ —	\$ 2,534
Red Wolf acquisition:		
Assets acquired	\$ —	\$ 26,602
Liabilities assumed	\$ —	\$ 7,619

The accompanying notes are an integral part of these consolidated financial statements .

BROADWIND ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017
(in thousands, except share and per share data)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Broadwind Energy, Inc. (the “Company”) provides technologically advanced high-value products to energy, mining and infrastructure sector customers, primarily in the United States of America (the “U.S.”). The Company’s most significant presence is within the U.S. wind energy industry, although the Company has increasingly diversified into other industrial markets. Within the U.S. wind energy industry, the Company provides products primarily to turbine manufacturers. The Company also provides precision gearing and heavy fabrications to a broad range of industrial customers for oil and gas (“O&G”), mining, steel and other industrial applications. With the acquisition of Red Wolf Company, LLC (“Red Wolf”), a Sanford, North Carolina-based, privately held fabricator, kitter and assembler of industrial systems primarily supporting the global natural gas turbine (“NGT”) market in February 2017, the Company further diversified into the business of supplying components for natural gas turbines. The Company has three reportable operating segments: Towers and Heavy Fabrications, Gearing, and Process Systems.

Towers and Heavy Fabrications

The Company manufactures towers for wind turbines, specifically the large and heavier wind towers that are designed for multiple megawatt (“MW”) wind turbines. Production facilities, located in Manitowoc, Wisconsin and Abilene, Texas, are situated in close proximity to the primary U.S. domestic wind energy and equipment manufacturing hubs. The two facilities have a combined annual tower production capacity of up to approximately 550 towers (1650 towers sections), sufficient to support turbines generating more than 1,100 MW of power. This product segment also encompasses the manufacture of other heavy fabrications for mining and other industrial customers. In the fourth quarter 2017, the segment changed its name from “Towers and Weldments” to “Towers and Heavy Fabrications” to more accurately reflect the nature of the segment’s activities.

Gearing

The Company engineers, builds and remanufactures precision gears and gearboxes for O&G, wind energy, mining, steel and other industrial applications. The Company uses an integrated manufacturing process, which includes machining and finishing processes in Cicero, Illinois, and heat treatment in Neville Island, Pennsylvania.

Process Systems

On February 1, 2017, the Company acquired Red Wolf and as a result, aggregated its Abilene TX based fabrication business with Red Wolf to form the Process Systems reportable segment. This segment provides contract manufacturing services that include build-to-spec, kitting, fabrication and inventory management for customers throughout the U.S. and in foreign countries, primarily supporting the natural gas turbine power generation market.

Liquidity

The Company meets its short term liquidity needs through cash generated from operations, through its available cash balances and through the Company’s Credit Facility (as defined below), first established in October 2016, additional equipment financing and access to the public and private debt equity markets, including the option to raise capital under the Company’s registration statement on Form S-3 (as discussed below). The Company uses the Credit Facility to fund working capital requirements. Under the terms of the Credit Facility, CIBC agreed to advance funds against a borrowing base consisting of up to 85% of the face value of the Company’s eligible accounts receivable (“A/R”), up to 50% of the book value of the Company’s eligible inventory and up to 50% of the appraised value of the Company’s eligible machinery, equipment and certain real property up to \$10,000. Under the Credit Facility, borrowings are continuous and all cash receipts are usually applied to the outstanding borrowed balance. As of December 31, 2018, cash and cash equivalents and short-term investments totaled \$1,177, an increase of \$1,099 from December 31, 2017, and \$11,000 was outstanding under the Credit Facility. The Company had the ability to borrow up to \$10,319 under the Credit Facility as of December 31, 2018.

The Credit Facility has been periodically amended since the original transaction closed in 2016 to address changes in business conditions. On January 29, 2018, the Company executed the Third Amendment to Loan and Security

BROADWIND ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2018 and 2017
(in thousands, except share and per share data)

Agreement (the "Third Amendment"), which waived the Fixed Charge Coverage Ratio Covenant as of December 31, 2017 and added new minimum EBITDA and capital expenditure covenants through June 30, 2018. Among other changes, the Third Amendment also revised the Fixed Charge Coverage Ratio Covenant to be recalculated for future periods commencing with the quarter ending June 30, 2018.

On May 3, 2018, the Company executed the Fourth Amendment to Loan and Security Agreement (the "Fourth Amendment"), waiving the Company's non-compliance with the minimum EBITDA covenant through March 31, 2018. The Fourth Amendment, among other changes, amended the minimum EBITDA thresholds for the period ending June 30, 2018 and adjusted the definition of EBITDA to add back certain restructuring expenses.

On October 26, 2018, the Company executed the Fifth Amendment to Loan and Security Agreement which, among other things, removed the Fixed Charge Coverage Ratio and capital expenditure covenants as of the period ending December 31, 2018 and added minimum EBITDA covenants through June 30, 2019.

On January 16, 2019, the Company executed the Sixth Amendment to Loan and Security Agreement which increased the Company's capability to issue letters of credit.

On February 25, 2019, the Company executed an Amended and Restated Loan and Security Agreement (the "Amended and Restated Loan Agreement"), which expanded the Credit Facility to \$35,000 and extended the term to February 25, 2022. The Amended and Restated Loan Agreement includes minimum EBITDA covenants through September 30, 2019 and introduces a Fixed Charge Coverage Ratio thereafter. For a more detailed description of the Amended and Restated Loan Agreement refer to Item 9B of this Form 10-K.

Debt and capital lease obligations at December 31, 2018 totaled \$14,876, which includes current outstanding debt and capital lease obligations totaling \$12,897, over the next twelve months. The current outstanding debt includes \$11,000 outstanding under the Credit Facility.

On August 11, 2017, the Company filed a "shelf" registration statement on Form S-3, which was declared effective by the SEC on October 10, 2017 (the "Broadwind Form S-3"). This shelf registration statement, which includes a base prospectus, allows the Company at any time to offer any combination of securities described in the prospectus in one or more offerings. Unless otherwise specified in the prospectus supplement accompanying the Company's base prospectus, the Company would use the net proceeds from the sale of any securities offered pursuant to the shelf registration statement for general corporate purposes.

On July 31, 2018, the Company entered into an At Market Issuance Sales Agreement (the "ATM Agreement") with Roth Capital Partners, LLC (the "Agent"). Pursuant to the terms of the ATM Agreement, the Company may sell from time to time through the Agent shares of the Company's common stock, par value \$0.001 per share with an aggregate sales price of up to \$10,000. The Company will pay a commission to the Agent of 3% of the gross proceeds of the sale of the shares sold under the ATM Agreement and reimburse the Agent for the expenses of their counsel. During the year ended December 31, 2018, the Company issued 15,112 shares of the Company's common stock under the ATM Agreement and the net proceeds (before upfront costs) to the Company from the sale of the Company's common stock were approximately \$33 after deducting commissions paid of approximately \$1. As of December 31, 2018, the Company's common stock having a value of approximately \$9,967 remained available for issuance with respect to the ATM Agreement.

The Company anticipates that current cash resources, amounts available under the Credit Facility, cash to be generated from operations, additional equipment financing, and any potential proceeds from access to the public or private debt or equity markets, including the option to raise capital under the Broadwind Form S-3, will be adequate to meet the Company's liquidity needs for at least the next twelve months. If assumptions regarding the Company's production, sales and subsequent collections from several of the Company's large customers, as well as customer deposits and revenues generated from new customer orders, are materially inconsistent with management's expectations, the Company may in the future encounter cash flow and liquidity issues, which could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company's operational performance deteriorates significantly, it may be unable to comply with existing financial covenants, and could lose access to the Credit Facility. This could limit the

BROADWIND ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2018 and 2017
(in thousands, except share and per share data)

Company's operational flexibility or require a delay in making planned investments. Any additional equity financing, if available, may be dilutive to stockholders, and additional debt financing, if available, would likely require new financial covenants or impose other restrictions on the Company. While the Company believes that it will continue to have sufficient cash available to operate its businesses and to meet its financial obligations and debt covenants, for at least the next 12 months, there can be no assurances that its operations will generate sufficient cash, or that credit facilities or other resources will be available in an amount sufficient to enable the Company to meet these financial obligations.

Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

These consolidated financial statements include the accounts of the Company and entities in which it has a controlling financial interest. All significant intercompany transactions and balances have been eliminated in consolidation. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE").

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a VIE, and if the Company is deemed to be the primary beneficiary, in accordance with the accounting standard for the consolidation of VIE's. The accounting standard for the consolidation of VIE's requires the Company to qualitatively assess if the Company was the primary beneficiary of the VIE based on whether the Company had (i) the power to direct those matters that most significantly impacted the activities of the VIE and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant. Refer to Note 18, "New Markets Tax Credit Transaction" of these consolidated financial statements for a description of two VIE's that were included in the Company's consolidated financial statements.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reported period. Significant estimates, among others, include revenue recognition, future tax rates, inventory reserves, warranty reserves, impairment of long-lived assets, allowance for doubtful accounts, workers' compensation reserves, health insurance reserves, and environmental reserves. Although these estimates are based upon management's best knowledge of current events and actions that the Company may undertake in the future, actual results could differ from these estimates.

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents typically comprise cash balances and readily marketable investments with original maturities of three months or less, such as money market funds, short-term government bonds, Treasury bills, marketable securities and commercial paper. Marketable investments with original maturities between three and twelve months are recorded as short-term investments. The Company's treasury policy is to invest excess cash in money market funds or other investments, which are generally of a short-term duration based upon operating requirements. Income earned on these investments is recorded to interest income in the Company's consolidated statements of operations. As of December 31, 2018 and December 31, 2017, cash and cash equivalents totaled \$1,177 and \$78, respectively. For the years ended December 31, 2018 and 2017, interest income was \$5.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Customer deposits, deferred revenue and other receipts are deferred and recognized when the revenue is realized and earned. Cash payments to customers are presumed to be classified as reductions of revenue in the Company's statement of operations.

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In many instances within the Company's Towers and Heavy Fabrications segment, products are sold under terms included in bill and hold sales arrangements that result in different timing for revenue recognition. The Company recognizes revenue under these arrangements only when the buyer requests the arrangement, the ordered goods are segregated from inventory and not available to fill other orders, the goods are currently ready for physical transfer to the customer, and the Company does not have the ability to use the product or to direct it to another customer. Assuming these required revenue recognition criteria are met, revenue is recognized upon completion of product manufacture and customer acceptance.

The Company adopted the provisions of Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, for the fiscal year beginning January 1, 2018 and elected the modified retrospective approach. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historical accounting under Topic 605. Based on the Company's contract evaluation, the Company determined there was no need to record any changes to the opening retained earnings due to the impact of adopting Topic 606. The adoption of Topic 606 did not have a material impact on the Company's consolidated financial statements.

Cost of Sales

Cost of sales represents all direct and indirect costs associated with the production of products for sale to customers. These costs include operation, repair and maintenance of equipment, materials, direct and indirect labor and benefit costs, rent and utilities, maintenance, insurance, equipment rentals, freight in and depreciation.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses include all corporate and administrative functions such as sales and marketing, legal, human resource management, finance, investor and public relations, information technology and senior management. These functions serve to support the Company's current and future operations and provide an infrastructure to support future growth. Major expense items in this category include management and staff wages and benefits, share-based compensation and professional services.

Accounts Receivable (A/R)

The Company generally grants uncollateralized credit to customers on an individual basis based upon the customer's financial condition and credit history. Credit is typically on net 30 day terms and customer deposits are frequently required at various stages of the production process to finance customized products and minimize credit risk.

Historically, the Company's A/R is highly concentrated with a select number of customers. During the year ended December 31, 2018, the Company's five largest customers accounted for 78% of its consolidated revenues and 54% of outstanding A/R balances, compared to the year ended December 31, 2017 when the Company's five largest customers accounted for 85% of its consolidated revenues and 57% of its outstanding A/R balances.

Allowance for Doubtful Accounts

Based upon past experience and judgment, the Company establishes an allowance for doubtful accounts with respect to A/R. The Company's standard allowance estimation methodology considers a number of factors that, based on its collections experience, the Company believes will have an impact on its credit risk and the realizability of its A/R. These factors include individual customer circumstances, history with the Company and other relevant criteria. A/R balances that remain outstanding after the Company has exhausted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to A/R.

The Company monitors its collections and write-off experience to assess whether or not adjustments to its allowance estimates are necessary. Changes in trends in any of the factors that the Company believes may impact the realizability of its A/R, as noted above, or modifications to the Company's credit standards, collection practices and other related policies may impact its allowance for doubtful accounts and its financial results. Bad debt (recoveries) expense for the years ended December 31, 2018 and 2017 was \$(34) and \$80, respectively.

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Inventories

Inventories are stated at the lower of cost or market and net realizable value. Cost is determined either based on the first-in, first-out (“FIFO”) method, or on a standard cost basis that approximates the FIFO method. Market is determined based on net realizable value. Any excess of cost over net realizable value is included in the Company’s inventory allowance. Net realizable value of inventory, and management’s judgment of the need for reserves, encompasses consideration of other business factors including physical condition, inventory holding period, contract terms and usefulness.

Inventories consist of raw materials, work-in-process and finished goods. Raw materials consist of components and parts for general production use. Work-in-process consists of labor and overhead, processing costs, purchased subcomponents and materials purchased for specific customer orders. Finished goods consist of components purchased from third parties as well as components manufactured by the Company that will be used to produce final customer products.

Long-Lived Assets

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is recognized using the straight-line method over the estimated useful lives of the related assets for financial reporting purposes, and generally using an accelerated method for income tax reporting purposes. Depreciation expense related to property and equipment for the years ended December 31, 2018 and 2017 was \$7,299 and \$7,235, respectively. Expenditures for additions and improvements are capitalized, while replacements, maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. The Company has in the past capitalized interest costs incurred on indebtedness used to construct property and equipment. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life. There was no interest cost capitalized during the years ended December 31, 2018 or 2017. Property or equipment sold or disposed of is removed from the respective property accounts, with any corresponding gains and losses recorded within operating income (loss) in the Company’s consolidated statement of operations.

The Company reviews property and equipment and other long-lived assets (“long-lived assets”) for impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. In evaluating the recoverability of long-lived assets, the Company utilizes a fair value technique accepted by ASC 820, Fair Value Measurement, which is the asset accumulation approach. If the fair value of the asset group is less than the carrying amount, the Company recognizes an impairment loss.

In evaluating the recoverability of long-lived assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of such assets. If the Company’s fair value estimates or related assumptions change in the future, the Company may be required to record impairment charges related to property and equipment and other long-lived assets. Asset recoverability is first measured by comparing the assets’ carrying amounts to their expected future undiscounted net cash flows to determine if the assets are impaired. If such assets are considered to be impaired, the impairment recognized is measured based on the amount by which the carrying amount of the assets exceeds the fair value. To the extent the assumptions used in the Company’s analysis are not achieved, there may be a negative effect on the valuation of these assets.

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Warranty Liability

The Company provides warranty terms that generally range from one to five years for various products and services relating to workmanship and materials supplied by the Company. In certain contracts, the Company has recourse provisions for items that would enable the Company to pursue recovery from third parties for amounts paid to customers under warranty provisions. Warranty liability is recorded in accrued liabilities within the consolidated balance sheet. The Company estimates the warranty accrual based on various factors, including historical warranty costs, current trends, product mix and sales. The changes in the carrying amount of the Company's total product warranty liability for the years ended December 31, 2018 and 2017 were as follows, excluding activity related to the discontinued Services segment:

	As of December 31,	
	2018	2017
Balance, beginning of period	\$ 581	\$ 671
Addition to (reduction of) warranty reserve	(350)	(28)
Warranty claims	(5)	(62)
Balance, end of period	<u>\$ 226</u>	<u>\$ 581</u>

Income Taxes

The Company accounts for income taxes based upon an asset and liability approach. Deferred tax assets and liabilities represent the future tax consequences of the differences between the financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Under this method, deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The impact of tax rate changes on deferred tax assets and liabilities is recognized in the year that the change is enacted.

In connection with the preparation of its consolidated financial statements, the Company is required to estimate its income tax liability for each of the tax jurisdictions in which the Company operates. This process involves estimating the Company's actual current income tax expense and assessing temporary differences resulting from differing treatment of certain income or expense items for income tax reporting and financial reporting purposes. The Company also recognizes as deferred income tax assets the expected future income tax benefits of net operating loss ("NOL") carryforwards. In evaluating the realizability of deferred income tax assets associated with NOL carryforwards, the Company considers, among other things, expected future taxable income, the expected timing of the reversals of existing temporary reporting differences and the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits. Changes in, among other things, income tax legislation, statutory income tax rates or future taxable income levels could materially impact the Company's valuation of income tax assets and liabilities and could cause its income tax provision to vary significantly among financial reporting periods.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate; (2) eliminating the corporate alternative minimum tax; (3) creating a new limitation on deductible interest expense; and (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. In connection with the Tax Act, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act directing taxpayers to consider the impact of the U.S. legislation as "provisional" when it does not have the necessary information, prepared or analyzed in reasonable detail to complete its accounting for the change in tax law.

The Company also accounts for the uncertainty in income taxes related to the recognition and measurement of a tax position taken or expected to be taken in an income tax return. The Company follows the applicable pronouncement guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition related to the uncertainty in these income tax positions.

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Share-Based Compensation

The Company grants incentive stock options, restricted stock units (“RSUs”) and/or performance awards (“PSUs”) to certain officers, directors, and employees. The Company accounts for share-based compensation related to these awards based on the estimated fair value of the equity award and recognizes expense ratably over the required vesting term of the award. The expense associated with PSUs is also based on the probability of achieving embedded targets. See Note 15 “Share-Based Compensation” of these consolidated financial statements for further discussion of the Company’s share-based compensation plans, the nature of share-based awards issued and the Company’s accounting for share-based compensation.

Net Income (Loss) Per Share

The Company presents both basic and diluted net income (loss) per share. Basic net income (loss) per share is based solely upon the weighted average number of common shares outstanding and excludes any dilutive effects of options, warrants and convertible securities. Diluted net income (loss) per share is based upon the weighted average number of common shares and common-share equivalents outstanding during the year excluding those common-share equivalents where the impact to basic net income (loss) per share would be anti-dilutive.

2. REVENUES

On January 1, 2018, the Company adopted ASU 2014-09 and 2015-14, Revenue from Contracts with Customers (Topic 606), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historical accounting under Topic 605. Based on the Company’s contract evaluation, the Company determined there was no need to record any changes to the opening retained earnings due to the impact of adopting Topic 606. The adoption of Topic 606 did not have a material impact on the Company’s consolidated financial statements.

Revenues are recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table presents the Company’s revenues disaggregated by revenue source for years ended December 31, 2018 and 2017:

	For the Years Ended December 31,	
	2018	2017 ⁽¹⁾
Towers and Heavy Fabrications	\$ 68,815	\$ 103,389
Gearing	38,376	26,006
Process Systems	18,319	17,390
Eliminations	(130)	-
Consolidated	\$ 125,380	\$ 146,785

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(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

Revenue within the Company's Gearing and Process Systems segments is recognized at a point in time, typically when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct product or service to the customer. The Company measures revenue based on the consideration specified in the purchase order and revenue is recognized when the performance obligations are satisfied. If applicable, the transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as the customer receives the benefit of the performance obligation.

For many transactions within the Company's Towers and Heavy Fabrications segment, products are sold under terms included in bill and hold sales arrangements that result in different timing for revenue recognition. The Company recognizes revenue under these arrangements only when there is a substantive reason for the arrangement, the ordered goods are segregated from inventory and not available to fill other orders, the goods are currently ready for physical transfer to the customer, and the Company does not have the ability to use the product or to direct it to another customer. Assuming these required revenue recognition criteria are met, revenue is recognized upon completion of product manufacture and customer acceptance.

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, general and administrative expenses. Customer deposits, deferred revenue and other receipts are deferred and recognized when the revenue is realized and earned. Cash payments to customers are classified as reductions of revenue in the Company's statement of operations.

The Company does not disclose the value of the unsatisfied performance obligations for contracts with an original expected length of one year or less.

3. EARNINGS PER SHARE

The following table presents a reconciliation of basic and diluted earnings per share for the years ended December 31, 2018 and 2017 as follows:

	For the Years Ended December 31,	
	2018	2017
Basic earnings per share calculation:		
Net loss	\$ (24,146)	\$ (3,641)
Weighted average number of common shares outstanding	15,468,975	15,053,049
Basic net (loss) income per share	\$ (1.56)	\$ (0.24)
Diluted earnings per share calculation:		
Net loss	\$ (24,146)	\$ (3,641)
Weighted average number of common shares outstanding	15,468,975	15,053,049
Common stock equivalents:		
Stock options and non-vested stock awards ⁽¹⁾	—	—
Weighted average number of common shares outstanding	15,468,975	15,053,049
Diluted net loss per share	\$ (1.56)	\$ (0.24)

(1) Stock options and restricted stock units granted and outstanding of 862,706 and 579,330 are excluded from the computation of diluted earnings for the years ended December 31, 2018 and 2017 due to the anti-dilutive effect as a result of the Company's net loss for those respective periods.

4. DISCONTINUED OPERATIONS

The Company's former Services segment had substantial continued operating losses for several years, due to low capacity utilization in our gearbox remanufacturing facility and an increasingly competitive environment for field services due in part to increased in-sourcing of service functions by customers. In July, 2015 the Company's Board of Directors (the

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“Board”) directed management to evaluate potential strategic alternatives with respect to the Services segment. In September 2015 the Board authorized management to sell substantially all of the assets of the Services segment to one or more third-party purchasers, and thereafter to liquidate or otherwise dispose of any such assets remaining unsold. The Company began negotiations to sell substantially all the assets of the Services segment in the third quarter of 2015. The exit of this business was a strategic shift that had a major effect on the Company; therefore, the Company reclassified the related assets and liabilities of the Services segment as held for sale, which the divestiture was substantially completed in December 2015.

Results of Discontinued Operations

Results of operations associated with the Services segment, which are reflected as discontinued operations in the Company’s consolidated statements of income for the twelve months ended December 31, 2018 and 2017, were as follows:

	Year Ended December 31,	
	2018	2017
Revenues	\$ 3	\$ 151
Cost of sales	(132)	(391)
Selling, general and administrative	(15)	(57)
Impairment of held for sale assets and liabilities and gain on sale of assets	—	(161)
Loss from discontinued operations	<u>\$ (144)</u>	<u>\$ (458)</u>

Assets and Liabilities Held for Sale

Assets and liabilities classified as held for sale in the Company’s consolidated balance sheets as of December 31, 2018 and 2017 include the following:

	December 31,	December 31,
	2018	2017
Assets:		
Accounts receivable, net	\$ —	\$ 11
Inventories, net	—	9
Total Assets Held For Sale Related To Discontinued Operations	<u>\$ —</u>	<u>\$ 20</u>
Liabilities:		
Accrued liabilities	\$ 26	\$ 27
Customer deposits and other current obligations	1	3
Total Liabilities Held For Sale Related To Discontinued Operations	<u>\$ 27</u>	<u>\$ 30</u>

5. RECENT ACCOUNTING PRONOUNCEMENTS

The Company reviews new accounting standards as issued. Although some of the accounting standards issued or effective in the current fiscal year may be applicable to it, the Company believes that none of the new standards have a significant impact on its consolidated financial statements, except as discussed below.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is intended to improve financial reporting about leasing transactions. This ASU will require organizations (“lessees”) that lease assets with lease terms of more than twelve months to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Organizations that own the assets leased by lessees (“lessors”) will remain largely unchanged from current guidance. In addition, this ASU will require disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. This ASU became effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. The Company expects to adopt this guidance for leases existing at the date of adoption and expects to recognize a liability and corresponding asset associated with in-scope leases. The Company has commenced identifying its lease population, but is still in the process of determining those amounts to be recognized as liabilities and right of use assets.

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In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805), which clarifies the definition of a business. The amendments in this ASU provide a screen to determine when a set (group of assets and activities) is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments in this ASU (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. This ASU became effective for annual reporting periods beginning after December 15, 2017 and interim periods within those fiscal years. The adoption of this ASU had no material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350), which simplifies the test for goodwill impairment. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2, which compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill, from the goodwill impairment test. Under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. This ASU will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The Company early adopted this ASU during the second quarter of 2018 and recorded a \$4,993 impairment charge as discussed in Note 8 "Long-Lived Assets" of these consolidated financial statements.

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The activity in the A/R allowance from operations for the years ended December 31, 2018 and 2017 consists of the following:

	For the Years Ended December 31,	
	2018	2017
Balance at beginning of period	\$ 225	\$ 145
(Recoveries) bad debt expense	(34)	80
Write-offs	(1)	—
Balance at end of period	\$ 190	\$ 225

7. INVENTORIES

The components of inventories from operations as of December 31, 2018 and 2017 are summarized as follows:

	As of December 31,	
	2018	2017
Raw materials	\$ 16,394	\$ 11,945
Work-in-process	5,426	6,305
Finished goods	2,958	3,538
	24,778	21,788
Less: Reserve for excess and obsolete inventory	(2,108)	(2,509)
Net inventories	\$ 22,670	\$ 19,279

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8. LONG-LIVED ASSETS

The cost basis and estimated lives of property and equipment from continuing operations as of December 31, 2018 and 2017 are as follows:

	<u>As of December 31,</u>		<u>Life</u>	
	<u>2018</u>	<u>2017</u>		
Land	\$ 1,423	\$ 1,423		
Buildings	20,747	22,998	39	years
Machinery and equipment	107,469	103,878	2	- 10 years
Office furniture and equipment	4,387	4,202	3	- 7 years
Leasehold improvements	8,974	9,095	Asset life or life of lease	
Construction in progress	172	4,138		
	<u>143,172</u>	<u>145,734</u>		
Less accumulated depreciation and amortization	(94,085)	(90,041)		
Total property and equipment	<u>\$ 49,087</u>	<u>\$ 55,693</u>		

As of December 31, 2018 and December 31, 2017, the Company had commitments of \$80 and \$132, respectively, related to the completion of projects within construction in progress.

As a result of the Red Wolf acquisition, the Company added \$4,993 of goodwill, which was included in the Process Systems segment. See Note 16, "Segment Reporting" of these consolidated financial statements for further discussion of the Company's segments. The goodwill represented the excess of the purchase price over the fair value of assets acquired, including identifiable intangibles and liabilities as part of the Company's acquisition of Red Wolf.

During the second quarter of 2018, the Company identified triggering events associated with the release of Red Wolf's final earn-out reserve, Red Wolf's recent operating results, a reduction in Red Wolf's major customer's performance and the delay of new initiatives being implemented. As a result, the Company evaluated the recoverability of the Red Wolf asset group. In accordance with GAAP, the Company compared the carrying value of the Red Wolf asset group to the forecast undiscounted cash flows associated with this asset group. Based on the analysis performed, the forecast undiscounted cash flows exceeded the carrying value and no impairment of this group was indicated or recorded.

The Company next compared the carrying value of the Red Wolf reporting unit to the fair value of the Red Wolf reporting unit. The fair value was determined using significant unobservable inputs, or level 3 in the fair value hierarchy. The two main assumptions utilized in the forecast discounted cash flow analysis were the cash flows from operations and the weighted average cost of capital of 18.6%. Based on the analysis performed, the Company determined that the carrying amount of the reporting unit exceeded the fair value and recorded a \$4,993 goodwill impairment charge in the second quarter of 2018. The Company utilized a third-party appraisal to validate the results of the analysis.

During the fourth quarter of 2018, the Company identified triggering events associated with Red Wolf's recent operating results, a reduction in Red Wolf's major customer's performance and the delay of new initiatives being implemented. As a result, the Company tested the long-lived assets associated with Red Wolf for impairment. The carrying value of the asset group was found to exceed both its undiscounted cash flows and its fair value determined using the asset accumulation approach. The Company relied upon a third-party valuation and determined that the customer relationship intangible asset was impaired, and recorded a corresponding \$7,592 impairment charge during the fourth quarter of 2018. The two main assumptions utilized in the valuation were the cash flows from operations and the weighted average cost of capital of 18.5%.

During 2018 and 2017, the Company continued to experience triggering events associated with the Gearing segment's history of operating losses. As a result, the Company evaluated the recoverability of certain of its long-lived

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assets associated with the Gearing segment. The Company relied upon a third-party appraisal and determined that there were no significant changes to the inputs or assumptions used previously. The Company concluded that no impairment to this asset group was indicated as of December 31, 2018 or 2017.

Other intangible assets represent the fair value assigned to definite-lived assets such as trade names and customer relationships as part of the Company's acquisition of Brad Foote completed in 2007 as well as the noncompetition agreements, trade names and customer relationships that were part of the Company's acquisition of Red Wolf. See Note 21, "Business Combinations" of these consolidated financial statements for further discussion of the Red Wolf acquisition. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, with a remaining life range from 4 to 10 years.

As of December 31, 2018 and 2017, the cost basis, accumulated amortization and net book value of intangible assets were as follows:

	December 31, 2018				Remaining Weighted Average Amortization Period	December 31, 2017			
	Cost	Accumulated Amortization	Impairment Charge	Net Book Value		Cost	Accumulated Amortization	Net Book Value	Remaining Weighted Average Amortization Period
Goodwill and other intangible assets:									
Goodwill	\$ 4,993	\$ —	\$ (4,993)	\$ -		\$ 4,993	\$ —	\$ 4,993	
Noncompete agreements	170	(54)	—	116	4.1	170	(26)	144	5.1
Customer relationships	15,979	(6,369)	(7,592)	2,018	6.8	15,979	(4,992)	10,987	8.0
Trade names	9,099	(4,631)	—	4,468	9.5	9,099	(4,152)	4,947	10.5
Other intangible assets	<u>\$ 25,248</u>	<u>\$ (11,054)</u>	<u>\$ (7,592)</u>	<u>\$ 6,602</u>	6.5	<u>\$ 25,248</u>	<u>\$ (9,170)</u>	<u>\$ 16,078</u>	8.8

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 6 to 20 years. Amortization expense was \$1,884 and \$1,764 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, estimated future amortization expense is as follows:

2019	\$ 812
2020	812
2021	812
2022	812
2023	786
2024 and thereafter	2,568
Total	<u>\$ 6,602</u>

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9. ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2018 and 2017 consisted of the following:

	December 31,	
	2018	2017
Accrued payroll and benefits	\$ 2,126	\$ 1,797
Accrued property taxes	—	144
Income taxes payable	66	77
Accrued professional fees	101	40
Accrued warranty liability	226	581
Accrued self-insurance reserve	374	812
Accrued other	913	942
Total accrued liabilities	<u>\$ 3,806</u>	<u>\$ 4,393</u>

10. DEBT AND CREDIT AGREEMENTS

The Company's outstanding debt balances as of December 31, 2018 and 2017 consisted of the following:

	December 31,	
	2018	2017
Line of credit	\$ 11,000	\$ 10,733
NMTC note payable	—	2,600
Other notes payable	1,882	1,146
Long-term debt	456	570
Less: Current portion	(11,930)	(14,252)
Long-term debt, net of current maturities	<u>\$ 1,408</u>	<u>\$ 797</u>

As of December 31, 2018, future annual principal payments on the Company's outstanding debt obligations were as follows:

2019	\$ 12,045
2020	913
2021	266
2022	114
Total	<u>\$ 13,338</u>

Credit Facilities

On October 26, 2016, the Company established a \$20,000 three-year secured revolving line of credit (the "Credit Facility") with CIBC Bank USA, formerly known as The PrivateBank and Trust Company ("CIBC"). The Credit Facility was subsequently increased to \$25,000 in March of 2017 pursuant to a Second Amendment to Loan and Security Agreement and an Amended and Restated Revolving Note. Under the Credit Facility, CIBC advances funds when requested against a borrowing base consisting of up to 85% of the face value of the Company's eligible A/R, up to 50% of the book value of eligible inventory and up to 50% of the appraised value of eligible machinery, equipment and certain real property up to \$10,000. Borrowings under the Credit Facility bear interest at a per annum rate equal to the applicable LIBOR plus a margin ranging from 2.25% to 3.00%, or the applicable base rate plus a margin ranging from 0.00% to 1.00%, both of which are based on the trailing twelve-month EBITDA. The Company also pays an unused facility fee to CIBC equal to 0.50% per annum on the unused portion of the Credit Facility, along with other standard fees. The Credit Facility contains customary representations and warranties. It also contains a requirement that the Company, on a consolidated basis, maintain a Fixed Charge Coverage Ratio Covenant, along with other customary restrictive covenants. The obligations under the Credit Facility are secured by, subject to certain exclusions, (i) a first priority security interest in all accounts receivable, inventory, equipment, cash and investment property, and (ii) a mortgage on the Abilene, Texas tower facility.

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On January 29, 2018, the Company executed the Third Amendment to Loan and Security Agreement (the “Third Amendment”), which waived the Company’s non-compliance with the Fixed Charge Coverage Ratio Covenant as of December 31, 2017 and added new minimum EBITDA and capital expenditure covenants through June 30, 2018. The amendment also revised the Fixed Charge Coverage Ratio Covenant to be recalculated for future periods commencing with the quarter ending June 30, 2018.

On May 3, 2018, the Company executed the Fourth Amendment to Loan and Security Agreement (the “Fourth Amendment”), which waived the Company’s non-compliance with the minimum EBITDA covenant through March 31, 2018. The Fourth Amendment, among other changes, amended the minimum EBITDA thresholds for the period ending June 30, 2018 and adjusted the definition of EBITDA to add back certain restructuring expenses.

On October 26, 2018, the Company executed the Fifth Amendment to Loan and Security Agreement which, among other changes, removed the Fixed Charge Coverage Ratio and capital expenditure covenants as of the period ending December 31, 2018 and added minimum EBITDA covenants through June 30, 2019.

On January 16, 2019, the Company executed the Sixth Amendment to Loan and Security Agreement which increased the Company’s capability to issue letters of credit.

On February, 25, 2019, the Company executed an Amended and Restated Loan and Security Agreement (the “Amended and Restated Loan Agreement”), which expanded the Credit Facility to \$35,000 and extended the term to February 25, 2022. The Amended and Restated Loan Agreement includes minimum EBITDA covenants through September 30, 2019 and introduces a Fixed Charge Coverage Ratio thereafter. For a more detailed description of the Amended and Restated Loan Agreement refer to Item 9B of this Form 10-K.

As of December 31, 2018, there was \$11,000 outstanding under the Credit Facility. The Company had the ability to borrow up to \$10,319 under the Credit Facility as of December 31, 2018.

Other

The \$2,600 liability associated with the NMTC transaction described further in Note 18, “New Markets Tax Credit Transaction” of these consolidated financial statements is included in the “Line of credit, NMTC and other notes payable” line item of the Company’s consolidated financial statements as of December 31, 2017. During the third quarter of 2018, the loan was extinguished and the Company recorded a gain of \$2,249 in other income, net of transaction expenses.

Separately, in 2016, the Company entered into a \$570 loan agreement with the Development Corporation of Abilene which is included in long-term debt, less current maturities. The loan is forgivable upon the Company meeting and maintaining specific employment thresholds. During 2018, \$114 of the loan was forgiven. In addition, the Company has outstanding notes payable for capital expenditures in the amount of \$1,882 and \$1,146 as of December 31, 2018 and 2017, respectively, with \$930 and \$804 included in the “Line of credit, NMTC and other notes payable” line item of the Company’s consolidated financial statements as of December 31, 2018 and 2017, respectively. The notes payable have monthly payments that range from \$3 to \$36 and an interest rate of 5%. The equipment purchased is utilized as collateral for the notes payable. The outstanding notes payable have maturity dates that range from April 2020 to May 2021.

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11. LEASES

The Company leases various property and equipment under operating lease arrangements. Lease terms generally range from 3 to 15 years with renewal options for extended terms. Certain leases contain rent escalation clauses that require additional rental payments in the later years of the term. Rent expense for these types of leases is recognized on a straight-line basis over the minimum lease term. Any lease concessions received by the Company are deferred and recognized as an adjustment to rent expense ratably over the minimum lease term. The Company is required to make additional payments under certain property leases for taxes, insurance and other operating expenses incurred during the operating lease period. Rental expense for the years ended December 31, 2018 and 2017 was \$3,654 and \$3,378, respectively.

In addition, the Company has entered into capital lease arrangements to finance property and equipment and assumed capital lease obligations in connection with certain acquisitions. The cost basis and accumulated depreciation of assets recorded under capital leases, which are included in property and equipment, are as follows as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Cost	\$ 4,354	\$ 2,460
Accumulated depreciation	(951)	(424)
Net book value	<u>\$ 3,403</u>	<u>\$ 2,036</u>

Depreciation expense recorded in connection with assets recorded under capital leases was \$527 and \$295 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, future minimum lease payments under capital leases and operating leases were as follows:

	Capital Leases	Operating Leases	Total
2019	\$ 1,057	\$ 3,524	\$ 4,581
2020	376	2,784	3,160
2021	252	2,334	2,586
2022	—	2,333	2,333
2023	—	2,213	2,213
2024 and thereafter	—	6,340	6,340
Total	<u>\$ 1,685</u>	<u>\$ 19,528</u>	<u>\$ 21,213</u>
Less—portion representing interest at a weighted average annual rate of 5.0%	(147)		
Principal	1,538		
Less—current portion	(967)		
Capital lease obligations, noncurrent portion	<u>\$ 571</u>		

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company is subject to legal proceedings or claims that arise in the ordinary course of its business. The Company accrues for costs related to loss contingencies when such costs are probable and reasonably estimable. As of December 31, 2018, the Company is not aware of any material pending legal proceedings or threatened litigation that would have a material adverse effect on the Company's results of operations, financial condition or cash flows, although no assurance can be given with respect to the ultimate outcome of pending actions. Refer to Note 20, "Legal Proceedings" of these consolidated financial statements for further discussion of legal proceedings.

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Environmental Compliance and Remediation Liabilities

The Company's operations and products are subject to a variety of environmental laws and regulations in the jurisdictions in which the Company operates and sells products governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous materials, soil and groundwater contamination, employee health and safety, and product content, performance and packaging. Also, certain environmental laws can impose the entire cost or a portion of the cost of investigating and cleaning up a contaminated site, regardless of fault, upon any one or more of a number of parties, including the current or previous owners or operators of the site. These environmental laws also impose liability on any person who arranges for the disposal or treatment of hazardous substances at a contaminated site. Third parties may also make claims against owners or operators of sites and users of disposal sites for personal injuries and property damage associated with releases of hazardous substances from those sites.

In connection with the Company's restructuring initiatives, during the third quarter of 2012, the Company identified a liability associated with the planned sale of one of the Company's facilities located in Cicero, Illinois (the "Cicero Avenue Facility"). The liability is associated with environmental remediation costs that were identified while preparing the site for sale. During 2013, the Company applied for and was accepted into the Illinois Environmental Protection Agency ("IEPA") voluntary site remediation program. In the first quarter of 2014, the Company completed a comprehensive review of remedial options for the Cicero Avenue Facility and selected a preferred remediation technology. In the fourth quarter of 2017, the Company completed the remediation of the Cicero Avenue Facility which was subsequently sold for \$583, net of expenses, in the third quarter of 2018.

Collateral

In select instances, the Company has pledged specific inventory and machinery and equipment assets to serve as collateral on related payable or financing obligations.

Warranty Liability

The Company provides warranty terms that generally range from one to five years for various products and services relating to workmanship and materials supplied by the Company. In certain contracts, the Company has recourse provisions for items that would enable the Company to pursue recovery from third parties for amounts paid to customers under warranty provisions.

Liquidated Damages

In certain customer contracts, the Company has agreed to pay liquidated damages in the event of qualifying delivery or production delays. These damages are typically limited to a specific percentage of the value of the product in question and dependent on actual losses sustained by the customer. When the damages are determined to be probable and estimable, the damages are recorded as a reduction to revenue. During 2018 and 2017, the Company incurred no liquidated damages and there was no reserve for liquidated damages as of December 31, 2018.

Workers' Compensation Reserves

As of December 31, 2018 and 2017, respectively, the Company had \$374 and \$812 accrued for self-insured workers' compensation liabilities. At the beginning of the third quarter of 2013, the Company began to self-insure for its workers' compensation liabilities, including reserves for self-retained losses. The Company entered into a guaranteed workers' compensation cost program at the beginning of the third quarter of 2016, but still maintains a liability for the trailing claims for the self-insured policy periods. Although the ultimate outcome of these matters may exceed the amounts recorded and additional losses may be incurred, the Company does not believe that any additional potential exposure for such liabilities will have a material adverse effect on the Company's consolidated financial position or results of operations.

Other

As of December 31, 2018, approximately 23% of the Company's employees were covered by two collective bargaining agreements with local unions at the Company's Cicero, Illinois and Neville Island, Pennsylvania locations. The

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current five-year collective bargaining agreement with the Neville Island union is expected to remain in effect through October 2022. During the third quarter of 2018, a new collective bargaining agreement was negotiated and ratified with the Cicero Union. The new four-year collective bargaining agreement with the Cicero union is expected to remain in effect through February 2022.

See Note 18, “New Markets Tax Credit Transaction” of these consolidated financial statements for a discussion of a strategic financing transaction (the “NMTC Transaction”) which originally related to the Company’s drivetrain service center in in Abilene, Texas (the “Abilene Gearbox Facility”), and was amended in August 2015 to also include the activities of the Company’s heavy industries business conducted in the same building in Abilene, Texas (the “Abilene Heavy Industries Facility”). The Abilene Heavy Industries Facility focuses on Heavy Fabrications for industries including those related to compressed natural gas distribution. Pursuant to the NMTC Transaction, the gross loan and investment in the Abilene Heavy Industries Facility and the Abilene Gearbox Facility of \$10,000 is expected to generate \$3,900 in tax credits over a period of seven years, which the NMTC Transaction makes available to Capital One, National Association (“Capital One”). The Abilene Heavy Industries Facility and/or the Abilene Gearbox Facility operated and remained in compliance with the terms and conditions of the NMTC Transaction during the seven year compliance period ending in the third quarter of 2018, allowing Capital One to capture up to \$3,900 in tax credits. At the end of the seven year compliance period, Capital One exercised its right to put the investment back to the Company in exchange for \$130. The loan was extinguished and the Company recorded a gain of \$2,249 in other income, net of transaction expenses.

13. FAIR VALUE MEASUREMENTS

The Company measures its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Additionally, the Company is required to provide disclosure and categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Financial instruments are assessed quarterly to determine the appropriate classification within the fair value hierarchy. Transfers between fair value classifications are made based upon the nature and type of the observable inputs. The fair value hierarchy is defined as follows:

Level 1 — Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly. For the Company’s corporate and municipal bonds, although quoted prices are available and used to value said assets, they are traded less frequently.

Level 3 — Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management’s best estimate of what market participants would use in valuing the asset or liability at the measurement date. The Company used market negotiations to value the Gearing segments assets.

The following tables represent the fair values of the Company’s financial assets measured as of December 31, 2018 and 2017:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<i>Assets measured on a nonrecurring basis:</i>				
Goodwill	\$ —	\$ —	\$ —	\$ —
Customer relationships			1,852	1,852
Total assets at fair value	\$ —	\$ —	\$ 1,852	\$ 1,852

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	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets measured on a nonrecurring basis:				
Gearing Cicero Ave. facility	\$ —	\$ —	\$ 560	\$ 560
Services assets	—	—	20	20
Total assets at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 580</u>	<u>\$ 580</u>

Fair value of financial instruments

The carrying amounts of the Company’s financial instruments, which include cash and cash equivalents, restricted cash, A/R, accounts payable and customer deposits, approximate their respective fair values due to the relatively short-term nature of these instruments. Based upon interest rates currently available to the Company for debt with similar terms, the carrying value of the Company’s long-term debt is approximately equal to its fair value.

Assets measured at fair value on a nonrecurring basis

The fair value measurement approach for long lived assets utilizes a number of significant unobservable inputs or Level 3 assumptions. To the extent assumptions used in the Company’s evaluations are not achieved, there may be a negative effect on the valuation of these assets.

The carrying value of the land and building comprising the Cicero Avenue Facility of \$560 reflected the expected proceeds associated with selling this facility. During 2017, the Company reclassified the Cicero Avenue Facility as Assets Held for Sale upon completion of general site remediation activities. See Note 12, “Commitments and Contingencies” of these consolidated financial statements for additional detail of the Cicero Avenue Facility. During the third quarter of 2018, the Company sold the Cicero Avenue Facility and recognized a gain of \$23 on the sale. The gain is included in operating income in these consolidated financial statements.

Following the Board’s approval of a plan to divest the Company’s Services segment, the Company has been able to evaluate the value of the segment’s assets on the open market; therefore, the Company has utilized this measurement to determine the fair value of the Services segment assets.

14. INCOME TAXES

The provision for income taxes for the years ended December 31, 2018 and 2017 consists of the following:

	For the Years Ended December 31,	
	2018	2017
Current provision		
Federal	\$ —	\$ —
Foreign	—	—
State	98	5
Total current benefit	<u>98</u>	<u>5</u>
Deferred credit		
Federal	(3,978)	31,614
State	(2,963)	468
Total deferred credit	<u>(6,941)</u>	<u>32,082</u>
Increase (decrease) in deferred tax valuation allowance	6,638	(37,132)
Total benefit for income taxes	<u>\$ (205)</u>	<u>\$ (5,045)</u>

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate; (2) eliminating the corporate alternative minimum tax; (3) creating a new limitation on deductible interest expense; and (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. With the Tax Act, the Securities and

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Exchange Commission issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”) directing taxpayers to consider the impact of the U.S. legislation as “provisional” when it does not have the necessary information, prepared or analyzed in reasonable detail to complete its accounting for the change in tax law.

During the year ended December 31, 2018, the Company recorded a benefit for income taxes of \$205, compared to a benefit for income taxes of \$5,045 during the year ended December 31, 2017. The income tax benefit during the year ended December 31, 2017 included an income tax benefit of \$5,060 from the partial release of the valuation allowance, net of Red Wolf’s current state taxes, resulting from the consolidation of the Company’s deferred tax assets with Red Wolf’s deferred tax liabilities upon acquisition.

The total change in the deferred tax valuation allowance was \$6,638 and (\$37,132) for the years ended December 31, 2018 and 2017, respectively. The changes in the deferred tax valuation allowances in 2018 and 2017 were primarily the result of (decreases) increases to the deferred tax assets pertaining to federal and state NOLs.

The tax effects of the temporary differences and NOLs that give rise to significant portions of deferred tax assets and liabilities are as follows:

	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Noncurrent deferred income tax assets:		
Net operating loss carryforwards	\$ 63,906	\$ 56,619
Intangible assets	7,261	6,889
Accrual and reserves	2,502	2,402
Other	19	88
Total noncurrent deferred tax assets	<u>73,688</u>	<u>65,998</u>
Valuation allowance	<u>(73,129)</u>	<u>(66,491)</u>
Noncurrent deferred tax assets, net of valuation allowance	559	(493)
Noncurrent deferred income tax liabilities:		
Fixed assets	593	(152)
Intangible assets	—	—
Total noncurrent deferred tax liabilities	<u>593</u>	<u>(152)</u>
Net deferred income tax liability	<u>\$ (34)</u>	<u>\$ (341)</u>

Valuation allowances of \$73,129 and \$66,491 have been provided for deferred income tax assets for which realization is uncertain as of December 31, 2018 and 2017, respectively. A reconciliation of the beginning and ending amounts of the valuation is as follows:

Valuation allowance as of December 31, 2017	\$ (66,491)
Gross increase for current year activity	(6,638)
Valuation allowance as of December 31, 2018	<u>\$ (73,129)</u>

As of December 31, 2018, the Company had federal and unapportioned state NOL carryforwards of approximately \$248,717 of which \$228,787 will begin to expire in 2026. The majority of the NOL carryforwards will expire in various years from 2028 through 2037. NOLs generated after January 1, 2018 will not expire.

The reconciliation between the statutory U.S. federal income tax rate and the Company’s effective income tax rate is as follows:

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	For the Year Ended December 31,	
	2018	2017
Statutory U.S. federal income tax rate	21.0 %	34.0 %
State and local income taxes, net of federal income tax benefit	3.2	3.4
Permanent differences	(4.4)	(1.2)
Change in valuation allowance	(18.7)	446.7
Change in uncertain tax positions	0.0	0.5
Other	(0.3)	0.1
Effect of U.S. tax rate change	0.0	(422.6)
Effective income tax rate	0.8 %	60.9 %

The Company accounts for the uncertainty in income taxes by prescribing a minimum recognition threshold for a tax position taken, or expected to be taken, in a tax return that is required to be met before being recognized in the financial statements. The changes in the Company's uncertain income tax positions for the years ended December 31, 2018 and 2017 consisted of the following:

	For the Year Ended December 31,	
	2018	2017
Beginning balance	\$ 1	\$ 27
Tax positions related to current year:		
Additions	—	—
Reductions	—	—
Tax positions related to prior years:		
Additions	—	—
Reductions	—	—
Settlements	—	—
Lapses in statutes of limitations	(1)	(26)
Additions from current year acquisitions	—	—
Ending balance	\$ —	\$ 1

The amount of unrecognized tax benefits at December 31, 2018 that would affect the effective tax rate if the tax benefits were recognized was \$0.

It is the Company's policy to include interest and penalties in tax expense. During the years ended December 31, 2018 and 2017, the Company recognized and accrued approximately \$0 of interest and penalties.

The Company files income tax returns in the U.S. federal and state jurisdictions. As of December 31, 2018, open tax years in the federal and some state jurisdictions date back to 1996 due to the taxing authorities' ability to adjust NOL carryforwards. The Company's 2008 and 2009 federal tax returns were examined in 2011 and no material adjustments were identified related to any of the Company's tax positions. Although these periods have been audited, they continue to remain open until all NOLs generated in those tax years have either been utilized or expire.

Section 382 of the Internal Revenue Code of 1986, as amended (the "IRC"), generally imposes an annual limitation on the amount of NOL carryforwards and associated built-in losses that may be used to offset taxable income when a corporation has undergone certain changes in stock ownership. The Company's ability to utilize NOL carryforwards and built-in losses may be limited, under this section or otherwise, by the Company's issuance of common stock or by other changes in stock ownership. Upon completion of the Company's analysis of IRC Section 382, the Company has determined

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that aggregate changes in stock ownership have resulted in an annual limitation of \$14,284 on NOLs and built-in losses available for utilization based on the triggering event in 2010. To the extent the Company's use of NOL carryforwards and associated built-in losses is significantly limited in the future due to additional changes in stock ownership, the Company's income could be subject to U.S. corporate income tax earlier than it would if the Company were able to use NOL carryforwards and built-in losses without such annual limitation, which could result in lower profits and the loss of the majority of the benefits from these attributes.

In February 2013, the Company adopted a Stockholder Rights Plan, which was amended in February 2016 and approved by our stockholders (as amended, the "Rights Plan"), designed to preserve the Company's substantial tax assets associated with NOL carryforwards under IRC Section 382. On February 7, 2019, the Board of Directors (the "Board") approved an amendment extending the Rights Plan for an additional three years. The amendment is subject to approval by our stockholders at our 2019 Annual Meeting of Stockholders.

The Rights Plan is intended to act as a deterrent to any person or group, together with its affiliates and associates, being or becoming the beneficial owner of 4.9% or more of the Company's common stock and thereby triggering a further limitation of the Company's available NOL carryforwards. In connection with the adoption of the Rights Plan, the Board declared a non-taxable dividend of one preferred share purchase right (a "Right") for each outstanding share of the Company's common stock to the Company's stockholders of record as of the close of business on February 22, 2013. Each Right entitles its holder to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock at an exercise price of \$4.25 per Right, subject to adjustment. As a result of the Rights Plan, any person or group that acquires beneficial ownership of 4.9% or more of the Company's common stock without the approval of the Board would be subject to significant dilution in the ownership interest of that person or group. Stockholders who owned 4.9% or more of the outstanding shares of the Company's common stock as of February 12, 2013 will not trigger the preferred share purchase rights unless they acquire additional shares after that date.

As of December 31, 2018, the Company had \$0 of unrecognized tax benefits, which would have a favorable impact on income tax expense. The Company recognizes interest and penalties related to uncertain tax positions as income tax expense. The Company had accrued interest and penalties of \$0 as of December 31, 2018. As of December 31, 2017, the Company had unrecognized tax benefits of \$1, of which \$1 represented accrued interest and penalties.

15. SHARE-BASED COMPENSATION

Overview of Share-Based Compensation Plan

2007 Equity Incentive Plan

The Company has granted incentive stock options and other equity awards pursuant to the Amended and Restated Broadwind Energy, Inc. 2007 Equity Incentive Plan (the "2007 EIP"), which was approved by the Board in October 2007 and by the Company's stockholders in June 2008. The 2007 EIP has been amended periodically since its original approval.

The 2007 EIP reserved 691,051 shares of the Company's common stock for grants to officers, directors, employees, consultants and advisors upon whose efforts the success of the Company and its affiliates depends to a large degree. As of December 31, 2018, the Company had reserved 22,733 shares for issuance upon the exercise of stock options outstanding and no shares for issuance upon the vesting of RSU awards outstanding. As of December 31, 2018, 253,659 shares of common stock reserved for stock options and RSU awards under the 2007 EIP have been issued in the form of common stock.

2012 Equity Incentive Plan

The Company has granted incentive stock options and other equity awards pursuant to the Broadwind Energy, Inc. 2012 Equity Incentive Plan (the "2012 EIP"), which was approved by the Board in March 2012 and by the Company's stockholders in May 2012.

The 2012 EIP reserved 1,200,000 shares of the Company's common stock for grants to officers, directors, employees, consultants and advisors upon whose efforts the success of the Company and its affiliates will depend to a large

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degree. As of December 31, 2018, the Company had reserved 34,129 shares for issuance upon the exercise of stock options outstanding and no shares for issuance upon the vesting of RSU awards outstanding. As of December 31, 2018, 635,089 shares of common stock reserved for stock options and RSU awards under the 2012 EIP have been issued in the form of common stock.

2015 Equity Incentive Plan

The Company has granted equity awards pursuant to the Broadwind Energy, Inc. 2015 Equity Incentive Plan (the “2015 EIP;” together with the 2007 EIP and the 2012 EIP, the “Equity Incentive Plans”), which was approved by the Board in February 2015 and by the Company’s stockholders in April 2015. The Company announced on February 8, 2019 that the Board had approved an Amended and Restated 2015 Equity Incentive Plan, which is subject to approval by the Company’s stockholders at the 2019 Annual Meeting of Stockholders.

The purposes of the 2015 EIP are (i) to align the interests of the Company’s stockholders and recipients of awards under the 2015 EIP by increasing the proprietary interest of such recipients in the Company’s growth and success; (ii) to advance the interests of the Company by attracting and retaining officers, other employees, non-employee directors and independent contractors; and (iii) to motivate such persons to act in the long-term best interests of the Company and its stockholders. Under the 2015 EIP, the Company may grant (i) non-qualified stock options; (ii) “incentive stock options” (within the meaning of IRC Section 422); (iii) stock appreciation rights; (iv) restricted stock and RSUs; and (v) PSUs.

The 2015 EIP reserves 1,100,000 shares of the Company’s common stock for grants to officers, directors, employees, consultants and advisors upon whose efforts the success of the Company and its affiliates will depend to a large degree. As of December 31, 2018, the Company had reserved 805,844 shares for issuance upon the vesting of RSU awards outstanding. As of December 31, 2018, a total of 343,429 shares of common stock reserved for RSU awards under the 2015 EIP had been issued in the form of common stock.

Stock Options. The exercise price of stock options granted under the Equity Incentive Plans is equal to the closing price of the Company’s common stock on the date of grant. Stock options generally become exercisable on the anniversary of the grant date, with vesting terms that may range from one to five years from the date of grant. Additionally, stock options expire ten years after the date of grant. The fair value of stock options granted is expensed ratably over their vesting term.

Restricted Stock Units (RSUs). The granting of RSUs is provided for under the Equity Incentive Plans. RSUs generally vest on the anniversary of the grant date, with vesting terms that may range from one to five years from the date of grant. The fair value of each RSU granted is equal to the closing price of the Company’s common stock on the date of grant and is generally expensed ratably over the vesting term of the RSU award.

Performance Awards (PSUs). The granting of PSUs is provided for under the Equity Incentive Plans. PSUs generally vest upon the Company meeting performance measures as of the vesting date over the period of the plan. The fair value of each PSU granted is equal to the closing price of the Company’s common stock on the date of grant and is generally expensed ratably over the term of the PSU award plan.

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Stock option activity during the year ended December 31, 2018 under the Equity Incentive Plans was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2017	67,188	\$ 24.65	3.39	
Expired	(10,326)	77.47		
Outstanding as of December 31, 2018	56,862	\$ 15.06	2.72	\$ —
Exercisable as of December 31, 2018	56,862	\$ 15.06	2.72	\$ —

The following table summarizes information with respect to all outstanding and exercisable stock options under the Equity Incentive Plans as of December 31, 2018:

Exercise Price or Range	Options Outstanding			Options Exercisable	
	Number of options outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Number Exercisable	Weighted Average Exercise Price
\$3.39 - \$13.50	49,039	\$ 6.47	2.99 years	49,039	\$ 6.47
\$54.40 - \$99.90	7,823	68.94	0.99 years	7,823	68.94
	56,862	\$ 15.06	2.72 years	56,862	\$ 15.06

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. The determination of the fair value of each stock option is affected by the Company's stock price on the date of grant, as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the expected life of the awards and actual and projected stock option exercise behavior. There were no stock options granted during the twelve months ended December 31, 2018.

The following table summarizes information with respect to outstanding RSU's and PSU's as of December 31, 2018 and 2017:

	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Unvested as of December 31, 2017	512,142	\$ 4.57
Granted	565,964	\$ 2.42
Vested	(202,713)	\$ 4.41
Forfeited	(69,549)	\$ 3.85
Unvested as of December 31, 2018	805,844	\$ 3.16

During the years ended December 31, 2018 and 2017, the Company utilized a forfeiture rate of 25% for estimating the forfeitures of stock compensation granted.

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The following table summarizes share-based compensation expense, net of taxes withheld, included in the Company's consolidated statements of operations for the years ended December 31, 2018 and 2017 as follows:

	For the Years Ended	
	December 31,	
	2018	2017
Share-based compensation expense:		
Cost of sales	\$ 99	\$ 101
Selling, general and administrative	704	712
Net effect of share-based compensation expense on net income	<u>\$ 803</u>	<u>\$ 813</u>
Reduction in earnings per share:		
Basic earnings per share	\$ 0.05	\$ 0.05
Diluted earnings per share	\$ 0.05	\$ 0.05

(1) Income tax benefit is not illustrated because the Company is currently in a full tax valuation allowance position and an actual income tax benefit was not realized for the years ended December 31, 2018 and 2017. The result of the income (loss) situation creates a timing difference, resulting in a deferred tax asset, which is fully reserved for in the Company's valuation allowance.

As of December 31, 2018, the Company estimates that pre-tax compensation expense for all unvested share-based awards, including both stock options and RSUs, in the amount of approximately \$1,132 will be recognized through the year 2020. The Company expects to satisfy the exercise of stock options and future distribution of shares of restricted stock by issuing new shares of common stock.

16. SEGMENT REPORTING

The Company is organized into reporting segments based on the nature of the products offered and business activities from which it earns revenues and incurs expenses for which discrete financial information is available and regularly reviewed by the Company's chief operating decision maker. On February 1, 2017, the Company acquired Red Wolf, and Red Wolf is being operated as a wholly-owned subsidiary, as more fully described in Note 21, "Business Combinations" of these consolidated financial statements. The Red Wolf acquisition aligns with the Company's growth strategy approved by our Board in late 2016 to expand and diversify our business through organic growth and strategic bolt-on acquisitions. Red Wolf's operations is being reported in the "Process Systems" segment.

As a result of the 2017 Red Wolf acquisition, the Company revised its segment presentation to include three reportable operating segments: Towers and Weldments, Gearing and Process Systems. All current and prior period financial results have been revised to reflect these changes. In the fourth quarter of 2017, the segment changed its name from "Towers and Weldments" to "Towers and Heavy Fabrications" to more accurately reflect the nature of the segment's activities. The Company's segments and their product offerings are summarized below:

Towers and Heavy Fabrications

The Company manufactures towers for wind turbines, specifically the large and heavier wind towers that are designed for multiple MW wind turbines. Production facilities, located in Manitowoc, Wisconsin and Abilene, Texas, are situated in close proximity to the primary U.S. domestic wind energy and equipment manufacturing hubs. The facilities have a combined annual tower production capacity of up to approximately 550 tower towers (1650 tower sections), sufficient to support turbines generating more than 1,100 MW of power. This product segment also encompasses the fabrication of heavy weldments for mining and other industrial customers.

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Gearing

The Company engineers, builds and remanufactures precision gears and gearing systems for oil and gas, wind, mining, steel and other industrial applications. The Company uses an integrated manufacturing process, which includes machining and finishing processes in Cicero, Illinois, and heat treatment in Neville Island, Pennsylvania.

Process Systems

The Company acquired Red Wolf on February 1, 2017 and as a result, aggregated its Abilene, TX fabrication business with Red Wolf to form the Process Systems reportable segment. This segment provides contract manufacturing services that include build-to-spec, kitting, fabrication and inventory management for customers throughout the U.S. and in foreign countries, primarily supporting the natural gas turbine market.

Corporate and Other

“Corporate” includes the assets and SG&A expenses of the Company’s corporate office. “Eliminations” comprises adjustments to reconcile segment results to consolidated results.

The accounting policies of the reportable segments are the same as those referenced in Note 1, “Description of Business and Summary of Significant Accounting Policies” of these consolidated financial statements. Summary financial information by reportable segment is as follows:

	Towers and		Process			
	Heavy Fabrications	Gearing	Systems	Corporate	Eliminations	Consolidated
For the Year Ended December 31, 2018						
Revenues from external customers	\$ 68,773	\$ 38,376	\$ 18,231	\$ —	\$ —	\$ 125,380
Intersegment revenues	42	—	88	—	(130)	—
Net revenues	68,815	38,376	18,319	—	(130)	125,380
Operating (loss) profit	(4,346)	51	(16,442)	(4,329)	—	(25,066)
Depreciation and amortization	4,986	2,255	1,709	233	—	9,183
Capital expenditures	1,441	706	31	146	—	2,324
Total assets	32,866	37,028	13,731	243,867	(228,327)	99,165

	Towers and		Process			
	Heavy Fabrications	Gearing	Systems	Corporate	Eliminations	Consolidated
For the Year Ended December 31, 2017						
Revenues from external customers	\$ 103,389	\$ 26,006	17,390	\$ —	\$ —	\$ 146,785
Operating (loss) profit	2,667	(2,632)	(2,269)	(5,199)	—	(7,433)
Depreciation and amortization	4,638	2,430	1,706	225	—	8,999
Capital expenditures	5,355	726	426	181	—	6,688
Assets held for sale	—	560	—	20	—	580
Total assets	27,958	38,016	26,442	249,346	(229,412)	112,350

The Company generates revenues entirely from transactions completed in the U.S. and its long-lived assets are all located in the U.S. All intercompany revenue is eliminated in consolidation. During 2018, two customers accounted for more than 10% of total net revenues. These two customers accounted for revenues of \$72,851 for fiscal year 2018, with one reported within the Towers and Heavy Fabrications segment and one reported within the Gearing segment. During 2017, one customer accounted for more than 10% of total net revenues or \$100,413 in revenue for fiscal year 2017, which was reported within the Towers and Heavy Fabrications segment. During the years ended December 31, 2018 and 2017, five customers accounted for 78% and 85%, respectively, of total net revenues.

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17. EMPLOYEE BENEFIT PLANS

Retirement Savings and Profit Sharing Plans

Retirement Savings and Profit Sharing Plans

The Company offers a 401(k) retirement savings plan to all eligible employees who may elect to contribute a portion of their salary on a pre-tax basis, subject to applicable statutory limitations. All participating non-union employees are eligible to receive safe harbor matching contributions equal to 100% of the first 3% of the participant's elective deferral contributions and 50% of the next 2% of the participant's elective deferral contributions. For 2018, in accordance with the collective bargaining agreements in place at its two union locations, the Company's Illinois-based union employees were eligible to receive a discretionary match in an amount up to 50% of each participant's first 4% of elective deferral contributions, and the Company's Pennsylvania-based union employees were eligible to receive a discretionary match in an amount up to 100% of each participant's first 3% and 50% of the next 2% of elective deferral contributions. The safe harbor matching contribution was extended to all union employees, beginning in 2019, following the extension of the Company's collective bargaining agreements during 2018. The Company has the discretion, subject to applicable statutory requirements, to fund any matching contribution with a contribution to the plan of the Company's common stock. In the third quarter of 2017, the Company began funding the matching contributions primarily in the form of the Company's common stock. Under the plan, elective deferrals and basic Company matching is 100% vested at all times.

For the years ended December 31, 2018 and 2017, the Company recorded expense under these plans of approximately \$812 and \$765, respectively.

Deferred Compensation Plan

The Company maintains a deferred compensation plan for certain key employees and nonemployee directors, whereby certain wages earned, compensation for services rendered, and discretionary company-matching contributions may be deferred and deemed to be invested in the Company's common stock. Changes in the fair value of the plan liability are recorded as charges or credits to compensation expense. Compensation expense associated with the deferred compensation plan recorded during the years ended December 31, 2018 and 2017 was \$(13) and \$(12). The fair value of the plan liability to the Company is included in accrued liabilities in the Company's consolidated balance sheets. As of December 31, 2018 and 2017, the fair value of plan liability to the Company was \$12 and \$24, respectively.

In addition to the employee benefit plans described above, the Company participates in certain customary employee benefits plans, including those which provide health and life insurance benefits to employees.

18. NEW MARKETS TAX CREDIT TRANSACTION

On July 20, 2011, the Company executed the NMTC Transaction, which was amended on August 24, 2015, involving the following third parties: AMCREF Fund VII, LLC ("AMCREF"), a registered community development entity; COCRF Investor VIII, LLC ("COCRF"); and Capital One. The NMTC Transaction allows the Company to receive below market interest rate funds through the federal New Markets Tax Credit ("NMTC") program. The Company received \$2,280 in proceeds via the NMTC Transaction. The NMTC Transaction qualifies under the NMTC program and includes a gross loan from AMCREF to the Company's wholly-owned subsidiary Broadwind Services, LLC, a Delaware limited liability company, in the principal amount of \$10,000, with a term of fifteen years and interest payable at the rate of 1.4% per annum, largely offset by a gross loan in the principal amount of \$7,720 from the Company to COCRF, with a term of fifteen years and interest payable at the rate of 2.5% per annum. The August 2015 amendment did not change the financial terms of the NMTC Transaction, but did add the activities and assets of the Abilene Heavy Industries Facility to the NMTC Transaction and allow for the sale of the Abilene Gearbox Facility assets provided that the proceeds of such sale be re-invested in the Abilene Heavy Industries Facility.

The NMTC regulations permit taxpayers to claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities. The NMTC Transaction could generate \$3,900 in tax credits, which the Company has made available under the structure by passing them through to Capital One. The proceeds

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have been applied to the Company's investment in the Abilene Gearbox Facility assets and associated operating costs and in the assets of the Abilene Heavy Industries Facility, as permitted under the amended NMTC Transaction.

The Abilene Heavy Industries Facility and the Abilene Gearbox Facility must operate and remain in compliance with various regulations and restrictions through September 2018, the end of the seven year compliance period, to comply with the terms of the NMTC Transaction, or the Company may be liable under its indemnification agreement with Capital One for the recapture of tax credits. In the event the Company does not comply with these regulations and restrictions, the NMTC program tax credits may be subject to 100% recapture for a period of seven years as provided in the IRC. The Company does not anticipate that any tax credit recapture events will occur or that it will be required to make any payments to Capital One under the indemnification agreement.

The Capital One contribution, including a loan origination payment of \$320, has been included as other assets in the Company's consolidated balance sheet as of December 31, 2017. Capital One exercised its option to put its investment to the Company and receive \$130 from the Company at that time. The Capital One contribution other than the amount allocated to the put obligation was recognized as income only after the put/call was exercised and when Capital One had no ongoing interest.

The Company has determined that two pass-through financing entities created under NMTC Transaction structure are VIEs. The ongoing activities of the VIEs—collecting and remitting interest and fees and complying with NMTC program requirements—were considered in the initial design of the NMTC Transaction and are not expected to significantly affect economic performance throughout the life of the VIEs. In making this determination, management also considered the contractual arrangements that obligate the Company to deliver tax benefits and provide various other guarantees under the NMTC Transaction structure, Capital One's lack of a material interest in the underlying economics of the project, and the fact that the Company is obligated to absorb losses of the VIEs. The Company has concluded that it is required to consolidate the VIEs because the Company has both (i) the power to direct those matters that most significantly impact the activities of each VIE, and (ii) the obligation to absorb losses or the right to receive benefits of each VIE.

The \$262 of issue costs paid to third parties in connection with the NMTC Transaction were recorded as prepaid expenses, and are being amortized over the expected seven-year term of the NMTC arrangement. Capital One's net contribution of \$2,600 was included in "Line of credit, NMTC, and other notes payable" line item of the Company's consolidated balance sheet at December 31, 2017. Incremental costs to maintain the transaction structure during the compliance period will be recognized as they are incurred. At the end of the seven year compliance period, Capital One exercised its right to put the investment back to the Company in exchange for \$130. The loan was extinguished and the Company recorded a gain of \$2,249 in other income, net of transaction expenses. As the NMTC loan was extinguished, the VIEs were dissolved.

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19. QUARTERLY FINANCIAL SUMMARY (UNAUDITED)

The following table provides a summary of selected financial results of operations by quarter for the years ended December 31, 2018 and 2017 as follows:

2018	First	Second	Third	Fourth
Revenues	\$ 29,967	\$ 36,781	\$ 31,445	\$ 27,187
Gross (loss) profit	(132)	2,223	1,486	(512)
Operating loss	(4,537)	(5,736)	(2,612)	(12,181)
Loss from continuing operations, net of tax	(4,811)	(6,083)	(750)	(12,358)
Net loss	(4,838)	(6,116)	(783)	(12,409)
Loss from continuing operations per share:				
Basic	\$ (0.32)	\$ (0.40)	\$ (0.05)	\$ (0.79)
Diluted	\$ (0.32)	\$ (0.40)	\$ (0.05)	\$ (0.79)
Net loss per share:				
Basic	\$ (0.32)	\$ (0.40)	\$ (0.05)	\$ (0.79)
Diluted	\$ (0.32)	\$ (0.40)	\$ (0.05)	\$ (0.79)
2017	First	Second	Third	Fourth
Revenues	\$ 56,060	\$ 43,362	\$ 29,595	\$ 17,768
Gross profit (loss)	6,374	3,872	1,014	(3,101)
Operating (loss) profit	1,603	(516)	(1,831)	(6,689)
(Loss) income from continuing operations, net of tax	6,482	(688)	(2,049)	(6,928)
Net (loss) income	6,327	(780)	(2,207)	(6,981)
(Loss) income from continuing operations per share:				
Basic	\$ 0.43	\$ (0.05)	\$ (0.14)	\$ (0.45)
Diluted	\$ 0.43	\$ (0.05)	\$ (0.14)	\$ (0.45)
Net (loss) income per share:				
Basic	\$ 0.42	\$ (0.05)	\$ (0.15)	\$ (0.46)
Diluted	\$ 0.42	\$ (0.05)	\$ (0.15)	\$ (0.46)

20. LEGAL PROCEEDINGS

The Company is party to a variety of legal proceedings that arise in the normal course of its business. While the results of these legal proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect, individually or in the aggregate, on the Company's results of operations, financial condition or cash flows. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial condition or cash flows. It is possible that if one or more litigation matters were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's financial condition and cash flows in the periods the Company would be required to pay such liability.

21. BUSINESS COMBINATIONS**Overview**

On January 30, 2017, the Company announced that it had agreed upon the material terms to acquire Red Wolf, a Sanford, North Carolina-based, privately held fabricator, kitter and assembler of industrial systems primarily supporting the global gas turbine market, for approximately \$18,983, subject to certain adjustments. The transaction closed on February 1, 2017, and Red Wolf is being operated as a wholly-owned subsidiary of the Company.

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Accounting for the Transaction

The Company accounts for acquisitions in accordance with guidance found in ASC 805, Business Combinations. The guidance requires consideration given, including contingent consideration, assets acquired and liabilities assumed to be valued at their fair market values at the acquisition date. The guidance further provides that: (1) in-process research and development will be recorded at fair value as an indefinite-lived intangible asset; (2) acquisition costs will generally be expensed as incurred, (3) restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. ASC 805 requires that any excess of purchase price over fair value of assets acquired, including identifiable intangibles and liabilities assumed, be recognized as goodwill. Red Wolf's results are included in the Company's results from the acquisition date of February 1, 2017.

The purchase price of the transaction totaled \$18,983, of which \$16,449 was paid in cash and \$2,534 was the expected value of contingent future earn-out payments. The contingent consideration arrangement requires the Company to pay the former owners of Red Wolf a payout if Red Wolf achieves a targeted profitability benchmark. The potential undiscounted amount of all future payments that the Company could be required to make under the contingent consideration arrangement is between \$0 and \$9,900. Annual earn-out payments may not exceed \$4,950. The fair value of the contingent consideration arrangement of \$2,534 was estimated by using a Monte Carlo simulation. Key assumptions include a short-term weighted average cost of capital of 15% and historical volatility of public company comparables.

During the third quarter of 2017, the Company released \$1,394 of this contingency into operating income because management determined that Red Wolf's full-year financial performance during the first year of ownership by the Company was unlikely to meet the threshold required to pay the first installment of the contingent earn-out. During the second quarter of 2018, the Company released the final contingent earn-out liability of \$1,140 into operating income as the Company does not expect Red Wolf to achieve the targeted profitability benchmark for the second year of ownership. The release of the earn-out is reflected in the selling, general, and administrative line item in the consolidated statements of operations.

The Company's allocation of the \$18,983 purchase price to Red Wolf's tangible and identifiable intangible assets acquired and liabilities assumed, based on their fair values as of February 1, 2017, is included in the table below. Goodwill is recorded based on the amount by which the purchase price exceeds the fair value of the net assets acquired and is not deductible for tax purposes. The measurement period adjustments were a result of changes in the fair value of the contingent consideration arrangement and adjustments to working capital accounts. The decrease in goodwill from March 31, 2017 is due to opening balance sheet changes noted in the table below.

The purchase price allocation as of March 31, 2017 and December 31, 2017 is as follows (in thousands):

	Allocation as of 3/31/2017	Measurement Period Adjustments	Allocation as of 12/31/2017
Assets acquired and liabilities assumed:			
Cash and cash equivalents	\$ 63	\$ (63)	-
Receivables	2,796	(96)	2,700
Inventories	4,998	179	5,177
Property and equipment	462	-	462
Noncompete agreements	170	-	170
Customer relationships	12,000	-	12,000
Trade names	1,100	-	1,100
Goodwill	5,568	(575)	4,993
Accounts payable	(1,354)	2	(1,352)
Accrued expenses	(809)	(67)	(876)
Deferred tax liabilities	(5,391)	-	(5,391)
Total purchase price	\$ 19,603	\$ (620)	18,983

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The allocation of the purchase price is based on valuations performed to determine the fair value of such assets and liabilities as of the acquisition date. The acquired noncompete agreements, customer relationships, and trade names have weighted average amortization periods of 6.0 years, 9.0 years, and 14.0 years, respectively and the total weighted average life of the acquired intangible assets is 9.4 years. Goodwill from this transaction has been allocated to the Company's Process Systems segment and is not deductible for tax purposes.

The Company incurred transaction costs of \$182 for the year ended December 31, 2017 related to the acquisition. These costs were expensed as incurred and were primarily recorded as selling, general, and administrative expenses on the Company's consolidated statements of operations. Red Wolf recorded revenues of \$15,868 and a net loss of \$146 for the period beginning from the acquisition date of February 1, 2017 and ending on December 31, 2017. The Company has not shown the pro forma results of Red Wolf because it is not significant.

NOTE 22 — RESTRUCTURING

During the first quarter of 2018, the Company conducted a review of its business strategies and product plans given the outlook of the industries it serves and its business environment. As a result, the Company began to execute a restructuring plan to rationalize its facility capacity and management structure, and to consolidate and increase the efficiencies of its Abilene operations. The Company exited the CNG and Fabrication Manufacturing location in Abilene, TX in 2018 as soon as it fully complied with the requirements established as part of the NMTC Transaction agreement and consolidate these manufacturing activities into other locations. All remaining costs associated with this facility have been recorded as restructuring expenses. All costs will be incurred solely within the Process Systems segment.

The Company expects that any additional costs related to the 2018 restructuring initiative will be immaterial. The Company anticipates annual cost savings going forward of approximately \$575 in facility expenses related to the restructuring.

The Company's total net restructuring charges for the year ended December 31, 2018 consist of the following:

	Year Ended
	December 31, 2018
<i>Cost of sales:</i>	
Facility costs	\$ 249
Moving and remediation	33
Salary and severance	17
Depreciation	332
Total cost of sales	631
<i>Selling, general, and administrative expenses:</i>	
Salary and severance	37
Total selling, general, and administrative expenses	37
Grand Total	\$ 668

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1	Membership Interest Purchase Agreement dated as of February 1, 2017, by and among the Company, Christopher J. Brice, Lewis J. Hendrix and Kimberley M. Sutton (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed February 1, 2017)
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008)
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 23, 2012)
3.3	Second Amended and Restated Bylaws of the Company, adopted as of May 20, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 23, 2014)
4.1	Section 382 Rights Agreement dated as of February 12, 2013 between the Company and Equiniti Trust Company, as rights agent, which includes the Form of Rights Certificate as Exhibit B thereto (incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A filed February 13, 2013)
4.2	Certificate of Designation of Series A Junior Participating Preferred Stock of the Company (incorporated by reference to Exhibit 2 to the Company's Registration Statement on Form 8-A filed February 13, 2013)
4.3	First Amendment to Section 382 Rights Agreement dated as of February 2, 2016 between the Company and Equiniti Trust Company, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 8, 2016)
4.4	Second Amendment to Section 382 Rights Agreement dated as of February 7, 2019 between the Company and Equiniti Trust Company, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 12, 2019)
10.1	Lease Agreement dated December 26, 2007 between Tower Tech Systems Inc. and City Centre, LLC (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007)
10.2	Amended and Restated Lease for Industrial/Manufacturing Space dated as of May 1, 2010 between Tower Tech Systems Inc. and City Centre, LLC (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010)
10.3†	Severance and Non-Competition Agreement, dated as of December 15, 2011 between the Company and Robert R. Rogowski (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014)
10.4†	Severance and Non-Competition Agreement, dated as of July 8, 2014 between the Company and Erik W. Jensen (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014)
10.5†	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010)
10.6†	Broadwind Energy, Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit A to the Company's Schedule 14A filed on March 12, 2015)
10.7†	Form of Executive Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010)
10.8†	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012)
10.9†	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012)

- 10.10† [Form of Stock Option Agreement \(incorporated by reference to Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012\)](#)
- 10.11† [Form of Restricted Stock Unit Award Agreement \(Non-Employee Directors\) \(incorporated by reference to Exhibit 10.35 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015\)](#)
- 10.12† [Form of Restricted Stock Unit Award Agreement \(Extended Executive Team\) \(incorporated by reference to Exhibit 10.36 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015\)](#)
- 10.13† [Form of Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.37 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015\)](#)
- 10.14† [Broadwind Energy, Inc. 2015 Equity Incentive Plan Restricted Stock Unit Award Notice \(incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018\)](#)
- 10.15† [Second Amended and Restated Employment Agreement, dated May 20, 2016, between the Company and Stephanie K. Kushner \(incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed May 24, 2016\)](#)
- 10.16 [Loan and Security Agreement, dated October 26, 2016, among the Company, Brad Foote Gear Works, Inc., Broadwind Services, LLC, and Broadwind Towers, Inc. and The PrivateBank and Trust Company \(incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016\)](#)
- 10.17† [First Amendment to Loan and Security Agreement, dated February 10, 2017, among the Company, Brad Foote Gear Works, Inc., Broadwind Services, LLC, Broadwind Towers, Inc. and The PrivateBank and Trust Company \(incorporated by reference to Exhibit 10.36 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016\)](#)
- 10.18 [Joinder to Loan and Security Agreement, dated February 10, 2017, executed by Red Wolf Company, LLC \(incorporated by reference to Exhibit 10.37 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016\)](#)
- 10.19 [Second Amendment to Loan and Security Agreement and Waiver, dated March 27, 2017, among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc. and The PrivateBank and Trust Company \(incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017\)](#)
- 10.20 [Amended and Restated Revolving Note, dated March 27, 2017 among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc. and The PrivateBank and Trust Company \(incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017\)](#)
- 10.21 [Third Amendment to Loan and Security Agreement, dated January 29, 2018, among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc., Red Wolf Company, LLC and CIBC Bank USA \(incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed February 2, 2018\)](#)
- 10.22 [Fourth Amendment to Loan and Security Agreement, dated May 3, 2018, among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc., Red Wolf Company, LLC and CIBC Bank USA \(incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018\)](#)
- 10.23 [Fifth Amendment to Loan and Security Agreement, dated October 26, 2018, among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc., Red Wolf Company, LLC and CIBC Bank USA \(incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018\)](#)

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10.24	Sixth Amendment to Loan and Security Agreement, dated January 26, 2019, among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc., Red Wolf Company, LLC and CIBC Bank USA (filed herewith)
10.25	Amended and Restated Loan and Security Agreement, dated February 25, 2019, among the Company, Brad Foote Gearworks, Inc., Broadwind Services, LLC, Broadwind Towers, Inc., Red Wolf Company, LLC, the other Loan Parties and Lenders party thereto, and CIBC Bank USA, as Administrative Agent and Sole Lead Arranger (filed herewith)
10.26†	Severance and Non-Competition Agreement, dated October 23, 2017, between the Company and Jason L. Bonfigt (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed November 28, 2017)
10.27†	Severance and Non-Competition Agreement, dated as of May 4, 2018, between the Company and Eric Blashford (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 3, 2018)
10.28	At Market Issuance Sales Agreement, dated July 31, 2018, by and among the Company and Roth Capital Partners, LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed July 31, 2018)
21	Subsidiaries of the Registrant (filed herewith)
23	Consent of RSM LLP (filed herewith)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

† Indicates management contract or compensation plan or arrangement.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of February, 2019.

BROADWIND ENERGY, INC.

By: _____
/s/ Stephanie K. Kushner
Stephanie K. Kushner
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
_____ /s/ Stephanie K. Kushner Stephanie K. Kushner	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 26, 2019
_____ /s/ Jason L. Bonfigt Jason L. Bonfigt	Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2019
_____ /s/ David P. Reiland David P. Reiland	Director and Chairman of the Board	February 26, 2019
_____ /s/ Philip J. Christman Philip J. Christman	Director	February 26, 2019
_____ /s/ Terence P. Fox Terence P. Fox	Director	February 26, 2019
_____ /s/ Thomas A. Wagner Thomas A. Wagner	Director	February 26, 2019
_____ /s/ Cary B. Wood Cary B. Wood	Director	February 26, 2019

SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this “**Amendment**”) is dated as of January 16, 2019, by and among CIBC BANK USA, formerly known as THE PRIVATEBANK AND TRUST COMPANY (“**Lender**”), BROADWIND ENERGY, INC., a Delaware corporation (“**Parent**”), BRAD FOOTE GEAR WORKS, INC., an Illinois corporation (“**Brad Foote**”), BROADWIND TOWERS, INC., a Wisconsin corporation (“**Towers**”), RED WOLF COMPANY, LLC, a North Carolina limited liability company (“**Red Wolf**”), BROADWIND SERVICES, LLC, a Delaware limited liability company (“**Services**,” and collectively with Parent, Brad Foote, Towers and Red Wolf, “**Borrowers**,” and each, a “**Borrower**”).

WITNESSETH:

WHEREAS, Lender and Borrowers have previously entered into that certain Loan and Security Agreement dated October 26, 2016, as amended by that certain First Amendment to Loan and Security Agreement dated February 10, 2017, that certain Second Amendment to Loan and Security Agreement dated March 27, 2017, that certain Third Amendment to Loan and Security Agreement dated January 29, 2018, that certain Fourth Amendment to Loan and Security Agreement dated May 2, 2018, and that certain Fifth Amendment to Loan and Security Agreement dated October 26, 2018 (as amended, restated, modified or supplemented from time to time, the “**Loan Agreement**”); and

WHEREAS, the parties desire to amend the terms of the Loan Agreement as provided below.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Amendment, and in consideration of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby covenant and agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.
 2. Amendment to Loan Agreement.
 - (a) “5,000,000” in the first sentence of Section 3.1 of the Loan Agreement is hereby deleted and replaced with “\$10,000,000”.
 3. Representations and Warranties. Each Borrower represents and warrants as follows: (a) the execution and delivery of and the performance under this Amendment is within such Borrower’s power and authority, has been duly authorized by all requisite action and is not in contravention of any law, any other agreement made by such Borrower or by which such Borrower’s assets are bound, except for conflicts with agreements, contracts or other documents which would not reasonably be expected to have a Material Adverse Effect; (b) this Amendment (and the Loan Agreement in its entirety) constitutes the legal, valid and binding obligations of such Borrower and are enforceable against such Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal laws from time to time in effect which affect the enforcement of creditors’ rights in general and the availability of equitable remedies; (c) the representations and warranties of such Borrower set forth in the Loan Documents are true and correct as of the date hereof (except for representations and warranties that expressly relate to an earlier date which are true and correct as of such earlier date); (d) there exists no Event of Default, and no event has occurred and is continuing which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default; and (e) such Borrower has no defenses to the enforcement of the Loan Agreement or the other Loan Documents.
-

4. Reaffirmation. Except as expressly modified or amended by this Amendment, each Borrower reaffirms and reconfirms each and all of the warranties, representations, covenants and agreements of such Borrower under all Loan Documents to which such Borrower is party.
5. Release by Borrowers. Each Borrower hereby releases Lender from any and all causes of action or claims, whether known or unknown, which such Borrower may have as of the date hereof for any asserted loss or damages to such Borrower claimed to be caused by, or arising from, any act or omission to act on the part of Lender, its shareholders, directors, officers, employees, agents or representatives with respect to the Loan Documents.
6. References. All references to the Loan Agreement in any future correspondence or notice shall be deemed to refer to the Loan Agreement as modified by this Amendment.
7. Ratification. Except as expressly modified or amended by this Amendment, all of the terms, covenants and conditions of the Loan Agreement are hereby ratified and confirmed.
8. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to principles of conflicts of laws.
9. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be deemed to be an original, with the same effect as if the signatures thereto and hereto were on the same instrument. Delivery of this Amendment by facsimile, pdf, or .tif signature by any party shall represent a valid and binding execution and delivery of this Amendment by such party.
10. **JURISDICTION; VENUE. THE PARTIES HERETO IRREVOCABLY AGREE THAT ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS AMENDMENT, SHALL BE LITIGATED ONLY IN COURTS HAVING SITUS WITHIN CHICAGO, ILLINOIS. EACH PARTY HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED THEREIN AND WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO TRANSFER THE VENUE OF ANY SUCH LITIGATION.**
11. **WAIVER OF JURY TRIAL. EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AMENDMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.**

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first written above.

BORROWERS:

BROADWIND ENERGY, INC.

By: /s/ Jason Bonfigt
Name: Jason Bonfigt
Title: VP, CFO & Treasurer

BRAD FOOTE GEAR WORKS, INC.

By: /s/ Jason Bonfigt
Name: Jason Bonfigt
Title: Authorized Signatory

BROADWIND TOWERS, INC.

By: /s/ Jason Bonfigt
Name: Jason Bonfigt
Title: Authorized Signatory

BROADWIND SERVICES, LLC

By: /s/ Jason Bonfigt
Name: Jason Bonfigt
Title: Authorized Signatory

RED WOLF COMPANY, LLC

By: /s/ Jason Bonfigt
Name: Jason Bonfigt
Title: Authorized Signatory

LENDER:

CIBC BANK USA

By: /s/ Tom Hunt
Name: Tom Hunt
Title: Managing Director

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

DATED AS OF FEBRUARY 25, 2019

AMONG

**BROADWIND ENERGY, INC.,
BRAD FOOTE GEAR WORKS, INC.,
BROADWIND TOWERS, INC.,
BROADWIND SERVICES, LLC, AND
RED WOLF COMPANY, LLC,
THE BORROWER**

THE OTHER LOAN PARTIES HERETO

**THE VARIOUS FINANCIAL INSTITUTIONS PARTY HERETO,
AS LENDERS**

AND

**CIBC BANK USA, FORMERLY KNOWN AS THE PRIVATEBANK AND TRUST COMPANY, AS
ADMINISTRATIVE AGENT AND SOLE LEAD ARRANGER**

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AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (as amended, modified or supplemented from time to time, this "**Agreement**") made this 25th day of February, 2019 by and among, the financial institutions that are or may from time to time become parties hereto (together with their respective assigns, the "**Lenders**"), CIBC BANK USA, formerly known as The PrivateBank and Trust Company (in its individual capacity, "**CIBC US**"), 120 South LaSalle Street, Suite 200, Chicago, Illinois 60603, as administrative agent and sole lead arranger, and BROADWIND ENERGY, INC., a Delaware corporation ("**Parent**"), BRAD FOOTE GEAR WORKS, INC., an Illinois corporation ("**Brad Foote**"), BROADWIND TOWERS, INC., a Wisconsin corporation ("**Towers**"), BROADWIND SERVICES, LLC, a Delaware limited liability company ("**Services**"), and RED WOLF COMPANY, LLC, a Nevada limited liability company ("**Red Wolf**"), and collectively with Parent, Brad Foote, Towers, and Services, "**Borrowers**," and each, a "**Borrower**") and the other Loan Parties hereto.

WITNESSETH:

WHEREAS, pursuant to that certain Loan and Security Agreement, dated October 26, 2016, by and among Borrower and Administrative Agent (as amended, restated, modified or supplemented from time to time, the "**Original Loan Agreement**"), the Administrative Agent agreed to make available to Borrower certain Loans.

WHEREAS, the parties desire to amend and restate the Original Loan Agreement in its entirety according to the terms set forth herein.

WHEREAS, Borrower may, from time to time, request Loans from Administrative Agent and Lenders, and the parties wish to provide for the terms and conditions upon which such Loans or other financial accommodations, if made by Administrative Agent and Lenders, shall be made;

NOW, THEREFORE, in consideration of any Loan (including any Loan by renewal or extension) hereafter made to Borrower by Administrative Agent or any Lender, or any Letter of Credit issued for the account of Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Loan Party, the parties agree as follows:

SECTION 1 DEFINITIONS.

1.1. Definitions.

When used herein the following terms shall have the following meanings:

Abilene Mortgage shall mean that certain Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated as of October 26, 2016, by Towers in favor of Administrative Agent, encumbering the Abilene Property, as the same may be amended, restated, modified or supplemented from time to time.

Abilene Property shall mean that certain real property located at 1126 N. Arnold Boulevard, Abilene, Texas.

Account shall have the meaning ascribed to such term in the UCC.

Account Debtor shall have the meaning ascribed to such term in the UCC.

Administrative Agent shall mean CIBC US in its capacity as administrative agent for the Lenders hereunder and any successor thereto in such capacity.

Affected Loan shall have the meaning set forth in Section 4.2.3.

Affiliate of any Person shall mean (i) any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such Person, (ii) any other Person which beneficially owns or holds ten percent (10%) or more of the voting control or equity interests of such Person, (iii) any other Person of which ten percent (10%) or more of the voting control or equity interest of which is beneficially owned or held by such Person or (iv) any officer or director of such Person. Unless expressly stated otherwise herein, neither Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party. For purposes of clarity, Canadian Imperial Bank of Commerce and each of its direct and indirect subsidiaries are "Affiliates" of CIBC US.

Agent Advance shall have the meaning set forth in Section 2.1.1(c).

Agent Fee Letter shall mean the Fee Letter dated as of February 25, 2019 between Borrower and Administrative Agent.

Agent Parties shall have the meaning set forth in Section 19.5.

Applicable Margin shall mean the margin set forth below with respect to Base Rate Loans and LIBO Rate Loans as in effect from time to time, as applicable:

Base Rate Loans Applicable Margin	LIBO Rate Loans Applicable Margin	Letter of Credit Fee Applicable Margin
3.50%	5.50%	3.00%

Notwithstanding the foregoing, so long as no Event of Default exists under the Loan Documents, upon (i) a Siena Payment Event in accordance with Section 2.10, or (ii) Siena's failure to consent to a Siena Payment Request within ten (10) Business Days after receipt of a Siena Payment Request and subject to Administrative Agent's Permitted Discretion, "Applicable Margin" shall mean the margin set forth in the grid pricing table below (the "**Grid Pricing Table**") with respect to Base Rate Loans and LIBO Rate Loans as in effect from time to time, as applicable. Such Applicable Margin shall be adjusted five (5) Business Days after receipt of Borrower's quarterly financial statements based on Borrower's Fixed Charge Coverage Ratio for the 12 month period ending on the date of calculation as shown on such financial statements (provided that, if Borrower fails to deliver such financial statements within the time period required by this Agreement, the Applicable Margin shall conclusively be presumed to be equal to the highest level set forth on the chart below from the date such financial statements were required to be delivered until five (5) Business Days after receipt of such financial statements), as set forth on the following chart:

Level	Fixed Charge Coverage Ratio	Base Rate Loans Applicable Margin	LIBO Rate Loans Applicable Margin	Letter of Credit Fee Applicable Margin
I	$\geq 1.50x$	0.00%	2.25%	2.25%
II	$\geq 1.25x < 1.50x$	0.50%	2.50%	2.50%
III	< 1.25	0.75%	2.75%	2.75%

If, as a result of any restatement of or other adjustment to the financial statements of Borrower or for any other reason, Administrative Agent determines that (a) the Fixed Charge Coverage

Ratio as calculated by Borrower as of any applicable date was inaccurate and (b) a proper calculation of the Fixed Charge Coverage Ratio would have resulted in different pricing for any period, then (i) if the proper calculation of the Fixed Charge Coverage Ratio would have resulted in higher pricing for such period, Borrower shall automatically and retroactively be obligated to pay to Administrative Agent, for the benefit of the Lenders, promptly on demand by Administrative Agent, an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period; and (ii) if the proper calculation of the Fixed Charge Coverage Ratio would have resulted in lower pricing for such period, neither Administrative Agent nor any Lender shall have any obligation to repay any interest or fees to Borrower; provided that if, as a result of any restatement or other event a proper calculation of the Fixed Charge Coverage Ratio would have resulted in higher pricing for one or more periods and lower pricing for one or more other periods (due to the shifting of income or expenses from one period to another period or any similar reason), then the amount payable by Borrower pursuant to clause (i) above shall be based upon the excess, if any, of the amount of interest and fees that should have been paid for all applicable periods over the amount of interest and fees paid for all such periods.

Approved Fund shall mean any Fund that is administered, managed, advised or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

Assignee shall have the meaning set forth in Section 19.1.1.

Assignment Agreement shall have the meaning set forth in Section 19.1.1.

Attorney Costs shall mean, with respect to any Person, all reasonable fees and charges of any counsel to such Person, the reasonable allocable cost of internal legal services of such Person, all reasonable disbursements of such internal counsel and all court costs and similar legal expenses.

Bail-In Action means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

Bail-In Legislation means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

Bank Product Agreements shall mean those certain agreements pursuant to which any Lender or its Affiliates provide any of the Bank Products to any Loan Party including, without limitation, Hedging Agreements.

Bank Product Obligations shall mean all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by the Loan Parties to any Lender or its Affiliates pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all such amounts that a Loan Party is obligated to reimburse to the Administrative Agent or any Lender as a result of the Administrative Agent or any such Lender purchasing participations or executing indemnities or reimbursement obligations with respect to the Bank Products provided to the Loan Parties pursuant to the Bank Product Agreements.

Bank Products shall mean any service provided to, facility extended to, or transaction entered into with, any Loan Party by Lender or its Affiliates, including, without limitation, (a) deposit accounts, (b) cash management services, including, without limitation, controlled disbursement, lockbox, electronic funds transfers (including, without limitation, book transfers, fedwire transfers, ACH transfers), online reporting and other services relating to accounts maintained with Lender or its Affiliates, (c) debit

cards and credit cards (including commercial credit cards issued to Borrower by Lender or its Affiliates constituting an aggregate credit card exposure of up to \$250,000) and (d) Hedging Agreements. Borrowers' obligation to repay any amounts outstanding under such commercial credit cards shall be deemed Obligations hereunder.

Base Rate shall mean at any time the greater of (a) the Federal Funds Rate plus one half of one percent (0.5%), and (b) the Prime Rate.

Base Rate Loan shall mean any Loan which bears interest at or by reference to the Base Rate.

Borrower Parent shall mean any Person now or at any time or times hereafter owning or controlling at least a majority of the issued and outstanding equity of Borrower and, if Borrower is a partnership, the general partner of Borrower.

BSA shall have the meaning set forth in Section 12.11.

Business Day shall mean any day on which Administrative Agent is open for commercial banking business in Chicago, Illinois and, in the case of a Business Day which relates to a LIBOR Loan, any day on which dealings are carried on in the London Interbank eurodollar market.

Capital Expenditures shall mean with respect to any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities and including expenditures for capitalized lease obligations) by Borrower during such period that are required by GAAP, consistently applied, to be included in or reflected by the property, plant and equipment or similar fixed asset accounts (or intangible accounts subject to amortization) on the balance sheet of Borrower.

Cash Collateralize means to deliver cash collateral to the L/C Issuer, for the benefit of one or more of the L/C Issuers or Lenders, to be held as cash collateral for outstanding Letters of Credit, pursuant to documentation reasonably satisfactory to such L/C Issuer and in an amount satisfactory to such L/C Issuer. Derivatives of such term have corresponding meanings.

Change in Law shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

Chattel Paper shall have the meaning ascribed to such term in the UCC.

CIBC US shall have the meaning set forth in the preamble hereof.

Closing Date shall have the meaning set forth in Section 17.1.

Code shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

Collateral shall mean all of the property of each Loan Party described in Section 5.1, together with all other real or personal property of any Loan Party or any other Person now or hereafter pledged to Administrative Agent to secure, either directly or indirectly, repayment of any of the Obligations.

Commitment shall mean with respect to each Lender, the commitment of such Lender to make its Pro Rata Share of Revolving Loans.

Commercial Tort Claims shall have the meaning ascribed to such term in the UCC.

Commodity Exchange Act shall mean the Commodity Exchange Act (7 U.S.C. §1 et seq.), as amended from time to time and any successor statute.

Contingent Liability means, with respect to any Person, each obligation and liability of such Person and all such obligations and liabilities of such Person incurred pursuant to any agreement, undertaking or arrangement by which such Person: (a) guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, dividend, obligation or other liability of any other Person in any manner (other than by endorsement of instruments in the course of collection), including any indebtedness, dividend or other obligation which may be issued or incurred at some future time; (b) guarantees the payment of dividends or other distributions upon the equity interests of any other Person; (c) undertakes or agrees (whether contingently or otherwise): (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, or (iii) to make payment to any other Person other than for value received; (d) agrees to lease property or to purchase securities, property or services from such other Person with the purpose or intent of assuring the owner of such indebtedness or obligation of the ability of such other Person to make payment of the indebtedness or obligation; (e) to induce the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person; or (f) undertakes or agrees otherwise to assure a creditor against loss. The amount of any Contingent Liability shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

Controlled Group shall mean members of a controlled group of corporations, all members of a controlled group of trades or businesses (whether or not incorporated) under common control and all members of an affiliated service group which, together with any Loan Party or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

Debt of any Person shall mean, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all indebtedness evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person as lessee under finance leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (e) all indebtedness secured by a lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person; provided that if such Person has not assumed or otherwise become liable for such indebtedness, such indebtedness shall be measured at the fair market value of such property securing such indebtedness at the time of determination, (f) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), (g) all Hedging Obligations of such Person, (h) all Contingent Liabilities of such Person, (i) all Debt of any partnership of which such Person is a general partner, (j) all non-compete

payment obligations, earn-outs and similar obligations and (k) any equity instrument, whether or not mandatorily redeemable, that under GAAP is characterized as debt, whether pursuant to financial accounting standards board issuance No. 150 or otherwise.

Default shall mean the occurrence of an event or condition which, with the passage of time will become an Event of Default if not cured prior to the expiration of any applicable grace period.

Defaulting Lender shall mean any Lender that (a) has failed to fund any portion of the Loans, participations in Letters of Credit or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder unless such Lender notifies the Administrative Agent and Borrower in writing that such failure is the result of such Lender's good faith determination that one or more conditions precedent to funding have not been satisfied (each of which failures shall be specifically identified in such notice), (b) has otherwise failed to pay over to Administrative Agent, L/C Issuer, Swing Line Lender, or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, (c) has a direct or indirect parent company that has become the subject of a bankruptcy or insolvency proceeding, or had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such capacity or (ii) become the subject of a Bail-In Action; provided, that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts with the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender or such Governmental Authority to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender, (d) has notified Borrower, Administrative Agent, any L/C Issuer, Swing Line Lender or any other Lender that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit (unless such notice or public statement indicates that such intention is based on a good faith determination that one or more conditions precedent to funding have not been satisfied (which notice or public statement specifically identifies the conditions not satisfied and the basis therefor)) or (e) has failed to confirm within three Business Days of a request by Administrative Agent that it will comply with the terms of this Agreement relating to its obligations to fund prospective Revolving Loans and participations in then outstanding Letters of Credit and Swing Line Loans. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.6.4) upon delivery of written notice of such determination to Borrower, each L/C Issuer, each Swing Line Lender, and each Lender.

Deposit Accounts shall have the meaning ascribed to such term in the UCC.

Dilution shall mean, with respect to any period, the percentage obtained by dividing (i) the sum of non-cash credits against Accounts (including, but not limited to returns, adjustments and rebates) of Borrower for such period, plus pending or probable, but not yet applied, non-cash credits against Accounts of Borrower for such period, as determined by Administrative Agent in its sole discretion by (ii) gross invoiced sales of Borrower for such period.

Documents shall have the meaning ascribed to such term in the UCC.

EBITDA shall mean, with respect to any period, Borrower's net income after taxes for such period (excluding any after-tax gains or losses on the sale of assets (other than the sale of Inventory in the ordinary course of business) and excluding other after tax extraordinary gains or losses) plus interest expense, income tax expense, depreciation and amortization for such period, plus or minus non

cash stock compensation and any other non-cash charges or gains which have been subtracted or added in calculating net income after taxes for such period, all on a consolidated basis.

EEA Financial Institution means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

EEA Member Country means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

EEA Resolution Authority means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

Electronic Chattel Paper shall have the meaning ascribed to such term in the UCC.

Eligible Account shall mean an Account owing to any Borrower which is acceptable to Administrative Agent in its Permitted Discretion determined in good faith for lending purposes. Without limiting Administrative Agent's Permitted Discretion, Administrative Agent shall, in general, consider an Account to be an Eligible Account if it meets, and so long as it continues to meet, the following requirements:

(i) it is genuine and in all respects what it purports to be;

(ii) it is owned by such Borrower, such Borrower has the right to subject it to a security interest in favor of Administrative Agent or assign it to Administrative Agent and it is subject to a first priority perfected security interest in favor of Administrative Agent and to no other claim, lien, security interest or encumbrance whatsoever, other than Permitted Liens;

(iii) it arises from (A) the performance of services by such Borrower in the ordinary course of such Borrower's business, and such services have been fully performed and acknowledged and accepted by the Account Debtor thereunder; or (B) the sale or lease of Goods by such Borrower in the ordinary course of such Borrower's business, and (x) such Goods have been completed in accordance with the Account Debtor's specifications (if any) and delivered to the Account Debtor, (y) such Account Debtor has not refused to accept, returned or offered to return, any of the Goods which are the subject of such Account, and (z) such Borrower has possession of, or such Borrower has delivered to Administrative Agent (at Administrative Agent's request) shipping and delivery receipts evidencing delivery of such Goods;

(iv) (A) with respect to Accounts to Account Debtors other than GE, it is evidenced by an invoice rendered to the Account Debtor thereunder, and does not remain unpaid 90 days past the invoice date thereof; provided, however, that during any time that more than twenty-five percent (25%) of the aggregate dollar amount of invoices owing by a particular Account Debtor remain unpaid ninety (90) days after the respective invoice dates thereof, then all Accounts owing by that Account Debtor shall be deemed ineligible, and (B) solely with respect to Accounts of GE, it is evidenced by an invoice rendered to GE thereunder and does not remain unpaid 180 days past the invoice date thereof; provided, however, that during any time that more than \$1,000,000 of invoices owing by GE remain unpaid 180 or more days after the respective invoice dates thereof, then all Accounts owing by GE shall be deemed ineligible;

(v) it is a valid, legally enforceable and unconditional obligation of the Account Debtor thereunder, and it shall not be an Eligible Account to the extent of any setoff, counterclaim, credit,

allowance or adjustment by such Account Debtor, or if it is subject to any claim by such Account Debtor denying liability thereunder in whole or in part;

(vi) it does not arise out of a contract or order which fails in any material respect to comply with the requirements of applicable law;

(vii) the Account Debtor thereunder is not a director, officer, employee or agent of such Borrower, or a Subsidiary, Borrower Parent or Affiliate;

(viii) it is not an Account with respect to which the Account Debtor is the United States of America or any state or local government, or any department, agency or instrumentality thereof, unless such Borrower assigns its right to payment of such Account to Administrative Agent pursuant to, and in full compliance with, the Assignment of Claims Act of 1940, as amended, or any comparable state or local law, as applicable;

(ix) it is not an Account with respect to which the Account Debtor is located in a state which requires such Borrower, as a precondition to commencing or maintaining an action in the courts of that state, either to (A) receive a certificate of authority to do business and be in good standing in such state; or (B) file a notice of business activities report or similar report with such state's taxing authority, unless (x) such Borrower has taken one of the actions described in clauses (A) or (B); (y) the failure to take one of the actions described in either clause (A) or (B) may be cured retroactively by such Borrower at its election; or (z) such Borrower has proven, to Administrative Agent's satisfaction, that it is exempt from any such requirements under any such state's laws;

(x) the Account Debtor is located within the United States of America or Canada, provided, however, that Accounts with GE Energy Switzerland GmbH or GE Energy Products France SNC shall be eligible up to a cap of \$4,000,000, but only if such Accounts otherwise meet the Eligible Accounts requirements;

(xi) it is not an Account with respect to which the Account Debtor's obligation to pay is subject to any repurchase obligation or return right, as with sales made on a guaranteed sale, sale on approval, sale or return or consignment basis;

(xii) it is not an Account (A) with respect to which any representation or warranty contained in this Agreement is untrue; or (B) which violates any of the covenants of Borrower contained in this Agreement;

(xiii) it is not an Account with respect to which the Account Debtor thereunder has prepaid a deposit towards any portion owed under such Account; provided, however, that such Account shall be excluded from Eligible Accounts solely to the extent of such prepaid deposit amount);

(xiv) it is not an Account which, with respect to Account Debtors other than (A) Siemens Energy, Inc. and its Affiliates (which, for the avoidance of doubt, includes Siemens Gamesa Renewable Energy SA f/k/a Gamesa Corporación Tecnológica) (collectively, "Siemens") or (B) GE, when added to such Account Debtor's other indebtedness to such Borrower, exceeds twenty percent (20%) of all Accounts of such Borrower or a credit limit determined by Administrative Agent in its sole discretion determined in good faith for such Account Debtor (except that Accounts excluded from Eligible Accounts solely by reason of this clause (xiv) shall be Eligible Accounts to the extent of such credit limit), provided that Administrative Agent shall give such Borrower written notice of any such credit limit;

(xv) it is not an Account with respect to which the prospect of payment or performance by the Account Debtor is or will be impaired, as determined by Administrative Agent in its sole discretion determined in good faith;

(xvi) solely with respect to Accounts of GE, and only in the event that Towers does not have any Accounts with GE, it is not an Account which, when added to GE's other indebtedness to such Borrower, exceeds 40% of all Accounts to such Borrower or a credit limit determined by Administrative Agent in its sole discretion determined in good faith for GE (except that Accounts excluded from Eligible Accounts solely by reason of this clause (xvi) shall be Eligible Accounts to the extent of such credit limit), provided that Administrative Agent shall give such Borrower written notice of any such credit limit; and

Eligible Inventory shall mean Inventory of each Borrower which is acceptable to Administrative Agent in its Permitted Discretion determined in good faith for lending purposes. Without limiting Administrative Agent's Permitted Discretion, Administrative Agent shall, in general, consider Inventory to be Eligible Inventory if it meets, and so long as it continues to meet, the following requirements:

(i) it is owned by such Borrower, such Borrower has the right to subject it to a security interest in favor of Administrative Agent and it is subject to a first priority perfected security interest in favor of Administrative Agent and to no other claim, lien, security interest or encumbrance whatsoever, other than Permitted Liens;

(ii) it is located on or in transit to one of the premises listed on Schedule 11.2 (or other locations of which Administrative Agent has been advised in writing pursuant to Section 12.2.1 hereof), such locations are within the United States;

(iii) if held for sale or lease or furnishing under contracts of service, it is (except as Administrative Agent may otherwise consent in writing) new and unused and free from defects which would, in Administrative Agent's sole determination determined in good faith, affect its market value;

(iv) it is not stored with a bailee, consignee, warehouseman, processor or similar party unless Administrative Agent has given its prior written approval and such Borrower has caused any such bailee, consignee, warehouseman, processor or similar party to issue and deliver to Administrative Agent, in form and substance acceptable to Administrative Agent, such Uniform Commercial Code financing statements, warehouse receipts, waivers and other documents as Administrative Agent shall require;

(v) it constitutes either raw materials or finished goods;

(vi) it is produced in compliance with the Fair Labor Standards Act and is not subject to the "hot goods" provisions contained in Title 29 USC §215 (as amended from time to time or any successor statute), and otherwise complies in all material respects with all standards imposed by any applicable governmental entity having authority over the disposition, manufacture or use of that Inventory.

(vii) Administrative Agent has determined in good faith, in accordance with Administrative Agent's customary business practices, that it is not unacceptable due to age, type, category or quantity; and

(viii) it is not Inventory (A) with respect to which any of the representations and warranties contained in this Agreement are untrue; or (B) which violates any of the covenants of Borrower contained in this Agreement.

(ix) it is not slow moving Inventory; and

(x) it is not Inventory that was ordered for a Siemen's tower order that incurred a design change.

Eligible M&E shall mean certain Equipment which is acceptable to Lender in its Permitted Discretion determined in good faith for lending purposes. Without limiting Lender's Permitted Discretion, Eligible M&E shall be owned by Borrower and located at (i) 101 S. 16th Street, Manitowoc, Wisconsin, (ii) 3250 S. Central Avenue, Cicero, Illinois, or (iii) the Mortgaged Property.

Environmental Indemnity shall mean, that certain Environmental Indemnity Agreement, dated as of October 26, 2016, by Borrower in favor of Administrative Agent, as the same may be amended, restated, modified or supplemented from time to time.

Environmental Laws shall mean all federal, state, district, local and foreign laws, rules, regulations, ordinances, and consent decrees relating to health, safety, hazardous substances, pollution and environmental matters, as now or at any time hereafter in effect, applicable to any Loan Party's business or facilities owned or operated by a Loan Party, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

Equipment shall have the meaning ascribed to such term in the UCC.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, modified or restated from time to time.

EU Bail-In Legislation Schedule means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

Event of Default shall have the meaning set forth in Section 15.

Excluded Property shall mean any (a) any rights or interests of a Loan Party in or under any license, contract, permit, Instrument, Investment Property or franchise to which such Loan Party is a party or any of its rights or interests thereunder to the extent, but only to the extent, that a grant of a security interest to Lender therein would, under the terms of such license, contract, permit, Instrument, Investment Property or franchise, result in a breach of the terms of, or constitute a default under, such license, contract, permit, Instrument, Investment Property or franchise (other than to the extent that any such term would be rendered ineffective pursuant to the UCC or any other applicable law (including the United States Bankruptcy Code) or principles of equity); provided, that immediately upon the ineffectiveness, lapse or termination of any such provision the Collateral shall include, and such Loan Party shall be deemed to have granted a security interest to Lender in, all such rights and interests as if such provision had never been in effect; (b) stock of a Foreign Subsidiary; (c) (x) Deposit Account the balance of which consists exclusively of withheld income taxes, employment taxes or amounts required to be paid over to certain employee benefit plans, and (y) segregated Deposit Accounts constituting tax, payroll and trust accounts; or (d) any United States intent-to-use trademark application to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable federal law, provided that

upon submission and acceptance by the United States Patent and Trademark Office of an amendment to allege use pursuant to 15 U.S.C. Section 1060(a) (or any successor provision), such intent-to-use trademark application shall be considered Collateral.

Excluded Taxes shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to the applicable law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment made at the request of any Loan Party) or (ii) such Lender changes its lending office (other than change in lending office made at the request of any Loan Party), except in each case to the extent that, pursuant to Section 4.4, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes that would not have been imposed but for such Recipient's failure to comply with Section 4.4(d) and (d) any U.S. federal withholding Taxes imposed under FATCA.

FATCA shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities entered into in connection with the implementation of the foregoing.

FCPA shall have the meaning ascribed to such term in 11.25.4.

Federal Funds Rate shall mean for any day, a fluctuating interest rate equal for each day during such period to the greater of (a) the rate calculated by the Federal Reserve Bank of New York based on such day's Federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the Federal Funds effective rate and (b) 0%, or, if such rate is not so published for any day which is a Business Day, the rate determined by Administrative Agent in its discretion. Administrative Agent's determination of such rate shall be binding and conclusive absent manifest error.

Fiscal Year shall mean each twelve (12) month accounting period of Borrower, which ends on December of each year.

Fixed Charge Coverage Ratio shall have the meaning set forth in Section 14.2 hereof.

Fixed Charges shall mean for any period, without duplication, scheduled payments of principal during the applicable period with respect to all Debt of any Borrower, on a consolidated basis, for borrowed money, plus scheduled payments of principal during the applicable period with respect to all finance lease obligations of any Borrower, on a consolidated basis, plus cash interest paid during the applicable period with respect to all Debt of any Borrower, on a consolidated basis, for borrowed money including finance lease obligations, plus unfinanced Capital Expenditures of any Borrower, on a consolidated basis, during the applicable period, plus all dividends or other distributions by any Borrower to equityholders of any Borrower during the applicable period, plus payments during the applicable period in respect of income taxes of any Borrower, on a consolidated basis

Fixtures shall have the meaning ascribed to such term in the UCC.

Foreign Subsidiary means (i) any Subsidiary organized outside of the United States of America, and (ii) any Subsidiary organized inside of the United States of America and substantially all of the assets of which consist of equity interests of one or more entities described in clause (i).

FRB shall mean the Board of Governors of the Federal Reserve System or any successor thereto.

Fronting Exposure means, at any time there is a Defaulting Lender, (a) with respect to any L/C Issuer, such Defaulting Lender's Pro Rata Share of the outstanding Letter of Credit Obligations with respect as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to any Swing Line Lender, such Defaulting Lender's Pro Rata Share of outstanding Swing Line Loans made by such Swing Line Lender other than Swing Line Loans as to which such Defaulting Lender's participation has been reallocated to other Lenders.

Fund shall mean any person (other than a natural Person) that is (or will be) primarily engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of business.

GAAP shall mean generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession) and the Securities and Exchange Commission, which are applicable to the circumstances as of the date of determination.

GE shall be a General Electric Company and its Affiliates.

General Intangibles shall have the meaning ascribed to such term in the UCC.

Goods shall have the meaning ascribed to such term in the UCC.

Governmental Authority shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

Group shall have the meaning set forth in Section 2.2.1.

Hazardous Materials shall mean any hazardous, toxic or dangerous substance, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law).

Hedging Agreement shall mean any agreement with respect to any swap, collar, cap, future, forward or derivative transaction, whether exchange traded, over the counter or otherwise,

including any involving, or settled by reference to, one or more interest rates, currencies, commodities, equity or debt instruments, any economic, financial or pricing index or basis, or any similar transaction, including any option with respect to any of these transactions and any combinations of these transactions.

Hedging Obligation shall mean, with respect to any Person, any liability of such Person under any Hedging Agreement, including any and all cancellations, buy backs, reversals, terminations or assignments under any Hedging Agreement.

Indemnified Liabilities shall have the meaning set forth in Section 19.4.

Indemnified Taxes shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by, or on account of any obligation of, any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

Instruments shall have the meaning ascribed to such term in the UCC.

Interest Period shall mean, as to any LIBOR Loan, the period commencing on the date such Loan is borrowed or continued as, or converted into, a LIBOR Loan and ending on the date one, two or three months thereafter as selected by Borrower pursuant to Section 2.2.2 or 2.2.3, as the case may be; provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period;

(c) Borrower may not select any Interest Period for a Revolving Loan which would extend beyond the scheduled Maturity Date; and

(d) Administrative Agent may, in its discretion, require that the first Interest Period under this Agreement be a period less than one (1) month (determined by Administrative Agent).

Inventory shall have the meaning ascribed to such term in the UCC.

Investment Property shall have the meaning ascribed to such term in the UCC.

L/C Application shall mean with respect to any request for the issuance of a Letter of Credit, a letter of credit application in the form being used by the L/C Issuer at the time of such request for the type of Letter of Credit requested.

L/C Issuer shall mean Lender, in its capacity as the issuer of Letters of Credit hereunder, any Affiliate of Lender that may issue Letters of Credit hereunder, or any other financial institution that Administrative Agent may cause to issue Letters of Credit hereunder, and each of their successors and assigns.

Lender shall have the meaning set forth in the preamble of this Agreement. References to the "Lenders" shall include the L/C Issuer(s); for purposes of clarification only, to the extent that CIBC US (or any successor L/C Issuer) may have any rights or obligations in addition to those of the other Lenders due to its status as L/C Issuer, its status as such will be specifically referenced. In addition to the foregoing, for the purpose of identifying the Persons entitled to share in the Collateral and the proceeds

thereof under, and in accordance with the provisions of, this Agreement and the Collateral Documents, the term "Lender" shall include Affiliates of a Lender providing a Bank Product.

Lender Party shall have the meaning set forth in Section 19.4.

Letter of Credit shall mean any Letter of Credit issued on behalf of Borrower in accordance with this Agreement.

Letter of Credit Obligations shall mean, as of any date of determination, the sum of (i) the aggregate undrawn face amount of all Letters of Credit, and (ii) the aggregate unreimbursed amount of all drawn Letters of Credit not already converted to Loans hereunder. The Letter of Credit Obligations of any Lender at any time shall be its Pro Rata Share of the total Letter of Credit Obligations at such time.

Letter-of-Credit Right shall have the meaning ascribed to such term in the UCC.

LIBOR Office shall mean with respect to any Lender the office or offices of such Lender which shall be making or maintaining the LIBOR Loans of such Lender hereunder. A LIBOR Office of a Lender may be, at the option of such Lender, either a domestic or foreign office.

LIBOR Loans shall mean the Loans bearing interest with reference to the LIBO Rate.

LIBO Rate shall mean a rate of interest equal to the per annum rate of interest at which United States dollar deposits for a period equal to the relevant Interest Period are offered in the London Interbank Eurodollar market at 11:00 A.M. (London time) two (2) Business Days prior to the commencement of such Interest Period (or three (3) Business Days prior to the commencement of such Interest Period if banks in London, England were not open and dealing in offshore United States dollars on such second preceding Business Day), as displayed in the *Bloomberg Financial Markets* system (or other authoritative source selected by Administrative Agent in its sole discretion), divided by (ii) a number determined by subtracting from 1.00 the then stated maximum reserve percentage for determining reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D), or as the LIBO Rate is otherwise determined by Administrative Agent in its Permitted Discretion. Administrative Agent's determination of the LIBO Rate shall be conclusive, absent manifest error and shall remain fixed during such Interest Period.

Loan Documents shall mean all agreements, instruments and documents, including, without limitation, the Pledge Agreements, the Mortgages, the Environmental Indemnity and any guaranties, mortgages, trust deeds, pledges, powers of attorney, consents, assignments, contracts, notices, security agreements, leases, financing statements, Hedging Agreements, Bank Product Agreements and all other writings heretofore, now or from time to time hereafter executed by or on behalf of a Loan Party or any other Person and delivered to Administrative Agent or any Lender or to any parent, Affiliate or Subsidiary of Administrative Agent or any Lender in connection with the Obligations or the transactions contemplated hereby, as each of the same may be amended, modified or supplemented from time to time.

Loan Party shall mean Borrower, each of its Subsidiaries, and each other person who is or shall become primarily or secondarily liable for any of the Obligations.

Loans shall mean all loans and advances made by Administrative Agent and Lenders to or on behalf of any Borrower hereunder.

Lockbox and Lockbox Account shall have the meanings set forth in Section 8.1.

Master Letter of Credit Agreement shall mean, at any time, with respect to the issuance of Letters of Credit, a master letter of credit agreement or reimbursement agreement in the form being used by the L/C Issuer at such time.

Material Adverse Effect shall mean (i) a material adverse effect on the business, property, assets or operations of the Loan Parties, taken as a whole, (ii) a material impairment of the ability of the Loan Parties, taken as a whole, to perform any of their obligations under this Agreement and the other Loan Documents, (iii) a material adverse effect upon the Collateral or its value, as a whole, or (iv) a material impairment of the enforceability or priority of Administrative Agent's liens upon the Collateral or the legality, validity, binding effect or enforceability of this Agreement and the other Loan Documents.

Maturity Date shall mean February 25, 2022.

Mortgages shall mean, collectively, the Abilene Mortgage and the Pittsburgh Mortgage, as the same may be amended, restated, modified or supplemented from time to time.

Mortgaged Property shall mean, collectively, the Abilene Property and the Pittsburgh Property.

Non-Consenting Lender shall have the meaning set forth in Section 20.1.

Non-Defaulting Lender means, at any time, each Lender that is not a Defaulting Lender at such time.

Non-U.S. Participant shall have the meaning set forth in Section 4.4(d).

Note shall have the meaning set forth in Section 2.4.

Notice of Borrowing shall have the meaning set forth in .

Notice of Conversion/Continuation shall have the meaning set forth in Section 2.2.3.

Obligations shall mean any and all obligations, liabilities and indebtedness of each Borrower to Administrative Agent and each Lender of any and every kind and nature arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether now or hereafter existing, whether now due or to become due, including interest and fees that accrue after the commencement by or against Borrower or any Affiliate thereof of any proceeding under any debtor relief laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding, whether primary, secondary, direct, indirect, absolute, contingent or otherwise (including, without limitation, obligations of performance and Bank Product Obligations), whether several, joint or joint and several. Without limiting the foregoing, the Obligations include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses fees, indemnities and other amounts payable by Borrower under any Loan Document and (b) the obligation of Borrower to reimburse any amount in respect of any of the foregoing that the Administrative Agent or any Lender, in each case in its sole discretion, may elect to pay or advance on behalf of Borrower.

OFAC shall have the meaning set forth in Section 12.11.

Other Connection Taxes means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

Other Taxes means all present or future stamp, court, transfer, value added, excise or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 4.2.7).

Overadvance shall have the meaning set forth in Section 2.1.1(b).

Participant shall have the meaning set forth in Section 19.1.2.

Participant Register shall have the same meaning set forth in Section 19.1.2

PBGC shall have the meaning set forth in Section 12.2.5.

Permitted Acquisition shall mean any acquisition by a Borrower of a business or entity which satisfies each of the following conditions:

(a) such Borrower has given Administrative Agent at least fifteen (15) calendar days' prior written notice of such acquisition (or such lesser notice as Administrative Agent may agree to in writing) and has provided Administrative Agent with such historical financial information concerning such acquisition as Administrative Agent may reasonably request;

(b) the business or assets being acquired are located in the United States of America and/or Canada;

(c) (i) the aggregate cash consideration paid at closing for all such acquisitions occurring during the term of this Agreement shall not exceed \$21,000,000; (ii) the sum of the aggregate cash consideration and non-cash consideration (including assumed indebtedness, the good faith estimate by such Borrower of the maximum amount of any deferred purchase price obligations (including any earn-out payments) and equity interests) for all such acquisitions occurring during the term of this Agreement shall not exceed \$32,000,000; and (iii) cash consideration under clause (i) hereof for any acquisition may be made from available cash on hand plus proceeds from Revolving Loans in an amount not to exceed \$5,000,000;

(d) on a pro forma basis (as demonstrated by Borrowers to Administrative Agent pursuant to such financial and other information and certificates concerning such acquisition as Administrative Agent may reasonably request) Borrowers would have been in compliance with all of the financial covenants set forth in Section 14;

(e) both immediately before and immediately after giving effect to such acquisition, no Event of Default shall exist;

(f) Borrowers shall have executed such other Loan Documents as Administrative Agent may reasonably require in order for Administrative Agent to obtain a perfected security interest in all assets acquired by such Borrower in connection with any such acquisition to the extent required by this Agreement;

(g) such acquisition is not prohibited under the terms of any other agreement executed by such Borrower; and

(h) immediately after giving effect to such acquisition, Borrowers have Revolving Loan Availability of at least \$3,000,000.

Permitted Discretion shall mean a determination made in the exercise of a reasonable (from the perspective of an asset-based secured lender) business judgment.

Permitted Liens shall mean (i) statutory liens of landlords, carriers, warehousemen, processors, mechanics, materialmen or suppliers incurred in the ordinary course of business and securing amounts not yet due or declared to be due by the claimant thereunder or amounts which are being contested in good faith and by appropriate proceedings and for which such applicable Loan Party has maintained adequate reserves; (ii) liens or security interests in favor of Administrative Agent; (iii) liens for taxes, assessments and governmental charges not yet due and payable or which are being contested in good faith and by appropriate proceedings and each Loan Party is in compliance with clauses (i) and (iii) of Section 12.8; (iv) zoning restrictions and easements, licenses, covenants and other restrictions affecting the use of real property that do not individually or in the aggregate have a material adverse effect on any Loan Party's ability to use such real property for its intended purpose in connection with any Loan Party's business; (v) liens in connection with purchase money Debt and capitalized leases otherwise permitted pursuant to this Agreement, provided, that such liens attach only to the assets the purchase of which was financed by such purchase money Debt or which are the subject of such capitalized leases; (vi) liens set forth on Schedule 1; (vii) liens specifically permitted by Required Lenders in writing; and (viii) attachments, appeal bonds, judgments and other similar liens, for sums not exceeding \$250,000 arising in connection with court proceedings, provided the execution or other enforcement of such liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings.

Person shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, entity, party or foreign or United States government (whether federal, state, county, city, municipal or otherwise), including, without limitation, any instrumentality, division, agency, body or department thereof.

Pittsburgh Mortgage shall mean that certain Open-End Mortgage, Assignment of Leases and Rents and Security Agreement, dated as of even date herewith, by 5100 Neville Road, LLC in favor of Administrative Agent, encumbering the Pittsburgh Property, as the same may be amended, restated, modified or supplemented from time to time.

Pittsburgh Property shall mean that certain real property located at 5100 Neville Road, Pittsburgh, Pennsylvania.

Plan shall have the meaning set forth in Section 12.2.5.

Platform shall mean Intralinks, Syndtrack or a substantially similar electronic transmission system.

Pledge Agreements shall mean, collectively, (i) that certain Membership Pledge Agreement, dated as of October 26, 2016, by Parent in favor of Administrative Agent relating to Parent's membership interest in Services, (ii) that certain Stock Pledge Agreement, dated as of October 26, 2016, by and between Parent in favor of Administrative Agent relating to Parent's ownership interest in Brad Foote, (iii) that certain Stock Pledge Agreement, dated as of October 26, 2016, by and between Parent in favor of Administrative Agent relating to Parent's ownership interest in Towers, and (iv) that certain Membership Pledge Agreement, dated as of even date herewith, by Parent in favor of Administrative Agent relating to Parent's membership interest in Red Wolf, as the same may be amended, restated, modified or supplemented from time to time.

Pre-Settlement Determination Date shall have the meaning set forth in Section 2.8.

shall mean, for any day, the rate of interest in effect for such day as publicly announced from time to time by Administrative Agent as its prime rate (whether or not such rate

is actually charged by Administrative Agent), which is not intended to be Administrative Agent's lowest or most favorable rate of interest at any one time. Administrative Agent may make commercial loans or other loans at rates of interest at, above or below the Prime Rate. Any change in the Prime Rate announced by Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change; provided that Administrative Agent shall not be obligated to give notice of any change in the Prime Rate.

Pro Rata Share shall mean:

(a) with respect to a Lender's obligation to make Revolving Loans, participate in Letters of Credit, reimburse the L/C Issuer(s), and receive payments of principal, interest, fees, costs, and expenses with respect thereto, (x) prior to the Total Revolving Loan Commitment being terminated or reduced to zero, the percentage obtained by dividing (i) such Lender's Revolving Loan Commitment, by (ii) the Total Revolving Loan Commitment and (y) from and after the time the Total Revolving Loan Commitment has been terminated or reduced to zero, the percentage obtained by dividing (i) the aggregate unpaid principal amount of such Lender's Revolving Loans (after settlement and repayment of all Swing Line Loans and Agent Advances by the Lenders) by (ii) the aggregate unpaid principal amount of all Revolving Loans;

(e) with respect to all other matters as to a particular Lender, the percentage obtained by dividing (i) such Lender's Revolving Loan Commitment, by (ii) the Total Revolving Loan Commitment; provided that in the event the Commitments have been terminated or reduced to zero, Pro Rata Share shall be the percentage obtained by dividing (A) the principal amount of such Lender's Revolving Loans (after settlement and repayment of all Swing Line Loans and Agent Advances by the Lenders), by (B) the principal amount of all Revolving Loan Outstandings.

Proceeds shall have the meaning ascribed to such term in the UCC.

Recipient means (a) the Administrative Agent, (b) L/C Issuer, (c) Swing Line Lender, or any other Lender.

Register shall have the meaning set forth in Section 19.2.

Regulation D shall mean Regulation D of the FRB, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

Regulation U shall mean Regulation U of the FRB, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

Required Lenders shall mean, at any time, all Lenders, provided that any Defaulting Lender shall not be a Required Lender.

Responsible Officer shall mean, as to any Person, the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of such Person.

Remote Scanning shall have the meaning set forth in Section 8.1.

Reportable Event means a reportable event as defined in Section 4043 of ERISA and the regulations issued thereunder as to which the PBGC has not waived the notification requirement of Section 4043(a), or the failure of a Plan to meet the minimum funding standards of Section 412 of the Code (without regard to whether the Plan is a plan described in Section 4021(a)(2) of ERISA) or under Section 302 of ERISA.

Restricted Payment shall mean (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets (other than in the form of common stock) in respect of a Person's equity interests, (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of a Person's equity interests or any other payment or distribution made in respect thereof, either directly or indirectly, (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other amounts on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any Subordinated Debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire equity interests of such Person now or hereafter outstanding; and (e) any payment, loan, contribution, or other transfer of funds or other property to any equity holder of such Person.

Revolving Loan Availability shall mean an amount up to the sum of the following sublimits:

(i) 85% of the face amount (less maximum discounts, credits and allowances which may be taken by or granted to Account Debtors in connection therewith in the ordinary course of Borrowers' business) of Borrowers' Eligible Accounts; provided that such advance rate shall be reduced by one (1) percentage point for each whole or partial percentage point by which Dilution (as determined by Administrative Agent in good faith based on the results of the most recent twelve (12) month period for which Administrative Agent has conducted a field audit of Borrower) exceeds five percent (5%); plus

(ii) the lesser of (a) 50% of the lower of cost or market value of Borrowers' Eligible Inventory, (b) 85% of the appraised net orderly liquidation value (as determined by an appraiser acceptable to Administrative Agent) of Borrowers' Eligible Inventory, and (c) \$12,500,000; provided, that such advance against Eligible Inventory constituting work in progress shall be limited to \$2,000,000.00; plus

(iii) the lesser of (a) the sum of (I) 75% of the appraised net orderly liquidation value (as determined by an appraiser acceptable to Lender) of Borrowers' Eligible M&E, plus (II) 50% of the fair market value (as determined by an appraiser acceptable to Administrative Agent) of the Abilene Property, and (b) an amount equal to \$12,000,000, reduced by \$142,857.14 each month commencing on September 1, 2019, and continuing on the first (1st) day of each month thereafter (the available amount under this clause (iii) is hereinafter referred to as the "Eligible Fixed Assets Availability"); minus

(iv) such other reserves as Administrative Agent elects, in its Permitted Discretion, determined in good faith, to establish from time to time, including, without limitation, reserves with respect to Bank Products Obligations and Hedging Obligations.

Revolving Loan Commitment shall mean, with respect to any Lender the amount of such Lender's Commitment to make Revolving Loans and participate in Letters of Credit as set forth on Annex 1 hereto or in any Assignment Agreement.

Revolving Loan Outstandings shall mean, at any time, the sum of (a) the aggregate principal amount of all outstanding Revolving Loans, plus (b) the aggregate principal amount of all outstanding Swing Line Loans, plus (c) the outstanding Letter of Credit Obligations.

Revolving Loans shall have the meaning set forth in Section 2.1.1.

Sanctions shall have the meaning set forth in Section 11.25.2.

Settlement Date shall have the meaning set forth in Section 2.8.

Siena shall mean Siena Lending Group, LLC

Siena Payment Event shall have the meaning set forth in Section 2.10.

Siena Payment Request shall have the meaning set forth in Section 2.10.

Subordinated Debt shall mean any unsecured Debt of any Loan Party which has covenants, pricing and other terms which have been approved in writing by the Administrative Agent and is subordinated to the Obligations pursuant to a subordination agreement in form and substance satisfactory to Administrative Agent.

Subsidiary s shall mean with respect to any Person, a corporation of which such Person owns, directly or indirectly, more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time stock of any other class of such corporation shall have or might have voting power by reason of the happening of any contingency) and any partnership, joint venture or limited liability company of which more than fifty percent (50%) of the outstanding equity interests are at the time, directly or indirectly, owned by such Person or any partnership of which such Person is a general partner. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of any Borrower.

Supporting Obligations shall have the meaning set forth in the UCC.

Swing Line Availability means the lesser of (a) the Swing Line Commitment Amount and (b) the amount by which the lesser of (x) Revolving Loan Availability and (y) the Total Revolving Loan Commitment exceeds the sum of the outstanding Revolving Loans and Letter of Credit Obligations.

Swing Line Commitment Amount means \$5,000,000, which commitment constitutes a subfacility of the Revolving Commitment of the Swing Line Lender.

Swing Line Lender means CIBC US, in its capacity as lender of Swing Line Loans hereunder, or such other Lender as Borrower may from time to time select as the Swing Line Lender hereunder pursuant to Section 2.1.5.

Swing Line Loan is defined in Section 2.1.5.

Tangible Chattel Paper shall have the meaning ascribed to such term in the UCC.

Tangible Net Worth shall have the meaning set forth in Section 14.1.

Taxes shall mean any and all present and future taxes, duties, levies, imposts, deductions, assessments, charges or withholdings (including backup withholdings) and any and all liabilities (including interest and penalties and other additions to taxes) with respect to the foregoing.

Termination Event means, with respect to a Plan that is subject to Title IV of ERISA, (a) a Reportable Event, (b) the withdrawal of a Loan Party or any other member of the Controlled Group from such Plan during a plan year in which a Loan Party or any other member of the Controlled Group was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA, (c) the termination of such Plan, the filing of a notice of intent to terminate the Plan or the treatment of an amendment of such Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Pension Plan or (e) any event or condition that might constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Plan.

Total Plan Liability means, at any time, the present value of all vested and unvested accrued benefits under all Plans, determined as of the then most recent valuation date for each Plan, using PBGC actuarial assumptions for single employer plan terminations.

Total Revolving Loan Commitment shall mean an amount equal to Thirty-Five Million and No/100 Dollars (\$35,000,000.00)

UCC shall mean the Uniform Commercial Code as in effect in the State of Illinois.

Unfunded Liability shall mean the amount (if any) by which the present value of all vested and unvested accrued benefits under all Plans exceeds the fair market value of all assets allocable to those benefits, all determined as of the then most recent valuation date for each Plan, using PBGC actuarial assumptions for single employer plan terminations.

U.S. Tax Compliance Certificate shall have the meaning set forth in Section 4.4(d).

USA Patriot Act shall have the meaning set forth in Section 19.3.

Write-Down and Conversion Powers means, with respect to any EEA Resolution Authority, the Write-Down and Conversion Powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be on a consolidated basis, prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by Parent's independent public accountants) with the most recent audited consolidated financial statements of Parent and its Consolidated Subsidiaries delivered to Administrative Agent. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Administrative Agent shall so request, Administrative Agent and Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) Borrower shall provide to Administrative Agent financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

SECTION 2 LOANS.

2.1. Loan Facilities.

2.1.1. Revolving Loans.

(a) Advances. Subject to the terms and conditions of this Agreement and the other Loan Documents, prior to the Maturity Date, each Lender with a Revolving Loan Commitment shall make its Pro Rata share of revolving loans and advances (the "Revolving Loans") up to its Revolving Loan Commitment; upon request of the Borrower; provided that the aggregate unpaid principal balance of the Revolving Loan Outstandings outstanding at such time shall not at any time exceed the lesser of (i) Revolving Loan Availability and (ii) the Total Revolving Loan Commitment.

(b) Repayments of Overadvances; Overadvances. If at any time the Revolving Loan Outstandings exceeds either the Revolving Loan Availability or the Total Revolving Loan Commitment, or any portion of the Revolving Loan Outstandings exceed any applicable sublimit within the Revolving

Loan Availability, Borrower shall immediately, and without the necessity of demand by Administrative Agent, pay to Administrative Agent such amount as may be necessary to eliminate such excess and Administrative Agent shall apply such payment to the Revolving Loans to eliminate such excess; provided that Administrative Agent may, in its sole discretion, permit such excess (the "Overadvance") to remain outstanding and continue to cause Revolving Loans to be advanced to Borrower (including by the Swing Line Lender) without the consent of any Lender for a period of up to thirty (30) calendar days, so long as (i) the amount of the Overadvances does not exceed at any time Three Million Five Hundred and No/100 Dollars (\$3,500,000), (ii) the Revolving Loan Outstandings do not exceed the Total Revolving Loan Commitment, and (iii) Administrative Agent has not been notified by Required Lenders to cease making such Revolving Loans. If the Overadvance is not repaid in full within thirty (30) days of the initial occurrence of the Overadvance, no future advances may be made to Borrower without the consent of all Lenders until the Overadvance is repaid in full.

(c) Agent Advances. Subject to the limitations set forth in this subsection, Administrative Agent is hereby authorized by Borrower and Lenders, from time to time in Administrative Agent's Permitted Discretion (and subject to the terms of this paragraph, the making of each Agent Advance shall be deemed to be a request by Borrower and the Lenders to make such Agent Advance), (i) after the occurrence of an Event of Default or an event which, with the passage of time or giving of notice, will become an Event of Default, or (ii) at any time that any of the other applicable conditions precedent set forth in Section 17.2 hereof have not been satisfied (including without limitation the conditions precedent that the aggregate principal amount of all Revolving Loan Outstandings do not exceed the Revolving Loan Availability), to make Revolving Loans to Borrower on behalf of Lenders which Administrative Agent, in its Permitted Discretion, determined in good faith deems necessary or desirable (A) to preserve or protect the business conducted by any Loan Party, the Collateral, or any portion thereof, (B) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (C) to pay any amount chargeable to any Borrower pursuant to the terms of this Agreement or the other Loan Documents (any of the advances described in this subsection being hereafter referred to as "Agent Advances"); provided, that (x) the Revolving Loan Outstandings do not exceed the Total Revolving Loan Commitment, (y) Administrative Agent has not been notified by Required Lenders to cease making such Agent Advances, and (z) the agent Advances outstanding shall not exceed at any time Three Million Five Hundred and No/100 Dollars (\$3,500,000), unless agreed otherwise by all Lenders. For all purposes in this Agreement, Agent Advances shall be treated as Revolving Loans and shall constitute a Base Rate Loan. Agent Advances shall be repaid on demand by Administrative Agent.

2.1.2. Intentionally Omitted

2.1.3. Intentionally Omitted.

2.1.4. Intentionally Omitted.

2.1.5. Swing Line Facility.

(a) The Administrative Agent shall notify the Swing Line Lender upon the Administrative Agent's receipt of any Notice of Borrowing. Subject to the terms and conditions hereof, the Swing Line Lender may, in its sole discretion, make available from time to time until the Maturity Date, advances (each, a "Swing Line Loan") in accordance with any such notice, notwithstanding that after making a requested Swing Line Loan, the sum of the Swing Line Lender's Pro Rata Share of the Revolving Loan Outstandings, may exceed the Swing Line Lender's Pro Rata Share of the Revolving Loan Commitment. The provisions of this Section 2.1.5 shall not relieve Lenders of their obligations to make Revolving Loans under Section 2.1.1; provided that if the Swing Line Lender makes a Swing Line Loan pursuant to any such notice, such Swing Line Loan shall be in lieu of any Revolving Loan that otherwise may be made by the Lenders pursuant to such notice. The aggregate amount of Swing Line Loans outstanding shall not exceed at any time Swing Line Availability. Until the Maturity Date, Borrower may from time to time borrow, repay and reborrow under this Section 2.1.5. Each Swing Line

Loan shall be made pursuant to a Notice of Borrowing delivered by Borrower to the Administrative Agent in accordance with Section 2.2.2. Any such notice must be given no later than 11:00 A.M., Chicago time, on the Business Day of the proposed Swing Line Loan. Unless the Swing Line Lender has received at least one Business Day's prior written notice from the Required Lenders instructing it not to make a Swing Line Loan, the Swing Line Lender shall, notwithstanding the failure of any condition precedent set forth in Section 17.2, be entitled to fund that Swing Line Loan, and to have Lenders settle in accordance with Section 2.8(a) or purchase participating interests in accordance with Section 2.8(b). Notwithstanding any other provision of this Agreement or the other Loan Documents, each Swing Line Loan shall constitute a Base Rate Loan. Borrower shall repay the aggregate outstanding principal amount of each Swing Line Loan upon demand therefor by the Administrative Agent.

(b) The entire unpaid balance of each Swing Line Loan and all other noncontingent Obligations shall be immediately due and payable in full in immediately available funds on the Maturity Date if not sooner paid in full.

2.2. Loan Procedures.

2.2.1. Various Types of Loans. Each Revolving Loan shall be divided into tranches which are, either Base Rate Loans or LIBOR Loans (each a "type" of Loan), as Borrower shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. LIBOR Loans having the same Interest Period which expire on the same day are sometimes called a "**Group**" or collectively "**Groups**." Base Rate Loans and LIBOR Loans may be outstanding at the same time, provided that not more than five different Groups of LIBOR Loans shall be outstanding at any one time.

2.2.2. Borrowing Procedures.

(a) Borrower shall give written notice (each such written notice, a "**Notice of Borrowing**") substantially in the form of Exhibit B or telephonic notice (followed immediately by a Notice of Borrowing) to Administrative Agent of each proposed Base Rate or LIBOR borrowing not later than (a) in the case of a Base Rate borrowing, 11:00 A.M., Chicago time, on the proposed date of such borrowing, and (b) in the case of a LIBOR borrowing, 11:00 A.M., Chicago time, at least three (3) Business Days prior to the proposed date of such borrowing. Each such notice shall be effective upon receipt by Administrative Agent, shall be irrevocable, and shall specify the date, amount and type of borrowing and, in the case of a LIBOR borrowing, the initial Interest Period therefor. Each borrowing shall be on a Business Day. Each LIBOR borrowing shall be in an aggregate amount of at least \$1,000,000 and an integral multiple of at least \$500,000.

(b) Borrower hereby authorizes Administrative Agent in its Permitted Discretion, to advance Revolving Loans as Base Rate Loans to pay any Obligations (whether principal, interest, fees or other charges when due), and any such Obligations becoming due shall be deemed a request for a Base Rate borrowing of a Revolving Loan on the due date, in the amount of such Obligations. The proceeds of such Revolving Loans shall be disbursed as direct payment of the relevant Obligation. In addition, Administrative Agent may, at its option, charge such Obligations against any operating, investment or other account of each Borrower maintained with Administrative Agent or any of its Affiliates.

2.2.3. Conversion and Continuation Procedures.

(a) Subject to Section 2.2.1, Borrower may, upon irrevocable written notice to Administrative Agent in accordance with clause (b) below:

(i) elect, as of any Business Day, to convert any Loans (or any part thereof in an aggregate amount not less than \$1,000,000 and a higher integral multiple of \$500,000) into Loans of the other type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than \$1,000,000 or a higher integral multiple of \$500,000) for a new Interest Period;

provided that after giving effect to any prepayment, conversion or continuation, the aggregate principal amount of each Group of LIBOR Loans shall be at least \$1,000,000 and an integral multiple of \$500,000.

(b) Borrower shall give written notice (each such written notice, a "**Notice of Conversion/Continuation**") substantially in the form of Exhibit C or telephonic notice (followed immediately by a Notice of Conversion/Continuation) to Administrative Agent of each proposed conversion or continuation not later than (i) in the case of conversion into Base Rate Loans, 11:00 A.M., Chicago time, on the proposed date of such conversion, and (ii) in the case of conversion into or continuation of LIBOR Loans, 11:00 A.M., Chicago time, at least three (3) Business Days prior to the proposed date of such conversion or continuation, specifying in each case:

(i) the proposed date of conversion or continuation;

(ii) the aggregate amount of Loans to be converted or continued;

(iii) the type of Loans resulting from the proposed conversion or continuation; and

(iv) in the case of conversion into, or continuation of, LIBOR Loans, the duration of the requested Interest Period therefor.

(c) If upon the expiration of any Interest Period applicable to LIBOR Loans, Borrower has failed to select timely a new Interest Period to be applicable to such LIBOR Loans, Borrower shall be deemed to have elected to continue such LIBOR Loans as LIBOR Loans having the same Interest Period effective on the last day of such Interest Period.

Any conversion of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 4.2.4.

2.3. Repayments.

The Obligations shall be repaid as follows:

2.3.1. Repayment of Revolving Loans. The Revolving Loans and all other Obligations shall be repaid on the Maturity Date.

2.3.2. Making of Payments. All payments of principal or interest on the Note, and of all fees, shall be made by Borrower to the Administrative Agent in immediately available funds at the office specified by the Administrative Agent not later than noon, Chicago time, on the date due; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the following Business Day. Subject to Section 2.6 and Section 2.8, the Administrative Agent shall promptly remit to each Lender its share of all such payments received in collected funds by the Administrative Agent for the account of such Lender. All payments under Section 2.10 and Section 4.2.1 shall be made by Borrower directly to the Lender entitled thereto without setoff, counterclaim or other defense. All payments made by a Loan Party hereunder or under any Loan Documents shall be made without setoff, counterclaim, or other defense.

2.3.3. Application of Certain Payments. So long as no Event of Default has occurred and is continuing, payments matching specific scheduled payments then due shall be applied to those scheduled payments. After the occurrence and during the continuance of a Default or an Event of

Default, all amounts collected or received by the Administrative Agent or any Lender as proceeds from the sale of, or other realization upon, all or any part of the Collateral shall be applied in the order set forth in Section 16.2. Concurrently with each remittance to any Lender of its share of any such payment, the Administrative Agent shall advise such Lender as to the application of such payment.

2.3.4. Setoff. Each Loan Party, agrees that the Administrative Agent and each Lender have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, each other Loan Party, agrees that at any time any Event of Default exists, the Administrative Agent and each Lender may apply to the payment of any Obligations of Borrower and each other Loan Party hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of Borrower and each other Loan Party then or thereafter with the Administrative Agent or such Lender. The exercise of the right to setoff shall be subject to the provisions of Section 18.12

2.3.5. Proration of Payments. Except as provided in Section 2.6, if any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise), on account of (a) principal of or interest on any Loan (but excluding (i) any payment pursuant to Section 4.2 or 19.1 and (ii) payments of interest on any Affected Loan) or (b) its participation in any Letter of Credit in excess of its applicable Pro Rata Share of payments and other recoveries obtained by all Lenders on account of principal of and interest on the Loans (or such participation) then held by them, then such Lender shall purchase from the other Lenders such participations in the Loans (or sub-participations in Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

2.4. Notes.

The Loans shall, in each Lender's Permitted Discretion, be evidenced by one or more promissory notes in form and substance satisfactory to such Lender (each a " **Note** " and collectively, the " **Notes** "). However, if such Loans are not so evidenced, such Loans may be evidenced solely by entries upon the books and records maintained by Administrative Agent.

2.5. Recordkeeping

Administrative Agent shall record in its records, the date and amount of each Loan made by Lenders, each repayment or conversion thereof and, in the case of each LIBOR Loan, the dates on which each Interest Period for such Loan shall begin and end. The aggregate unpaid principal amount so recorded shall be rebuttably presumptive evidence of the principal amount of the Loans owing and unpaid. The failure to so record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the Obligations of Borrower hereunder or under any Note to repay the principal amount of the Loans hereunder, together with all interest accruing thereon.

2.6. Defaulting Lenders.

2.6.1. Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(a) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and Section 15.1.

(b) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether

voluntary or mandatory, at maturity, pursuant to Section 13 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 7.4 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any L/C Issuer or Swing Line Lender hereunder; third, to Cash Collateralize the L/C Issuers' Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.7; fourth, as Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the L/C Issuers' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.7; sixth, to the payment of any amounts owing to the Lenders, the L/C Issuers or Swing Line Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the L/C Issuers or Swing Line Lenders against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to Borrower as a result of any judgment of a court of competent jurisdiction obtained by Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or payment made by an L/C Issuer pursuant to a Letter of Credit in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 12.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and payments made by an L/C Issuer pursuant to a Letter of Credit owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or payment made by an L/C Issuer pursuant to a Letter of Credit owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in Letter of Credit Obligations and Swing Line Loans are held by the Lenders pro rata in accordance with the Commitments without giving effect to clause (iv) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(c) Commitment and Letter of Credit Fees.

(i) No Defaulting Lender shall be entitled to receive any fee described in Section 4.3.1 for any period during which that Lender is a Defaulting Lender (and Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(ii) Each Defaulting Lender shall be entitled to receive fees described in Section 5.2(a) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Pro Rata Share of the Stated Amount of Letters of Credit for which it has provided cash collateral pursuant to Section 2.7.

(iii) With respect to any fees described in Section 5.2(a) not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letter of Credit Obligations or Swing Line Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each L/C Issuer and Swing Line Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's or Swing Line Lender's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(d) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in Letter of Credit Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Pro Rata Shares (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. Subject to Section 20.10, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(e) Cash Collateral, Repayment of Swing Line Loans. If the reallocation described in clause (d) above cannot, or can only partially, be effected, Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lenders' Fronting Exposure and (y) second, Cash Collateralize the L/C Issuers' Fronting Exposure in accordance with the procedures set forth in Section 2.7.

2.6.2. Defaulting Lender Cure. If Borrower, the Administrative Agent and each Swing Line Lender and L/C Issuer agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held pro rata by the Lenders in accordance with the Commitments (without giving effect to Section 2.6.1(d) above), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

2.6.3. New Swing Line Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) no Swing Line Lender shall be required to fund any Swing Line Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swing Line Loan and (ii) no L/C Issuer shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

2.6.4. Termination of Defaulting Lender. Borrower may terminate the unused amount of the Commitment of any Lender that is a Defaulting Lender upon not less than three (3) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and in such event the provisions of Section 2.6.1(b) will apply to all amounts thereafter paid by Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that (i) no Event of Default shall have occurred and be continuing, and (ii) such termination shall not be deemed to be a waiver or release of any claim Borrower, the Administrative Agent, any L/C Issuer, the Swing Line Bank or any Lender may have against such Defaulting Lender.

2.7. Cash Collateral

2.7.1. Obligation to Cash Collateralize. At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or any L/C Issuer (with a copy to the Administrative Agent) Borrower shall Cash Collateralize the L/C Issuers' Fronting Exposure with respect to such Defaulting Lender (determined after giving effect to Section 2.6.1).

(d) and any cash collateral provided by such Defaulting Lender) in an amount not less than 105% of the Stated Amount of all outstanding Letters of Credit.

2.7.2. Grant of Security Interest. Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the L/C Issuers, and agrees to maintain, a first priority security interest in all such cash collateral as security for the Defaulting Lenders' obligation to fund participations in respect of Letter of Credit Obligations. If at any time the Administrative Agent determines that cash collateral is subject to any right or claim of any Person other than the Administrative Agent and the L/C Issuers as herein provided, or that the total amount of such cash collateral is less than 105% of the Stated Amount of all outstanding Letters of Credit, Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional cash collateral in an amount sufficient to eliminate such deficiency (after giving effect to any cash collateral provided by the Defaulting Lender).

2.7.3. Application. Notwithstanding anything to the contrary contained in this Agreement, cash collateral provided under this Section or Section 2.6 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of Letter of Credit Obligations (including, as to cash collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the cash collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

2.7.4. Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce any L/C Issuer's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (ii) the determination by the Administrative Agent and each L/C Issuer that there exists excess Cash Collateral; provided that, subject to Section 2.6 the Person providing Cash Collateral and each L/C Issuer may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations [and provided further that to the extent that such Cash Collateral was provided by Borrower, such Cash Collateral shall remain subject to the security interest granted pursuant to the Loan Documents].

2.8. Settlements.

(a) On a weekly basis on each Tuesday (or if such Tuesday is not a Business Day, then on the next preceding Business Day) (or more frequently if requested by Administrative Agent or Swing Line Lender (a "**Settlement Date**"), Administrative Agent shall provide each Lender with a statement of the outstanding balance of the Revolving Loans and Swing Line Loans as of the end of the Business Day immediately preceding the Settlement Date (the "**Pre-Settlement Determination Date**") and the current balance of the Revolving Loans funded by each Lender (whether made directly by such Lender to Borrower or constituting a settlement by such Lender of a previous Swing Line Loan or Agent Advance). If such statement discloses that such Lender's current balance of the Revolving Loans as of the Pre-Settlement Determination Date exceeds such Lender's Pro Rata Share of the aggregate of the Revolving Loans outstanding as of the Pre-Settlement Determination Date, then Administrative Agent shall, on the Settlement Date, transfer, by wire transfer, the net amount due to such Lender in accordance with such Lender's instructions, and if such statement discloses that such Lender's current balance of the aggregate of the Revolving Loans, Swing Line Loans and Agent Advances as of the Pre-Settlement Determination Date is less than such Lender's Pro Rata Share of the Revolving Loans outstanding as of the Pre-Settlement Determination Date, then Borrower shall be deemed to have requested a Revolving Loan and such Lender shall, on the Settlement Date, make a Revolving Loan, transfer, by wire transfer the net amount due to the Administrative Agent or Swing Line Lender, as applicable in accordance with Administrative Agent's instructions to repay the Swing Line Loan or Agent Advances.

(b) If, prior to settling pursuant to clause (a) above, one of the events described in Section 15.7 or 15.8 has occurred, then, subject to the provisions of Section 2.6.1(d) below, each Lender

shall, on the date such Revolving Loan was to have been made for the benefit of Borrower to settle outstanding Swing Line Loans or Agent Advances, purchase from the Swing Line Lender or Administrative Agent, as applicable, an undivided participation interest in the Swing Line Loan or Agent Advance in an amount equal to its Pro Rata Share of such Swing Line Loan or Agent Advance. Upon request, each Lender shall promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation interest.

(c) Each Lender's obligation to make Revolving Loans in accordance with Section 2.8(a) and to purchase participation interests in accordance with Section 2.8(b) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Lender may have against the Swing Line Lender or Administrative Agent, Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any Default or Event of Default; (iii) any inability of Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement at any time or (iv) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If and to the extent any Lender shall not have made such amount available to the Administrative Agent or the Swing Line Lender, as applicable, by 2:00 P.M., Chicago time, the amount required pursuant to Sections 2.1.1(a) or 2.8(a), as the case may be, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after noon, Chicago time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for the Swing Line Lender's account forthwith on demand, for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Base Rate from time to time in effect.

2.9. Commitments Several.

The failure of any Lender to make a requested loan on any date shall not relieve any other Lender of its obligation (if any) to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

2.10. Siena Payment Event.

Notwithstanding anything herein to the contrary, on any date on or after eighteen months after the Closing Date (the "**Siena Payment Date**"), Borrower may give ten (10) Business Days advance written request to Administrative Agent and Siena (the "**Siena Payment Request**") of Borrower's request to prepay all amounts due and owing under the Loan Documents to Siena (the "**Siena Payment Event**") and reduce the Applicable Margin to the Applicable Margin set forth in the Grid Pricing Table. Provided that (i) no Event of Default has occurred and is continuing under the Loan Documents; (ii) Administrative Agent consents in writing to implement the Applicable Margin set forth in the Grid Pricing Table, and (iii) Siena consents in writing to the Siena Payment Request, the Siena Payment Event will be permitted, and Borrower shall pay to Siena all Obligations due and owing from Borrower to Siena, including, without limitation, principal, accrued interest, any accrued and unpaid fees, and all other amounts due and payable under the Loan Documents. After the Siena Payment Date, Siena shall no longer be a Lender hereunder, and all obligations of Siena hereunder shall be terminated. In the event that Siena does not consent in writing to the Siena Payment Request within ten (10) business days after Siena's receipt of the Siena Payment Request, the Siena Payment Event shall not be permitted, and Siena shall remain a Lender hereunder.

SECTION 3 LETTERS OF CREDIT.

3.1. General Terms.

Subject to the terms and conditions of this Agreement and the other Loan Document prior to the Maturity Date, Administrative Agent agrees to from time to time cause to be issued by an L/C Issuer and co-sign for or otherwise guarantee, upon Borrower's request, commercial and/or standby Letters of Credit; provided, that the aggregate undrawn face amount of all such Letters of Credit shall at no time exceed Ten Million and No/100 Dollars (\$10,000,000). Payments made by the L/C Issuer to any Person on account of any Letter of Credit shall be immediately payable by Borrower without notice, presentment or demand and each Borrower agrees that each payment made by the L/C Issuer in respect of a Letter of Credit shall constitute a request by Borrower for a Loan to reimburse L/C Issuer. In the event such Loan is not advanced by Administrative Agent, Swingline Lender or Lenders for any reason, such reimbursement obligations (whether owing to the L/C Issuer or Administrative Agent if Administrative Agent is not the L/C Issuer) shall become part of the Obligations hereunder and shall bear interest at the rate then applicable to Revolving Loans constituting Base Rate Loans until repaid. Borrower shall remit to Administrative Agent, for the ratable benefit of Lenders having Revolving Loan Commitments, a Letter of Credit fee equal to the Letter of Credit Fee Applicable Margin per annum on the aggregate undrawn face amount of all Letters of Credit outstanding, which fee shall be payable in advance for the term of the Letter of Credit. Upon the occurrence of an Event of Default and during the continuance thereof, each the Letter of Credit fee shall be increased to an amount equal to two percent (2%) per annum in excess of the Letter of Credit fee otherwise payable thereon, which fee shall be payable on demand. Said fee shall be calculated on the basis of a 360 day year. Borrower shall also pay on demand the normal and customary administrative charges of L/C Issuer for issuance, amendment, negotiation, renewal or extension of any Letter of Credit.

3.2. Letter of Credit Procedures.

3.2.1. L/C Applications. Each Borrower shall execute and deliver to the L/C Issuer the Master Letter of Credit Agreement from time to time in effect. Each Borrower shall give notice to Administrative Agent and the L/C Issuer of the proposed issuance of each Letter of Credit on a Business Day which is at least three Business Days (or such lesser number of days as the L/C Issuer and Administrative Agent shall agree in any particular instance in their sole discretion) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by Borrower and in all respects satisfactory to the L/C Issuer, together with such other documentation as the L/C Issuer may request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall not be later than the scheduled Maturity Date (unless such Letter of Credit is Cash Collateralized)) and whether such Letter of Credit is to be transferable in whole or in part. Any Letter of Credit outstanding after the scheduled Maturity Date which is Cash Collateralized for the benefit of the L/C Issuer shall be the sole responsibility of the L/C Issuer. In the event of any inconsistency between the terms of the Master Letter of Credit Agreement, any L/C Application and the terms of this Agreement, the terms of this Agreement shall control.

3.2.2. Reimbursement Obligations Unconditional. Each Borrower's reimbursement obligations hereunder shall be irrevocable and unconditional under all circumstances, including (a) any lack of validity or enforceability of any Letter of Credit, this Agreement or any other Loan Document, (b) the existence of any claim, set-off, defense or other right which any Loan Party may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with any Letter of Credit, this Agreement, any other Loan Document, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between any Loan Party and the beneficiary named in any Letter of Credit), (c) the validity, sufficiency or genuineness of any document which the L/C Issuer has determined complies on its face with the terms of the applicable Letter of Credit, even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect, or (d) the surrender or impairment of any security for the performance or observance of any of the terms hereof. Without limiting the foregoing, no action or omission whatsoever by Administrative Agent or any Lender

under or in connection with any Letter of Credit or any related matters shall result in any liability of Administrative Agent or any Lender to any Loan Party, or relieve any Loan Party of any of its obligations hereunder to any such Person.

3.3. Expiration Dates of Letters of Credit

The expiration date of each Letter of Credit shall be no later than the earlier of (i) one (1) year from the date of issuance and (ii) the thirtieth (30th) day prior to the Maturity Date. Notwithstanding the foregoing, a Letter of Credit may provide for automatic extensions of its expiration date for one or more one (1) year periods, so long as the issuer thereof has the right to terminate the Letter of Credit at the end of each one (1) year period and no extension period extends past the thirtieth (30th) day prior to the Maturity Date.

3.4. Participations in Letters of Credit

Concurrently with the issuance of each Letter of Credit, the applicable L/C Issuer shall be deemed to have sold and transferred to each Lender with a Revolving Loan Commitment, and each such Lender shall be deemed irrevocably and unconditionally to have purchased and received from such L/C Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Pro Rata Share, in such Letter of Credit and Borrower's reimbursement obligations with respect thereto. If Borrower does not pay any reimbursement obligation when due, Borrower shall be deemed to have immediately requested that the Lenders make a Revolving Loan which is a Base Rate Loan in a principal amount equal to such reimbursement obligations in accordance with Section 3.1. The Administrative Agent shall promptly notify such Lenders of such deemed request and, without the necessity of compliance with the requirements of Section 2.2.2, Section 17.2 or otherwise such Lender shall make available to the Administrative Agent its Pro Rata Share of such Loan. The proceeds of such Loan shall be paid over by the Administrative Agent to the applicable L/C Issuer for the account of Borrower in satisfaction of such reimbursement obligations. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be the applicable L/C Issuer's "participation" therein. Each L/C Issuer hereby agrees to notify the Administrative Agent of the issuance of any Letter of Credit and, upon request of the Administrative Agent or any Lender, to deliver to the Administrative Agent or such Lender a list of all outstanding Letters of Credit issued by such L/C Issuer, together with such information related thereto as the Administrative Agent or such Lender may reasonably request.

SECTION 4 INTEREST, FEES AND CHARGES.

4.1. Interest Rate

Subject to the terms and conditions set forth below, the Loans shall bear interest at the per annum rate of interest set forth in subsection (a), (b) or (c) below:

(a) The Applicable Margin with respect to Base Rate Loans per annum plus the Base Rate in effect from time to time, payable on the first Business Day of each month in arrears for interest through the last day of the prior month. Said rate of interest shall increase or decrease by an amount equal to each increase or decrease in the Base Rate effective on the effective date of each such change in the Base Rate.

(b) The Applicable Margin with respect to LIBOR Loans plus the LIBO Rate for the applicable Interest Period, such rate to remain fixed for such Interest Period. Interest shall be payable on the last Business Day of such Interest Period and, with respect to two (2) and three (3) month Interest Periods, on the same date of each month as the initial date of the Interest Period during such Interest Period and on the last Business Day of such Interest Period.

(c) Upon the occurrence and during the continuance of an Event of Default, the Loans shall bear interest at the rate of two percent (2.0%) per annum plus the interest rate otherwise payable thereon (the “**Default Rate**”), which interest shall be payable on demand; provided, however, that, other than with respect to Events of Default arising under Sections 15.1, 15.7 or 15.8, Borrower shall not be required to pay interest at the Default Rate for any periods in excess of 90 days prior to the date on which Administrative Agent provided written notice to Borrower regarding the applicable Event of Default. All interest shall be computed for the actual number of days elapsed on the basis of a 360 day year.

(d) The applicable LIBO Rate for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by Administrative Agent promptly to Borrower. Each determination of the applicable LIBO Rate by Administrative Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. Administrative Agent shall, upon written request of Borrower, deliver to Borrower a statement showing the computations used by Administrative Agent in determining any applicable LIBO Rate hereunder.

4.2. Increased Costs; Special Provisions For LIBOR Loans.

4.2.1. Increased Costs.

(a) If, after the Closing Date, any Change in Law: (i) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of the LIBO Rate pursuant to Section 4.), special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in, by any Lender or L/C Issuer; (ii) subject any Recipient to any Taxes (other than Indemnified Taxes and Excluded Taxes) on its loan, loan principal, letters of credit, commitments, or other obligations, or its deposit reserves, other liabilities or capital attributable thereto; or (iii) shall impose on any Lender or L/C Issuer any other condition affecting this Agreement or its LIBOR Loans, its Note or its obligation to make LIBOR Loans; and the result of anything described in clauses (i), (ii) and (iii) above is to increase the cost to (or to impose a cost on) any Lender (or any LIBOR Office of such Lender) of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by any Lender (or its LIBOR Office) (whether of principal, interest or any other amount) under this Agreement or under its Note with respect thereto, then upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail), Borrower shall pay directly to such Lender such additional amount as will compensate such Lender for such increased cost or such reduction.

(b) If any Lender or L/C Issuer shall reasonably determine that any Change in Law regarding capital adequacy, affecting such Lender or L/C Issuer, or any lending office of such Lender, or such Lender's or L/C Issuer's holding company, if any, has or would have the effect of reducing the rate of return on such Lender's or L/C Issuer's holding company's capital as a consequence of such Lender's obligations hereunder or under any Letter of Credit to a level below that which such Lender or such controlling Person could have achieved but for such Change in Law (taking into consideration such Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by such Lender or such controlling Person to be material, then from time to time, upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail), Borrower shall pay to such Lender such additional amount as will compensate such Lender or such controlling Person for such reduction.

(c) Failure or delay on the part of any Lender or L/C Issuer to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or L/C Issuer's right to demand such compensation; provided that Borrower shall not be required to compensate a Lender or L/C Issuer pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or L/C Issuer, as the case may be, notifies Borrower of the Change in

Law giving rise to such increased costs or reductions, and of such Lender's or L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

4.2.2. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period:

(a) The Administrative Agent reasonably determines (which determination shall be binding and conclusive on Borrower) that by reason of circumstances affecting the interbank LIBOR market adequate and reasonable means do not exist for ascertaining the applicable LIBO Rate pursuant to the definition thereof; or

(b) the Required Lenders advise Administrative Agent that for any reason in connection with request for a LIBOR Loan or a conversion thereto or a continuation thereof that Dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable amount and Interest Period of such LIBOR Loans, the LIBO Rate as determined by Administrative Agent will not adequately and fairly reflect the cost to any Lenders of maintaining or funding LIBOR Loans for such Interest Period or that the making or funding of LIBOR Loans has become impracticable as a result of an event occurring after the date of this Agreement which in the opinion of such Lender materially affects such Loans;

then Administrative Agent shall promptly notify Borrower and, so long as such circumstances shall continue, (i) no Lender shall be under any obligation to make or convert any Base Rate Loans into LIBOR Loans and (ii) on the last day of the current Interest Period for each LIBOR Loan, such Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan until the Administrative Agent revokes such notice.

4.2.3. Changes in Law Rendering LIBOR Loans Unlawful. If any Change in Law, should make it (or in the good faith judgment of any Lender cause a substantial question as to whether it is) unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender to make, maintain or fund LIBOR Loans or to determine or charge interest rates based on LIBOR, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then such Lender shall promptly notify each of the other parties hereto and, so long as such circumstances shall continue, (a) such Lender shall have no obligation to make continue LIBOR Loans or or convert any Base Rate Loan into a LIBOR Loan (but shall make Base Rate Loans concurrently with the making of or conversion of Base Rate Loans into LIBOR Loans by such Lender which are not so affected, in each case in an amount equal to the amount of LIBOR Loans which would be made or converted into by such Lender at such time in the absence of such circumstances) and (b) on the last day of the current Interest Period for each LIBOR Loan of such Lender (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan. Each Base Rate Loan made by a Lender which, but for the circumstances described in the foregoing sentence, would be a LIBOR Loan (an "**Affected Loan**") shall remain outstanding for the period corresponding to the Group of LIBOR Loans of which such Affected Loan would be a part absent such circumstances.

4.2.4. Funding Losses. Each Borrower hereby agrees that upon demand by any Lender (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed, a copy of which shall be furnished to Administrative Agent) each Borrower will indemnify such Lender against any net loss or expense which such Lender may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any LIBOR Loan), as reasonably determined by such Lender, as a result of (a) any payment, prepayment or conversion of any LIBOR Loan of such Lender on a date other than the last day

of an Interest Period for such Loan (including any conversion pursuant to Section 2.2.3), or (b) any failure of such Borrower to borrow, prepay, convert or continue any Loan on a date specified therefor in a notice of borrowing, prepayment, conversion or continuation pursuant to this Agreement, (c) the conversion by such Borrower of any LIBOR Loan other than on the last day of the Interest Period applicable thereto, or (d) the assignment of any LIBOR Loan other than on the last day of the Interest Period as a result of a request by Borrower. For this purpose, all notices to Administrative Agent pursuant to this Agreement shall be deemed to be irrevocable and conclusive absent manifest error. Borrower shall pay such Lender the amount shown as due on any such notice within 10 days after receipt thereof.

4.2.5. Right of Lenders to Fund through Other Offices. Each Lender may, if it so elects, fulfill its commitment as to any LIBOR Loan by causing a foreign branch or Affiliate of such Lender to make such Loan; provided that in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Lender and the obligation of such Borrower to repay such Loan shall nevertheless be to such Lender and shall be deemed held by it, to the extent of such Loan, for the account of such branch or Affiliate.

4.2.6. Discretion of Lenders as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Lender had actually funded and maintained each LIBOR Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the LIBO Rate for such Interest Period.

4.2.7. Mitigation of Circumstances: Replacement of Lender.

(a) Each Lender shall promptly notify each Borrower and Administrative Agent of any event of which it has knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's sole judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by any Borrower to pay any amount pursuant to Sections 4.2.1 or 4.4 or (ii) the occurrence of any circumstances described in Sections 4.2.2 or 4.2.3 (and, if such Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify such Borrower and Administrative Agent). Without limiting the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to such Borrower of) any event described in clause (i) or (ii) above and such designation will not, in Lender's sole judgment, be otherwise disadvantageous to such Lender. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If (i) Borrower becomes obligated to pay additional amounts to any Lender pursuant to Sections 4.2.1 or 4.4, or any Lender gives notice of the occurrence of any circumstances described in Sections 4.2.2 or 4.2.3 and in each case, such Lender has declined or is unable to designate a different lending office in accordance with paragraph (a) of this Section, (ii) any Lender becomes a Defaulting Lender, or (iii) any Lender becomes a Non-Consenting Lender pursuant to Section 20.1, then Borrower may designate another lender which is acceptable to the Administrative Agent and the L/C Issuer in their reasonable discretion (such other lender being called a "**Replacement Lender**") to purchase the Loans of such Lender and such Lender's rights hereunder (other than its existing rights to payment pursuant to Section 4.2.1 or Section 4.4), and obligations under this Agreement and the related Loan Documents, without recourse to or warranty by, or expense to, such Lender, provided that: (i) the purchase price is equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement (including any amounts under Section 4.2.4), and to assume all the obligations of such Lender hereunder, and, upon such purchase and assumption (pursuant to an Assignment Agreement), such Lender shall no longer be a party hereto or have any rights

hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to Borrower hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder; (ii) in the case of any such purchase resulting from a claim for compensation under Section 4.2.1 or Section 4.4, such purchase will result in a reduction in such compensation or payments thereafter; (iii) such purchase does not conflict with applicable law; and (iv) in the case of any purchase resulting from a Lender becoming a Non-Consenting Lender, the Replacement Lender shall have consented to the applicable amendment, waiver, or consent.

A Lender shall not be required to make any such purchase or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling Borrower to require such purchase and delegation cease to apply.

Notwithstanding anything in this Section to the contrary, (i) any Lender that acts as an L/C Issuer may not be replaced hereunder at any time it has any Letter of Credit outstanding hereunder unless arrangements satisfactory to such Lender (including the furnishing of a back-up standby Letter of Credit in form and substance, and issued by an issuer, reasonably satisfactory to such L/C Issuer or the depositing of cash collateral into a cash collateral account in amounts and pursuant to arrangements reasonably satisfactory to L/C Issuer) have been made with respect to such outstanding Letter of Credit and (ii) the Lender that acts as the Administrative Agent may not be replaced hereunder except in accordance with the terms of Section 18.10.

4.2.8. Conclusiveness of Statements; Survival of Provisions. Determinations and statements of a Lender pursuant to Sections 4.2.1, 4.2.2, 4.2.3 or 4.2.4 shall be conclusive absent demonstrable error. Each Lender may use reasonable averaging and attribution methods in determining compensation under Sections 4.2.1 and 4.2.4, and the provisions of such Sections shall survive repayment of the Obligations, cancellation of any Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

4.3. Fees And Charges.

4.3.1. Unused Line Fee: Borrower shall pay to Administrative Agent, for the ratable benefit of Lenders having Revolving Loan Commitments, an unused line fee at a rate per annum of one-half of one percent (0.50%) of the difference between the Total Revolving Loan Commitment and the average daily balance of the Revolving Loans plus the Letter of Credit Obligations for each month, which fee shall be fully earned by such Lenders on the last day of each month and payable monthly in arrears on the first Business Day of each month with respect to all activity through the last day of the prior month. Said fee shall be calculated on the basis of a 360 day year.

4.3.2. Closing Fee. Borrower shall pay to Administrative Agent, for the ratable benefit of Lenders having Revolving Loan Commitments, a closing fee equal to \$175,000.00, which amount shall be fully earned and payable on the Closing Date.

4.3.3. Agent Fee Letter: Borrower shall pay to Administrative Agent the fees set forth in the Agent Fee Letter.

4.3.4. Costs and Expenses: Borrower shall reimburse Administrative Agent for all reasonable and customary costs and expenses, including, without limitation, Attorney Costs incurred by Administrative Agent in connection with the (i) documentation and consummation of the transactions contemplated by this Agreement including, without limitation, Uniform Commercial Code and other public record searches and filings, overnight courier or other express or messenger delivery, appraisal costs, surveys, title insurance and environmental audit or review costs; (ii) collection, protection or enforcement of any rights in or to the Collateral; (iii) collection of any Obligations; and (iv) administration and enforcement of any of Administrative Agent's and Lenders rights under this

Agreement or any other Loan Document (including, without limitation, any costs and expenses of any third party provider engaged by Administrative Agent for such purposes). Borrower shall also pay all normal service charges with respect to all accounts maintained by each Borrower with Administrative Agent and any additional services requested by any Borrower from Administrative Agent.

4.4. Taxes.

(a) To the extent permitted by applicable law, all payments hereunder or under the Loan Documents (including any payment of principal, interest, or fees) to, or for the benefit, of any person shall be made by the Loan Party free and clear of and without deduction or withholding for, or account of, any Taxes now or hereinafter imposed by any taxing authority.

(b) If a Loan Party shall be required by applicable law (as determined in the good faith discretion of an applicable Administrative Agent) to deduct any Taxes from or in respect of any sum payable to any Recipient hereunder or any other Loan Document: (i) such Loan Party shall make such deductions; (ii) such Loan Party shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law; and (iii) if the Taxes are Indemnified Taxes, the sum payable shall be increased by the Loan Party as much as shall be necessary so that after making all the required deductions (including deductions applicable to additional sums payable under this Section 4.4), the Recipient receives an amount equal to the sum it should have received had no such deductions been made. In addition, the Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes. As soon as practicable after any payment of Taxes by the Loan Parties to a Governmental Authority pursuant to this Section, Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(c) The Loan Parties shall jointly and severally indemnify, and within ten (10) days of demand therefor, pay Administrative Agent and each other Recipient for the full amount of Indemnified Taxes and other reasonable liabilities, expenses and costs related thereto (including without limitation, reasonable attorneys' or tax advisors' fees and disbursements and Indemnified Taxes imposed on amounts received under this Section 4.4) that are paid by, or imposed on, Administrative Agent or such other Recipient (and any of their respective affiliates), whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Loan Parties by a lender (with a copy to Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) (i) To the extent permitted by applicable law, each Lender that is not a United States person within the meaning of Code Section 7701(a)(30) (a "**Non-U.S. Participant**") shall deliver to Borrower and the Administrative Agent on or prior to the Closing Date (or in the case of a Lender that is an Assignee, on the date of such assignment to such Lender) two accurate and complete original signed copies of IRS Form W-8BEN, W-8BEN-E, W-8ECI, or W-8IMY (or any successor or other applicable form prescribed by the IRS) certifying to such Lender's entitlement to a complete exemption from, or a reduced rate in, United States federal withholding tax on interest payments to be made hereunder or any Loan. If a Lender that is a Non-U.S. Participant is claiming exemption from withholding on interest pursuant to Code Sections 871(h) or 881(c), such Lender shall deliver (along with two accurate and complete original signed copies of IRS Form W-8BEN or W-8BEN-E, as applicable) a certificate in form and substance reasonably acceptable to Administrative Agent (any such certificate, a "**U.S. Tax Compliance Certificate**"). In addition, each Lender that is a Non-U.S. Participant agrees that from time to time after the Closing Date, (or in the case of a Lender that is an Assignee, after the date of the assignment to such Lender), when a lapse in time (or change in circumstances occurs) renders the prior certificates hereunder obsolete or inaccurate in any material respect, such Lender shall, to the extent

permitted under applicable law, deliver to Borrower and the Administrative Agent two new and accurate and complete original signed copies of an IRS Form W 8BEN, W-8BEN-E, W-8ECI, or W-8IMY (or any successor or other applicable forms prescribed by the IRS), and if applicable, a new U.S. Tax Compliance Certificate, to confirm or establish the entitlement of such Lender or the Administrative Agent to an exemption from, or reduction in, United States withholding tax on interest payments to be made hereunder or any Loan, or promptly notify Borrower and the Administrative Agent in writing of its legal inability to do so.

(ii) Any Non-U.S. Participant shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the Closing Date (or in the case of a Lender that is an Assignee, on the date of such assignment to such Lender) (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent properly completed and duly executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in, U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made. If a payment made to a Lender under this Agreement, whether made by any Loan Party or Administrative Agent, would be subject to United States federal withholding taxes imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to Borrower and Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by Borrower or Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by Borrower or Administrative Agent as may be necessary for Borrower and Administrative Agent to comply with their applicable obligations under FATCA, to determine that such Lender has or has not complied with the such Recipient's obligations under FATCA, or to determine the amount to deduct and withhold from such payment. Each Lender that is not a Non-U.S. Participant shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to Borrower and the Administrative Agent certifying that such Lender is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this Section 4.4(d)(ii) is rendered obsolete or inaccurate in any material respect as result of change in circumstances with respect to the status of a Lender, such Lender shall, to the extent permitted by applicable law, deliver to Borrower and the Administrative Agent revised forms necessary to confirm or establish the entitlement to such Lender's or Administrative Agent's exemption from United States backup withholding tax or promptly notify Borrower and Administrative Agent in writing of its legal inability to do so.

(e) Each Lender agrees to severally indemnify the Administrative Agent and hold the Administrative Agent harmless for the full amount of any Taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this Section 4.4) which are imposed on or with respect to principal, interest or fees payable to such Lender hereunder and which are not paid by a Loan Party pursuant to this Section 4.4, whether or not such Taxes or related liabilities were correctly or legally asserted. This indemnification shall be made within 10 days from the date the Administrative Agent makes written demand therefor. A demand as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 4.4 (including by the payment of additional amounts pursuant to this Section 4.4), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 4.4 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes)

of such indemnified party and without interest (other than any interest paid by the Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party shall repay to such indemnified party the amount paid over pursuant to this paragraph (f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (f), all payments required by a Lender under this paragraph (f) shall be subject to such Lender's right of setoff under the Loan Documents, and in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to the such Tax had never been paid. This paragraph (f) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

4.5. Maximum Interest.

It is the intent of the parties that the rate of interest and other charges to Borrower under this Agreement and the other Loan Documents shall be lawful; therefore, if for any reason the interest or other charges payable under this Agreement are found by a court of competent jurisdiction, in a final determination, to exceed the limit which a Lender may lawfully charge Borrower, then the obligation to pay interest and other charges shall automatically be reduced to such limit and, if any amount in excess of such limit shall have been paid, then such amount shall be refunded to Borrower.

SECTION 5 COLLATERAL .

5.1. Grant of Security Interest to Administrative Agent.

As security for the payment of all Loans now or in the future made by Administrative Agent and Lenders to Borrower hereunder and for the payment, performance or other satisfaction of all other Obligations owing to Administrative Agent, Lenders and, to the extent constituting Obligations hereunder, any Affiliate of any Lender and all guaranties of the Obligations by the Loan Parties, each Loan Party hereby assigns to Administrative Agent, for the benefit of itself, the Lenders and their applicable Affiliates, and grants to Administrative Agent, for the benefit of itself, the Lenders and their applicable Affiliates, a continuing security interest in the following property of each such Loan Party, whether now or hereafter owned, existing, acquired or arising and wherever now or hereafter located: (a) all Accounts (whether or not Eligible Accounts) and all Goods whose sale, lease or other disposition by such Loan Party has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, such Loan Party; (b) all Chattel Paper, Instruments, Documents and General Intangibles (including, without limitation, all patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guarantee claims, contract rights, payment intangibles, security interests, security deposits and rights to indemnification); (c) all Inventory (whether or not Eligible Inventory); (d) all Goods (other than Inventory), including, without limitation, Equipment, vehicles and Fixtures; (e) all Investment Property; (f) all Deposit Accounts, bank accounts, deposits and cash; (g) all Letter-of-Credit Rights; (h) Commercial Tort Claims (i) all Supporting Obligations; (j) any other property of such Loan Party now or hereafter in the possession, custody or control of Administrative Agent or any Lender or any agent or any parent, affiliate or subsidiary of Administrative Agent or any Lender or any participant with Administrative Agent or any Lender in the Loans, for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise) and (k) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including, without limitation, proceeds of all insurance policies insuring the foregoing property, and all of such Loan Party's books and records relating to any of the foregoing and to such Loan Party's business. Notwithstanding the foregoing, the security interest created

by this Agreement shall not extend to, and the term "Collateral" shall not include, any Excluded Property. Notwithstanding the foregoing, Administrative Agent and Lenders hereby agree that Administrative Agent and Lenders are not seeking to perfect their security interest in any Borrower's motor vehicles and other assets subject to certificates of title (excluding, for the avoidance of doubt, any such assets constituting Inventory) ("**Titled Collateral**") by noting its lien on the title; provided, however, that: (x) Borrower shall promptly notify Lender in writing when the aggregate value of Borrower's Titled Collateral exceeds \$100,000; and (y) in such event, to the extent requested by Administrative Agent, Borrowers shall execute all such documents and instruments reasonably necessary to perfect Administrative Agent's and Lender's security interest in such Titled Collateral.

5.2. Other Security.

Administrative Agent, in its Permitted Discretion, without waiving or releasing (i) any obligation, liability or duty of any Loan Party under this Agreement or the other Loan Documents or (ii) any Event of Default, may at any time or times hereafter, but shall not be obligated to, pay, acquire or accept an assignment of any security interest, lien, encumbrance or claim asserted by any Person in, upon or against the Collateral, provided, that Administrative Agent may take such actions with respect to Permitted Liens only after the occurrence and during the continuance of an Event of Default. All sums paid by Administrative Agent in respect thereof and all costs, fees and expenses including, without limitation, Attorney Costs, all court costs and all other charges relating thereto incurred by Administrative Agent shall constitute Obligations, payable by Borrower to Administrative Agent on demand and, until paid, shall bear interest at the highest rate then applicable to Loans hereunder.

5.3. Possessory Collateral.

Promptly upon a Loan Party's receipt of any Investment Property consisting of certificated securities, such Loan Party shall deliver the original thereof to Administrative Agent together with an appropriate endorsement or other specific evidence of assignment thereof to Administrative Agent (in form and substance acceptable to Administrative Agent). If an endorsement or assignment of any such items shall not be made for any reason, Administrative Agent is hereby irrevocably authorized, as such Loan Party's attorney and agent-in-fact, to endorse or assign the same on such Loan Party's behalf.

5.4. Electronic Chattel Paper.

To the extent that a Loan Party obtains or maintains any Electronic Chattel Paper, such Loan Party shall create, store and assign the record or records comprising the Electronic Chattel Paper in such a manner that (i) a single authoritative copy of the record or records exists which is unique, identifiable and except as otherwise provided in clauses (iv), (v) and (vi) below, unalterable, (ii) the authoritative copy identifies Administrative Agent as the assignee of the record or records, (iii) the authoritative copy is communicated to and maintained by the Administrative Agent or its designated custodian, (iv) copies or revisions that add or change an identified assignee of the authoritative copy can only be made with the participation of Administrative Agent, (v) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy and (vi) any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

SECTION 6 PRESERVATION OF COLLATERAL AND PERFECTION OF SECURITY INTERESTS THEREIN.

Each Loan Party shall, at Administrative Agent's request, at any time and from time to time, authenticate, execute and deliver to Administrative Agent such financing statements, documents and other agreements and instruments (and pay the cost of filing or recording the same in all public offices deemed necessary or desirable by Administrative Agent) and do such other acts and things or cause third parties to do such other acts and things as Administrative Agent may deem necessary or desirable in its sole discretion in order to establish and maintain a valid, attached and perfected security interest in the

Collateral in favor of Administrative Agent (free and clear of all other liens, claims, encumbrances and rights of third parties whatsoever, whether voluntarily or involuntarily created, except Permitted Liens) to secure payment of the Obligations, and in order to facilitate the collection of the Collateral. Each Loan Party irrevocably hereby makes, constitutes and appoints Administrative Agent (and all Persons designated by Administrative Agent for that purpose) as such Loan Party's true and lawful attorney and agent-in-fact to execute and file such financing statements, documents and other agreements and instruments and do such other acts and things as may be necessary to preserve and perfect Administrative Agent's security interest in the Collateral. Each Loan Party further ratifies and confirms the prior filing by Administrative Agent of any and all financing statements which identify the such Loan Party as debtor, Administrative Agent as secured party and any or all Collateral as collateral.

SECTION 7 POSSESSION OF COLLATERAL AND RELATED MATTERS.

Until otherwise notified by Administrative Agent following the occurrence of an Event of Default, each Loan Party shall have the right, except as otherwise provided in this Agreement, in the ordinary course of such Loan Party's business, to (a) sell, lease or furnish under contracts of service any of such Loan Party's Inventory normally held by such Loan Party for any such purpose; (b) use and consume any raw materials, work in process or other materials normally held by such Loan Party for such purpose; and (c) dispose of obsolete or unuseful Equipment so long as all of the net cash proceeds of any disposition under this clause (c) in excess of \$500,000 per annum in the aggregate and not reinvested in the business of Parent or its domestic Subsidiaries within 180 days thereafter are paid to Administrative Agent for application to the Obligations (except for such proceeds which are required to be delivered to the holder of a Permitted Lien which is prior in right of payment); provided, however, that a sale in the ordinary course of business shall not include any transfer or sale in satisfaction, partial or complete, of a debt owed by such Loan Party.

SECTION 8 COLLECTIONS.

8.1. Lockbox and Lockbox Account.

Each Borrower shall direct all of its Account Debtors to make all payments on the Accounts directly to a mailing address designated by, and under the exclusive control of Administrative Agent, at a financial institution reasonably acceptable to Administrative Agent (the "Lockbox"); provided, that with the consent of Administrative Agent, Borrower may collect payments and remotely scan such checks to Administrative Agent in a manner satisfactory to Administrative Agent ("Remote Scanning") on a daily basis as such checks are received. Each Borrower shall establish an account (the "Lockbox Account") in such Borrower's name, for the benefit of Administrative Agent, with a financial institution acceptable to Administrative Agent, into which all payments received in the Lockbox shall be deposited, and into which such Borrower will immediately deposit all payments received by such Borrower on Accounts in the identical form in which such payments were received, whether by cash or check. If any Borrower, any Affiliate or Subsidiary, any shareholder, officer, director, employee or agent of such Borrower or any Affiliate or Subsidiary, or any other Person acting for or in concert with such Borrower shall receive any monies, checks, notes, drafts or other payments relating to or as Proceeds of Accounts or other Collateral, such Borrower and each such Person shall receive all such items in trust for, and as the sole and exclusive property of, Administrative Agent and, immediately upon receipt thereof, shall remit the same (or cause the same to be remitted) in kind to the Lockbox Account in a manner satisfactory to Administrative Agent including by Remote Scanning. The financial institution with which the Lockbox Account is established shall acknowledge and agree, in a manner satisfactory to Administrative Agent, that the checks, instruments, and other property in such Lockbox and Lockbox Account are the sole and exclusive property of Administrative Agent, that such financial institution will follow the instructions of Administrative Agent with respect to disposition of funds in the Lockbox and Lockbox Account without further consent from any Borrower, the financial institution will not accept instructions of any Borrower with respect to the Lockbox Account, that such financial institution has no right to setoff against the Lockbox or Lockbox Account or against any other account maintained by such financial institution into

which the contents of the Lockbox or Lockbox Account are transferred, and that such financial institution shall wire, or otherwise transfer in immediately available funds to Administrative Agent in a manner satisfactory to Administrative Agent, funds deposited in the Lockbox Account on a daily basis as such funds are collected; provided that if the Lockbox Account is at Administrative Agent, the daily ledger balance of such accounts as of the beginning of each Business Day shall be transferred to Administrative Agent each Business Day for application in accordance with Section 8.3. Each Borrower agrees that all payments made to such Lockbox Account or otherwise received by Administrative Agent, whether in respect of the Accounts or as Proceeds of other Collateral or otherwise (except for proceeds of Collateral which are required to be delivered to the holder of a Permitted Lien which is prior in right of payment), will be applied on account of the Obligations in accordance with the terms of this Agreement. Each Borrower agrees to pay all customary fees, costs and expenses in connection with opening and maintaining the Lockbox and Lockbox Account. All of such fees, costs and expenses if not paid by Borrower, may be paid by Administrative Agent (if at a financial institution other than Administrative Agent) or otherwise charged to Borrower and in such event all amounts paid by Administrative Agent or charged by Administrative Agent shall constitute Obligations hereunder, shall be payable to Administrative Agent by Borrower upon demand, and, until paid, shall bear interest at the highest rate then applicable to Loans hereunder. All checks, drafts, instruments and other items of payment or Proceeds of Collateral shall be endorsed by Borrower to Administrative Agent, and, if that endorsement of any such item shall not be made for any reason, Administrative Agent is hereby irrevocably authorized to endorse the same on Borrower's behalf. For the purpose of this section, each Borrower irrevocably hereby makes, constitutes and appoints Administrative Agent (and all Persons designated by Administrative Agent for that purpose) as such Borrower's true and lawful attorney and agent-in-fact (i) to endorse such Borrower's name upon said items of payment and/or Proceeds of Collateral and upon any Chattel Paper, Document, Instrument, invoice or similar document or agreement relating to any Account of any Borrower or Goods pertaining thereto; (ii) to take control in any manner of any item of payment or Proceeds thereof and (iii) to have access to any lockbox or postal box into which any payments on Accounts of Borrower are deposited, and open and process all mail addressed to Borrower and deposited therein.

8.2. Administrative Agent's Rights.

Administrative Agent may, at any time and from time to time after the occurrence and during the continuance of an Event of Default, whether before or after notification to any Account Debtor and whether before or after the maturity of any of the Obligations, (i) enforce collection of any of any Loan Party's Accounts or other amounts owed to a Loan Party by suit or otherwise; (ii) exercise all of any Loan Party's rights and remedies with respect to proceedings brought to collect any Accounts or other amounts owed to a Loan Party; (iii) surrender, release or exchange all or any part of any Accounts or other amounts owed to a Loan Party, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder; (iv) sell or assign any Account of a Loan Party or other amount owed to a Loan Party upon such terms, for such amount and at such time or times as Administrative Agent deems advisable; (v) prepare, file and sign the applicable Loan Party's name on any proof of claim in bankruptcy or other similar document against any Account Debtor or other Person obligated to such Loan Party; and (vi) do all other acts and things which are necessary, in Administrative Agent's Permitted Discretion, to fulfill each Loan Party's obligations under this Agreement and the other Loan Documents and to allow Administrative Agent to collect the Accounts or other amounts owed to a Loan Party. In addition to any other provision hereof, Administrative Agent may at any time, after the occurrence and during the continuance of an Event of Default, at Borrower's expense, notify any parties obligated on any of the Accounts to make payment directly to Administrative Agent of any amounts due or to become due thereunder.

8.3. Application of Proceeds.

For purposes of calculating interest and fees, Administrative Agent shall, within one (1) Business Day after application of the opening daily ledger balance to the Obligations as set forth in the

immediately following sentence, apply the whole or any part of such collections or Proceeds against the Obligations in such order as Administrative Agent shall determine in its Permitted Discretion and in the absence of any determination, in accordance with the order set forth in Section 16.2; provided that so long as no Event of Default shall then exist, Administrative Agent will not apply any such collections or Proceeds against LIBOR Loans except at the end of an Interest Period. For purposes of determining the amount of Loans available for borrowing purposes, Administrative Agent shall apply the opening daily ledger balance in the Lockbox Account as of the beginning of each Business Day in whole or in part against the Obligations, in such order as Administrative Agent shall determine in its Permitted Discretion (and in the absence of any such determination, in the order set forth in Section 16.2), subject to actual collection.

8.4. Account Statements.

On a monthly basis, Administrative Agent shall deliver to Borrower an account statement showing all Loans, charges and payments, which, absent manifest error, shall be deemed final, binding and conclusive upon Borrower unless Borrower notifies Administrative Agent in writing, specifying any error therein, within thirty (30) days of the date such account statement is sent to Borrower and any such notice shall only constitute an objection to the items specifically identified.

SECTION 9 COLLATERAL, AVAILABILITY AND FINANCIAL REPORTS AND SCHEDULES.

9.1. Loan Reports.

Borrower shall deliver to Administrative Agent and each Lender an executed loan report and certificate in Administrative Agent's then current form (i) if Revolving Loan Availability is equal to or less than \$15,000,000, at least once each week, and (ii) if Revolving Loan Availability is greater than \$15,000,000, at least once each month by the 5th Business Day of such month, in each case which shall be accompanied by copies of each Borrower's sales journal, cash receipts journal and credit memo journal for the relevant period. Such report shall reflect the activity of Borrower with respect to Accounts for the immediately preceding week, and shall be in a form and with such specificity as is satisfactory to Administrative Agent and shall contain such additional information concerning Accounts and Inventory as may be requested by Administrative Agent including, without limitation, but only if specifically requested by Administrative Agent, copies of all invoices prepared in connection with such Accounts.

9.2. Monthly Reports.

Borrower shall deliver to Administrative Agent and each Lender, in addition to any other reports, as soon as practicable and in any event: (i) within twenty (20) days after the end of each month, (A) a detailed trial balance of Borrower's Accounts aged per invoice date, in form and substance reasonably satisfactory to Administrative Agent including, without limitation, the names and addresses of all Account Debtors of Borrower, and (B) a summary and detail of accounts payable (such Accounts and accounts payable divided into such time intervals as Administrative Agent may require in its sole discretion), including a listing of any held checks; and (ii) within twenty (20) days after the end of each month, the general ledger inventory account balance, a perpetual inventory report and Administrative Agent's standard form of Inventory report then in effect or the form most recently requested from Borrower by Administrative Agent, for Borrower by each category of Inventory, together with a description of the monthly change in each category of Inventory.

9.3. Financial Statements.

Borrower shall deliver to Administrative Agent and each Lender the following financial information, all of which shall be prepared in accordance with GAAP consistently applied, and shall be accompanied by a compliance certificate in the form of Exhibit A hereto, which compliance certificate

shall include a calculation of all financial covenants contained in this Agreement: (i) no later than thirty (30) days after each calendar month, copies of internally prepared financial statements, including, without limitation, balance sheets and statements of income of Borrower, and, if such month-end is also the end of a calendar quarter, such financial statements shall also include retained earnings and cash flow of Borrower, in each case certified by the Chief Financial Officer of Borrower; and (ii) no later than one hundred twenty (120) days after the end of each of Borrower's Fiscal Years, audited annual financial statements with an opinion by independent certified public accountants selected by Borrower and reasonably satisfactory to Administrative Agent prepared in accordance with generally accepted auditing standards that is not subject to any "going concern" or similar qualification or exception or any qualification as to the scope of such audit or with respect to accounting principles followed by Parent or any of its Subsidiaries not in accordance with GAAP, which financial statements shall be accompanied by copies of any management letters sent to the Borrower by such accountants.

9.4. Annual Projections.

As soon as practicable and in any event 30 days after the beginning of each Fiscal Year, Borrower shall deliver to Administrative Agent and each Lender projected balance sheets, statements of income and cash flow for Borrower, for each of the twelve (12) months during such Fiscal Year, which shall include the assumptions used therein, together with appropriate supporting details as reasonably requested by Administrative Agent.

9.5. Explanation of Budgets and Projections.

In conjunction with the delivery of the annual presentation of projections or budgets referred to in Section 9.4 above, Responsible Officers of Borrower shall be reasonably available to discuss with Administrative Agent, all changes and developments between the anticipated financial results included in such projections or budgets and the historical financial statements of Borrower.

9.6. Public Reporting.

Promptly upon the filing thereof, Borrower shall deliver to Administrative Agent and each Lender copies of all registration statements and annual, quarterly, monthly or other regular reports which Borrower or any of its Subsidiaries files with the Securities and Exchange Commission (the "SEC"), as well as promptly providing to Administrative Agent and each Lender copies of any reports and proxy statements delivered to its shareholders.

Documents required to be delivered pursuant to Section 9.3, 9.6 or 9.7 (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which Parent posts such documents, or provides a link thereto on Parent's website; provided that Parent shall notify Administrative Agent and each Lender (by facsimile or electronic mail) of the posting of any such documents.

9.7. Other Information.

Promptly following request therefor by Administrative Agent, such other business or financial data, reports, appraisals and projections with respect to each Loan Party as Administrative Agent may reasonably request.

SECTION 10 TERMINATION

Each Lender's obligations under this Agreement shall be in effect from the Closing Date until the Maturity Date or such earlier date that the Obligations are accelerated pursuant to Section 16. Upon the Maturity Date or the earlier acceleration of the Obligations as set forth above, neither Administrative

Agent nor any Lender shall be obligated to make any additional Loans on or after the date identified as the date on which the Obligations are to be repaid; and (ii) this Agreement shall terminate on the date thereafter that the Obligations are paid in full (except for such provisions that by their terms survive the termination of this Agreement), all Letters of Credit are returned to the L/C Issuer for cancellation or Cash Collateralized in a manner satisfactory to Administrative Agent and the L/C Issuer. Prior to such time as Borrower repays all of the Obligations and returns all Letters of Credit to L/C Issuer for cancellation or such Letters of Credit are Cash Collateralized in a manner satisfactory to Administrative Agent and the L/C Issuer and this Agreement is to be terminated, if Borrower is obtaining new financing from another lender, Borrower shall deliver such lender's indemnification of Administrative Agent and Lenders, in form and substance satisfactory to Administrative Agent, for checks or other amounts which Administrative Agent has credited to Borrower's account, but which subsequently are dishonored, returned or reversed for any reason or for automatic clearinghouse or wire transfers not yet posted to Borrower's account.

SECTION 11 REPRESENTATIONS AND WARRANTIES.

Each Loan Party hereby represents and warrants the following to Administrative Agent and Lenders, which representations and warranties shall be true at the time of each Loan Party's execution hereof and the closing of the transactions described herein or related hereto, and shall be remade by each Loan Party at the time each Loan is made pursuant to this Agreement, provided, that representations and warranties made as of a particular date shall be true and correct as of such date.

11.1. Financial Statements and Other Information

The financial statements delivered or to be delivered by each Loan Party to Administrative Agent or any Lender at or prior to the date of this Agreement fairly present in all material respects the financial condition of such Loan Party, and there has been no material adverse change in the financial condition, the operations or any other status of such Loan Party since the date of the financial statements delivered to Administrative Agent or any Lender most recently prior to the date of this Agreement. All written information now or heretofore furnished by each Loan Party to Administrative Agent or any Lender in connection with the transactions contemplated by this Agreement is true and correct as of the date with respect to which such information was furnished.

11.2. Locations

The office where each Loan Party keeps its books, records and accounts (or copies thereof) concerning the Collateral, each Loan Party's principal place of business and all of each Loan Party's other places of business, locations of Collateral and post office boxes and locations of bank accounts are as set forth in Schedule 11.2 and at other locations within the continental United States of which Administrative Agent has been advised by Borrower in accordance with Section 12.2.1. The Collateral, including, without limitation, the Equipment (except any part thereof which Borrower shall have advised Administrative Agent in writing consists of Collateral normally used in more than one state) is kept, or, in the case of vehicles, based, only at the addresses set forth on Schedule 11.2, and at other locations within the continental United States of which Administrative Agent has been advised by Borrower in writing in accordance with Section 12.2.1.

11.3. Loans by Loan Parties

No Loan Party has not made any loans or advances to any Affiliate or other Person except for advances authorized hereunder to employees, officers and directors of each Loan Party for travel and other expenses arising in the ordinary course of such Loan Party's business.

11.4. Accounts and Inventory

Each Account or item of Inventory which Borrower shall, expressly or by implication, request Administrative Agent to classify as an Eligible Account or as Eligible Inventory, respectively, shall, as of the time when such request is made, conform in all respects to the requirements of such classification as set forth in the respective definitions of Eligible Account and Eligible Inventory as set forth herein.

11.5. Liens.

Each Loan Party is the lawful owner of all Collateral now purportedly owned or hereafter purportedly acquired by such Loan Party, free from all liens, claims, security interests and encumbrances whatsoever, whether voluntarily or involuntarily created and whether or not perfected, other than the Permitted Liens.

11.6. Organization, Authority and No Conflict.

Each Loan Party is an entity of the type set forth on Schedule 11.6, duly organized, validly existing and in good standing in its state of incorporation or organization set forth on Schedule 11.6, its state organizational identification number is set forth on Schedule 11.6, and is duly qualified and in good standing in all states where the nature and extent of the business transacted by it or the ownership of its assets makes such qualification necessary or, if such Loan Party is not so qualified, such Loan Party may cure any such failure without losing any of its rights, incurring any liens or material penalties, or otherwise affecting Administrative Agent's or any Lender's rights. Each Loan Party has the right and power and is duly authorized and empowered to enter into, execute and deliver this Agreement and the other Loan Documents to which it is a party and perform its obligations hereunder and thereunder. Each Loan Party's execution, delivery and performance of this Agreement and the other Loan Documents does not conflict with the provisions of the organizational documents of such Loan Party, any statute, regulation, ordinance or rule of law, or any agreement, contract or other document which may now or hereafter be binding on such Loan Party, except for conflicts with agreements, contracts or other documents which would not reasonably be expected to have a Material Adverse Effect, and such Loan Party's execution, delivery and performance of this Agreement and the other Loan Documents shall not result in the imposition of any lien or other encumbrance upon any of such Loan Party's property (other than Permitted Liens) under any existing indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument by which such Loan Party or any of its property may be bound or affected.

11.7. Litigation.

Except as disclosed on Schedule 11.7 hereto, there are no actions or proceedings which are pending or, to the best of any Responsible Officer's knowledge, threatened against any Loan Party which is reasonably likely to have a Material Adverse Effect on such Loan Party, and each Loan Party shall, promptly upon becoming aware of any such pending or threatened action or proceeding, give written notice thereof to Administrative Agent. No Loan Party has any Commercial Tort Claims pending.

11.8. Compliance with Laws and Maintenance of Permits; Taxes.

(i) Each Loan Party has obtained all governmental consents, franchises, certificates, licenses, authorizations, approvals and permits, the lack of which would reasonably be expected to have a Material Adverse Effect. Each Loan Party is in compliance in all material respects with all applicable federal, state, local and foreign statutes, orders, regulations, rules and ordinances (including, without limitation, Environmental Laws) the failure to comply with which would reasonably be expected to have a Material Adverse Effect.

(ii) Each Loan Party has timely filed all Tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges due and payable with respect to such return or otherwise owing by a Loan Party, except any such Taxes which are being diligently

contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books and such proceedings stay the enforcement and collection upon any Lien for such Taxes. The Loan Parties have made adequate reserves on their books and records in accordance with GAAP for all Taxes that have accrued but which are not yet due and payable. No Loan Party has participated in any transaction that relates to a year of the taxpayer (which is still open under the applicable statute of limitations) which is a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2) (irrespective of the date when the transaction was entered into).

11.9. Affiliate Transactions.

Except as set forth on Schedule 11.9 hereto or as permitted pursuant to Section 11.3 hereof, no Loan Party is conducting, permitting or suffering to be conducted, transactions with any Affiliate other than transactions with Affiliates for the purchase or sale of Inventory or services in the ordinary course of business pursuant to terms that are no less favorable to such Loan Party than the terms upon which such transactions would have been made had they been made to or with a Person that is not an Affiliate.

11.10. Names and Trade Names.

Each Loan Party's name has for the past five (5) years always been as set forth on the first page of this Agreement and no Loan Party uses any trade names, assumed names, fictitious names or division names in the operation of its business, except as set forth on Schedule 11.10 hereto.

11.11. Equipment.

Except for Permitted Liens, each Loan Party has good and indefeasible and merchantable title to and ownership of all Equipment it purports to own. No Equipment is a Fixture to real estate unless such real estate is owned by the applicable Loan Party and is subject to a mortgage in favor of Administrative Agent, or if such real estate is leased, is subject to a landlord's agreement in favor of Administrative Agent on terms acceptable to Administrative Agent, or an accession to other personal property unless such personal property is subject to a first priority lien in favor of Administrative Agent.

11.12. Enforceability.

This Agreement and the other Loan Documents to which a Loan Party is a party are the legal, valid and binding obligations of such Loan Party and are enforceable against such Loan Party in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

11.13. Solvency.

The Loan Parties, taken as a whole, after giving effect to the transactions contemplated hereby, are solvent, able to pay their debts as they become due, have capital sufficient to carry on their business, now own property having a value both at fair valuation and at present fair saleable value greater than the amount required to pay their debts, and will not be rendered insolvent by the execution and delivery of this Agreement or any of the other Loan Documents or by completion of the transactions contemplated hereunder or thereunder.

11.14. Debt.

Other than indebtedness not prohibited by this Agreement, no Loan Party is obligated (directly or indirectly), for any Debt for borrowed money other than the Obligations.

11.15. Margin Security and Use of Proceeds.

No Loan Party owns any margin securities, and none of the proceeds of the Loans hereunder shall be used for the purpose of purchasing or carrying any margin securities or reducing or retiring any Debt which was originally incurred to purchase any margin securities in violation of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose not permitted by Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

11.16. Parent, Subsidiaries and Affiliates.

Except as set forth on Schedule 11.16 hereto, no Loan Party has any Borrower Parents, Subsidiaries or other Affiliates or divisions, nor is any Loan Party engaged in any joint venture or partnership with any other Person.

11.17. No Defaults.

No Loan Party is in default under any material contract, lease or commitment to which it is a party or by which it is bound, nor does any Loan Party know of any dispute regarding any contract, lease or commitment which, in any case, would reasonably be expected to have a Material Adverse Effect.

11.18. Employee Matters.

There are no controversies pending or threatened between any Loan Party and any of its employees, agents or independent contractors other than employee grievances arising in the ordinary course of business which would not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and each Loan Party is in compliance with all federal and state laws respecting employment and employment terms, conditions and practices except for such non-compliance which would not reasonably be expected to have a Material Adverse Effect.

11.19. Intellectual Property.

Each Loan Party possesses adequate licenses, patents, patent applications, copyrights, service marks, trademarks, trademark applications, tradestyles and trade names to continue to conduct its business as heretofore conducted by it except to the extent that the failure to possess such items would not reasonably be expected to have a Material Adverse Effect.

11.20. Environmental Matters.

No Loan Party has generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates in any material respect any Environmental Law or any license, permit, certificate, approval or similar authorization thereunder and the operations of each Loan Party comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder, except to the extent any such violation, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. There has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any governmental authority or any other Person, nor is any pending or to the best of any Responsible Officer's knowledge threatened with respect to any non-compliance with or violation of the requirements of any Environmental Law by any Loan Party or the release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which affects such Loan Party or its business, operations or assets or any properties at which such Loan

Party has transported, stored or disposed of any Hazardous Materials that would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. No Loan Party has material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials which liability would reasonably be expected to have a Material Adverse Effect.

11.21. ERISA Matters.

(a) (i) Each Plan complies with, and has been operated in accordance with, all applicable laws, including ERISA and the Code, and the terms of such Plan; (ii) any Plan intended by a Loan Party to be qualified under Section 401 of the Code is so qualified and (iii) no Loan Party has any liability for any damages, fines, penalties, excise taxes or other similar amounts with respect to any Plan.

(b) The Unfunded Liability of all Plans does not in the aggregate exceed twenty percent (20%) of the Total Plan Liability for all such Plans. Each Plan and any other employee benefit plan within the meaning of Section 3(3) of ERISA for which a Loan Party may have liability to contribute complies in all material respects with all applicable requirements of law and regulations. No contribution failure under Section 412 of the Code, Section 302 of ERISA or the terms of any Plan has occurred with respect to any Plan, sufficient to give rise to a Lien under Section 303(k) of ERISA or Section 430(k) of the Code, or otherwise to have a Material Adverse Effect. There are no pending or, to the knowledge of any Loan Party, threatened, claims, actions, investigations or lawsuits against any Plan, any fiduciary of any Plan, or any Loan Party or other any member of the Controlled Group with respect to a Plan which could reasonably be expected to have a Material Adverse Effect. Neither any Loan Party nor any other member of the Controlled Group has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan which would subject that Person to any material liability. Within the past five years, neither any Loan Party nor any other member of the Controlled Group has engaged in a transaction which resulted in a Plan with an Unfunded Liability being transferred out of the Controlled Group, which could reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan, which could reasonably be expected to have a Material Adverse Effect. Each "employee" pension benefit plan within the meaning of Section 3(2) of a Loan Party that is intended to be qualified under Section 401(a) of the Code has secured a determination letter or opinion letter from the IRS to that effect, and such determination letter or opinion letter is in effect. No Loan Party has not incurred any material excise taxes under Chapter 43 of the Code with respect to any employee benefit plan within the meaning of Section 3(3) of ERISA.

(c) All contributions (if any) have been made to any "multiemployer plan" (as such term is defined in Section 4001(3) of ERISA (a "**Multiemployer Plan**")) that are required to be made by a Loan Party or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable law; no Loan Party nor any other member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Plan, incurred any withdrawal liability with respect to any such plan or received notice of any claim or demand for withdrawal liability or partial withdrawal liability from any such plan, and no condition has occurred which, if continued, could result in a withdrawal or partial withdrawal from any such plan; and no Loan Party nor any other member of the Controlled Group has received any notice that any Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent.

11.22. Investment Company Act.

No Loan Party is an "investment company" or a company "controlled" by an "investment company" or a "subsidiary" of an "investment company" within the meaning of the Investment Company Act of 1940.

11.23. Anti-Terrorism Laws.

(a) No Loan Party (and, to the knowledge of each Loan Party, no joint venture or subsidiary thereof) is in violation in any material respects of any United States Requirements of Law relating to terrorism, sanctions or money laundering (the "**Anti-Terrorism Laws**"), including the United States Executive Order No. 13224 on Terrorist Financing (the "**Anti-Terrorism Order**") and the USA Patriot Act.

(b) No Loan Party (and, to the knowledge of each Loan Party, no joint venture or Subsidiary thereof) (i) is listed in the annex to, or is otherwise subject to the provisions of, the Anti-Terrorism Order, (ii) is owned or controlled by, or acting for or on behalf of, any person listed in the annex to, or is otherwise subject to the provisions of, the Anti-Terrorism Order, (iii) commits, threatens or conspires to commit or supports "terrorism" as defined in the Anti-Terrorism Order or (iv) is named as a "specially designated national and blocked person" in the most current list published by OFAC.

(c) No Loan Party (and, to the knowledge of each Loan Party, no joint venture or Affiliate thereof) (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in clauses (b)(i) through (b)(iv) above, (ii) deals in, or otherwise engages in any transactions relating to, any property or interests in property blocked pursuant to the Anti-Terrorism Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

11.24. Reserved.

11.25. USA Patriot Act; Sanctions; Anti-Corruption.

11.25.1. USA Patriot Act. To the extent applicable, each of Borrower and its Subsidiaries is in compliance in all material respects with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), and any other enabling legislation or executive order relating thereto, and (ii) the Patriot Act.

11.25.2. Sanctioned Persons. None of Borrower, any of its Subsidiaries, or to the knowledge of Borrower, any director, officer, employee, agent, or affiliate of Borrower or any of its Subsidiaries is an individual or entity ("Person") that is, or is owned or controlled by Persons that are: (i) the subject/target of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (including, without limitation, currently, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

11.25.3. Dealings with Sanctioned Persons. For the past five years, neither Borrower nor any of its Subsidiaries has knowingly engaged in, or is now knowingly engaged in any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was, or whose government is or was, the subject of Sanctions.

11.25.4. Anti-Corruption Laws. Borrower, its Subsidiaries and their respective directors, officers and employees and, to the knowledge of Borrower, the agents of Borrower and its Subsidiaries,

are in compliance with the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA") and any other applicable anti-corruption law in all material respects.

SECTION 12 AFFIRMATIVE COVENANTS.

Until payment and satisfaction in full of all Obligations and termination of this Agreement, unless Borrower obtains Required Lenders' prior written consent waiving or modifying any of any Loan Party's covenants hereunder in any specific instance, each Loan Party covenants and agrees as follows:

12.1. Maintenance of Records.

Each Loan Party shall at all times keep accurate and complete books, records and accounts with respect to all of such Loan Party's business activities, in accordance with sound accounting practices and GAAP consistently applied, and shall keep such books, records and accounts, and any copies thereof, only at the addresses indicated for such purpose on Schedule 11.2.

12.2. Notices.

Each Loan Party shall:

12.2.1. Locations. Promptly (but in no event less than ten (10) days prior to the occurrence thereof) notify Administrative Agent of the proposed opening of any new place of business or new location of Collateral, the closing of any existing place of business or location of Collateral, any change of the location of any Loan Party's books, records and accounts (or copies thereof), the opening or closing of any post office box, the opening or closing of any bank account or, if any of the Collateral consists of Goods of a type normally used in more than one state, the use of any such Goods in any state other than a state in which Borrower or such Loan Party has previously advised Administrative Agent that such Goods will be used.

12.2.2. Eligible Accounts and Inventory. Promptly upon becoming aware thereof, notify Administrative Agent if any Account or Inventory identified by Borrower to Administrative Agent as an Eligible Account or Eligible Inventory becomes ineligible for any reason.

12.2.3. Litigation and Proceedings. Promptly upon becoming aware thereof, notify Administrative Agent of any actions or proceedings which are pending or threatened against a Loan Party which would, if adversely determined, be reasonably expected to have a Material Adverse Effect and of any Commercial Tort Claims of Borrower which may arise.

12.2.4. Names and Trade Names. Notify Administrative Agent within ten (10) days of the change of its name or the use of any trade name, assumed name, fictitious name or division name not previously disclosed to Administrative Agent in writing.

12.2.5. ERISA Matters. Promptly notify Administrative Agent of (i) the occurrence of any Reportable Event which would not reasonably be expected to result in the termination by the Pension Benefit Guaranty Corporation (the "**PBGC**") of any employee benefit plan subject to Title IV of ERISA ("**Plan**") covering any officers or employees of a Loan Party, any benefits of which are, or are required to be, guaranteed by the PBGC, (ii) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its intention to terminate or withdraw from any Plan, (iv) the receipt of any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of an excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent, or (v) the receipt of any notice from a Governmental Authority that any Plan intended to be qualified under Section 401 of

the Code is not so qualified or that damages, fines, excise taxes, or penalties may be imposed on any Loan Party with respect to a Plan.

12.2.6. Environmental Matters. Immediately notify Administrative Agent upon becoming aware of any investigation, proceeding, complaint, order, directive, claim, citation or notice with respect to any non-compliance with or violation of the requirements of any Environmental Law by any Loan Party or the generation, use, storage, treatment, transportation, manufacture handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter which affects any Loan Party or its business operations or assets or any properties at which any Loan Party has transported, stored or disposed of any Hazardous Materials unless the foregoing would not reasonably be expected to have a Material Adverse Effect.

12.2.7. Default; Material Adverse Change. Promptly advise Administrative Agent of the occurrence of any event having or causing a Material Adverse Effect, the occurrence of any insured or uninsured loss in excess of \$5,000,000, the occurrence of any Default or Event of Default hereunder.

12.2.8. Ownership Threshold. Promptly notify Lender upon determining the identity of any shareholder of Parent who owns 10% or more of the outstanding equity interests in Parent

All of the foregoing notices shall be provided by Borrower to Administrative Agent in writing.

12.3. Compliance with Laws and Maintenance of Permits.

Each Loan Party shall maintain all governmental consents, franchises, certificates, licenses, authorizations, approvals and permits, the lack of which would have a Material Adverse Effect and each Loan Party shall remain in compliance with all applicable federal, state, local and foreign statutes, orders, regulations, rules and ordinances (including, without limitation, Environmental Laws and statutes, orders, regulations, rules and ordinances relating to taxes, employer and employee contributions and similar items, securities, ERISA or employee health and safety) the failure with which to comply would have a Material Adverse Effect. In the event that any Loan Party or any of such Loan Party's respective officers or directors receives written notice from any local, state or federal governmental authority that there is non-compliance, or any condition which requires any action by or on behalf of such Loan Party in order to avoid non-compliance, with any Environmental Law, then (a) such Loan Party shall provide written notice to Administrative Agent regarding any such non-compliance or condition, with such reasonable details as Administrative Agent may reasonably request; (b) such Loan Party shall have a period of 60 days from the date of such notice, or such longer period as may be required, so long as such Loan Party promptly commences and diligently pursues such remediation, to remedy any such non-compliance or condition; and (c) to the extent such non-compliance or condition is not remedied within such 60-day period, or if remediation requires a longer period time and such Loan Party is not diligently pursuing such remediation, then, at Borrower's expense, Administrative Agent may cause an independent environmental engineer acceptable to Administrative Agent to conduct such tests of the relevant site(s) as are appropriate and prepare and deliver a report setting forth the results of such tests, a proposed plan for remediation and an estimate of the costs thereof

12.4. Inspection, Audits and Appraisals.

Each Loan Party shall permit Administrative Agent, or any Persons designated by it, to call at such Loan Party's places of business at any reasonable times, and, without hindrance or delay, to inspect the Collateral and to inspect, audit, check and make extracts from such Loan Party's books, records, journals, orders, receipts and any correspondence and other data relating to such Loan Party's business, the Collateral or any transactions between the parties hereto, and shall have the right to make such verification concerning such Loan Party's business as Administrative Agent may consider reasonable under the circumstances. Each Loan Party shall furnish to Administrative Agent such information

relevant to Administrative Agent's rights under this Agreement and the other Loan Documents as Administrative Agent shall at any time and from time to time request. Administrative Agent, through its officers, employees or agents shall have the right, at any time and from time to time, to verify the validity, amount or any other matter relating to any of any Loan Party's Accounts, by mail, telephone, telecopy, electronic mail, or otherwise. Each Loan Party authorizes Administrative Agent and its agents to discuss the affairs, finances and business of such Loan Party with any Responsible Officer of such Loan Party, and with reasonable prior notice to such Loan Party in each instance, to discuss the financial condition of each Loan Party with such Loan Party's independent public accountants. Any such discussions shall be without liability to Administrative Agent or to such Loan Party's independent public accountants. Administrative Agent may engage appraisers to appraise the Collateral at such intervals as Administrative Agent shall determine and each Loan Party shall cooperate with such appraisers including providing access to the Collateral and its books and records to such appraisers. Borrower shall pay to Administrative Agent all customary fees and all reasonable costs and out-of-pocket expenses incurred by Administrative Agent in the exercise of its rights hereunder, and all of such fees, costs and expenses shall constitute Obligations hereunder, shall be payable on demand and, until paid, shall bear interest at the highest rate then applicable to Loans hereunder; provided that, excluding any such exercise of rights during the continuation of an Event of Default, Administrative Agent shall not exercise such rights to more than two (2) field audits and two (2) appraisals of the Collateral during any calendar year at Borrower's expense. Any Lender may accompany Administrative Agent on any such audit or inspection at its own cost.

12.5. Insurance.

Each Loan Party shall:

12.5.1. Casualty Insurance; Business Interruption Insurance. Keep the Collateral properly housed and insured for the full insurable value thereof against loss or damage by fire, theft, explosion, sprinklers, collision (in the case of motor vehicles) and such other risks as are customarily insured against by Persons engaged in businesses similar to that of such Loan Party, with such companies, in such amounts, with such deductibles, and under policies in such form, as shall be reasonably satisfactory to Administrative Agent. Within thirty (30) days following a request by Administrative Agent, Borrower shall deliver original (or certified) copies of such policies of insurance to Administrative Agent, together with evidence of payment of all premiums therefor, such policies shall contain an endorsement, in form and substance acceptable to Administrative Agent, showing loss under such insurance policies payable to Administrative Agent. Such endorsement, or an independent instrument furnished to Administrative Agent, shall provide that the insurance company shall give Administrative Agent at least thirty (30) (ten (10) in the case of nonpayment) days written notice before any such policy of insurance is altered or canceled and that no act, whether willful or negligent, or default of such Loan Party or any other Person shall affect the right of Administrative Agent or Lenders to recover under such policy of insurance in case of loss or damage. Each Loan Party irrevocably makes, constitutes and appoints Administrative Agent (and all officers, employees or agents designated by Administrative Agent) as such Loan Party's true and lawful attorney (and agent-in-fact) for the purpose of making, settling and adjusting claims under such policies of insurance (except as provided in the proviso below), endorsing the name of such Loan Party on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and making all determinations and decisions with respect to such policies of insurance, provided however, that if no Event of Default shall have occurred and is continuing, each Loan Party may make, settle and adjust claims involving less than \$250,000 for any individual claim and \$500,000 in the aggregate without Administrative Agent's consent to the extent that: (a) no Event of Default exists at the time any such proceeds are received; (b) upon Administrative Agent's request, such Loan Party provide Administrative Agent with evidence of such Loan Party's plans to reinvest such proceeds into such Loan Party's businesses, in form and substance reasonably acceptable to Administrative Agent; and (c) such proceeds are actually reinvested into such Loan Party's business in accordance with such plans within 180 days of such Loan Party's receipt of such proceeds.

12.5.2. Liability Insurance. Maintain, at its expense, such public liability and third party property damage insurance as is customary for Persons engaged in businesses similar to that of such Loan Party with such companies and in such amounts, with such deductibles and under policies in such form as shall be reasonably satisfactory to Administrative Agent and within thirty (30) days following request by Administrative Agent, Borrower shall deliver original (or certified) copies of such policies to Administrative Agent, together with evidence of payment of all premiums therefor. Each such policy shall contain an endorsement showing Administrative Agent and Lenders as additional insured thereunder and providing that the insurance company shall give Administrative Agent at least thirty (30) (ten (10) in the case of non-payment) days written notice before any such policy shall be altered or canceled.

12.5.3. ADMINISTRATIVE AGENT MAY PURCHASE INSURANCE. IF ANY LOAN PARTY AT ANY TIME OR TIMES HEREAFTER SHALL FAIL TO OBTAIN OR MAINTAIN ANY OF THE POLICIES OF INSURANCE REQUIRED ABOVE (AND PROVIDE EVIDENCE THEREOF TO ADMINISTRATIVE AGENT) OR TO PAY ANY PREMIUM RELATING THERETO, THEN ADMINISTRATIVE AGENT, WITHOUT WAIVING OR RELEASING ANY OBLIGATION OR DEFAULT BY BORROWER HEREUNDER, MAY (BUT SHALL BE UNDER NO OBLIGATION TO) OBTAIN AND MAINTAIN SUCH POLICIES OF INSURANCE AND PAY SUCH PREMIUMS AND TAKE SUCH OTHER ACTIONS WITH RESPECT THERETO AS ADMINISTRATIVE AGENT DEEMS ADVISABLE UPON NOTICE TO BORROWER. SUCH INSURANCE, IF OBTAINED BY ADMINISTRATIVE AGENT, MAY, BUT NEED NOT, PROTECT ANY LOAN PARTY'S INTERESTS OR PAY ANY CLAIM MADE BY OR AGAINST ANY LOAN PARTY WITH RESPECT TO THE COLLATERAL. SUCH INSURANCE MAY BE MORE EXPENSIVE THAN THE COST OF INSURANCE ANY LOAN PARTY MAY BE ABLE TO OBTAIN ON ITS OWN AND MAY BE CANCELLED ONLY UPON THE APPLICABLE LOAN PARTY PROVIDING EVIDENCE THAT IT HAS OBTAINED THE INSURANCE AS REQUIRED ABOVE. ALL SUMS DISBURSED BY ADMINISTRATIVE AGENT IN CONNECTION WITH ANY SUCH ACTIONS, INCLUDING, WITHOUT LIMITATION, COURT COSTS, EXPENSES, OTHER CHARGES RELATING THERETO AND REASONABLE ATTORNEY COSTS, SHALL CONSTITUTE LOANS HEREUNDER, SHALL BE PAYABLE ON DEMAND BY BORROWER TO ADMINISTRATIVE AGENT AND, UNTIL PAID, SHALL BEAR INTEREST AT THE HIGHEST RATE THEN APPLICABLE TO LOANS HEREUNDER. THIS PROVISION SHALL CONSTITUTE THE NOTICE TO THE APPLICABLE LOAN PARTY REQUIRED PURSUANT TO PARAGRAPH (3) OF SECTION 180/10 OF CHAPTER 815 OF THE ILLINOIS COMPILED STATUTES (2004).

12.6. Collateral.

Each Loan Party shall keep the Collateral in good condition, repair and order and shall make all necessary repairs to the Equipment and replacements thereof so that the operating efficiency and the value thereof shall at all times be preserved and maintained in all material respects. Each Loan Party shall permit Administrative Agent to examine any of the Collateral at any time and wherever the Collateral may be located and, each Loan Party shall, immediately upon request therefor by Administrative Agent, deliver to Administrative Agent any and all evidence of ownership of any of the Equipment including, without limitation, certificates of title and applications of title. Each Loan Party shall, at the request of Administrative Agent, indicate on its records concerning the Collateral a notation, in form satisfactory to Administrative Agent, of the security interest of Administrative Agent hereunder. Each Loan Party shall deliver or cause to be delivered to Administrative Agent landlord's agreements, bailee agreements, warehouseman's agreements and other collateral access agreements with respect to each location of Collateral now existing or hereafter arising, provided, however that the fully-executed Landlord Agreement relating to the property located at 1824 Boone Trail Road, Sanford, North Carolina 27330 shall be delivered to Administrative Agent within forty-five (45) days after the Closing Date.

12.7. Use of Proceeds.

All monies and other property obtained by Borrower from Administrative Agent and Lenders pursuant to this Agreement shall be used solely for working capital purposes, to refinance the debt of Borrower and its Subsidiaries and for other business purposes of Borrower and shall not be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of "purchasing or carrying" any Margin Stock in violation of Regulation U.

12.8. Taxes.

Each Loan Party shall file all required tax returns and pay all of its taxes when due, subject to any extensions granted by the applicable taxing authority, including, without limitation, taxes imposed by federal, state or municipal agencies, and shall cause any liens for taxes to be released prior to the execution thereof; provided, that each Loan Party shall have the right to contest the payment of such taxes in good faith by appropriate proceedings so long as adequate reserves are maintained with respect thereto in accordance with GAAP. If any Loan Party fails to pay any such taxes and in the absence of any such contest by such Loan Party, Administrative Agent may (but shall be under no obligation to) advance and pay any sums required to pay any such taxes and/or to secure the release of any lien therefor, and any sums so advanced by Administrative Agent shall constitute Loans hereunder, shall be payable by Borrower to Administrative Agent on demand, and, until paid, shall bear interest at the highest rate then applicable to Loans hereunder.

12.9. Intellectual Property.

Each Loan Party shall maintain adequate licenses, patents, patent applications, copyrights, service marks, trademarks, trademark applications, tradestyles and trade names to continue its business as heretofore conducted by it or as hereafter conducted by it unless the failure to maintain any of the foregoing could not reasonably be expected to have a Material Adverse Effect on such Loan Party.

12.10. Checking Accounts and Cash Management Services.

Unless Administrative Agent otherwise consents in writing, in order to facilitate Administrative Agent's maintenance and monitoring of the Collateral, each Loan Party shall maintain its general checking/controlled disbursement account and its other deposit accounts with Administrative Agent. Each Loan Party shall be responsible for all normal charges assessed thereon. Borrower shall notify Administrative Agent in writing thirty (30) days prior to opening any new Deposit Account and shall enter into a control agreement satisfactory to Administrative Agent for each such Deposit Account of Borrower on or before the opening of such Deposit Account.

12.11. USA Patriot Act, Bank Secrecy Act and Office of Foreign Asset Control

Ensure, and cause each other Loan Party to ensure, that no Person who owns a controlling interest in or otherwise controls a Loan Party is or shall be (i) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("**OFAC**"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (ii) a Person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders, and (b) comply, and cause each other Loan Party to comply, with all applicable Bank Secrecy Act ("**BSA**") and anti-money laundering laws and regulations.

12.12. Interest Rate Protection.

Within ninety (90) days after the Closing Date, Borrower shall enter into Hedging Agreements satisfactory to Administrative Agent for interest rate protection with respect to not less than fifty percent (50%) of the Eligible Fixed Assets Availability for a period of not less than three (3) years on an International Swaps and Derivatives Association, Inc. standard form with a Lender or with another

counterparty reasonably acceptable to Administrative Agent and shall keep such Hedging Agreements in full force and effect at all times during such period.

SECTION 13 NEGATIVE COVENANTS.

Until payment and satisfaction in full of all Obligations and termination of this Agreement, unless Borrower obtains Required Lenders' prior written consent waiving or modifying any of the Loan Parties' covenants hereunder in any specific instance, each Loan Party agrees as follows:

13.1. Guaranties.

No Loan Party shall assume, guarantee or endorse, or otherwise become liable in connection with, the obligations of any Person, except by endorsement of instruments for deposit or collection or similar transactions in the ordinary course of business.

13.2. Debt.

No Loan Party shall create, incur, assume or become obligated (directly or indirectly), for any Debt other than the Obligations, except that Borrower and the Loan Parties may (i) incur Subordinated Debt; (ii) maintain their present Debt listed on Schedule 11.14 hereto; (iii) incur Contingent Liabilities arising with respect to customary indemnification obligations and purchases in connection with dispositions permitted under this Agreement; (iv) incur purchase money Debt or finance lease obligations in connection with Capital Expenditures permitted hereunder; (v) incur Hedging Obligation approved by Administrative Agent and in favor of a Lender or an Affiliate thereof for bonafide hedging purposes and not for speculation; (vi) incur operating lease obligations requiring payments not to exceed \$250,000 in the aggregate during any Fiscal Year of Borrower; (vii) incur unsecured indebtedness solely to finance insurance premiums under insurance policies maintained by such Loan Party in the ordinary course of business for insurance required under this Agreement; and (viii) incur earnouts and unsecured indebtedness in respect of deferred payment of the purchase price in connection with a Permitted Acquisition, so long as, after incurring such indebtedness, such acquisition continues to satisfy all of the eligibility criteria of a Permitted Acquisition required under this Agreement; and (ix) maintain Debt pursuant to extensions, renewals and refinancings of the Debt set forth in clauses (i), (ii), (iv), (vi), (vii), and (viii) above so long as the principal amount of such Debt is not increased (and any terms with respect to clause (i) above are permitted by the applicable subordination agreement).

13.3. Liens.

No Loan Party shall grant or permit to exist (voluntarily or involuntarily) any lien, claim, security interest or other encumbrance whatsoever on any of its assets, other than Permitted Liens.

13.4. Mergers, Sales, Acquisitions, Subsidiaries and Other Transactions Outside the Ordinary Course of Business.

No Loan Party shall (i) enter into any merger or consolidation; (ii) change the state of such Loan Party's organization or enter into any transaction which has the effect of changing such Loan Party's state of organization; (iii) sell, lease or otherwise dispose of any of its assets other than in the ordinary course of business; (iv) purchase the stock, other equity interests or all or a material portion of the assets of any Person or division of such Person; or (v) enter into any other transaction outside the ordinary course of such Loan Party's business, including, without limitation, any purchase, redemption or retirement of any shares of any class of its stock or any other equity interest, and any issuance of any shares of, or warrants or other rights to receive or purchase any shares of, any class of its stock or any other equity interest, except that any Loan Party and any of its Subsidiaries may enter into any Permitted Acquisition and sell, lease or dispose of any of its assets as permitted in Section 7 of this Agreement and Parent may repurchase its stock pursuant to any stock repurchase program approved by its Board

Directors. No Loan Party shall form any Subsidiaries or enter into any joint ventures or partnerships with any other Person.

13.5. Restricted Payments.

No Loan Party shall make any Restricted Payments except for the following: (i) payments of dividends or other distributions by Subsidiaries of Borrower to Borrower or to other Subsidiaries of Borrower that are Loan Parties; (ii) payments with respect to Subordinated Debt to the extent such payments are permitted pursuant to the subordination agreement or other subordination terms applicable thereto.

13.6. Investments; Loans.

No Loan Party shall purchase or otherwise acquire, or contract to purchase or otherwise acquire, the obligations or stock of any Person, other than (i) in connection with a Permitted Acquisition, (ii) direct obligations of the United States, (ii) Hedging Agreements for interest rate protection in accordance with Section 12.12 hereof, or (iii) obligations insured by the Federal Deposit Insurance Corporation and obligations unconditionally guaranteed by the United States; nor shall any Loan Party lend or otherwise advance funds to any Person except for advances made to employees, officers and directors for travel and other expenses arising in the ordinary course of business.

13.7. Fundamental Changes, Line of Business; Certain Documents.

No Loan Party shall (i) amend its organizational documents or change its Fiscal Year unless (w) such actions would not have a Material Adverse Effect; (x) such actions would not adversely affect the obligations of Borrower or any Loan Party to Administrative Agent and Lenders; (y) such actions would not adversely affect the interpretation of any of the terms of this Agreement or the other Loan Documents and (z) Administrative Agent has received ten (10) days prior written notice of such amendment or change (ii) amend or modify any documents evidencing Subordinated Debt except to the extent permitted pursuant to the applicable subordination agreement or subordination terms governing such Subordinated Debt or (iii) enter into a new line of business materially different from such Loan Party's current business.

13.8. Equipment.

No Loan Party shall (i) permit any Equipment to become a Fixture to real property unless such real property is owned by such Loan Party and is subject to a mortgage in favor of Administrative Agent, or if such real estate is leased, is subject to a landlord's agreement in favor of Administrative Agent on terms acceptable to Administrative Agent, or (ii) permit any Equipment to become an accession to any other personal property unless such personal property is subject to a first priority lien in favor of Administrative Agent.

13.9. Affiliate Transactions.

Except as set forth on Schedule 11.9 hereto or as permitted pursuant to Section 11.3 hereof, no Loan Party shall conduct, permit or suffer to be conducted, transactions with Affiliates other than transactions for the purchase or sale of Inventory or services in the ordinary course of business pursuant to terms that are no less favorable to such Loan Party than the terms upon which such transactions would have been made had they been made to or with a Person that is not an Affiliate.

13.10. Settling of Accounts.

Borrower shall not settle or adjust any Account identified by Borrower as an Eligible Account or with respect to which the Account Debtor is an Affiliate without the consent of

Administrative Agent, provided, that following the occurrence and during the continuance of an Event of Default, no Loan Party shall settle or adjust any Account without the consent of Administrative Agent.

13.11. Management Fees.

No Loan Party shall pay any management or consulting fees to any Persons, other than an independent, unrelated third party.

SECTION 14 FINANCIAL COVENANTS.

Borrower shall maintain and keep in full force and effect each of the financial covenants set forth below:

14.1. Minimum EBITDA.

Borrower shall not permit EBITDA to be less than (i) \$750,000 as of March 31, 2019, for the trailing three-month period; (ii) \$2,500,000 as of June 30, 2019, for the trailing six-month period; and (iii) \$5,000,000 as of September 30, 2019, for the trailing nine-month period.

14.2. Fixed Charge Coverage.

Borrower shall not permit the ratio of (i) EBITDA minus (w) unfinanced Capital Expenditures of Borrower during the applicable period, (x) all dividends or other distributions by Borrower to equity holders of Borrower during the applicable period, (y) payments during the applicable period in respect of income and franchise taxes of and (z) management fees paid by Borrower to any Person, to (ii) Fixed Charges to be less than 1.10 to 1:00 as of the end of each calendar quarter beginning December 31, 2019, for the trailing twelve (12) month period.

SECTION 15 DEFAULT.

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

15.1. Payment.

The failure of any Loan Party to pay when due, declared due, or demanded by Administrative Agent (at the request of Required Lenders), any of the Obligations.

15.2. Breach of this Agreement and the other Loan Documents.

The failure of any Loan Party to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of such Loan Party under this Agreement or any of the other Loan Documents; provided that any such failure by a Loan Party under subsections 12.2.1, 12.2.4, 12.2.5, 12.2.6, 12.3 and 12.8 of this Agreement or by any Loan Party under any of the Loan Documents shall not constitute an Event of Default hereunder unless such failure continues past the thirtieth (30th) day following any Responsible Officer obtaining knowledge of the occurrence thereof.

15.3. Breaches of Other Obligations.

The failure of any Loan Party to perform, keep or observe (after any applicable notice and cure period) any of the covenants, conditions, promises, agreements or obligations of such Loan Party

under any other agreement with any Person if such failure would reasonably be expected to have a Material Adverse Effect.

15.4. Breach of Representations and Warranties.

The making or furnishing by any Loan Party to Administrative Agent or any Lender of any representation, warranty, certificate, schedule, report or other communication within or in connection with this Agreement or the other Loan Documents which is untrue or misleading in any material respect as of the date made.

15.5. Loss of Collateral.

The uninsured loss, theft, damage or destruction of any of the Collateral in an amount in excess of \$250,000 for any single instance or \$500,000 in the aggregate during any Fiscal Year.

15.6. Levy, Seizure or Attachment.

The making or any threat in writing by any Person to make any levy, seizure or attachment upon any of the Collateral in excess of \$250,000.

15.7. Bankruptcy or Similar Proceedings.

The commencement of any proceedings in bankruptcy by or against any Loan Party or for the liquidation or reorganization of any Loan Party, or alleging that such Loan Party is insolvent or unable to pay its debts as they mature, or for the readjustment or arrangement of any Loan Party 's debts, whether under the United States Bankruptcy Code or under any other law, whether state or federal, now or hereafter existing, for the relief of debtors, or the commencement of any analogous statutory or non-statutory proceedings involving any Loan Party; provided, however, that if such commencement of proceedings against such Loan Party is involuntary, such action shall not constitute an Event of Default unless such proceedings are not dismissed within forty-five (45) days after the commencement of such proceedings, though Administrative Agent and Lenders shall have no obligation to make Loans to or issue, or cause to be issued, Letters of Credit on behalf of Borrower during such forty-five (45) day period or, if earlier, until such proceedings are dismissed.

15.8. Appointment of Receiver.

The appointment of a receiver or trustee for any Loan Party, for any of the Collateral or for any substantial part of any Loan Party 's assets or the institution of any proceedings for the dissolution, or the full or partial liquidation, or the merger or consolidation, of any Loan Party which is a corporation, limited liability company or a partnership; provided, however, that if such appointment or commencement of proceedings against such Loan Party is involuntary, such action shall not constitute an Event of Default unless such appointment is not revoked or such proceedings are not dismissed within forty-five (45) days after the commencement of such proceedings, though Administrative Agent and Lenders shall have no obligation to make Loans to or issue, or cause to be issued, Letters of Credit on behalf of Borrower during such forty-five (45) day period or, if earlier, until such appointment is revoked or such proceedings are dismissed.

15.9. Judgment.

The entry of any final, non-appealable judgments or orders for the payment of money aggregating in excess of \$250,000 against any Loan Party which remains unsatisfied or undischarged and in effect for forty-five (45) days after such entry without a stay of enforcement or execution.

15.10. Death or Dissolution of Loan Party.

The death of any Loan Party who is a natural Person, or of any general partner who is a natural Person of any Loan Party which is a partnership, or any member who is a natural Person of any Loan Party which is a limited liability company or the dissolution of any Loan Party which is a partnership, limited liability company, corporation or other entity.

15.11. Revocation of Guaranty.

The revocation or termination of, any agreement, instrument or document executed and delivered by any Person to Administrative Agent pursuant to which such Person has guaranteed to Administrative Agent and Lenders the payment of all or any of the Obligations or has granted Administrative Agent a security interest in or lien upon some or all of such Person's real and/or personal property to secure the payment of all or any of the Obligations.

15.12. Criminal Proceedings.

The institution in any court of a criminal proceeding against any Loan Party which would have a Material Adverse Effect, or the indictment of any Loan Party for any crime which would have a Material Adverse Effect.

15.13. Change of Control.

The failure of Parent to own and have voting control of at least one hundred percent (100%) of the issued and outstanding voting equity interests of each other Borrower.

SECTION 16 REMEDIES UPON AN EVENT OF DEFAULT

16.1. Acceleration

Upon the occurrence and during the continuance of an Event of Default described in Sections 15.7 or 15.8 hereof, all of the Obligations shall immediately and automatically become due and payable, without notice of any kind (provided, however, that notwithstanding the foregoing, Hedging Obligations shall only terminate in accordance with the terms of the relevant Hedging Agreement). Upon the occurrence and during the continuance of any other Event of Default, the Obligations may, at the option of Administrative Agent or at the direction of Required Lenders, in whole or in part at Administrative Agent's or Required Lenders' sole discretion, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

16.2. Other Remedies

Upon the occurrence and during the continuance of an Event of Default, Administrative Agent may, and at the direction of Required Lenders shall, exercise from time to time any rights and remedies available to it under the Uniform Commercial Code and any other applicable law in addition to, and not in lieu of, any rights and remedies expressly granted in this Agreement or in any of the other Loan Documents and all of Administrative Agent's and Lender's rights and remedies shall be cumulative and non-exclusive to the extent permitted by law. In particular, but not by way of limitation of the foregoing, Administrative Agent may, and at the direction of Required Lenders shall, without notice, demand or legal process of any kind, take possession of any or all of the Collateral (in addition to Collateral of which it already has possession), wherever it may be found, and for that purpose may pursue the same wherever it may be found, and may enter onto any of any Loan Party's premises where any of the Collateral may be, and search for, take possession of, remove, keep and store any of the Collateral until the same shall be sold or otherwise disposed of, and Administrative Agent shall have the right to store the same at any of any Loan Party's premises without cost to Administrative Agent or Lenders. At Administrative Agent's request, each Loan Party shall, at Borrower's expense, assemble the Collateral and make it available to Administrative Agent at one or more places to be designated by Administrative Agent and reasonably

convenient to Administrative Agent and such Loan Party. Each Loan Party recognizes that if a Loan Party fails to perform, observe or discharge any of its Obligations under this Agreement or the other Loan Documents, no remedy at law will provide adequate relief to Administrative Agent or Lenders, and agrees that Administrative Agent shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages. Any notification of intended disposition of any of the Collateral required by law will be deemed to be a reasonable authenticated notification of disposition if given at least ten (10) days prior to such disposition and such notice shall (i) describe Administrative Agent and Lenders and such Loan Party, (ii) describe the Collateral that is the subject of the intended disposition, (iii) state the method of the intended disposition, (iv) state that such Loan Party is entitled to an accounting of the Obligations and state the charge, if any, for an accounting and (v) state the time and place of any public disposition or the time after which any private sale is to be made. Administrative Agent may disclaim any warranties that might arise in connection with the sale, lease or other disposition of the Collateral and has no obligation to provide any warranties at such time. Any Proceeds of any disposition by Administrative Agent of any of the Collateral may be applied by Administrative Agent to the payment of expenses in connection with the Collateral, including, without limitation, Attorney Costs, and any balance of such Proceeds and all other payments received by Administrative Agent during the continuance of an Event of Default shall be applied by Administrative Agent toward the payment of such of the Obligations, and in such order of application, as Administrative Agent may from time to time elect. In the absence of a specific determination by Administrative Agent, the Proceeds from the sale of, or other realization upon, all or any part of the Collateral in payment of the Obligations shall be applied in the following order.

FIRST, to the payment of all fees, costs, expenses and indemnities of Administrative Agent (in its capacity as such), including Attorney Costs, and any other Obligations owing to Administrative Agent in respect of sums advanced by Administrative Agent to preserve the Collateral or to preserve its security interest in the Collateral, until paid in full;

SECOND, to the payment of all of the Secured Obligations in respect of the Swing Line Loans to the Swing Line Lender, until paid in full;

THIRD, to the payment of all of the Obligations consisting of accrued and unpaid interest owing to the Lenders and Letter of Credit fees owing to the L/C Issuer, ratably among the Lenders and the L/C Issuer in proportion to the respective amounts described in this clause **FOURTH** payable to them, until paid in full;

FOURTH, to the payment of all Obligations consisting of principal owing to the Lenders and Bank Product Obligations owing to Lenders or their Affiliates (to the extent that Administrative Agent has established a reserve against Revolving Loan Availability in an amount not less than such Bank Product Obligations), ratably among the Lenders and their Affiliates in proportion to the respective amounts described in this clause **FOURTH** held by them, until paid in full;

FIFTH, to the payment of the Lenders an amount equal to all Obligations in respect of outstanding Letters of Credit to be held as Cash Collateral in respect of such Obligations;

SIXTH, to the payment of all other Obligations owing to the Lenders until paid in full, including, without limitation, Bank Product Obligations owing to Lenders or their Affiliates (to the extent that Administrative Agent has not established a reserve for such Bank Product Obligations); and

SEVENTH, to the payment of any remaining Proceeds, if any, to whomever may be lawfully entitled to receive such amounts.

16.3. Credit Bidding.

The Loan Parties and the Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product provider shall be deemed to authorize) Administrative Agent, based upon the instruction of the Required Lenders, to Credit Bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (and the Loan Parties shall approve Administrative Agent as a qualified bidder and such Credit Bid as qualified bid) at any sale thereof conducted by Administrative Agent, based upon the instruction of the Required Lenders, under any provisions of the Uniform Commercial Code, as part of any sale or investor solicitation process conducted by any Credit Party, any interim receiver, receiver, receiver and manager, administrative receiver, trustee, agent or other Person pursuant or under any insolvency laws; provided, however, that (i) the Required Lenders may not direct the Administrative Agent in any manner that does not treat each of the Lenders equally, without preference or discrimination, in respect of consideration received as a result of the Credit Bid, (ii) the acquisition documents shall be commercially reasonable and contain customary protections for minority holders such as among other things, anti-dilution and tag-along rights, (iii) the exchanged debt or equity securities must be freely transferable, without restriction (subject to applicable securities laws) and (iv) reasonable efforts shall be made to structure the acquisition in a manner that causes the governance documents pertaining thereto to not impose any obligations or liabilities upon the Lenders individually (such as indemnification obligations).

For purposes of the preceding sentence, the term "Credit Bid" shall mean, an offer submitted by the Administrative Agent (on behalf of the Lender group), based upon the instruction of the Required Lenders, to acquire the property of any Loan Party or any portion thereof in exchange for and in full and final satisfaction of all or a portion (as determined by the Administrative Agent, based upon the instruction of the Required Lenders) of the claims and Obligations under this Agreement and other Loan Documents.

SECTION 17 CONDITIONS PRECEDENT.

17.1. Conditions to Initial Loans.

The obligation of Lenders to fund the initial Revolving Loans, and to issue or cause to be issued the initial Letter of Credit, is subject to the satisfaction or waiver of the following conditions precedent (and the date on which all such conditions precedent have been satisfied and the initial Loans are advanced by Lenders is called the "**Closing Date**"):

(a) Administrative Agent shall have received each of the agreements, opinions, reports, approvals, consents, certificates and other documents reasonably requested by Lender, in each case in form and substance reasonably satisfactory to Administrative Agent;

(b) Since January 1, 2019, no event shall have occurred which has had or could reasonably be expected to have a Material Adverse Effect, as determined by Administrative Agent in its sole discretion, determined in good faith;

(c) Administrative Agent shall have received payment in full of all fees and expenses payable to it by Borrower or any other Person in connection herewith, on or before disbursement of the initial Loans hereunder; and

(d) The Loan Parties shall have executed and delivered to Administrative Agent all such other documents, instruments and agreements which Administrative Agent determines are reasonably necessary to consummate the transactions contemplated hereby.

17.2. Conditions to All Loans.

Lenders shall not be obligated to fund any Loans, arrange for the issuance of any Letters of Credit or grant any other accommodation for the benefit of Borrower, unless the following conditions

are satisfied ; provided, that if Administrative Agent chooses to cause Loans to be advanced or Letters of Credit to be issued notwithstanding the failure of any such conditions to be satisfied, all Lenders shall be required to fund such Loans and participate in such Letters of Credit unless Required Lenders has directed Administrative Agent not to fund such Loans or caused such Letters of Credit to be issued:

(a) No Default or Event of Default shall exist at the time of or result from such funding, issuance or grant;

(b) The representations and warranties of each Loan Party in this Agreement and the other Loan Documents shall be true and correct in all material respects as of the date of, and immediately after giving effect to such funding, issuance or grant (except for representations and warranties that expressly relate to an earlier date which must be true and correct as of such earlier date); and

(c) No event shall have occurred or circumstances exist that has or would reasonably be expected to have a Material Adverse Effect.

Each request (or deemed request) by Borrower for funding of a Loan, issuance of a Letter of Credit or grant of an accommodation shall constitute a representation by Borrower that the foregoing conditions are satisfied on the date of such request and on the date of such funding, issuance or grant. As an additional condition to any funding, issuance or grant, Agent shall have received such other information, documents, instruments and agreements as it reasonably deems appropriate in connection therewith.

SECTION 18 THE AGENT[S].

18.1. Appointment and Authorization.

Each Lender and the L/C Issuer hereby irrevocably (subject to Section 18.10.) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Administrative Agent shall provide copies of all financial statements and projections delivered to Administrative Agent by any Loan Party pursuant to Section 9 hereof, and copies of all material notices delivered to Administrative Agent by any Loan Party either by delivering copies to each Lender by electronic mail or by posting such materials to an internet service accessible by such Lenders such as "Intralinks". Each Loan Party and each Lender agrees that Administrative Agent may, in its sole discretion, utilize Intralinks or electronic mail for such purpose.

18.2. L/C Issuers.

The L/C Issuers shall act on behalf of the Lenders (according to their Pro Rata Shares) with respect to any Letters of Credit issued by them and the documents associated therewith. The L/C Issuers shall have all of the benefits and immunities (a) provided to the Administrative Agent in this Section 18 with respect to any acts taken or omissions suffered by the L/C Issuers in connection with

Letters of Credit issued by them or proposed to be issued by them and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent", as used in this Section 18, included the L/C Issuers with respect to such acts or omissions and (b) as additionally provided in this Agreement with respect to the L/C Issuers.

18.3. Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects in the absence of a finding by a court of competent jurisdiction in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct.

18.4. Exculpation of Administrative Agent.

None of the Administrative Agent nor any of its directors, officers, employees or agents shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except to the extent resulting from its own gross negligence or willful misconduct in connection with its duties expressly set forth herein as determined by a final, nonappealable judgment by a court of competent jurisdiction), (b) not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any debtor relief law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any debtor relief law or (c) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Loan Party or Affiliate of any Loan Party, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document (or the creation, perfection or priority of any Lien or security interest therein), or for any failure of any Loan Party or any other party to any Loan Document to perform its Obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of each Loan Party or any of any Loan Party's Subsidiaries or Affiliates.

18.5. Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, electronic mail message, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Loan Parties), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, confirmation from the Lenders of their obligation to indemnify the Administrative Agent against any and all liability and expense which may be

incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon each Lender. For purposes of determining compliance with the conditions specified in Section 12, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

18.6. Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Default except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or a Loan Party referring to this Agreement, describing such Event of Default or Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Event of Default or Default as may be requested by the Required Lenders in accordance with Section 16; provided that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Default as it shall deem advisable or in the best interest of the Lenders.

18.7. Credit Decision.

Each Lender acknowledges that the Administrative Agent has not made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent and acceptance of any assignment or review of the affairs of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties, and made its own decision to enter into this Agreement and to extend credit to Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of the Loan Parties which may come into the possession of the Administrative Agent.

18.8. Indemnification.

Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify upon demand the Administrative Agent and its directors, officers, employees and agents (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), according to its applicable Pro Rata Share, from and against any and all Indemnified Liabilities (as hereinafter defined); provided that no Lender shall be liable for any payment to any such Person of any

portion of the Indemnified Liabilities to the extent determined by a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the applicable Person's own gross negligence or willful misconduct. No action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any Agent Advances and any costs or out of pocket expenses (including Attorney Costs and Taxes) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of Borrower. The undertaking in this Section shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the Letters of Credit, any foreclosure under, or modification, release or discharge of, any or all of the Collateral Documents, termination of this Agreement and the resignation or replacement of the Administrative Agent.

18.9. Administrative Agent in Individual Capacity.

CIBC US and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Loan Parties and Affiliates as though CIBC US were not the Administrative Agent hereunder and without notice to or consent of any Lender. Each Lender acknowledges that, pursuant to such activities, CIBC US or its Affiliates may receive information regarding the Loan Parties or their Affiliates (including information that may be subject to confidentiality obligations in favor of the Loan Parties or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to their Loans (if any), CIBC US and its Affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though CIBC US were not the Administrative Agent, and the terms "Lender" and "Lenders" include CIBC US and its Affiliates, to the extent applicable, in their individual capacities.

18.10. Successor Administrative Agent.

The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall, with (so long as no Event of Default exists) the consent of Borrower (which shall not be unreasonably withheld or delayed), appoint from among the Lenders a successor agent for the Lenders. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and (so long as no Event of Default is then continuing) Borrower, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated (except for any indemnity payments owed to the retiring or removed Administrative Agent). After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 18 and Sections 4.3.5 and 19.2 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (c) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to Borrower and such Person remove such Person as

Administrative Agent and, in consultation with Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders), then such removal shall nonetheless become effective in accordance with such notice on such date.

18.11. Collateral Matters.

(a) Each Lender authorizes and directs Administrative Agent to enter into the other Loan Documents for the benefit of Lenders. Each Lender hereby agrees that, except as otherwise set forth herein, any action taken by Required Lenders in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by the Required Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders. Administrative Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender to take any action with respect to any Collateral or other Loan Documents which may be necessary to perfect and maintain perfected the Liens upon the Collateral granted pursuant to this Agreement and the other Loan Documents.

(b) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, (i) to release any Lien granted to or held by the Administrative Agent under any Collateral Document (x) upon termination of the Commitments and payment in full of all Loans and all other obligations of Borrower hereunder and the expiration or termination of all Letters of Credit (including by means of credit bidding in accordance with Section 16.3); (y) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder (including the release of any guarantor); or (z) subject to Section 20.1 if approved, authorized or ratified in writing by the Required Lenders; or (ii) to subordinate its interest in any Collateral to any holder of a Lien on such Collateral which is permitted by clause (v) of the definition of Permitted Liens (it being understood that the Administrative Agent may conclusively rely on a certificate from Borrower in determining whether the Debt secured by any such Lien is permitted by Section 13.2). Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release, or subordinate its interest in, particular types or items of Collateral pursuant to this Section 18.11. Each Lender hereby authorizes the Administrative Agent to give blockage notices in connection with any Subordinated Debt at the direction of Required Lenders and agrees that it will not act unilaterally to deliver such notices.

18.12. Restriction on Actions by Lenders.

Each Lender agrees that it shall not, without the express written consent of Administrative Agent, and shall, upon the written request of Administrative Agent (to the extent it is lawfully entitled to do so), set off against the Obligations, any amounts owing by such Lender to a Loan Party or any Deposit Accounts of any Loan Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Administrative Agent, take or cause to be taken, any action, including the commencement of any legal or equitable proceedings to foreclose any loan or otherwise enforce any security interest in any of the Collateral or to enforce all or any part of this Agreement or the other Loan Documents. All enforcement actions under this Agreement and the other Loan Documents against the Loan Parties or any third party with respect to the Obligations or the Collateral may only be taken by the Administrative Agent (at the direction of the Required Lenders or as otherwise permitted in this Agreement) or by its agents at the direction of the Administrative Agent.

18.13. Administrative Agent May File Proofs of Claim.

18.13.1. Filing Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of

any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on any Loan Party) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 4.3, and 19.3) allowed in such judicial proceedings; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.1.1(c), 4.3, 4.4 and 19.4.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

18.14. Other Agents; Arrangers and Managers.

None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger", if any, shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 19 MISCELLANEOUS.

19.1. Assignments; Participations.

19.1.1. Assignments.

(a) Any Lender may at any time assign to one or more Persons (any such Person, an "Assignee") all or any portion of such Lender's Loans and Commitments, with the prior written consent of the Administrative Agent, the L/C Issuers (for an assignment of the Revolving Loans and the Revolving Commitment) and, so long as no Event of Default exists, Borrower (which consents shall not be unreasonably withheld or delayed and shall not be required for an assignment by a Lender to a Lender (other than a Defaulting Lender) or an Affiliate of a Lender (other than an Affiliate of a Defaulting Lender) or an Approved Fund (other than an Approved Fund of a Defaulting Lender)). Except as the Administrative Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to \$5,000,000 or, if less, the remaining Commitment and Loans held by the assigning Lender (provided, that an assignment to a Lender, an Affiliate of a Lender or an Approved Fund shall not

be subject to the foregoing minimum assignment limitations). The Loan Parties and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to an Assignee until the Administrative Agent shall have received and accepted an effective assignment agreement in substantially the form of Exhibit D hereto (an "**Assignment Agreement**") executed, delivered and fully completed by the applicable parties thereto and a processing fee of \$3,500. Notwithstanding anything herein to the contrary, no assignment may be made to any Affiliate of any equity holder of a Loan Party, any Loan Party, any holder of Subordinated Debt of a Loan Party, any holder of any Debt that is secured by liens or security interests that have been contractually subordinated to the liens and security interests securing the Obligations or any Affiliate of any of the foregoing Persons without the prior written consent of Administrative Agent, which consent may be withheld in Administrative Agent's sole discretion and, in any event, if granted, may be conditioned on such terms and conditions as Administrative Agent shall require in its sole discretion, including, without limitation, a limitation on the aggregate amount of Loans and Commitments which may be held by such Person and/or its Affiliates and/or limitations on such Person's and/or its Affiliates' voting and consent rights and/or rights to attend Lender meetings or obtain information provided to other Lenders. Any attempted assignment not made in accordance with this Section 19.1.1 shall be treated as the sale of a participation under Section 19.1.2. Borrower shall be deemed to have granted its consent to any assignment requiring its consent hereunder unless Borrower has expressly objected to such assignment within five (5) Business Days after notice thereof. Notwithstanding anything herein to the contrary, Siena may at any time assign to Siena Funding LLC, a Delaware limited liability company ("Siena Funding"), all or any portion of Siena's Loans and Commitments.

(b) From and after the date on which the conditions described above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment Agreement, Borrower shall execute and deliver to the Administrative Agent for delivery to the Assignee (and, as applicable, the assigning Lender), if such Lender is receiving an assignment of Revolving Loans, a Note in the principal amount of the Assignee's Pro Rata Share of the Total Revolving Loan Commitment (and, as applicable, a Note in the principal amount of the Pro Rata Share of the Total Revolving Commitment retained by the assigning Lender). Each such Note shall be dated the effective date of such assignment. Upon receipt by the Administrative Agent of such Note(s), the assigning Lender shall return to Borrower any prior Note held by it.

(c) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. Notwithstanding anything herein to the contrary, Siena or Siena Funding may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to its funding sources.

19.1.2. Participations. Any Lender may at any time upon written notice to Borrower sell to one or more Persons participating interests in its Loans, Revolving Loan Commitment or other interests hereunder (any such Person, a "**Participant**"). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder shall remain unchanged for all purposes, (b) each Loan Party shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder, (c) all amounts payable by Borrower shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender and (d) each Lender granting a participation hereunder shall maintain, as a non-fiduciary agent of Borrower, a register (the

" **Participation Register** ") as to the participations granted and transferred under this Section 19.1.2 containing the same information specified in Section 19.2 on the Register as if the each participant were a Lender, and no participation may be transferred except as recorded in such Participation Register. No Participant shall have any direct or indirect voting rights hereunder except with respect to any event described in Section 20.1 expressly requiring the unanimous vote of all Lenders or, as applicable, all affected Lenders. Each Lender agrees to incorporate the requirements of the preceding sentence into each participation agreement which such Lender enters into with any Participant. Notwithstanding anything herein to the contrary, no participation may be sold to any Affiliate of any equity holder of a Loan Party, any Loan Party, any holder of any Subordinated Debt of a Loan Party, any holder of any Debt that is secured by liens and security that have been contractually subordinated to the liens and security interests securing the Obligations or any Affiliate of any of the foregoing Persons without the prior written consent of Administrative Agent, which consent may be withheld in Administrative Agent's sole discretion and, in any event, if granted, may be conditioned on such terms and conditions as Administrative Agent shall require in its sole discretion, including, without limitation, a limitation on the aggregate amount of Loans and Commitments which may be participated such Person and/or its Affiliates and/or limitations on such Person's and/or its Affiliates' voting and consent rights and/or rights to attend Lender meetings or obtain information provided to other Lenders. Each Loan Party agrees that if amounts outstanding under this Agreement are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and with respect to any Letter of Credit to the same extent as if the amount of its participating interest were owing directly to it as such Lender under this Agreement; provided that such right of set-off shall be subject to the obligation of each Participant to share with such Lender, and such Lender agrees to share with each Participant, on a pro rata basis. Borrower also agrees that each Participant shall be entitled to the benefits of Section 4.2 or 4.4 as if it were Lender (provided that on the date of the participation no Participant shall be entitled to any greater compensation pursuant to Section 4.2 or 4.4 than would have been paid to such Lender on such date if no participation had been sold. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. This Section shall be construed so that the Loans are at all times maintained in "registered form" for the purpose of the Code and any related regulations (and any successor provisions). The Participant Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

19.2. Register.

The Administrative Agent shall, as a non-fiduciary agent of the Borrower, maintain a copy of each Assignment Agreement delivered and accepted by it and register (the " **Register** ") for the recordation of names and addresses of the Lenders and the Commitment of each Lender and principal and stated interest of each Loan owing to each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment Agreement is accepted and registered in the Register. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. The Administrative Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register. Each Lender granting a participation shall, as a non-fiduciary agent of the Borrower, maintain a register containing information similar to that of the Register in a manner such that the loans hereunder are in "registered form" for the purposes of the Code. This Section shall be construed so that the Loans are at all times maintained in "registered form" for the purpose of the Code and any related regulations (and any successor provisions). The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

19.3. Customer Identification - USA Patriot Act Notice.

Each Lender and Administrative Agent (for itself and not on behalf of any other party) hereby notifies the Loan Parties that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the "USA Patriot Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or Administrative Agent, as applicable, to identify the Loan Parties in accordance with the Act.

19.4. Indemnification by Loan Parties.

IN CONSIDERATION OF THE EXECUTION AND DELIVERY OF THIS AGREEMENT AND THE AGREEMENT TO EXTEND THE COMMITMENTS PROVIDED HEREUNDER, EACH LOAN PARTY HEREBY AGREES TO INDEMNIFY, EXONERATE AND HOLD ADMINISTRATIVE AGENT, EACH LENDER AND EACH OF THE OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES AND AGENTS OF ADMINISTRATIVE AGENT AND EACH LENDER (EACH A "LENDER PARTY") FREE AND HARMLESS FROM AND AGAINST ANY AND ALL ACTIONS, CAUSES OF ACTION, SUITS, LOSSES, LIABILITIES, DAMAGES AND EXPENSES, INCLUDING REASONABLE ATTORNEY COSTS (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), INCURRED BY LENDER PARTIES OR ANY OF THEM AS A RESULT OF, OR ARISING OUT OF, OR RELATING TO (A) ANY TENDER OFFER, MERGER, PURCHASE OF CAPITAL SECURITIES, PURCHASE OF ASSETS OR OTHER SIMILAR TRANSACTION FINANCED OR PROPOSED TO BE FINANCED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, WITH THE PROCEEDS OF ANY OF THE LOANS, (B) THE USE, HANDLING, RELEASE, EMISSION, DISCHARGE, TRANSPORTATION, STORAGE, TREATMENT OR DISPOSAL OF ANY HAZARDOUS MATERIAL AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY, (C) ANY VIOLATION OF ANY ENVIRONMENTAL LAWS WITH RESPECT TO CONDITIONS AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY OR THE OPERATIONS CONDUCTED THEREON, (D) THE INVESTIGATION, CLEANUP OR REMEDIATION OF OFFSITE LOCATIONS AT WHICH ANY LOAN PARTY OR THEIR RESPECTIVE PREDECESSORS ARE ALLEGED TO HAVE DIRECTLY OR INDIRECTLY DISPOSED OF HAZARDOUS MATERIALS OR (E) THE EXECUTION, DELIVERY, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BY ANY OF LENDER PARTIES, EXCEPT FOR ANY SUCH INDEMNIFIED LIABILITIES ARISING ON ACCOUNT OF THE APPLICABLE LENDER PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL, NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION OR RESULTING FROM A CLAIM NOT INVOLVING AN ACT OR OMISSION OF A LOAN PARTY AND THAT IS BROUGHT BY A LENDER PARTY AGAINST ANOTHER LENDER PARTY (OTHER THAN AGAINST THE ADMINISTRATIVE AGENT IN ITS CAPACITY AS SUCH). THIS SECTION 19.4 SHALL NOT APPLY WITH RESPECT TO TAXES OTHER THAN ANY TAXES THAT REPRESENT LOSSES, CLAIMS, DAMAGES, ETC. ARISING FROM ANY NON-TAX CLAIM. IF AND TO THE EXTENT THAT THE FOREGOING UNDERTAKING MAY BE UNENFORCEABLE FOR ANY REASON, EACH LOAN PARTY HEREBY AGREES TO MAKE THE MAXIMUM CONTRIBUTION TO THE PAYMENT AND SATISFACTION OF EACH OF THE INDEMNIFIED LIABILITIES WHICH IS PERMISSIBLE UNDER APPLICABLE LAW. ALL OBLIGATIONS PROVIDED FOR IN THIS SECTION 19.4 SHALL SURVIVE REPAYMENT OF THE LOANS, CANCELLATION OF THE NOTES, EXPIRATION OR TERMINATION OF THE LETTERS OF CREDIT, ANY FORECLOSURE UNDER, OR ANY MODIFICATION, RELEASE OR DISCHARGE OF, ANY OR ALL OF THE COLLATERAL DOCUMENTS AND TERMINATION OF THIS AGREEMENT.

19.5. Notice.

(a) Generally. Except as otherwise provided in Section 2.2.2 and Section 2.2.3, or clauses (b) and (c) below, all notices hereunder shall be in writing (including email). All written notices

and other written communications with respect to this Agreement shall be sent by ordinary, certified or overnight mail, by telecopy or delivered in person, and in the case of Administrative Agent shall be sent to it at 120 South LaSalle Street, Suite 200, Chicago, Illinois 60603, attention Tom Hunt, with a copy to Horwood Marcus & Berk Chartered, 500 West Madison, Suite 3700, Chicago, Illinois 60661, Attention: Katherine A. Attebery, and in the case of any Loan Party shall be sent to Borrower at its principal place of business set forth on Schedule 11.2 hereto, with a copy to Thompson Coburn LLP, One US Bank Plaza, St. Louis, Missouri 63101, Attention: Ruthanne C. Hammett or as otherwise directed by Borrower in writing, and in the case of Lenders shall be sent to the locations provided to Administrative Agent by such Lenders. All notices shall be deemed received upon actual receipt thereof or refusal of delivery.

(b) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuers hereunder may be delivered or furnished by electronic communication (including email, and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent provided that the foregoing shall not apply to notices to any Lender or L/C Issuer pursuant to Section 2 if such Lender or L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its email address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Platform.

(i) Each Loan Party agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the L/C Issuer and the other Lenders by posting the Communications on the Platform.

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or the Platform. In no event shall the Administrative Agent or any of its Affiliates or the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of the Administrative Agent or its Affiliates (collectively, the "**Agent Parties**") have any liability to the Borrower or the other Loan Parties, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's, any Loan Party's or the Administrative Agent's transmission of communications through the Platform. "Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document

or the transactions contemplated therein which is distributed to the Recipient by means of electronic communications pursuant to this Section, including through the Platform.

SECTION 20 GENERAL .

20.1. Waiver; Amendments .

No delay on the part of the Administrative Agent or any Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by Lenders having an aggregate Pro Rata Shares of not less than the aggregate Pro Rata Shares expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Except to the extent set forth in Section 16.3 hereof, no amendment, modification, waiver or consent shall (a) extend or increase the Commitment of any Lender without the written consent of such Lender, (b) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written consent of each Lender directly affected thereby, (c) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, without the consent of each Lender directly affected thereby (except for periodic adjustments of interest rates and fees resulting from a change in the Applicable Margin as provided for in this Agreement); (d) increase the advance rates with respect to Eligible Accounts or Eligible Inventory hereunder or (e) release any guarantor from its obligations under the Guaranty, other than as part of or in connection with any disposition permitted hereunder, or release or subordinate its liens on all or any substantial part of the Collateral granted under any of the other Loan Documents (except as permitted by Section 18.11), change the definition of Required Lenders, amend the number of Lenders that shall be required for Lenders (or any Lender) to take any action under this Agreement, any provision of Section 16.2, any provision of this Section 20.1, the provisions of Section 16.3, the provisions of Section 2.3.3, the provisions of Section 2.8(a), or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case set forth in this clause (e), the written consent of all Lenders. No provision of Section 18 or other provision of this Agreement affecting the Administrative Agent in its capacity as such shall be amended, modified or waived without the consent of the Administrative Agent. No provision of this Agreement relating to the rights or duties of the L/C Issuers in their capacities as such shall be amended, modified or waived without the consent of the L/C Issuers. No provision of this Agreement relating to the rights or duties of the Swing Line Lender in its capacity as such shall be amended, modified or waived without the consent of the Swing Line Lender.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Revolving Loans, the Revolving Loan Commitments and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders.

If, in connection with any proposed amendment, modification, waiver or termination requiring the consent of all Lenders, the consent of the Required Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained being referred to as a "**Non-Consenting Lender**"), then, so long as the Administrative Agent is not a Non-Consenting Lender, the Administrative Agent and/or a Person or Persons reasonably acceptable to the Administrative Agent shall have the right to purchase from such Non-Consenting Lenders, and such

Non-Consenting Lenders agree that they shall, upon the Administrative Agent's request, sell and assign to the Administrative Agent and/or such Person or Persons, all of the Loans and Revolving Loan Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all such Loans and Revolving Loan Commitments held by such Non-Consenting Lenders and all accrued interest, fees, expenses and other amounts then due with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

Notwithstanding anything herein to the contrary, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent that by its terms requires the consent of all the Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders, except that (x) the Commitment of any Defaulting Lender may not be increased or extended, or the maturity of any of its Loan may not be extended, the rate of interest on any of its Loans may not be reduced and the principal amount of any of its Loans may not be forgiven, in each case without the consent of such Defaulting Lender and (y) any amendment, waiver or consent requiring the consent of all the Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than the other affected Lenders shall require the consent of such Defaulting Lender.

In addition, notwithstanding anything in this Section to the contrary, if the Administrative Agent and Borrower shall have jointly identified an obvious error or any error or omission of a technical nature, in each case, in any provision of the Loan Documents, then the Administrative Agent and Borrower shall be permitted to amend such provision, and, in each case, such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders to the Administrative Agent within ten Business Days following receipt of notice thereof.

20.2. Headings of Subdivisions.

The headings of subdivisions in this Agreement are for convenience of reference only, and shall not govern the interpretation of any of the provisions of this Agreement.

20.3. Power of Attorney.

Each Loan Party acknowledges and agrees that its appointment of Administrative Agent as its attorney and agent-in-fact for the purposes specified in this Agreement is an appointment coupled with an interest and shall be irrevocable until all of the Obligations are satisfied and paid in full and this Agreement is terminated.

20.4. Confidentiality.

Administrative Agent and each Lender hereby agrees to use commercially reasonable efforts to assure that any and all information relating to any Loan Party which is (i) furnished by a Loan Party to Administrative Agent or such Lender (or to any Affiliate of Administrative Agent or such Lender); and (ii) non-public, confidential or proprietary in nature, shall be kept confidential by Administrative Agent and such Lender or such Affiliate in accordance with applicable law; provided, however, that such information and other credit information relating to a Loan Party may be distributed by Administrative Agent or such Lender or such Affiliate to Administrative Agent's or such Lender's or such Affiliate's directors, managers, officers, employees, attorneys, Affiliates, assignees, participants, auditors, agents and regulators (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such Information confidential), and upon the order of a court or other governmental agency having jurisdiction over Lender or such Affiliate, to any other party. In addition such information and other credit information may be distributed by Administrative Agent or such Lender to potential participants or assignees of any portion of the Obligations, provided, that such potential participant or assignee agrees to follow the confidentiality

requirements set forth herein. Each Loan Party and Administrative Agent and each Lender further agree that this provision shall survive the termination of this Agreement. Notwithstanding the foregoing, each Loan Party hereby consents to Administrative Agent and Lender publishing a tombstone or similar advertising material relating to the financing transaction contemplated by this Agreement, the content and timing of publication of which has been approved by Parent in its Permitted Discretion.

20.5. Counterparts.

This Agreement, any of the other Loan Documents, and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all of which counterparts together shall constitute but one agreement.

20.6. Electronic Submissions.

Administrative Agent may permit or require that any of the documents, certificates, forms, deliveries or other communications, authorized, required or contemplated by this Agreement or the other Loan Documents, be submitted to Administrative Agent in "Approved Electronic Form" (as hereafter defined), subject to any reasonable terms, conditions and requirements in the applicable Approved Electronic Forms Notice. For purposes hereof " **Electronic Form** " means e-mail, e-mail attachments, data submitted on web-based forms or any other communication method that delivers machine readable data or information to Administrative Agent, " **Approved Electronic Form** " means an Electronic Form that has been approved by Administrative Agent (which approval has not been revoked or modified by Lender) and " **Approved Electronic Communication** " means each notice, demand, communication, information, document and other material transmitted, posted or otherwise made or communicated by e-mail, internet portal or other Platform. Except as otherwise specifically provided in the applicable Approved Electronic Form Notice, any submissions made in an applicable Approved Electronic Form shall have the same force and effect that the same submissions would have had if they had been submitted in any other applicable form authorized, required or contemplated by this Agreement or the other Loan Documents. Approved Electronic Communications that do not bear or are not readily capable of bearing either a signature or a reproduction of a signature shall be deemed signed, by attaching to, or logically associating with such Approved Electronic Communication an electronic symbol, encryption, digital signature or process (including the name or an abbreviation of the name of the party or the company transmitting the Approved Electronic Communication), and Administrative Agent and Lenders are entitled to rely on such Approved Electronic Communications as signed. Each of the Loan Parties, Administrative Agent and the Lenders hereby acknowledge and agree that the use of Approved Electronic Communications is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse and each assumes and accepts such risks by hereby authorizing each of the Administrative Agent, each Lender and each of their Affiliates to accept and transmit Approved Electronic Communications.

20.7. Waiver of Jury Trial: Other Waivers.

(a) EACH LOAN PARTY AND ADMINISTRATIVE AGENT AND EACH LENDER EACH HEREBY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING WHICH PERTAINS DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, THE OBLIGATIONS, THE COLLATERAL, ANY ALLEGED TORTIOUS CONDUCT BY ANY LOAN PARTY, ADMINISTRATIVE AGENT OR LENDER OR WHICH, IN ANY WAY, DIRECTLY OR INDIRECTLY, ARISES OUT OF OR RELATES TO THE RELATIONSHIP AMONG THE LOAN PARTIES, ADMINISTRATIVE AGENT AND ANY LENDER UNDER THIS AGREEMENT. IN NO EVENT SHALL ADMINISTRATIVE AGENT OR ANY LENDER BE LIABLE FOR LOST PROFITS OR OTHER SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

(b) Each Loan Party hereby waives demand, presentment, protest and notice of nonpayment, and further waives the benefit of all valuation, appraisal and exemption laws.

(c) Each Loan Party hereby waives the benefit of any law that would otherwise restrict or limit Administrative Agent or any Lender or any Affiliate of Administrative Agent or any Lender in the exercise of its right, which is hereby acknowledged and agreed to, to set-off against the Obligations, without notice at any time hereafter, any Debt, matured or unmatured, owing by Administrative Agent or any Lender or such Affiliate of Lender to Borrower, including, without limitation any Deposit Account at Administrative Agent or any Lender or such Affiliate.

(d) EACH LOAN PARTY HEREBY WAIVES ALL RIGHTS TO NOTICE AND HEARING OF ANY KIND PRIOR TO THE EXERCISE BY ADMINISTRATIVE AGENT OF ITS RIGHTS TO REPOSSESS THE COLLATERAL OF SUCH LOAN PARTY WITHOUT JUDICIAL PROCESS OR TO REPLEVY, ATTACH OR LEVY UPON SUCH COLLATERAL, PROVIDED THAT IN THE EVENT THAT ADMINISTRATIVE AGENT TO ENFORCE ITS RIGHTS HEREUNDER BY JUDICIAL PROCESS OR SELF HELP, ADMINISTRATIVE AGENT SHALL PROVIDE SUCH LOAN PARTY WITH SUCH NOTICES AS ARE REQUIRED BY LAW.

Administrative Agent's or Lenders' failure, at any time or times hereafter, to require strict performance by any Loan Party of any provision of this Agreement or any of the other Loan Documents shall not waive, affect or diminish any right of Administrative Agent and Lenders thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Administrative Agent, Required Lenders or all Lenders, as applicable of an Event of Default under this Agreement or any default under any of the other Loan Documents shall not suspend, waive or affect any other Event of Default under this Agreement or any other default under any of the other Loan Documents, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character. No delay on the part of Administrative Agent or any Lender in the exercise of any right or remedy under this Agreement or any other Loan Document shall preclude other or further exercise thereof or the exercise of any right or remedy. None of the undertakings, agreements, warranties, covenants and representations of the Loan Parties contained in this Agreement or any of the other Loan Documents and no Event of Default under this Agreement or default under any of the other Loan Documents shall be deemed to have been suspended or waived by Administrative Agent or Lenders unless such suspension or waiver is in writing, signed by a duly authorized officer of Administrative Agent, Required Lenders or all Lenders, as applicable, and directed to Borrower specifying such suspension or waiver.

20.8. Choice of Governing Laws; Construction; Forum Selection.

This Agreement and the other Loan Documents are submitted by Borrower to Administrative Agent and Lenders for Administrative Agent's and Lenders' acceptance or rejection at Administrative Agent's principal place of business as an offer by Borrower to borrow monies from Administrative Agent and Lenders now and from time to time hereafter, and shall not be binding upon Administrative Agent or any Lender or become effective until accepted by Administrative Agent and Lenders, in writing, at said place of business. If so accepted by Administrative Agent and Lenders, this Agreement and the other Loan Documents shall be deemed to have been made at said place of business. **THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED AND CONTROLLED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS AS TO INTERPRETATION, ENFORCEMENT, VALIDITY, CONSTRUCTION, EFFECT, AND IN ALL OTHER RESPECTS, INCLUDING, WITHOUT LIMITATION, THE LEGALITY OF THE INTEREST RATE AND OTHER CHARGES, BUT EXCLUDING PERFECTION OF THE SECURITY INTERESTS IN COLLATERAL LOCATED OUTSIDE OF THE STATE OF ILLINOIS, WHICH SHALL BE GOVERNED AND CONTROLLED BY THE LAWS OF THE RELEVANT JURISDICTION IN WHICH SUCH COLLATERAL IS LOCATED.** 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 remaining provisions of this Agreement.

Each Loan Party, and by their acceptance hereof, Administrative Agent and each Lender, irrevocably agrees that **ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE COLLATERAL SHALL BE LITIGATED IN COURTS HAVING SITUS WITHIN THE CITY OF CHICAGO, STATE OF ILLINOIS. EACH LOAN PARTY HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURTS LOCATED WITHIN SAID CITY AND STATE. EACH LOAN PARTY HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON EACH LOAN PARTY BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWER AT THE ADDRESS SET FORTH FOR NOTICE IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.** Failure of a party to provide a copy of such process shall not impair such party's rights hereunder, create a cause of action against such party or create any claim or right on behalf of any Loan Party or any third party. **EACH LOAN PARTY, ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT AGAINST SUCH PARTY BY THE OTHER IN ACCORDANCE WITH THIS SECTION.**

20.9. Cashless Settlements.

Notwithstanding anything to the contrary contained in this Agreement, any Lender may exchange, continue or rollover all or a portion of its Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower, the Administrative Agent and such Lender.

20.10. Acknowledgement and Consent to Bail-In of EEA Financial Institutions

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(c) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

SECTION 21 NONLIABILITY OF ADMINISTRATIVE AGENT AND LENDERS

The relationship among each Loan Party on the one hand and Administrative Agent and Lenders on the other hand shall be solely that of borrower or debtor, as applicable, and lender. Neither Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Loan Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Loan Parties, on the one hand, and Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditors. Neither Administrative Agent nor any Lender undertakes any responsibility to any Loan Party to review or inform any Loan Party of any matter in connection with any phase of any Loan Party's business or operations. Each Loan Party agrees that neither Administrative Agent nor any Lender shall have any liability to any Loan Party (whether sounding in tort, contract or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. **NO LENDER PARTY SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY OTHERS OF ANY INFORMATION OR OTHER MATERIALS OBTAINED THROUGH INTRALINKS OR OTHER SIMILAR INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH THIS AGREEMENT, NOR SHALL ANY LENDER PARTY HAVE ANY LIABILITY WITH RESPECT TO, AND BORROWER AND EACH OTHER LOAN PARTY, HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ARISING OUT OF ITS ACTIVITIES IN CONNECTION HEREWITH OR THEREWITH (WHETHER BEFORE OR AFTER THE CLOSING DATE).** Each Loan Party acknowledges that it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party. No joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Loan Parties, Administrative Agent and Lenders.

SECTION 22 PRIOR AGREEMENT

This Agreement amends and restates the Original Loan Agreement which shall be null and void after the date hereof, and all outstanding borrowings under said documents and instruments shall be evidenced by this Agreement; provided that nothing contained herein shall affect Borrower's obligation to repay outstanding borrowings under this Agreement. Nothing contained herein shall be deemed to be payment, satisfaction or a novation of the indebtedness evidenced by the Original Loan Agreement. The parties hereto expressly do not intend to extinguish the "Obligations" as defined and provided for in the Original Loan Agreement. Instead, it is the express intention of the parties hereto to substitute and replace the Original Loan Agreement with this Agreement and further to reaffirm the indebtedness created under the Original Loan Agreement which is evidenced by the "Loan Documents" as defined and provided for therein (the "Prior Loan Documents") and secured by the collateral referred to therein. Further, such Prior Loan Documents are hereby supplemented by and/or substituted with the Loan Documents as defined and provided for herein. This Agreement, as amended and restated hereby, and each of the Prior Loan Documents remain in full force and effect and are hereby reaffirmed in all respects to the extent not superseded by and/or in conflict with this Agreement and the Loan Documents.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

BROADWIND ENERGY, INC. , a Delaware corporation

By: /s/ Jason L. Bonfigt
Name: Jason L. Bonfigt
Title: Vice President and Chief Financial Officer

CIBC BANK, USA , formerly known as The PrivateBank and Trust Company, as Administrative Agent and a Lender

By: /s/ Tom Hunt
Name: Tom Hunt
Title: Managing Director

BRAD FOOTE GEAR WORKS, INC. , an Illinois corporation

By: /s/ Jason L. Bonfigt
Name: Jason L. Bonfigt
Title: Authorized Signatory

BROADWIND TOWERS, INC. , a Wisconsin corporation

By: /s/ Jason L. Bonfigt
Name: Jason L. Bonfigt
Title: Authorized Signatory

BROADWIND SERVICES, LLC , a Delaware limited liability company

By: /s/ Jason L. Bonfigt
Name: Jason L. Bonfigt
Title: Authorized Signatory

RED WOLF COMPANY, LLC , a North Carolina limited liability company

By: /s/ Jason L. Bonfigt
Name: Jason L. Bonfigt
Title: Authorized Signatory

SIENA LENDING GROUP LLC

By: /s/ Anthony Lavinio
Anthony Lavinio
Director

By: /s/ Steve Sanicola
Steve Sanicola
Director



ANNEX 1 – COMMITMENTS

Lender	Revolving Loan Commitment	Lender's Percentage of Total Revolving Loan Commitment
CIBC Bank USA	\$22,500,000.00	64.286%
Siena Lending Group LLC	\$12,500,000.00	35.714%
TOTAL	\$35,000,000.00	

EXHIBIT A – COMPLIANCE CERTIFICATE

Attached to and made a part of that certain Amended and Restated Loan and Security Agreement, dated February ____, 2019 (as the same may be amended or restated from time to time, the “**Agreement**”), by and among BROADWIND ENERGY, INC., a Delaware corporation (“**Parent**”), BRAD FOOTE GEAR WORKS, INC., an Illinois corporation (“**Brad Foote**”), BROADWIND TOWERS, INC., a Wisconsin corporation (“**Towers**”), BROADWIND SERVICES, LLC, a Delaware limited liability company (“**Services**”), and RED WOLF COMPANY, LLC, a North Carolina limited liability company (“**Red Wolf**”), and collectively with Parent, Brad Foote, Towers, and Services, “**Borrowers**,” and each, a “**Borrower**”, and CIBC BANK USA, formerly known as The PrivateBank and Trust Company, as BROADWIND ENERGY, INC., a Delaware corporation Administrative Agent (“**Administrative Agent**”) for all lenders (“**Lenders**”) from time to time a party to the Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

This Certificate is submitted pursuant to Section 9.3 of the Agreement.

The undersigned hereby certifies to Administrative Agent and Lenders that as of the date of this Certificate:

1. The undersigned is the _____ of Borrower.
 2. There exists no event or circumstance which is or which with the passage of time, the giving of notice, or both would constitute an Event of Default, as that term is defined in the Agreement, or, if such an event of circumstance exists, a writing attached hereto specifies the nature thereof, the period of existence thereof and the action that each Borrower has taken or proposes to take with respect thereto.
 3. No material adverse change in the condition, financial or otherwise, business, property, or results of operations of any Borrower has occurred since [**date of last Compliance Certificate/last financial statements delivered prior to closing**], or, if such a change has occurred, a writing attached hereto specifies the nature thereof and the action that each Borrower has taken or proposes to take with respect thereto.
 4. The representations and warranties in the Agreement are true and correct in all material respects, or, if not, a writing attached hereto specifies the nature thereof, the period of existence thereof and the action that such Borrower has taken or proposes to take with respect thereto.
 5. The financial statements of Borrower being concurrently delivered herewith have been prepared in accordance with GAAP consistently applied and there have been no material changes in accounting policies or financial reporting practices of Borrowers since [**date of the last Compliance Certificate/date of last financial statements delivered prior to closing**] or, if any such change has occurred, such changes are set forth in a writing attached hereto.
 6. Attached hereto is a true and correct calculation of the financial covenants contained in the Agreement.
-

Dated: _____, 20__

By:
Name:
Title:



EXHIBIT B - NOTICE OF BORROWING

To: CIBC Bank, USA, as Administrative Agent

Reference is made to that certain Amended and Restated Loan and Security Agreement, dated February ____, 2019 (as the same may be amended or restated from time to time, the "**Loan Agreement**"), by and among BROADWIND ENERGY, INC., a Delaware corporation ("**Parent**"), BRAD FOOTE GEAR WORKS, INC., an Illinois corporation ("**Brad Foote**"), BROADWIND TOWERS, INC., a Wisconsin corporation ("**Towers**"), BROADWIND SERVICES, LLC, a Delaware limited liability company ("**Services**"), and RED WOLF COMPANY, LLC, a North Carolina limited liability company ("**Red Wolf**"), and collectively with Parent, Brad Foote, Towers, and Services, "**Borrowers**," and each, a "**Borrower**," and CIBC BANK USA, formerly known as The PrivateBank and Trust Company, as Administrative Agent ("**Administrative Agent**") for all lenders ("**Lenders**") from time to time a party to the Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

The undersigned hereby gives irrevocable notice, pursuant to Section 2.2.2 of the Loan Agreement, of a request hereby for a borrowing as follows:

- (i) The requested borrowing date for the proposed borrowing (which is a Business Day) is _____, _____.
- (ii) The aggregate amount of the proposed borrowing is \$ _____.
- (iii) The type of Revolving Loans comprising the proposed borrowing are [Base Rate] [LIBOR] Loans.
- (iv) The duration of the Interest Period for each LIBOR Loan made as part of the proposed borrowing, if applicable, is _____ months (which shall be 1, 2 or 3).

The undersigned hereby certifies that on the date hereof and on the date of borrowing set forth above, and immediately after giving effect to the borrowing requested hereby: (i) there exists and there shall exist no Event of Default under the Loan Agreement; (ii) the representations and warranties of each Loan Party in the Loan Agreement and the other Loan Documents are true and correct in all material respects as of the date hereof, and after giving effect to such borrowing (except for representations and warranties that expressly relate to an earlier date which must be true and correct as of such earlier date) and (iii) no event has occurred or circumstances exist that has or would reasonably be expected to have a Material Adverse Effect.

Borrower has caused this Notice of Borrowing to be executed and delivered by its officer thereunto duly authorized on _____, _____.

By:
Name:
Title:

EXHIBIT C - NOTICE OF CONVERSION/CONTINUATION

To: CIBC Bank USA, formerly known as The PrivateBank and Trust Company, as Administrative Agent

Reference is made to that certain Amended and Restated Loan and Security Agreement, dated February ____, 2019 (as the same may be amended or restated from time to time, the "**Loan Agreement**"), by and among BROADWIND ENERGY, INC., a Delaware corporation ("**Parent**"), BRAD FOOTE GEAR WORKS, INC., an Illinois corporation ("**Brad Foote**"), BROADWIND TOWERS, INC., a Wisconsin corporation ("**Towers**"), BROADWIND SERVICES, LLC, a Delaware limited liability company ("**Services**"), and RED WOLF COMPANY, LLC, a North Carolina limited liability company ("**Red Wolf**"), and collectively with Parent, Brad Foote, Towers, and Services, "**Borrowers**," and each, a "**Borrower**"), and CIBC BANK USA, as Administrative Agent ("**Administrative Agent**") for all lenders ("**Lenders**") from time to time a party to the Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

The undersigned hereby gives irrevocable notice, pursuant to Section 2.2.3 of the Loan Agreement, of its request to:

- (a) on [date] convert \$[] of the aggregate outstanding principal amount of the [] Loan, bearing interest at the [] Rate, into a(n) [] Loan [and, in the case of a LIBOR Loan, having an Interest Period of [] month(s)];
- [(b) on [date] continue \$[] of the aggregate outstanding principal amount of the [] Loan, bearing interest at the LIBOR Rate, as a LIBOR Loan having an Interest Period of [] month(s)].

The undersigned hereby represents and warrants that all of the conditions contained in Section 17.2 of the Loan Agreement have been satisfied on and as of the date hereof, and will continue to be satisfied on and as of the date of the conversion/continuation requested hereby, before and after giving effect thereto.

Each Borrower has caused this Notice of Conversion/Continuation to be executed and delivered by its officer thereunto duly authorized on _____, _____.

By:
Name:
Title:

EXHIBIT D – ASSIGNMENT AGREEMENT

SCHEDULE 1 – PERMITTED LIENS

None.



SCHEDULE 11.2 – BUSINESS AND COLLATERAL LOCATIONS

Attached to and made a part of that certain Amended and Restated Loan and Security Agreement of even date herewith by and among BROADWIND ENERGY, INC., a Delaware corporation (“**Parent**”), BRAD FOOTE GEAR WORKS, INC., an Illinois corporation (“**Brad Foote**”), BROADWIND TOWERS, INC., a Wisconsin corporation (“**Towers**”), BROADWIND SERVICES, LLC, a Delaware limited liability company (“**Services**”), and RED WOLF COMPANY, LLC, a North Carolina limited liability company (“**Red Wolf**”), and collectively with Parent, Brad Foote, Towers, and Services, “**Borrowers**,” and each, a “**Borrower**), and CIBC BANK USA, formerly known as The PrivateBank and Trust Company, as Administrative Agent (“**Administrative Agent**”) for all lenders (“**Lenders**”) from time to time a party to the Agreement.

- A. Each Borrower’s business locations (please indicate by an asterisk (*) which location is the principal place of business and at which locations originals and all copies of each Borrower’s books, records and accounts are kept).

Owned Locations :

Borrower	Property Address
Towers	1126 N. Arnold Blvd., Abilene, TX 79603
Brad Foote (via 5100 Neville Road, LLC)	5100 Neville Road, Pittsburgh, PA 15225

Leased Locations :

Borrower	Property Address
Parent (subleased from Brad Foote)	3240 S. Central Ave., Cicero, IL 60804*
Brad Foote	3250 S. Central Ave., Cicero, IL 60804*
Towers	101 S. 16 th St., Manitowoc, WI 54221
Towers	300 S. 16 th St., Manitowoc, WI 54221
Towers	500 S. 16 th St., Manitowoc, WI 54221
Towers	CTH Q, Manitowoc County, WI
Towers	Big Blue Storage, Manitowoc, WI
Towers	Upper Yard Storage, Manitowoc, WI
Towers	Weld School, Manitowoc, WI
Red Wolf	1824 and 1826 Boone Trail Road, Sanford, NC 27330*

- B. Other locations of Collateral (including, without limitation, warehouse locations, processing locations, consignment locations) and all post office boxes of each Borrower. Please indicate the relationship of such location to each Borrower (i.e. public warehouse, processor, etc.).

Towers: PO Box 1957, Manitowoc, WI 54221.

- C. Bank Accounts of each Borrower (other than those at Lender):

Bank (with address) Account Number Type of Account



1. Wells Fargo Bank
10 S. Wacker Drive
16th Floor
Chicago, IL 60606

3643553245

CD – Collateral for P-
Card Program

SCHEDULE 11.6 – ORGANIZATIONAL INFORMATION

SCHEDULE 11.7 – LITIGATION

None.

SCHEDULE 11.9– AFFILIATE TRANSACTIONS

Unwritten (accounting entry only) sublease of the real property located at 3240 S. Central Ave., Cicero, IL 60804 by Brad Foote Gear Works, Inc. to Broadwind Energy, Inc.

SCHEDULE 11.10 – NAMES & TRADE NAMES

Borrower	Former Name(s) within Past 5 Years	Assumed Name(s)
Parent	N/A	N/A
Brad Foote	N/A	Brad Foote Gearing (IL, PA)
Services	N/A	N/A
Towers	N/A	Broadwind Heavy Industries Broadwind Heavy Fabrications
Red Wolf	N/A	N/A

SCHEDULE 11.14 – INDEBTEDNESS

Development Corporation of Abilene

Agreement for Financial Assistance effective August 24, 2016 between Development Corporation of Abilene, Inc. (“DCOA”) and Broadwind Towers, Inc. and related Promissory Note of Broadwind Towers, Inc. payable to DCOA in the principal amount of \$605,000 and Corporate Guaranty of Broadwind Energy, Inc. in favor of DCOA.

Material Personal Property Leases:

Operating leases:

Operating lease description	Lessee	Lessor	Inception Date	Maturity Date	Monthly Payment Amount
50243851-8FDU25-61114	Towers	Toyota Financial Services	3/30/2016	02/28/20	\$394
50243439-Z33/18-ZBS-Z331816M-594	Towers	Toyota Financial Services	4/1/2016	03/31/20	\$742
50243439-Z33/18-ZBS-Z331816M-600	Towers	Toyota Financial Services	4/1/2016	03/31/20	\$742
50243439-Z33/18-ZBS-Z331816M-609	Towers	Toyota Financial Services	4/1/2016	03/31/20	\$742
50244346-8FDU25-61113	Towers	Toyota Financial Services	4/4/2016	04/03/20	\$394
50244346-8FDU25-61112	Towers	Toyota Financial Services	4/4/2016	04/03/20	\$394
50246257-8FBE20U-11008	Towers	Toyota Financial Services	4/22/2016	04/21/19	\$707
50280149-8FGU25-78783	Towers	Toyota Financial Services	4/27/2017	04/26/20	\$460
50280149-8FGU25-78812	Towers	Toyota Financial Services	4/27/2017	04/26/20	\$438
50280149-8FGU25-78810	Towers	Toyota Financial Services	4/27/2017	04/26/20	\$438
50285027-8FGC45U-12614	Towers	Toyota Financial Services	5/31/2017	05/30/20	\$849
50330246-8FGU25-91415	Towers	Toyota Financial Services	10/25/2018	10/24/21	\$512
Copiers	Corporate	Konica Minolta	12/19/17	01/31/21	\$4,842
Forklift TMX 25	RW	Tri-Lift NC, Inc	12/01/18	03/01/24	\$487
forklift TMX 15s #1	RW	Tri-Lift NC, Inc	12/01/18	03/01/24	\$455
forklift TMX 15s #2	RW	Tri-Lift NC, Inc	12/01/18	03/01/24	\$455
2 Forklifts	Gearing	De Lage Landen Financial Solutions	06/11/18	08/11/23	\$936
6 Forklifts	Gearing	Wells Fargo	12/01/17	12/01/22	\$1,912
DMC 60 FD duoBLOCK	Gearing	DMG Mori	09/13/18	03/13/19	\$10,639
Total					\$26,538

Capital leases:

Asset description	Lessee	Inception Date	Maturity Date	Interest Rate	Monthly Payment Amount
BOOM 37-44' TELESCOPIC	Towers	04/01/16	03/01/20	3.58%	\$1,641
BOOM 40-50' ARTICULATING	Towers	04/01/16	03/01/20	3.58%	\$1,653
BOOM 60-64' TELESCOPIC	Towers	04/01/16	03/01/20	3.58%	\$2,089
FORKLIFT VARIABLE REACH 5000# 16-20'	Towers	04/01/16	03/01/20	3.58%	\$1,278
FORKLIFT VARIABLE REACH 8000# 40-49'	Towers	04/01/16	03/01/20	3.58%	\$2,059
FORKLIFT VARIABLE REACH 9000# 30-45'	Towers	04/01/16	03/01/20	3.58%	\$2,700
FORKLIFT VARIABLE REACH 9000# 30-45'	Towers	04/01/16	03/01/20	3.58%	\$2,700
SCISSOR LIFT 19' ELECTRIC	Towers	04/01/16	03/01/20	3.58%	\$251
Reach Stackers SN ZA95RS10602A26016	Towers	12/02/16	12/10/19	4.98%	\$14,505
Reach Stackers SN ZA95RS10602A26017	Towers	12/02/16	12/10/19	4.98%	\$14,505
Manitowoc Paint Kitchen	Towers	05/01/17	04/01/20	5.05%	\$17,157
Refurbished Gantry Cranes	Towers	09/01/18	08/31/21	12.03%	\$19,336
Plotter	Gearing	09/30/16	09/30/19	15.43%	\$218
Puma Equipment	Gearing	06/02/17	04/22/20	4.77%	\$8,058

SCHEDULE 11.16 – PARENT AND SUBSIDIARIES

Borrower	Parent Corporation	Subsidiaries
Broadwind Energy, Inc.	N/A – publicly traded (NASDAQ: BWEN)	Brad Foote Gear Works, Inc. Broadwind Towers, Inc. Broadwind Services, LLC Red Wolf Company, LLC
Brad Foote Gear Works, Inc.	Broadwind Energy, Inc.	1309 South Cicero Avenue, LLC 5100 Neville Road, LLC
Broadwind Towers, Inc.	Broadwind Energy, Inc.	None
Broadwind Services, LLC	Broadwind Energy, Inc.	None
Red Wolf Company, LLC	Broadwind Energy, Inc.	None

SCHEDULE 17(a) – CLOSING DOCUMENT CHECKLIST

Subsidiaries of the Registrant

Subsidiaries	State of Incorporation/Formation
Brad Foote Gear Works, Inc.	Illinois
Broadwind Services, LLC	Delaware
Broadwind Towers, Inc.	Wisconsin
Red Wolf Company, LLC (acquired February 1, 2017)	North Carolina

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Nos. 333-176066 and 333-219931) on Form S-3 and (Nos. 333-160039, 333-181168, 333-181170, 333-181901, 333-190311, 333-203736, and 333-223260) on Form S-8 of Broadwind Energy, Inc. of our report dated February 26, 2019 relating to the consolidated financial statements of Broadwind Energy, Inc. appearing in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K of Broadwind Energy, Inc. for the year ended December 31, 2018.

/s/ RSM US LLP

Chicago, Illinois
February 26, 2019

CERTIFICATION

I, Stephanie K. Kushner, certify that:

1. I have reviewed this Annual Report on Form 10-K of Broadwind Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2019

/s/ Stephanie K. Kushner
Stephanie K. Kushner
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jason L. Bonfigt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Broadwind Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2019

/s/ Jason L. Bonfigt

Jason L. Bonfigt

*Vice President and Chief Financial Officer
(Principal Financial Officer)*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Broadwind Energy, Inc. (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Report"), I, Stephanie K. Kushner, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

February 26, 2019

/s/ Stephanie K. Kushner
Stephanie K. Kushner
President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Broadwind Energy, Inc. (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Report"), I, Jason L. Bonfigt, Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

February 26, 2019

/s/ Jason L. Bonfigt
Jason L. Bonfigt
Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Commission or its staff upon request.
