

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

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: 000-09068

WEYCO GROUP, INC.

(Exact name of registrant as specified in its charter)

WISCONSIN

(State or other jurisdiction of incorporation or organization)

39-0702200

(I.R.S. Employer Identification No.)

333 W. Estabrook Boulevard
P. O. Box 1188

Milwaukee, Wisconsin 53201

(Address of principal executive offices)
(Zip Code)

(414) 908-1600

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock - \$1.00 par value per share

Trading Symbol

WEYS

Name of each exchange on which registered

The Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 X 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 (Section 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 X No ____

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

Large Accelerated Filer ____ Accelerated Filer X Non-Accelerated Filer ____ Smaller Reporting Company X Emerging Growth Company ____

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No X

As of October 30, 2020, there were 9,820,516 shares of common stock outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

The following consolidated condensed balance sheet as of December 31, 2019, which has been derived from audited financial statements, and the unaudited interim consolidated condensed financial statements have been prepared by Weyco Group, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

WEYCO GROUP, INC. AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
ASSETS:		
Cash and cash equivalents	\$ 6,858	\$ 9,799
Marketable securities, at amortized cost	1,955	5,904
Accounts receivable, net	39,463	51,532
Income tax receivable	3,656	-
Inventories	76,178	86,713
Prepaid expenses and other current assets	3,284	6,047
Total current assets	<u>131,394</u>	<u>159,995</u>
Marketable securities, at amortized cost	13,703	15,814
Deferred income tax benefits	773	2,487
Property, plant and equipment, net	31,142	32,214
Operating lease right-of-use assets	11,929	18,753
Goodwill	11,112	11,112
Trademarks	32,868	32,868
Other assets	23,659	23,674
Total assets	<u>\$ 256,580</u>	<u>\$ 296,917</u>
LIABILITIES AND EQUITY:		
Short-term borrowings	\$ 5,180	\$ 7,049
Accounts payable	6,312	12,455
Dividend payable	-	2,355
Operating lease liabilities	4,468	6,505
Accrued liabilities	10,865	13,422
Accrued income tax payable	-	90
Total current liabilities	<u>26,825</u>	<u>41,876</u>
Deferred income tax liabilities	3,226	3,085
Long-term pension liability	27,009	27,523
Operating lease liabilities	9,962	14,110
Other long-term liabilities	263	329
Total liabilities	<u>67,285</u>	<u>86,923</u>
Common stock	9,844	9,873
Capital in excess of par value	66,864	65,832
Reinvested earnings	136,916	158,825
Accumulated other comprehensive loss	(24,329)	(24,536)
Total equity	<u>189,295</u>	<u>209,994</u>
Total liabilities and equity	<u>\$ 256,580</u>	<u>\$ 296,917</u>

The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.

WEYCO GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share amounts)			
Net sales	\$ 53,178	\$ 82,502	\$ 133,408	\$ 217,106
Cost of sales	32,841	50,196	82,403	131,633
Gross earnings	20,337	32,306	51,005	85,473
Selling and administrative expenses	24,177	23,817	66,517	69,974
Earnings (loss) from operations	(3,840)	8,489	(15,512)	15,499
Interest income	121	210	408	663
Interest expense	(6)	(96)	(59)	(162)
Other income (expense), net	(8)	11	147	(242)
Earnings (loss) before provision (benefit) for income taxes	(3,733)	8,614	(15,016)	15,758
Provision (benefit) for income taxes	2,136	2,029	(1,426)	3,691
Net earnings (loss)	(5,869)	6,585	(13,590)	12,067
Weighted average shares outstanding				
Basic	9,756	9,912	9,760	9,933
Diluted	9,756	9,929	9,760	9,996
Earnings (loss) per share				
Basic	\$ (0.60)	\$ 0.66	\$ (1.39)	\$ 1.21
Diluted	\$ (0.60)	\$ 0.66	\$ (1.39)	\$ 1.21
Cash dividends declared (per share)	\$ 0.24	\$ 0.24	\$ 0.72	\$ 0.71
Comprehensive income (loss)	\$ (4,976)	\$ 5,990	\$ (13,383)	\$ 11,933

The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.

WEYCO GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2020	2019
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (13,590)	\$ 12,067
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities -		
Depreciation	2,256	2,478
Amortization	234	133
Bad debt expense	5,102	100
Deferred income taxes	1,854	(209)
Net foreign currency transaction losses (gains)	37	(105)
Share-based compensation expense	1,063	1,102
Pension expense	345	785
Impairment of long-lived assets	3,055	-
Increase in cash surrender value of life insurance	(250)	(250)
Changes in operating assets and liabilities -		
Accounts receivable	6,908	(5,413)
Inventories	10,528	(8,622)
Prepaid expenses and other assets	2,963	1,731
Accounts payable	(6,187)	(6,418)
Accrued liabilities and other	(3,494)	(1,873)
Accrued income taxes	(3,985)	338
Net cash provided by (used for) operating activities	<u>6,839</u>	<u>(4,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	-	(14,641)
Proceeds from maturities of marketable securities	6,045	11,865
Life insurance premiums paid	(155)	(155)
Purchases of property, plant and equipment	(3,151)	(4,564)
Net cash provided by (used for) investing activities	<u>2,739</u>	<u>(7,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(9,361)	(9,408)
Shares purchased and retired	(1,304)	(4,029)
Net proceeds from stock options exercised	-	161
Taxes paid related to the net share settlement of equity awards	-	(5)
Proceeds from bank borrowings	32,855	113,711
Repayments of bank borrowings	(34,724)	(102,689)
Net cash used for financing activities	<u>(12,534)</u>	<u>(2,259)</u>
Effect of exchange rate changes on cash and cash equivalents	15	(8)
Net decrease in cash and cash equivalents	<u>\$ (2,941)</u>	<u>\$ (13,918)</u>
CASH AND CASH EQUIVALENTS at beginning of period	<u>9,799</u>	<u>22,973</u>
CASH AND CASH EQUIVALENTS at end of period	<u><u>\$ 6,858</u></u>	<u><u>\$ 9,055</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid, net of refunds	\$ 638	\$ 3,385
Interest paid	\$ 52	\$ 162

The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.

NOTES:

1. Financial Statements

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2020, may not necessarily be indicative of the results for the full year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results specifically related to inventory reserves, realizability of deferred tax assets, goodwill and trademarks could materially differ from those estimates that impact the reported amounts and disclosures in the consolidated financial statements and accompanying notes.

2. Accounts Receivable

Two of the Company's large customers filed for bankruptcy during 2020. J.C. Penney Company, Inc. and affiliated entities ("JCP") filed for bankruptcy in May 2020, and Tailored Brands, Inc. ("TB") filed for bankruptcy in August 2020. The Company had outstanding receivable balances with JCP and TB totaling \$3.3 million and \$1.1 million, respectively, at the time of the bankruptcy filings. While the ultimate resolution of the bankruptcy proceedings and collectability of the receivables are not known, it is likely the Company will incur losses with respect to all or a significant portion of these receivables. Therefore, the Company wrote-off the \$3.3 million JCP receivable in the second quarter of 2020 and the \$1.1 million TB receivable in the third quarter of 2020.

3. Impairment of Long-Lived Assets

Property, plant, equipment and operating lease right-of-use assets, along with other long-lived assets, are evaluated for impairment periodically whenever triggering events or indicators exist that the carrying values may not be fully recoverable. As a result of the COVID-19 pandemic, the Company identified indicators of impairment for its retail stores worldwide. The Company performed undiscounted cash flow analyses over the long-lived assets of its retail stores and compared them to the carrying value of those assets. Based on these undiscounted cash flow analyses, the Company determined that certain long-lived assets had carrying values that exceeded their estimated undiscounted cash flows. As a result, the Company recognized \$1.9 million for the impairment of retail store fixed assets and \$1.2 million for the impairment of operating lease right-of-use assets. These charges were recorded within selling and administrative expenses within the Consolidated Statements of Earnings and Comprehensive Income (Unaudited).

4. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share amounts)			
Numerator:				
Net earnings (loss)	\$ (5,869)	\$ 6,585	\$ (13,590)	\$ 12,067
Denominator:				
Basic weighted average shares outstanding	9,756	9,912	9,760	9,933
Effect of dilutive securities:				
Employee share-based awards	-	17	-	63
Diluted weighted average shares outstanding	9,756	9,929	9,760	9,996
Basic earnings (loss) per share	\$ (0.60)	\$ 0.66	\$ (1.39)	\$ 1.21
Diluted earnings (loss) per share	\$ (0.60)	\$ 0.66	\$ (1.39)	\$ 1.21

The three and nine months ended September 30, 2020, resulted in a net loss; therefore, there was no difference in the weighted average number of common shares for basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. Diluted weighted average shares outstanding for the three months ended September 30, 2020, excludes anti-dilutive share-based awards totaling 1,169,000 shares

of common stock at a weighted average price of \$24.71. Diluted weighted average shares outstanding for the nine months ended September 30, 2020, excludes anti-dilutive share-based awards totaling 1,181,000 shares of common stock at a weighted average price of \$26.06. Diluted weighted average shares outstanding for the three months ended September 30, 2019, excludes anti-dilutive share-based awards totaling 1,382,000 shares of common stock at a weighted average price of \$26.56. Diluted weighted average shares outstanding for the nine months ended September 30, 2019, excludes anti-dilutive share-based awards totaling 696,000 shares of common stock at a weighted average price of \$28.51.

5. Investments

As noted in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, all of the Company's marketable securities are classified as held-to-maturity securities and reported at amortized cost pursuant to Accounting Standards Codification ("ASC") 320, *Investments – Debt and Equity Securities*, as the Company currently has the intent and ability to hold all investments to maturity.

Below is a summary of the amortized cost and estimated market values of the Company's marketable securities as of September 30, 2020, and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(Dollars in thousands)			
Municipal bonds:				
Current	\$ 1,955	\$ 1,977	\$ 5,904	\$ 5,915
Due from one through five years	7,031	7,388	8,336	8,621
Due from six through ten years	4,149	4,756	4,255	4,618
Due from eleven through twenty years	2,523	2,741	3,223	3,430
Total	<u>\$ 15,658</u>	<u>\$ 16,862</u>	<u>\$ 21,718</u>	<u>\$ 22,584</u>

The unrealized gains and losses on marketable securities at September 30, 2020, and at December 31, 2019, were as follows:

	September 30, 2020		December 31, 2019	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
	(Dollars in thousands)			
Municipal bonds	\$ 1,204	\$ -	\$ 866	\$ -

The estimated market values provided are level 2 valuations as defined by ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). The Company reviewed its portfolio of investments as of September 30, 2020 and determined that no other-than-temporary market value impairment exists.

6. Intangible Assets

The Company evaluates its goodwill and trademarks for impairment annually during the fourth quarter, or more frequently if events occur or circumstances change that indicate impairment may be present. Given the substantial reduction in sales, reduced cash flow projections, and the decrease in the Company's market capitalization due to the impact of the COVID-19 pandemic on macroeconomic conditions, the Company determined that potential impairment indicators were present and that an impairment assessment was warranted for goodwill and trademarks in connection with the preparation of the financial statements for the third quarter of 2020. As a result, the Company performed an interim assessment of goodwill, all of which is assigned to its wholesale reporting unit, using a quantitative approach as of September 30, 2020, and an interim assessment of trademarks also using a quantitative approach as of September 30, 2020. In conducting the interim goodwill assessment, the estimated fair value of the Company's wholesale reporting unit was determined using discounted cash flows analysis. As of September 30, 2020, the fair value of the Company's wholesale reporting unit exceeded its carrying value by 21%; therefore no goodwill impairment was recorded. In evaluating trademarks, estimated fair values were determined using discounted cash flows and implied royalty rates. Based on the results of the trademark assessments, the Company concluded that the fair values of the trademarks substantially exceeded their respective carrying values. Therefore, no impairment was recorded on the Company's trademarks.

The Company can make no assurances that its goodwill or trademarks will not be impaired in the future. When preparing a discounted cash flow analysis, the Company makes a number of key estimates and assumptions regarding future cash flows and growth. The discount rate used is based on the Company's weighted average cost of capital, which includes assumptions such as market capital structure, market beta, risk-free rate of return, and estimated costs of borrowing. Changes in key estimates assumptions, and macroeconomic conditions, and/or continued deterioration of the Company's market capitalization and business, could lead to an impairment charge in a future period.

The Company's amortizable intangible assets, which were included within other assets in the Consolidated Condensed Balance Sheets (unaudited), consisted of the following:

	Weighted Average Life (Years)	September 30, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
			(Dollars in thousands)			(Dollars in thousands)	
Amortizable intangible assets							
Customer relationships	15	\$ 3,500	\$ (2,236)	\$ 1,264	\$ 3,500	\$ (2,061)	\$ 1,439
Total amortizable intangible assets		<u>\$ 3,500</u>	<u>\$ (2,236)</u>	<u>\$ 1,264</u>	<u>\$ 3,500</u>	<u>\$ (2,061)</u>	<u>\$ 1,439</u>

Amortization expense related to the intangible assets was approximately \$58,000 in both the third quarters of 2020 and 2019. For the nine months ended September 30, amortization expense related to the intangible assets was approximately \$175,000 in both 2020 and 2019.

7. Segment Information

The Company has two reportable segments: North American wholesale operations ("Wholesale") and North American retail operations ("Retail"). The Company's Chief Executive Officer evaluates the performance of the Company's segments based on earnings (loss) from operations. Therefore, interest income or expense, other income or expense, and income taxes are not allocated to the segments. The "other" category in the tables below includes the Company's wholesale and retail operations in Australia, South Africa, Asia Pacific and Europe, which do not meet the criteria for separate reportable segment classification. Summarized segment data for the three and nine months ended September 30, 2020 and 2019, was as follows:

Three Months Ended September 30,

	Wholesale	Retail	Other	Total
	(Dollars in thousands)			
2020				
Product sales	\$ 43,788	\$ 4,367	\$ 4,799	\$ 52,954
Licensing revenues	224	-	-	224
Net sales	\$ 44,012	\$ 4,367	\$ 4,799	\$ 53,178
Earnings (loss) from operations	\$ 2,752 ⁽¹⁾	\$ (2,796) ⁽²⁾	\$ (3,796) ⁽³⁾	\$ (3,840)
2019				
Product sales	\$ 67,193	\$ 5,158	\$ 9,521	\$ 81,872
Licensing revenues	630	-	-	630
Net sales	\$ 67,823	\$ 5,158	\$ 9,521	\$ 82,502
Earnings (loss) from operations	\$ 9,485	\$ 365	\$ (1,361)	\$ 8,489

⁽¹⁾ Includes the write-off of a \$1.1 million receivable related to TB due to its bankruptcy filed during the pandemic, \$0.5 million in employee costs related to restructuring and temporary closures, \$0.5 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.2 million in other related charges, partially offset by \$0.3 million of income from government wage subsidies.

⁽²⁾ Includes \$1.5 million in early lease termination charges, \$1.0 million for the impairment of retail store fixed assets, and \$0.1 million in employee costs related to restructuring and temporary closures.

⁽³⁾ Includes \$2.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$1.1 million in employee costs related to restructuring and temporary closures, \$0.5 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.2 million in related charges, partially offset by \$1.1 million of income from government wage and rent subsidies.

Nine Months Ended September 30,

	Wholesale	Retail	Other	Total
	(Dollars in thousands)			
2020				
Product sales	\$ 105,193	\$ 12,768	\$ 14,621	\$ 132,582
Licensing revenues	826	-	-	826
Net sales	\$ 106,019	\$ 12,768	\$ 14,621	\$ 133,408
Earnings (loss) from operations	\$ (4,664) ⁽⁴⁾	\$ (3,741) ⁽⁵⁾	\$ (7,107) ⁽⁶⁾	\$ (15,512)
2019				
Product sales	\$ 171,383	\$ 16,124	\$ 27,626	\$ 215,133
Licensing revenues	1,973	-	-	1,973
Net sales	\$ 173,356	\$ 16,124	\$ 27,626	\$ 217,106
Earnings (loss) from operations	\$ 16,903	\$ 1,249	\$ (2,653)	\$ 15,499

⁽⁴⁾ Includes the write-off of \$4.4 million in receivables due to two bankruptcies of large customers (JCP and TB) filed during the pandemic, \$1.9 million in employee costs related to restructuring and temporary closures, \$0.5 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.2 million in other related charges, partially offset by \$1.6 million of income from government wage subsidies.

⁽⁵⁾ Includes \$1.5 million in early lease termination charges, \$1.0 million for the impairment of retail store fixed assets, and \$0.1 million in employee costs related to restructuring and temporary closures.

⁽⁶⁾ Includes \$2.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$2.0 million in employee costs related to restructuring and temporary closures, \$1.6 million in reserves for obsolete and slow-moving inventory due to COVID-19-related impacts, and \$0.6 million in related charges, partially offset by \$2.5 million of income from government wage and rent subsidies.

8. Employee Retirement Plans

The components of the Company's net periodic pension cost were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Service cost	\$ 115	\$ 116	\$ 345	\$ 347
Interest cost	502	615	1,508	1,845
Expected return on plan assets	(693)	(625)	(2,081)	(1,876)
Net amortization and deferral	191	156	573	469
Net periodic pension cost	<u>\$ 115</u>	<u>\$ 262</u>	<u>\$ 345</u>	<u>\$ 785</u>

The components of net periodic pension cost other than the service cost component are included in other income (expense), net in the Consolidated Condensed Statements of Earnings and Comprehensive Income (Unaudited).

9. Leases

The Company leases retail shoe stores, as well as several office and distribution facilities worldwide. The leases have original lease periods expiring between the fourth quarter of 2020 and 2030. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

During the third quarter of 2020, the Company recorded \$1.2 million expense for the impairment of operating lease right-of-use assets related to its retail stores worldwide. This impairment was part of the overall \$3.1 million impairment of long-lived assets charge recognized during the quarter.

The components of the Company's operating lease costs were as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Operating lease costs	\$ 1,652	\$ 2,198	\$ 5,237	\$ 6,590
Variable lease costs ⁽¹⁾	-	-	12	43
Total lease costs	<u>\$ 1,652</u>	<u>\$ 2,198</u>	<u>\$ 5,249</u>	<u>\$ 6,633</u>

⁽¹⁾ Variable lease costs primarily include percentage rentals based upon sales in excess of specified amounts.

Short-term lease costs, which were excluded from the above table, are not material to the Company's financial statements.

The following is a schedule of maturities of operating lease liabilities as of September 30, 2020 (dollars in thousands):

	Operating Leases
2020, excluding the nine months ended September 30, 2020	\$ 1,301
2021	4,559
2022	3,309
2023	2,270
2024	1,505
Thereafter	2,830
Total lease payments	<u>15,774</u>
Less imputed interest	<u>(1,344)</u>
Present value of lease liabilities	<u>\$ 14,430</u>

The operating lease liabilities are classified in the consolidated condensed balance sheets as follows:

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
Operating lease liabilities - current	\$ 4,468	\$ 6,505
Operating lease liabilities - non-current	9,962	14,110
Total	<u>\$ 14,430</u>	<u>\$ 20,615</u>

The Company determined the present value of its lease liabilities using a weighted-average discount rate of 4.25%. As of September 30, 2020, the Company's leases have a weighted-average remaining lease term of 4.63 years. The decrease in lease liabilities in 2020 was primarily due to the early closing of three unprofitable retail stores in the U.S. and lease expirations at Florsheim Australia.

Supplemental cash flow information related to the Company's operating leases is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Cash paid for amounts included in the measurement of lease liabilities	\$ 2,174	\$ 2,278	\$ 5,424	\$ 6,803
Right-of-use assets obtained in exchange for new lease liabilities (noncash)	\$ 72	\$ -	\$ 216	\$ 27,002

10. Income Taxes

The Company's provision (benefit) for income taxes and effective tax rates for the three and nine months ended September 30, 2020 and 2019 are presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Earnings (loss) before provision (benefit) for income taxes	\$ (3,733)	\$ 8,614	\$ (15,016)	\$ 15,758
Income tax provision (benefit)	\$ 2,136	\$ 2,029	\$ (1,426)	\$ 3,691
Effective tax rate	-57.2%	23.6%	9.5%	23.4%

The Company's third quarter and year-to-date 2020 income tax provisions included \$2.0 million of tax expense related to deferred tax assets of the Company's foreign subsidiaries. The Company's 2020 effective tax rates were also impacted because it has not recorded an income tax benefit on foreign subsidiary losses, and, in the U.S., the Company has the ability to carry back current year losses to a tax year when the U.S. federal statutory tax rate was 35%, which is currently permitted under the U.S. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

11. Share-Based Compensation Plans

During the three and nine months ended September 30, 2020, the Company recognized \$362,000 and \$1,063,000 respectively, of compensation expense associated with stock option and restricted stock awards granted in years 2016 through 2020. During the three and nine months ended September 30, 2019, the Company recognized \$371,000 and \$1,102,000, respectively, of compensation expense associated with stock option and restricted stock awards granted in years 2015 through 2019.

The following table summarizes the Company's stock option activity for the nine-month period ended September 30, 2020:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value*
Outstanding at December 31, 2019	1,176,770	\$ 27.14		
Granted	188,600	\$ 18.00		
Exercised	-	\$ -		
Forfeited or expired	(238,047)	\$ 27.08		
Outstanding at September 30, 2020	1,127,323	\$ 25.62	5.7	\$ -
Exercisable at September 30, 2020	641,952	\$ 26.77	3.3	\$ -

* The aggregate intrinsic value of outstanding and exercisable stock options is defined as the difference between the market value of the Company's stock on September 30, 2020, the last trading day of the quarter, of \$16.17 and the exercise price multiplied by the number of in-the-money outstanding and exercisable stock options. The respective exercise prices of all of the Company's outstanding stock options were higher than the closing price of the Company's common stock as of September 30, 2020; therefore, the aggregate intrinsic value of the Company's stock options is zero.

The following table summarizes the Company's stock option exercise activity for the three and nine-month periods ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Total intrinsic value of stock options exercised	\$ -	\$ -	\$ -	\$ 88
Net proceeds from stock option exercises	\$ -	\$ -	\$ -	\$ 161
Income tax benefit from the exercise of stock options	\$ -	\$ -	\$ -	\$ 23

The following table summarizes the Company's restricted stock award activity for the nine-month period ended September 30, 2020:

	Shares of Restricted Stock	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value*
Non-vested at December 31, 2019	68,735	\$ 28.04		
Issued	30,800	18.00		
Vested	(27,045)	18.39		
Non-vested at September 30, 2020	72,490	\$ 23.77	3.0	\$ 1,172,000

* The aggregate intrinsic value of non-vested restricted stock was calculated using the market value of the Company's stock on September 30, 2020 (\$16.17) multiplied by the number of non-vested restricted shares outstanding.

12. Short-Term Borrowings

At September 30, 2020, the Company had a \$60 million unsecured revolving line of credit with PNC Bank, National Association ("PNC") that was originally set to expire on November 5, 2020. The line of credit bore interest at the London Interbank Offered Rate ("LIBOR") plus 0.75%. At September 30, 2020, outstanding borrowings were approximately \$5.2 million at an interest rate of 0.90%. The highest balance on the line of credit during the nine months ended September 30, 2020 was \$8.5 million.

On November 4, 2020, the Company terminated its existing line of credit with PNC and entered into a new \$30 million revolving line of credit with Associated Bank, National Association that is secured by a lien against the Company's general corporate assets. The new line of credit bears interest at LIBOR plus 1.35% and expires on November 4, 2021. The related credit agreement contains customary representations, warranties, and covenants (including a minimum tangible net worth financial covenant) for a facility of this type.

13. Financial Instruments

At September 30, 2020, the Company had foreign exchange contracts outstanding to sell \$3.0 million Canadian dollars at a price of approximately \$2.3 million U.S. dollars. The Company's wholly owned subsidiary, Florsheim Australia, had foreign exchange contracts outstanding to buy \$2.1 million U.S. dollars at a price of approximately \$2.9 million Australian dollars. These contracts are set to expire on or before April 30, 2021. Based on quarter-end exchange rates, there were no significant unrealized gains or losses on the outstanding contracts.

The Company determines the fair value of foreign exchange contracts based on the difference between the foreign currency contract rates and the widely available foreign currency rates as of the measurement date. The fair value measurements are based on observable market transactions, and thus represent a level 2 valuation as defined by ASC 820.

14. Comprehensive Income (Loss)

Comprehensive income (loss) for the three and nine months ended September 30, 2020 and 2019, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net earnings	\$ (5,869)	\$ 6,585	\$ (13,590)	\$ 12,067
Foreign currency translation adjustments	751	(711)	(217)	(481)
Pension liability, net of tax of \$49, \$40, \$149 and \$122, respectively	142	116	424	347
Total comprehensive income (loss)	<u>\$ (4,976)</u>	<u>\$ 5,990</u>	<u>\$ (13,383)</u>	<u>\$ 11,933</u>

The components of accumulated other comprehensive loss as recorded in the Consolidated Condensed Balance Sheets (Unaudited) were as follows:

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
Foreign currency translation adjustments	\$ (7,250)	\$ (7,033)
Pension liability, net of tax	(17,079)	(17,503)
Total accumulated other comprehensive loss	<u>\$ (24,329)</u>	<u>\$ (24,536)</u>

The following presents a tabular disclosure about changes in accumulated other comprehensive loss during the nine months ended September 30, 2020:

	Foreign Currency Translation Adjustments	Defined Benefit Pension Items	Total
Beginning balance, December 31, 2019	\$ (7,033)	\$ (17,503)	\$ (24,536)
Other comprehensive loss before reclassifications	(217)	-	(217)
Amounts reclassified from accumulated other comprehensive loss	-	424	424
Net current period other comprehensive (loss) income	(217)	424	207
Ending balance, September 30, 2020	<u>\$ (7,250)</u>	<u>\$ (17,079)</u>	<u>\$ (24,329)</u>

The following presents a tabular disclosure about reclassification adjustments out of accumulated other comprehensive loss during the nine months ended September 30, 2020:

	Amounts reclassified from accumulated other comprehensive loss for the nine months ended September 30, 2020	Affected line item in the statement where net income is presented
Amortization of defined benefit pension items		
Prior service cost	\$ (47)	⁽¹⁾ Other income (expense), net
Actuarial losses	620	⁽¹⁾ Other income (expense), net
Total before tax	573	
Tax benefit	(149)	
Net of tax	<u>\$ 424</u>	

⁽¹⁾ These amounts were included in net periodic pension cost. See Note 8 for additional details.

15. Equity

The following table reconciles the Company's equity for the nine months ended September 30, 2020:

	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Accumulated Other Comprehensive Loss
	(Dollars in thousands)			
Balance, December 31, 2019	\$ 9,873	\$ 65,832	\$ 158,825	\$ (24,536)
Net earnings	-	-	1,162	-
Foreign currency translation adjustments	-	-	-	(2,558)
Pension liability adjustment, net of tax	-	-	-	138
Cash dividends declared	-	-	(2,357)	-
Share-based compensation expense	-	351	-	-
Shares purchased and retired	(60)	-	(1,244)	-
Balance, March 31, 2020	\$ 9,813	\$ 66,183	\$ 156,386	\$ (26,956)
Net earnings (loss)	-	-	(8,883)	-
Foreign currency translation adjustments	-	-	-	1,590
Pension liability adjustment, net of tax	-	-	-	144
Cash dividends declared	-	-	(2,355)	-
Share-based compensation expense	-	350	-	-
Balance, June 30, 2020	\$ 9,813	\$ 66,533	\$ 145,148	\$ (25,222)
Net earnings (loss)	-	-	(5,869)	-
Foreign currency translation adjustments	-	-	-	751
Pension liability adjustment, net of tax	-	-	-	142
Cash dividends declared	-	-	(2,363)	-
Issuance of restricted stock	31	(31)	-	-
Share-based compensation expense	-	362	-	-
Balance, September 30, 2020	<u>\$ 9,844</u>	<u>\$ 66,864</u>	<u>\$ 136,916</u>	<u>\$ (24,329)</u>

The following table reconciles the Company's equity for the nine months ended September 30, 2019:

	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Accumulated Other Comprehensive Loss
	(Dollars in thousands)			
Balance, December 31, 2018	\$ 10,057	\$ 64,263	\$ 152,835	\$ (21,572)
Net earnings	-	-	3,968	-
Foreign currency translation adjustments	-	-	-	130
Pension liability adjustment, net of tax	-	-	-	108
Cash dividends declared	-	-	(2,299)	-
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	1	6	-	-
Issuance of restricted stock	1	(1)	-	-
Share-based compensation expense	-	366	-	-
Shares purchased and retired	(64)	-	(1,764)	-
Balance, March 31, 2019	\$ 9,995	\$ 64,634	\$ 152,740	\$ (21,334)
Net earnings	-	-	1,514	-
Foreign currency translation adjustments	-	-	-	100
Pension liability adjustment, net of tax	-	-	-	123
Cash dividends declared	-	-	(2,401)	-
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	7	142	-	-
Share-based compensation expense	-	365	-	-
Balance, June 30, 2019	\$ 10,002	\$ 65,141	\$ 151,853	\$ (21,111)
Net earnings	-	-	6,585	-
Foreign currency translation adjustments	-	-	-	(711)
Pension liability adjustment, net of tax	-	-	-	116
Cash dividends declared	-	-	(2,395)	-
Issuance of restricted stock	30	(30)	-	-
Share-based compensation expense	-	371	-	-
Shares purchased and retired	(91)	-	(2,110)	-
Balance, September 30, 2019	\$ 9,941	\$ 65,482	\$ 153,933	\$ (21,706)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the Company's outlook for the future. These statements represent the Company's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially. Such statements can be identified by the use of words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "predicts," "projects," "should," "will," or variations of such words, and similar expressions. Forward-looking statements, by their nature, address matters that are, to varying degrees, uncertain. Therefore, the reader is cautioned that these forward-looking statements are subject to a number of risks, uncertainties or other factors that may cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risk factors described under Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year-ended December 31, 2019, and Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q.

GENERAL

The Company designs and markets quality and innovative footwear principally for men, but also for women and children, under a portfolio of well-recognized brand names including: Florsheim, Nunn Bush, Stacy Adams, BOGS, and Rafters. Inventory is purchased from third-party overseas manufacturers. The majority of foreign-sourced purchases are denominated in U.S. dollars.

The Company has two reportable segments, North American wholesale operations ("Wholesale") and North American retail operations ("Retail"). In the wholesale segment, the Company's products are sold to leading footwear, department, and specialty stores, as well as e-commerce retailers, primarily in the United States and Canada. The Company also has licensing agreements with third parties who sell its branded apparel, accessories and specialty footwear in the United States, as well as its footwear in Mexico and certain markets overseas. Licensing revenues are included in the Company's wholesale segment. As of September 30, 2020, the Company's retail segment consisted of 5 brick and mortar retail stores and e-commerce businesses in the United States. Sales in retail outlets are made directly to consumers by Company employees.

The Company's "other" operations include the Company's wholesale and retail businesses in Australia, South Africa, Asia Pacific (collectively, "Florsheim Australia") and Europe ("Florsheim Europe"). The majority of the Company's operations are in the United States, and its results are primarily affected by the economic conditions and the retail environment in the United States.

EXECUTIVE OVERVIEW

The COVID-19 pandemic significantly impacted the Company's third quarter of 2020 and year-to-date results. Government-mandated shutdowns of non-essential businesses resulted in the majority of retailers temporarily closing their stores in mid-March 2020, with the majority of retailers, including the Company's retail stores, remaining closed for a majority of the second quarter. While business recovery has been slow, the Company experienced an upward trend in its North American wholesale and U.S. online businesses in the third quarter. The Company's revenues returned to sustainable levels and, while the Company experienced a net loss for the three and nine months ended September 30, 2020, its efforts to reduce expenses resulted in operating profits in its North American wholesale business during the third quarter.

The performance of BOGS wholesale business improved throughout the third quarter of 2020. The strength of BOGS' business reflects increased demand in the outdoor footwear market as consumers continue to spend more time outside during the pandemic. The Company opted to maintain significant inventory levels on its core BOGS programs for Fall 2020. This decision has enabled BOGS to meet the growing demand for its products, and management expects this trend will continue throughout the balance of the year. During the third quarter, BOGS online business was up over 100% in the U.S. and over 85% worldwide. This increase was driven in part by the outdoor footwear trend, and the impact of COVID-19 as more consumers are shopping online. Additionally, management believes that the growth of BOGS indicates increased consumer recognition regarding the brand's expanded product choices. Although the expected duration of the pandemic remains uncertain, management anticipates maintaining and building on this momentum in the remainder of 2020 and into 2021.

Regarding the legacy brands (Florsheim, Stacy Adams, and Nunn Bush), product has historically focused on "go to work" type shoes, and while the Company is seeing some pick-up in this area, it currently expects dress and dress-casual footwear to remain under pressure until a higher percentage of people are back in their offices and normal social activities are resumed. In Fall 2020, the Company delivered new product that is more casual, both in the boot category as well as sport-casual and casual. The Company is seeing strong sell-throughs on boots across all three legacy brands, and its casual product is also performing well. While the Company currently expects to continue to reduce the percentage of its dressier footwear and increase its casual offerings, management believes that the Company will be able to maintain its market share in the future once life normalizes. With most of its customers' stores reopening in July, the Company has started to see its revenues increase, although retail stores continue to face challenges with respect to foot traffic. During the third quarter, the Company's shipments increased with each month. Some of this growth can be attributed to seasonality, as the Company ships new Fall product in August and September, so those months have historically experienced higher volume. Nevertheless, the improved revenues allowed the Company to show an operating profit in the North American wholesale segment in the third quarter. While the Company's fill-in/at once business is not as robust as 2019, the Company is getting regular orders each week from most of its major accounts.

As a result of the economic impact of the pandemic, collection of accounts receivable has slowed, and the Company expects that to continue over the coming months. In August 2020, Tailored Brands, Inc. ("TB"), one of the Company's large customers, filed for bankruptcy protection, causing the Company to write-off approximately \$1.1 million in receivables during the third quarter. While the Company endeavors to actively manage receivables to secure payments and mitigate risk, and also monitors the financial health of its other customers, due to the pandemic and/or its related impact, additional customers could be in financial distress, which could cause the Company to experience other write-downs in the future.

In terms of the U.S. retail segment, third quarter net sales were down 15%. The Company's e-commerce businesses were up 16% for the quarter, but this increase was offset by a substantial decline in brick-and-mortar same store sales. Management decided to close three unprofitable U.S. retail stores in the third quarter, which leaves five brick and mortar stores in this country. The Company incurred expenses of \$1.6 million in connection with these store closings, and recorded \$1.0 million of expense for the impairment of U.S. retail store fixed assets.

With the reduction of its store base, e-commerce is expected to represent the vast majority of the Company's retail net sales. The Company sees momentum in this area of the business, and is committed to investing in its e-commerce platform. Management's strategy is to continue examining unprofitable brick and mortar stores, both in the U.S. and overseas for potential further reductions, and to leverage its strength in digital sales to grow its direct-to-consumer business. Given the Company's exit from the worst performing brick and mortar stores and recent favorable trends in e-commerce sales, management anticipates renewed profitable growth in its U.S. retail business.

The Company's overseas business continues to be adversely impacted by COVID-19. Due to government mandates in Australia, much of the country has been subject to prolonged shutdowns. In Victoria, where many of Florsheim Australia's stores are located, non-essential commerce has been closed for most of the time period between April and October 2020. Consequently, the Company recorded \$2.1 million expense for the impairment of retail store fixed assets and operating lease right-of-use assets at its overseas businesses in connection with the preparation of the financial statements for the third quarter. The Company's stores in Victoria reopened in late October. The BOGS business in Australia continues to grow. Year to date, Florsheim Australia's BOGS wholesale business is up 32%. The Company's web business is also showing strong growth in Australia, with an increase of 20% as compared to last year for both the third quarter and for the year.

As of September 30, 2020, the Company's inventory is at \$76.2 million versus \$81.3 million at the same time last year. The Company's inventories remain high in dress and dress-casual product, but the excess is in core carry-forward product, which continues to sell but at a slower pace compared to last year. Management expects inventories to come down and believes that within the next 3 to 6 months, the Company's inventory will be at an appropriate level relative to sales.

While there have been some disruptions in the Company's supply chain as a result of the pandemic, the Company's distribution center and supply chain are currently fully operational.

The Company continues to have a strong balance sheet which gives it the ability to take the actions necessary to move forward in ways that it anticipates will allow its brands to be successful in a retail landscape where consumer preferences are evolving at a fast pace. The Company believes the charges taken this year have the potential to position the Company for sustained growth and profitability once the impact of the pandemic is over.

Third Quarter Highlights

Consolidated net sales for the third quarter of 2020 were \$53.2 million, a decrease of 36% compared to last year's third quarter net sales of \$82.5 million. Consolidated loss from operations totaled \$3.8 million for the third quarter of 2020, down from earnings from operations of \$8.5 million in the same period one year ago. The Company's net loss totaled \$5.9 million in the third quarter of 2020, down from net earnings of \$6.6 million in last year's third quarter. Diluted loss per share was \$0.60 per share in the third quarter of 2020, compared to diluted earnings per share of \$0.66 per share in the third quarter of 2019.

Year-to-Date Highlights

Consolidated net sales for the first nine months of 2020 were \$133.4 million, down 39% from net sales of \$217.1 million during the first nine months of 2019. Consolidated loss from operations totaled \$15.5 million in the first nine months of 2020, down from earnings from operations of \$15.5 million in the first nine months of 2019. The Company's net loss totaled \$13.6 million in the nine months of 2020 versus net earnings of \$12.1 million in the same period last year. Diluted loss per share to date in 2020 was \$1.39, compared to diluted earnings per share of \$1.21 in the same period of 2019.

Financial Position Highlights

At September 30, 2020, cash and marketable securities totaled \$22.5 million and there was \$5.2 million outstanding on the Company's revolving line of credit. During the first nine months of 2020, the Company generated \$6.8 million of cash from operations and \$6.0 million from maturities of marketable securities. The Company paid dividends of \$9.4 million, paid down \$1.9 million on its line of credit, and repurchased \$1.3 million of Company stock in the first nine months of 2020. The Company also had \$3.2 million of capital expenditures year to date.

SEGMENT ANALYSIS

Net sales and earnings (loss) from operations for the Company's segments in the three and nine months ended September 30, 2020 and 2019, were as follows:

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2020	2019	Change	2020	2019	Change
	(Dollars in thousands)					
Net Sales						
North American Wholesale	\$ 44,012	\$ 67,823	-35%	\$ 106,019	\$ 173,356	-39%
North American Retail	4,367	5,158	-15%	12,768	16,124	-21%
Other	4,799	9,521	-50%	14,621	27,626	-47%
Total	<u>\$ 53,178</u>	<u>\$ 82,502</u>	<u>-36%</u>	<u>\$ 133,408</u>	<u>\$ 217,106</u>	<u>-39%</u>
Earnings (Loss) from Operations						
North American Wholesale	\$ 2,752	\$ 9,485	-71%	\$ (4,664)	\$ 16,903	NM
North American Retail	(2,796)	365	NM	(3,741)	1,249	NM
Other	(3,796)	(1,361)	NM	(7,107)	(2,653)	NM
Total	<u>\$ (3,840)</u>	<u>\$ 8,489</u>	<u>NM</u>	<u>\$ (15,512)</u>	<u>\$ 15,499</u>	<u>NM</u>

NM – Not meaningful

North American Wholesale Segment

Net Sales

Net sales in the Company's North American wholesale segment for the three and nine months ended September 30, 2020 and 2019, were as follows:

North American Wholesale Segment Net Sales

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2020	2019	Change	2020	2019	Change
	(Dollars in thousands)					
North American Net Sales						
Stacy Adams	\$ 7,274	\$ 16,080	-55%	\$ 25,036	\$ 51,733	-52%
Nunn Bush	8,129	11,962	-32%	21,660	32,716	-34%
Florsheim	8,605	20,447	-58%	29,941	56,556	-47%
BOGS/Rafters	19,780	18,699	6%	28,556	30,357	-6%
Other	-	5	-100%	-	21	-100%
Total North American Wholesale	<u>\$ 43,788</u>	<u>\$ 67,193</u>	<u>-35%</u>	<u>\$ 105,193</u>	<u>\$ 171,383</u>	<u>-39%</u>
Licensing	224	630	-64%	826	1,973	-58%
Total North American Wholesale Segment	<u>\$ 44,012</u>	<u>\$ 67,823</u>	<u>-35%</u>	<u>\$ 106,019</u>	<u>\$ 173,356</u>	<u>-39%</u>

As discussed in the "Executive Overview" above, net sales of the Stacy Adams, Nunn Bush, and Florsheim brands were down for the third quarter as compared to last year, due mainly to the current decrease in demand for dress and dress-casual footwear as a result of the ongoing pandemic. BOGS third quarter net sales were up for the quarter due to higher sales in the farm, service and industrial trade channel, and with e-commerce retailers. Net sales were down across all of the Company's brands for the year-to-date period as a result of retail shutdowns in the first and second quarters caused by the pandemic.

Licensing revenues consist of royalties earned on the sales of branded apparel, accessories and specialty footwear in the United States and on branded footwear in Mexico and certain overseas markets. Licensing revenues were down for the quarter and first nine months of 2020, as compared to the same periods in 2019, in line with reductions in licensees' sales of branded products.

Earnings (Loss) from Operations

Gross earnings for the North American wholesale segment were 35.7% of net sales in the third quarter of 2020, compared to 35.9% of net sales in last year's third quarter. For the nine months ended September 30, 2020, wholesale gross earnings were 33.7% of net sales, compared to 35.1% of net sales in the same period of 2019. The decrease in gross margins for the year-to-date period was largely due to the additional costs related to the tariff

on certain footwear imported from China. The tariff of 15% took effect on September 1, 2019, and was subsequently reduced to 7.5% on February 14, 2020. The Company purchased a limited amount of inventory at the higher tariff rate, and expects the tariff's negative impact on gross margins will lessen as it sells through its current inventory. Gross margins for 2020 were also adversely impacted by a \$0.5 million reserve for obsolete and slow-moving inventory due to COVID-19 related impacts.

North American wholesale segment selling and administrative expenses include, and are primarily related to, distribution costs, salaries and commissions, advertising costs, employee benefit costs and depreciation. Wholesale selling and administrative expenses were \$13.0 million, or 30% of net sales, in the third quarter of 2020, compared to \$14.9 million, or 22% of net sales, in the third quarter of 2019. Third quarter 2020 expenses included the write-off of a \$1.1 million receivable related to TB due to its bankruptcy filing during the pandemic, \$0.5 million in employee costs related to restructuring and temporary closures, and \$0.2 million in other related charges, partially offset by \$0.3 million of income from U.S. and Canada government wage subsidies.

For the nine months ended September 30, wholesale selling and administrative expenses were \$40.4 million, or 38% of net sales, in 2020, compared to \$44.0 million, or 25% of net sales, in 2019. Year-to-date 2020 expenses included the write-off of \$4.4 million in receivables due to two bankruptcies of large customers (JCP and TB) filed during the pandemic, \$1.9 million in employee costs related to restructuring and temporary closures, and \$0.2 million in other related charges, partially offset by \$1.6 million of income from U.S. and Canada government wage subsidies. Additionally, the Company adjusted its advertising spending, which reduced year-to-date selling and administrative expenses by \$2.9 million, as compared to the first nine months of 2019.

The wholesale segment's earnings from operations totaled \$2.8 million for the three months ended September 30, 2020, compared to earnings from operations of \$9.5 million in last year's third quarter. For the nine months ended September 30, 2020, the wholesale segment had operating losses totaling \$4.7 million, down from operating earnings of \$16.9 million in the same period of 2019. The decrease for the quarter and year-to-date periods was primarily due to lower sales volumes and higher selling and administrative costs relative to sales, which included the charges taken in the third quarter and to date in 2020, as detailed above.

The Company's cost of sales does not include distribution costs (e.g., receiving, inspection warehousing, shipping, and handling costs). Wholesale distribution costs were \$2.6 million for the third quarter of 2020 and \$3.1 million for the third quarter 2019. For the nine-month periods ended September 30, 2020 and 2019, wholesale distribution costs were \$8.3 million and \$9.2 million, respectively. These costs were included in selling and administrative expenses. The Company's gross earnings may not be comparable to other companies, as some companies may include distribution costs in cost of sales.

North American Retail Segment

Net Sales

Net sales in the Company's retail segment were \$4.4 million in the third quarter of 2020, down 15% compared to \$5.2 million in the third quarter of 2019. For the nine months ended September 30, retail net sales declined 21% to \$12.8 million in 2020, from \$16.1 million in 2019. These decreases in sales were partly due to the permanent closure of three unprofitable retail stores in the third quarter of 2020. Same store sales, which include U.S. e-commerce sales, were down 6% and 14% for the quarter and year-to-date periods, respectively, compared to the same periods one year ago. While U.S. e-commerce sales were up 16% and 4% for the quarter and year-to-date periods, respectively, these increases were more than offset by lower brick-and-mortar same store sales, primarily due to temporary closures and reduced foot traffic as a result of the ongoing pandemic.

Earnings (Loss) from Operations

Retail gross earnings were 63.6% of net sales in the third quarter of 2020, compared to 64.9% of net sales in last year's third quarter. For the nine months ended September 30, retail gross earnings were 63.5% of net sales in 2020, and 65.0% of net sales in 2019.

Selling and administrative expenses for the retail segment include, and are primarily related to, rent and occupancy costs, employee costs, advertising expense and freight. Retail selling and administrative expenses were \$5.6 million, or 128% of net sales, in the third quarter of 2020, compared to \$3.0 million, or 58% of net sales, in the third quarter 2019. For the nine months ended September 30, retail selling and administrative expenses were \$11.9 million, or 93% of net sales, in 2020, up from \$9.2 million, or 57% of net sales, in 2019. Third quarter and year-to-date 2020 expenses included \$1.5 million in early lease termination charges, \$1.0 million for the impairment of retail store fixed assets, and \$0.1 million in employee costs related to restructuring and temporary closures.

The retail segment had operating losses totaling \$2.8 million for the quarter, down from operating earnings of \$365,000 in last year's third quarter. For the nine months ended September 30, retail loss from operations totaled \$3.7 million in 2020, down from earnings from operations of \$1.2 million in 2019. The decreases for the quarter and first nine months of 2020 were due to lower sales as a result of the pandemic and higher selling and administrative expenses.

Other

The Company's other businesses include its wholesale and retail operations of Florsheim Australia and Florsheim Europe. Net sales of the Company's other businesses were \$4.8 million in the third quarter of 2020, down 50% compared to \$9.5 million in last year's third quarter. For the nine months

ended September 30, 2020, other net sales were \$14.6 million, down 47% from \$27.6 million in the same period last year. The decreases in 2020 were due to lower net sales at both Florsheim Australia and Florsheim Europe, resulting from retail shutdowns and stay-at-home orders caused by the COVID-19 pandemic.

Collectively, Florsheim Australia and Florsheim Europe had operating losses totaling \$3.8 million in the third quarter of 2020, compared to operating losses of \$1.4 million in the third quarter of 2019. Operating losses deepened for the quarter, as compared to last year's third quarter, due to lower sales as a result of the pandemic and higher selling and administrative expenses. Selling and administrative expenses for the quarter included \$2.1 million for the impairment of retail store fixed assets and operating lease right-of-use assets, \$1.1 million in employee costs related to restructuring and temporary closures, and \$0.2 million in other related charges, partially offset by \$1.1 million of income from government wage and rent subsidies.

For the nine months ended September 30, 2020, Florsheim Australia and Florsheim Europe had operating losses totaling \$7.1 million, compared to operating losses of \$2.7 million in the same period last year. Operating losses deepened for the year-to-date period, compared to the same period last year, due to lower sales and higher selling and administrative expenses. Selling and administrative expenses for the nine months ended September 30, 2020 included \$2.1 million impairment of retail store fixed assets and operating lease right-of-use assets, \$2.0 million in employee costs related to restructuring and temporary closures, \$1.1 million in reserves for obsolete and slow moving inventory due to COVID-19-related impacts, and \$0.6 million in other related charges, partially offset by \$2.5 million of income from government wage and rent subsidies.

Other income and expense

Interest income was \$121,000 and \$210,000 for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, interest income was \$408,000 in 2020 and \$663,000 in 2019. The decreases for the quarter and year-to-date periods were primarily due to less interest earned on the lower investment balances this year as a result of maturities of marketable securities.

Interest expense declined \$90,000 and \$103,000 during the three and nine months ended September 30, 2020, compared to the same periods of 2019, due to lower average debt balances this year.

The Company's effective tax rate for the quarter was (57.2%), compared to 23.6% for the same period of 2019. For the nine months ended September 30, the effective tax rate was 9.5% in 2020 versus 23.4% in 2019. The Company's third quarter and year-to-date 2020 tax provisions included \$2.0 million of tax expense related to deferred tax assets of the Company's foreign subsidiaries. The Company's 2020 effective tax rates were also impacted because it has not recorded an income tax benefit on foreign losses, and, in the U.S., the Company has the ability to carry back current year losses to a tax year when the U.S. federal statutory tax rate was 35%, which is currently permitted under the U.S. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are its cash, short-term marketable securities and its revolving line of credit. During the first nine months of 2020, the Company generated \$6.8 million in cash from operations. During the first nine months of 2019, the Company used \$4.2 million of cash in operations. The increase in 2020 was primarily due to changes in operating assets and liabilities, principally inventory and accounts receivable. In 2019, the Company built its inventory levels of core product in anticipation of the imposition of the China tariff, and when the pandemic hit the U.S. in March 2020, the Company adjusted its 2020 buys downward accordingly. Management believes its current level of inventory, while high, is the result of purchasing that core product, and within the next three to six months, inventories are expected to come down to the appropriate level relative to sales.

The Company paid cash dividends of \$9.4 million during both the nine months ended September 30, 2020 and 2019.

The Company has the authority to repurchase its common stock under its share repurchase program when it believes market conditions are favorable. During the first nine months of 2020, the Company repurchased 59,523 shares for a total cost of \$1.3 million, all of which were repurchased in the first quarter. The Company did not repurchase any of its shares in the third quarter of 2020. As of September 30, 2020, the Company had the authority to repurchase approximately 383,000 shares under its previously announced stock repurchase program.

Capital expenditures totaled \$3.2 million in the first nine months of 2020. Management estimates that capital expenditures for 2020 will be between \$3.5 million and \$4.0 million, and 2021 annual capital expenditures will be between \$1.0 million and \$2.0 million.

At September 30, 2020, the Company had a \$60 million unsecured revolving line of credit with PNC Bank, National Association ("PNC") that was originally set to expire on November 5, 2020. The line of credit bore interest at the London Interbank Offered Rate ("LIBOR") plus 0.75%. At September 30, 2020, outstanding borrowings were \$5.2 million at an interest rate of 0.90%. The highest balance on the line of credit during the nine months ended September 30, 2020 was \$8.5 million.

On November 4, 2020, the Company terminated its existing line of credit with PNC and entered into a new \$30 million revolving line of credit with Associated Bank, National Association that is secured by a lien against the Company's general corporate assets. The new line of credit bears interest

at LIBOR plus 1.35% and expires on November 4, 2021. The related credit agreement contains customary representations, warranties, and covenants (including a minimum tangible net worth financial covenant) for a facility of this type.

At September 30, 2020, approximately \$2.3 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

The Company will continue to evaluate the best uses for its available liquidity, including, among other uses, capital expenditures, continued stock repurchases and additional acquisitions. The Company believes that available cash and marketable securities, cash provided by operations, and available borrowing facilities will provide adequate support for the cash needs of the business for at least one year, although there can be no assurances.

COMMITMENTS

Not applicable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company required to be included in the Company's periodic filings under the Exchange Act. Such officers have also concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in accumulating and communicating information in a timely manner, allowing timely decisions regarding required disclosures.

There have been no significant changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

The following supplements the risk factors previously reported in Part 1, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019:

The Company's business, results of operations and financial condition have been, and are expected to continue to be adversely affected by the effects of widespread public health epidemics, including the ongoing COVID-19 pandemic, that are beyond its control.

Outbreaks of infectious diseases, public health epidemics and other adverse public health developments in countries where the Company, its customers and its suppliers operate have, and are expected to continue to have, an adverse effect on its business, results of operations and financial condition. The recent outbreak of COVID-19, initially limited to a region in China and now affecting the global community, including the United States, has adversely impacted, and is expected to continue to adversely affect the Company's business. The nature and extent of the impact, including the effects on the global economy, are highly uncertain and beyond the Company's control. Uncertain factors relating to the COVID-19 pandemic include the duration, spread and severity of the virus, the effects of the COVID-19 pandemic on the Company's customers, vendors and suppliers, including any future bankruptcies of such parties, and the actions, or perception of actions that may be taken, to contain or treat its impact, including declarations of states of emergency, business closures, manufacturing restrictions and a prolonged period of travel, commercial and/or other similar restrictions and limitations, including stay-at-home and similar orders.

As a result of the COVID-19 pandemic and the measures designed to contain its spread, the Company's sales have been, and are expected to continue to be negatively impacted as a result of disruption in demand and changes in customer purchasing behaviors, as well as reduced foot traffic, which have had, and could continue to have a material adverse effect on its business, results of operations and financial condition. As a result of the economic impact of the pandemic, collection of accounts receivable has slowed, and the Company expects that to continue over the coming months. The Company wrote down \$4.4 million in receivables during the second and third quarters of 2020 due to bankruptcy filings by two large customers. While the Company endeavors to actively manage receivables to secure payments and mitigate risk, and also monitors the financial health of its other

customers, due to the pandemic or its related impact, additional customers could be in financial distress, which could cause the Company to experience other write-downs. The Company has reduced operating expenses where appropriate and continues to scrutinize its costs in light of an anticipated decrease in demand.

Due to the impact of the COVID-19 pandemic on the Company and macroeconomic conditions, the Company conducted an interim assessment of its goodwill and trademarks as of September 30, 2020; while the results did not indicate that such assets were impaired, if the COVID-19 pandemic continues to have adverse effects on the Company and the global economy for an extended period, the Company could recognize impairment in a future period. There have been some disruptions in the Company's supply chain as a result of the pandemic, however, the Company's distribution center and supply chain are currently fully operational. Additional disruptions may occur in the Company's supply chain as a result of facility closures, worker absenteeism, quarantines or other travel or health-related restrictions, which could delay the production of its products. The duration of the disruption to the Company's customers and to its supply chain, and related financial impact, cannot be estimated at this time. Should such disruption continue for an extended period of time, the impact could have a material adverse effect on the Company's business, results of operations and financial condition.

Item 5. Other Information

On November 4, 2020, the Company entered into a \$30 million revolving line of credit (the "Credit Agreement") with Associated Bank, National Association that is secured by a lien against the Company's general corporate assets. Under the terms of the Credit Agreement, amounts outstanding bear interest at LIBOR plus 1.35%. The Credit Agreement expires on November 4, 2021, and contains customary representations, warranties and covenants (including a minimum tangible net worth financial covenant) for a facility of this type. The foregoing description of the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the Credit Agreement and related revolving loan note, which are filed as Exhibit 10.1 and Exhibit 10.2, respectively, to this Form 10-Q.

In connection with the entry into the new Credit Agreement described above, the Company terminated its existing \$60 million unsecured revolving line of credit with PNC Bank effective November 4, 2020.

Item 6. Exhibits.

Exhibit	Description	Incorporation Herein By Reference To	Filed Herewith
10.1	Credit Agreement, dated as of November 4, 2020, between Weyco Group, Inc. and Associated Bank, National Association		X
10.2	Revolving Loan Note, dated November 4, 2020, between Weyco Group, Inc. and Associated Bank, National Association		X
10.3	Security Agreement with Associated Bank, dated November 4, 2020		X
31.1	Certification of Chief Executive Officer		X
31.2	Certification of Chief Financial Officer		X
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer		X
101	The following financial information from Weyco Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets (Unaudited); (ii) Consolidated Condensed Statements of Earnings and Comprehensive Income (Unaudited); (iii) Consolidated Condensed Statements of Cash Flows (Unaudited); and (iv) Notes to Consolidated Condensed Financial Statements		X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in iXBRL (included in Exhibit 101).		X

SIGNATURES

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

WEYCO GROUP, INC.

Dated: November 9, 2020

/s/ John F. Wittkowske

John F. Wittkowske

Senior Vice President and Chief Financial Officer

CERTIFICATION

I, Thomas W. Florsheim, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Weyco Group, 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Dated: November 9, 2020

/s/ Thomas W. Florsheim, Jr.
Thomas W. Florsheim, Jr.
Chief Executive Officer

CERTIFICATION

I, John F. Wittkowske, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Weyco Group, 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Dated: November 9, 2020

/s/ John F. Wittkowske
John F. Wittkowske
Chief Financial Officer

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, Thomas W. Florsheim, Jr., Chief Executive Officer, and John F. Wittkowske, Chief Financial Officer, of Weyco Group, Inc. each certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Periodic Report on Form 10-Q for the quarter ended September 30, 2020 (the "Periodic Report"), to which this statement is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and
- (2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Weyco Group, Inc.

Dated: November 9, 2020

/s/ Thomas W. Florsheim, Jr.
Thomas W. Florsheim, Jr.
Chief Executive Officer

/s/ John F. Wittkowske
John F. Wittkowske
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in type form within the electronic version of this written statement required by Section 906, has been provided to Weyco Group, Inc. and will be retained by Weyco Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CREDIT AGREEMENT
dated as of November 4, 2020

between

WEYCO GROUP, INC.,
as the Borrower

and

ASSOCIATED BANK, NATIONAL ASSOCIATION,
as the Lender

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of November 4, 2020 (this "Agreement") is entered into by and between WEYCO GROUP, INC. (the "Borrower") and ASSOCIATED BANK, NATIONAL ASSOCIATION (the "Lender").

RECITALS

The Borrower has requested a revolving credit facility, and the Lender is willing to provide such a facility, all on the terms and conditions set forth herein.

In consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1 DEFINITIONS.

1.1 Definitions. When used herein the following terms have the following meanings:

"Adjusted Daily LIBOR Rate" means with respect to each day, the rate determined by dividing the Daily LIBOR Rate in effect on such day by 1.00 minus the Eurodollar Reserve Percentage.

"Advance" means a borrowing hereunder (i) made by the Lender on a Borrowing Date or (ii) converted or continued by the Lender on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of LIBOR Loans, for the same Interest Period.

"Affected Loan" has the meaning given in Section 8.3.

"Affiliate" of any Person means (a) any other Person that, directly or indirectly, controls or is controlled by or is under common control with such Person or (b) with respect to any Lender, any entity administered or managed by such Lender or an Affiliate or investment advisor thereof that is engaged in making, purchasing, holding or otherwise investing in commercial loans. A Person shall be deemed to be "controlled by" any other Person if such Person possesses, directly or indirectly, power to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managers or power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" has the meaning given in the Preamble.

"Applicable Margin" means 1.35% per annum.

"Attorney Costs" means, with respect to any Person, all reasonable and documented out-of-pocket fees and charges of any counsel to such Person, and all reasonable disbursements of internal counsel and all court costs and similar legal expenses incurred by such Person.

"Backup Support" means a letter of credit from a financial institution and in a form reasonably satisfactory to the Issuing Lender to support the Borrower's obligations with respect to a Letter of Credit.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be the highest of: (i) the rate of interest announced publicly by the Lender from time to time as its Prime Rate; (ii) the Federal Funds Rate plus .50%; and (iii) the Adjusted Daily LIBOR Rate in effect plus 1.00%. If, for any reason, the Lender shall have reasonably determined (which

determination shall be conclusive absent manifest error) that it is unable after due inquiry to ascertain the Federal Funds Rate or the Adjusted Daily LIBOR Rate for any reason, including the inability or failure of the Lender to obtain sufficient quotations in accordance with the terms hereof, the Base Rate shall be determined without regard to clauses (ii) or (iii), as applicable, of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the Adjusted Daily LIBOR Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Rate or the Adjusted Daily LIBOR Rate, as the case may be; provided, however, that in the event the Base Rate is less than 0.50%, the Base Rate shall be deemed to be 0.50%.

"Base Rate Loan" means any Loan that bears interest at or by reference to the Base Rate.

"Borrower" has the meaning given in the Preamble.

"Borrowing Date" means in respect of any Loan, the date such Loan is made.

"Business Day" means any day (other than a Saturday or a Sunday) on which the Lender is open for commercial banking business and, in the case of a Business Day that relates to a LIBOR Loan, on which dealings are carried on in the London interbank eurodollar market.

"Capital Expenditures" means all expenditures that, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of the Borrower, including expenditures in respect of Capital Leases, but excluding expenditures made in connection with the replacement, substitution or restoration of assets to the extent financed (a) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored or (b) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced.

"Capital Lease" means, with respect to any Person, any lease of any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

"Capital Securities" means, with respect to any Person, all shares, equity interests, participations in equity or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued or acquired after the Closing Date, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership or any other equivalent of such ownership interest.

"Change of Control" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of the Borrower on a fully-diluted basis, (ii) within any twelve month period, occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (x) nominated by the board of directors of the Borrower nor (y) appointed or approved by directors so nominated, or (iii) any "Change of Control" (or words of like import), as defined in any agreement or indenture relating to any issuance of Debt, shall occur.

"Closing Date" has the meaning given in Section 12.1.

"Code" means the Internal Revenue Code of 1986.

“Commitment” means the Lender’s commitment to make Loans under this Agreement. The initial amount of the Lender’s commitment to make Loans is set forth on Schedule 2.1. The plural form of this definition shall refer to the aggregate amount of the Lender’s Commitment.

“Compliance Certificate” means a Compliance Certificate in form and substance reasonably acceptable to the Lender.

“Contingent Liability” means, with respect to any Person, and without duplication, 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, 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 or other obligation that 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 any other Person with the purpose or intent of assuring the owner of any indebtedness or obligation of such Person of the ability of such Person to make payment of such indebtedness or obligation; (e) agrees to induce the issuance of, or enters into any agreement in connection with the issuance of, any letter of credit for the benefit of any other Person; or (f) undertakes or agrees otherwise to assure a creditor of such Person or any other Person against loss. The amount of any Contingent Liability shall (subject to any limitation set forth herein) be deemed to be the lesser of (x) the stated or determinable amount of the primary obligations in respect of which such Contingent Liability is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof and (y) the stated amount of such Contingent Liability.

“Controlled Group” means all 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 that, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

“Daily LIBOR Rate” means with respect to any date of determination, the average offered rate for deposits in Dollars for delivery of such deposits on such date for an assumed interest period of one-month which appears on Reuters Screen LIBOR01 Page (or any successor thereto) as of 11:00 a.m., London time (or such other time as of which such rate appears), or the rate for such deposits determined by the Lender at such time based on such other published service of general application as shall be selected by the Lender for such purpose.

“Debt” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all borrowed money of such Person, whether or not evidenced by bonds, debentures, notes or similar instruments or agreements, (c) all obligations of such Person as lessee under Capital Leases that 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 and similar accounts payable and accrued expenses in the ordinary course of business

and accrued pension costs and other employee benefit and compensation obligations), (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 lesser of (i) the fair market value of such property (as determined by such Person in good faith) securing such indebtedness at the time of determination and (ii) the amount of such indebtedness, (f) all non-contingent obligations in respect of letters of credit (other than trade letters of credit), bankers' acceptances and similar obligations issued for the account of such Person, (g) all net Hedging Obligations of such Person, (h) all Contingent Liabilities of such Person with respect to obligations of the types referred to in clauses (a) through (g) above and clause (i) below and (i) all Debt of any partnership of which such Person is a general partner unless the Debt is non-recourse to such Person. Debt shall not include: (a) any obligations of a Person in respect of customer advances received in the ordinary course of business, (b) Debt owing to the Borrower by any Subsidiary or Debt owing to any Subsidiary by the Borrower or another Subsidiary, (c) earnouts or holdbacks in connection with permitted acquisitions and (d) performance bonds or performance guaranties (or bank guaranties or letters of credit in lieu thereof). The amount of Debt of the Borrower and its Subsidiaries hereunder shall be calculated without duplication of contingent obligations of the Borrower or any Subsidiary in respect thereof.

"Disposition" has the meaning given in Section 11.4.

"Dollar" and the sign "\$" mean lawful money of the United States.

"Domestic Subsidiary" means a Subsidiary that is not a Foreign Subsidiary.

"Domestic Wholly-Owned Subsidiary" means a Domestic Subsidiary that is a Wholly-Owned Subsidiary.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means all present or future federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case arising out of or relating to, or relating to any matter arising out of or relating to, environmental or land use matters, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance, and including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Emergency Planning and Community Right-to-Know Act.

"Equity Interest" means (a) in the case of a corporation, its corporate stock, (b) in the case of a partnership, its partnership interests (whether general or limited), (c) in the case of a limited liability company, its membership interests, (d) in the case of an association or other entity, any shares, equity interests, equity participations, rights or other equivalents (however designated) of its stock or other equity interests, and (e) any other equity interest or equity participation that confers on a Person the right to receive a share of the profits and losses of, or distributions or assets of, the issuing Person.

"ERISA" means the Employee Retirement Income Security Act of 1974.

“Event of Default” means any of the events described in Section 13.1.

“Federal Funds Rate” means, for any day, the rate of interest per annum (rounded upwards, if necessary, to the nearest whole multiple of 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (A) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day and (B) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Lender on such day on such transactions as determined by the Lender.

“Fiscal Quarter” means a fiscal quarter of a Fiscal Year.

“Fiscal Year” means each fiscal year of the Borrower and its Subsidiaries, which period shall be the 12-month period ending on the Borrower’s Fiscal Year end. References to a Fiscal Year with a number corresponding to any calendar year (e.g., “Fiscal Year 2019”) refer to the Fiscal Year ending on the Borrower’s Fiscal Year end occurring in such calendar year.

“Foreign Subsidiary” means each Subsidiary of the Borrower that is organized under the laws of any jurisdiction other than, and that is conducting the majority of its business outside of, the United States or any state thereof or the District of Columbia.

“FRB” means the Board of Governors of the Federal Reserve System or any successor thereto.

“GAAP” means 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 that are applicable to the circumstances as of the date of determination.

“Government Acts” has the meaning given in Section 8.9(a).

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Group” means LIBOR Loans having the same Interest Period.

“Hazardous Substances” means all substances that are regulated by, or that may form the basis of liability under, any Environmental Law, including any substance identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

“Hedging Agreement” means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

“Hedging Obligation” means, with respect to any Person, any liability of such Person under any Hedging Agreement. The amount of any Person’s obligation in respect of any Hedging Obligation will

be deemed to be the incremental obligation that would be reflected in the financial statements of such Person in accordance with GAAP.

“Increase” has the meaning given in Section 6.3.

“Indemnified Liabilities” has the meaning given in Section 15.15.

“Interest Period” means, with respect to any Loan, the period commencing on the date such Loan is borrowed and ending on the date one month (or such other durations as the Lender may approve) thereafter, and each period commencing on the date immediately following the end of each Interest Period and ending on the date one month (or such other durations as the Lender may approve) thereafter; provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, 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; and

(c) no Interest Period for a Revolving Loan may extend beyond the scheduled Termination Date.

“Investment” means, with respect to any Person, any investment in another Person, whether by acquisition of any debt or Capital Security, by making any loan or advance, by becoming obligated with respect to a Contingent Liability in respect of debt for borrowed money of such other Person (excluding travel and similar advances to employees in the ordinary course of business).

“Issuing Lender” means the Lender.

“Lender” has the meaning given in the Preamble.

“Lender Party” has the meaning given in Section 15.15.

“Lender Product” means any service or facility extended to any Loan Party by the Lender or its Affiliates including: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) automated clearing house transactions, (f) cash management, including controlled disbursement accounts or services and (g) Hedging Agreements.

“Lender Product Agreements” means those certain cash management service agreements entered into from time to time between any Loan Party and the Lender or its Affiliates in connection with any Lender Product.

“Lender Product Obligations” means all obligations, liabilities, contingent reimbursement obligations, fees and expenses owing by the Loan Parties to the Lender or its Affiliates pursuant to or evidenced by the Lender 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 Lender as a result of the Lender purchasing participations or executing indemnities or reimbursement obligations with respect to the Lender Products provided to the Loan Parties pursuant to the Lender Product Agreements.

“Letter of Credit” means any letter of credit (which may be a documentary or standby letter of credit) issued for the account of the Borrower by the Issuing Lender as provided in Section 2.4, as such letter of credit may be amended, supplemented, extended or otherwise modified from time to time.

“Letter of Credit Fee” is defined in Section 5.1.

“LIBOR” means a rate of interest equal to the per annum rate of interest for a period equal to the applicable Interest Period, which shall be the per annum rate described as the “London interbank offered rate, or Libor” for such period that is in effect on the first day of such Interest Period as reported in *The Wall Street Journal*, “Money Rates” table (and currently defined as the British Bankers’ Association average of interbank offered rates for dollar deposits in the London market) or, if *The Wall Street Journal* or another authoritative source is not available, as LIBOR is otherwise determined by the Lender in its sole and absolute discretion; provided, however, that in the event LIBOR is less than 0.50%, LIBOR shall be deemed to be 0.50%.

“LIBOR Loan” means any Loan that bears interest for any Interest Period at a rate determined by reference to LIBOR .

“LIBOR Office” means the office or offices of the Lender that will be making or maintaining the LIBOR Loans hereunder. A LIBOR Office may be, at the option of the Lender, either a domestic or foreign office.

“Lien” means, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including an interest in respect of a Capital Lease) that secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise, excluding the interest of a lessor under an operating lease.

“Loan” means the Lender’s revolving loans made pursuant to Section 2 (or any conversion or continuation thereof), and collectively, all Revolving Loans, whether made or continued as or converted to Base Rate Advances or LIBOR Advances.

“Loan Documents” means this Agreement, the Note, the Security Agreement, any Letter of Credit, and all documents, instruments and agreements delivered in connection with the foregoing.

“Loan Party” means the Borrower and each Domestic Subsidiary.

“LOC Commitment” means the commitment of the Issuing Lender to issue Letters of Credit up to the Lender’s LOC Committed Amount as specified in Schedule 2.1 (subject to adjustment on account of assignment), as such amount may be reduced from time to time in accordance with the provisions hereof.

“LOC Committed Amount” means the amount of the LOC Commitment of the Issuing Lender to issue Letters of Credit as referenced in Section 2.4(a) (subject to adjustment on account of assignment pursuant to the provisions hereof).

“LOC Documents” means with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or (ii) any collateral security for such obligations.

“LOC Obligations” means, at any time, the sum of (i) the aggregate amount which is available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all payments made, or drafts accepted for subsequent payments to be made, under Letters of Credit honored by the Issuing Lender but not theretofore reimbursed.

“Margin Stock” means any “margin stock” as defined in Regulation U of the FRB.

“Material Adverse Change” means any event, development or circumstance that has had a material adverse effect on (a) the business, assets, properties, results of operation or financial condition of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement or any other Loan Document or the rights and remedies of the Lender thereunder.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the business, assets, properties results of operation or financial condition of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower to perform any of its Obligations under any Loan Document or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of any Loan Document.

“Multiemployer Pension Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any other member of the Controlled Group makes or is obligated to make contributions, or during the preceding five plan years, has made or has been obligated to make contributions.

“Note” means the Revolving Note.

“Notice of Borrowing” has the meaning given in Section 2.2.

“Obligations” means all obligations (monetary (including post-petition interest, allowed or not) or otherwise) of the Borrower under this Agreement and any other Loan Document, including Attorney Costs and any reimbursement obligations of the Borrower in respect of surety bonds that, in each case, are owed to the Lender, or any Affiliate of the Lender, all Hedging Obligations permitted hereunder that are owed to the Lender or its Affiliate and all Lender Product Obligations, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

“Patriot Act” has the meaning given in Section 15.14.

“PBGC” means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

“Pension Act” means the Pension Protection Act of 2006.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA or the minimum funding standards of Section 412 of the Code and is sponsored or maintained by the Borrower or any member of the Controlled Group or to which the Borrower or any member of the Controlled Group contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Lien” means a Lien expressly permitted hereunder pursuant to Section 11.2.

“Person” means any natural person, corporation, partnership, trust, limited liability company, association, Governmental Authority or unit or any other entity, whether acting in an individual, fiduciary or other capacity.

“Prime Rate” means, for any day, the rate of interest in effect for such day as publicly announced from time to time by the Lender as its prime rate (whether or not such rate is actually charged by the Lender), which is not intended to be the Lender’s lowest or most favorable rate of interest at any one time. Any change in the Prime Rate announced by the Lender shall take effect at the opening of business on the day specified in the public announcement of such change; provided that the Lender shall not be obligated to give notice of any change in the Prime Rate.

“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 Pension Plan to meet the minimum funding standards of Section 412 of the Code (without regard to whether the Pension Plan is a plan described in Section 4021(a)(2) of ERISA) or under Section 302 of ERISA.

“Revolving Commitment” means the commitment of the Lender to make Revolving Loans pursuant to Section 2.1, as such commitment may be reduced pursuant to Section 6.1 or increased pursuant to Section 6.3. The initial amount of the Lender’s Revolving Commitment is set forth on Schedule 2.1.

“Revolving Loan” has the meaning given in Section 2.1.

“Revolving Note” means the promissory note of the Borrower in favor of the Lender evidencing the Revolving Loans provided pursuant to Section 2.1, as such promissory note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

“Revolving Outstandings” means, at any time, the aggregate principal amount of all outstanding Revolving Loans.

“SEC” means the Securities and Exchange Commission or any other Governmental Authority succeeding to any of the principal functions thereof.

“Security Agreement” means that security agreement dated as of the Closing Date by and between the Borrower, as debtor, and the Lender, as secured party, as the same may be amended, modified or supplemented from time to time.

“Senior Officer” means, with respect to any Loan Party, any of the chief executive officer, the president, or the chief financial officer of such Loan Party.

“Subordinated Debt” means any unsecured Debt of the Borrower that has subordination terms that have been approved in writing by the Lender.

“Subsidiary” means, with respect to any Person, a corporation, partnership, limited liability company or other entity of which such Person owns, directly or indirectly, such number of outstanding Equity Interests as have more than 50% of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity. Unless the context

otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of the Borrower.

“Tangible Net Worth” means, at any date of determination, and determined in accordance with GAAP, the sum of the Borrower’s assets less the Borrower’s liabilities. For the avoidance of doubt, assets do not include (unless otherwise consented to in writing by the Lender): (a) any goodwill, patents, trademarks, trade names, copyrights, operating rights, organizational or developmental expenses, unamortized debt discount or expense, unamortized deferred charges, and other assets properly characterized as intangible assets, (b) any write-ups or assets subsequent to the date of this Agreement, (c) any treasury stock, and (d) all loans to, or investments in, Affiliates.

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

“Termination Date” means the earlier to occur of (a) November 4, 2021 or (b) such other date on which the Commitments terminate pursuant to Section 6 or 13.

“Termination Event” means, with respect to a Pension Plan that is subject to Title IV of ERISA, (a) a Reportable Event, (b) the withdrawal of the Borrower or any other member of the Controlled Group from such Pension Plan during a plan year in which the Borrower 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 of ERISA, (c) the termination of such Pension Plan, the filing of a notice of intent to terminate the Pension Plan or the treatment of an amendment of such Pension Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Pension Plan, (e) any event or condition that could reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Pension Plan, or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any member of the Controlled Group.

“Type” means, as to any Loan, its nature as a Base Rate Loan or a LIBOR Loan, as the case may be.

“UCP” has the meaning given in Section 2.4(g).

“Unfunded Liability” means the amount (if any) by which the present value of all benefit liabilities under such Plan as defined in § 4001(a)(16) of ERISA exceeds the fair market value of all Pension Plan assets allocable to those benefits, all determined as of the then most recent valuation date for each Pension Plan (on the basis of the assumptions used to fund such Pension Plan).

“United States” and “U.S.” each means the United States of America.

“Unmatured Event of Default” means any event that, if it continues uncured or unwaived, will, with lapse of time or notice or both, constitute an Event of Default.

“Wholly-Owned Subsidiary” means, as to any Person, a Subsidiary of which all of the Equity Interests (except directors’ qualifying Equity Interests) are at the time directly or indirectly owned by such Person and/or another Wholly-Owned Subsidiary of such Person.

1.2 Other Interpretive Provisions. (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The term "including" is not limiting and means "including without limitation."

(d) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including."

(e) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement and the other Loan Documents) and other contractual instruments will be deemed to include all subsequent amendments, restatements, supplements and other modifications thereto, but only to the extent such amendments, restatements, supplements and other modifications are not prohibited by the terms of any Loan Document, (ii) references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation and (iii) references to any Person shall be deemed to include such Person's successors and permitted assigns.

(f) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Borrower and the Lender and are the products of all parties. Accordingly, they shall not be construed against the Lender merely because of the Lender's involvement in their preparation.

(h) Except as otherwise specified herein, any reference to a particular time means such time in Milwaukee, Wisconsin.

SECTION 2 COMMITMENTS OF THE LENDER; BORROWING PROCEDURES.

2.1 Revolving Commitments. On and subject to the terms and conditions of this Agreement, the Lender agrees to make loans on a revolving basis ("Revolving Loans") from time to time until the Termination Date in such amounts as the Borrower may request from the Lender; provided that the Revolving Outstandings shall not at any time exceed the Revolving Commitment.

2.2 Borrowing Procedures. Borrowings in respect of Revolving Loans shall be governed by and made pursuant to the terms of one or more sweep or zero balance account agreements that may be in place from time to time between the Lender and the Borrower.

2.3 Certain Conditions. Notwithstanding any other provision of this Agreement, the Lender shall not have an obligation to make any Loan if an Event of Default or Unmatured Event of Default exists.

2.4 Letter of Credit Subfacility.

(a) Issuance. Subject to the terms and conditions hereof and of the LOC Documents, if any, and provided that no Event of Default or Unmatured Event of Default shall have occurred and be continuing, and further subject to any other terms and conditions which the Issuing Lender may

reasonably require in accordance with customary letter of credit issuing practices, prior to the Termination Date the Issuing Lender shall issue Letters of Credit for the account of the Borrower (or for the accounts of one or more of its Subsidiaries, in which event the Borrower shall be an additional obligor thereunder, and all references in this Section 2.4 to the "Borrower" shall be deemed to include such Subsidiaries to the extent that any Letter of Credit is issued for a Subsidiary's account) from time to time upon request by the Borrower in a form acceptable to the Issuing Lender and the Borrower; provided, however, that (i) the aggregate amount of LOC Obligations shall not at any time exceed Five Hundred Thousand and 00/100 Dollars (\$500,000.00) (the "LOC Committed Amount") and (ii) the sum of the aggregate amount of Revolving Loans plus the aggregate amount of LOC Obligations shall not at any time exceed the Revolving Commitment. No Letter of Credit as originally issued or as extended shall have an expiry date extending beyond the Termination Date, except that prior to the Termination Date a Letter of Credit may be issued or extended with an expiry date extending beyond the Termination Date if, and to the extent that the Borrower shall provide cash collateral or Backup Support to the Issuing Lender on the date of issuance or extension in an amount equal to 105% the maximum amount available to be drawn under such Letter of Credit. Each Letter of Credit shall comply with the related LOC Documents. The issuance and expiry date of each Letter of Credit shall be a Business Day. In the case of a conflict in the terms of the LOC Documents and this Agreement, the terms of this Agreement shall control.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted to the Issuing Lender on such prior notice as the Issuing Lender and the Borrower shall agree. The Issuing Lender will, at least quarterly and more frequently upon request, provide to the Issuing Lender a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the account party, the beneficiary, the face amount, expiry date as well as any payments or expirations which may have occurred.

(c) [Reserved]

(d) Reimbursement. In the event of any drawing under any Letter of Credit, the Issuing Lender will promptly notify the Borrower. The Borrower shall reimburse the Issuing Lender on the first Business Day following notice of payment under any Letter of Credit (either with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds as provided herein or in the LOC Documents, together with interest on the amount of such payment at the Base Rate from the date of payment until the date of reimbursement. Unless the Borrower shall notify the Issuing Lender on the date the Borrower receives notice of a payment of its intent to otherwise reimburse the Issuing Lender, the Borrower shall be deemed to have requested a Revolving Loan in the amount of the payment as provided in subsection (e) hereof, the proceeds of which will be used to satisfy the reimbursement obligations, it being understood that the minimum and multiples specified in Section 2.2 hereof shall be disregarded as well as the notice requirements specified in Section 2.2 hereof. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of set-off, counterclaim or defense to payment the Borrower may claim or have against the Issuing Lender, the beneficiary of the Letter of Credit drawn upon or any other Person, including, without limitation, any defense based on any failure of the Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit.

(e) Amendment, Extension. The issuance of any amendment to increase the amount of, or the renewal or extension of, any Letter of Credit shall, solely for purposes of this Agreement, be treated in all respects the same as the issuance of a new Letter of Credit, but without duplication in computing the aggregate outstanding amount of LOC Obligations.

(f) Uniform Customs and Practices. The Issuing Lender shall have documentary Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits, as published as of the date of issue by the International Chamber of Commerce (the “UCP”), in which case the UCP may be incorporated therein and deemed in all respects to be a part thereof, with such exceptions thereto as the beneficiary may request and the Issuing Lender and account party may approve.

SECTION 3 EVIDENCING OF LOANS.

3.1 Note. Upon the Lender’s request, the Loans shall be evidenced by a Note payable to the order of the Lender in a face principal amount equal to the Lender’s Revolving Commitment.

3.2 Recordkeeping. The Lender shall record in its records the date and amount of each Loan made hereunder, each repayment thereof and, in the case of each LIBOR Loan, the dates on which each Interest Period for such Loan will begin and end. The aggregate unpaid principal amount so recorded will 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 the Borrower hereunder or under the Note to repay the principal amount of the Loans hereunder, together with all interest accruing thereon.

SECTION 4 INTEREST.

4.1 Interest Rates. The Borrower promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full for Base Rate Loans, at a rate per annum equal to the sum of the Base Rate from time to time in effect plus the Applicable Margin from time to time in effect, and for LIBOR Loans, at a rate per annum equal to the sum of LIBOR applicable to each Interest Period for such Loan plus the Applicable Margin from time to time in effect, provided that at any time an Event of Default exists, the interest rate applicable to each Loan shall be increased by 2% (and, in the case of Obligations not bearing interest, such Obligations shall bear interest at the Base Rate plus 2%).

4.2 Interest Payment Dates. Accrued interest on each Base Rate Loan shall be payable in arrears on the first day of each calendar quarter, upon a prepayment of such Loan and at maturity. Accrued interest on each LIBOR Loan shall be payable on the first day immediately succeeding the last day of each Interest Period relating to such Loan, upon a prepayment of such Loan, and at maturity. After maturity, and at any time an Event of Default exists, accrued interest on all Loans shall be payable on demand.

4.3 Setting and Notice of Rates. The applicable LIBOR for each Interest Period shall be determined by the Lender, and notice thereof shall be given by the Lender promptly to the Borrower. Each determination of the applicable LIBOR by the Lender shall be conclusive and binding upon the parties hereto in the absence of demonstrable error. The Lender shall, upon written request of the Borrower, deliver to the Borrower a statement showing the computations used by the Lender in determining any applicable LIBOR hereunder.

4.4 Computation of Interest. Interest shall be computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days. The applicable interest rate for each Base Rate Loan shall change simultaneously with each change in the Base Rate.

4.5 Additional Interest on LIBOR Loans. The Borrower agrees to pay to the Lender, for any period that the Lender is required by applicable law, rule or regulation, or any guideline, request or

directive of any Governmental Authority (whether or not having the force of law), to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each LIBOR Loan equal to the actual costs of such reserves allocated to such Loan by the Lender (as determined by such Lender in good faith, which determination shall be conclusive absent manifest error), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least five days' prior notice of such additional interest from the Lender, which notice shall state that the Lender is generally taking comparable action with respect to a material portion of its similarly situated borrowers (it being understood that if the Lender fails to give such notice at least five days prior to a date on which such additional interest is payable, such additional interest shall be due and payable five days after receipt of such notice).

SECTION 5 FEES.

5.1 Letter of Credit Fee. In consideration of the issuance of Letters of Credit hereunder, the Borrower agrees to pay to the Issuing Lender a fee (the "Letter of Credit Fee") with respect to each Letter of Credit requested by the Borrower equal to the Applicable Margin for LIBOR Loans per annum on the average daily maximum amount available to be drawn under such Letter of Credit from the date of issuance calculated for the term of availability thereof. The Letter of Credit Fee shall be payable quarterly in arrears with respect to each Letter of Credit on the first day of each calendar quarter and on the Termination Date and shall be in lieu of any other fees in connection with the issuance of Letters of Credit hereunder.

SECTION 6 REDUCTION OR TERMINATION OF THE REVOLVING COMMITMENT; PREPAYMENTS; INCREASE OPTION.

6.1 Reduction or Termination of the Revolving Commitment. The Borrower may from time to time on at least five (5) Business Days' prior written notice received by the Lender permanently reduce the Revolving Commitment to an amount not less than the Revolving Outstandings. Any such reduction shall be in an amount not less than \$5,000,000 or a higher integral multiple of \$5,000,000. Concurrently with any reduction of the Revolving Commitments of Lender to zero and a termination of the Revolving Commitment of the Lender, the Borrower shall pay all unpaid interest, Letter of Credit Fees, and other Obligations of the Borrower, if any, in respect of such Loans. Any such reduction notice may state that such notice is conditioned upon the effectiveness of other credit facilities or other transactions specified therein, in which case such notice may be revoked by the Borrower (by notice to the Lender on or prior to the specified effective date) if such condition is not satisfied.

6.2 Repayments. The Revolving Loans shall be paid in full and the Revolving Commitment shall terminate on the Termination Date.

6.3 Increase Option. The Borrower may from time to time, by providing a written request to the Lender, elect to increase the Revolving Commitment to minimum increments of \$2,500,000, so long as, after giving effect thereto, the aggregate amount of all such increases does not exceed Ten Million Dollars (\$10,000,000; each such increase, an "Increase"); provided, however, the parties agree and acknowledge that the Lender shall be under no obligation to increase its Revolving Commitment. Notwithstanding any term herein to the contrary, no Increase shall become effective under this Section 6.3 unless, on the proposed date of the effectiveness of such Increase; (i) the conditions set forth in Section 12 shall be satisfied or waived in writing by the Lender and the Lender shall have received a certificate to that effect dated such date and executed by a Senior Officer and (ii) no Event of Default or Unmatured Event of Default shall have occurred and be continuing.

SECTION 7 MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES.

7.1 Making of Payments. All payments of principal or interest on the Note, and of all fees, shall be made by the Borrower to the Lender in immediately available funds at the office specified by the Lender not later than 12:00 P.M., on the date due; and funds received after that hour shall be deemed to have been received by the Lender on the following Business Day. All payments made by the Borrower hereunder or under any Loan Documents shall be made without setoff, counterclaim, or other defense.

7.2 Due Date Extension. If any payment of principal or interest with respect to any of the Loans, or of any fees or other amounts, falls due on a day that is not a Business Day, then such due date shall be extended to the immediately following Business Day (unless, in the case of a LIBOR Loan, such immediately following Business Day is the first Business Day of a calendar month, in which case such due date shall be the immediately preceding Business Day) and, in the case of principal, additional interest shall accrue and be payable for the period of any such extension.

7.3 Setoff. The Borrower agrees that the Lender has all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, the Borrower agrees that at any time any Event of Default exists, the Lender may apply to the payment of any Obligations of the Borrower hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Borrower then or thereafter with the Lender, excluding any trust accounts and any accounts with funds held for the benefit of third parties. The Lender will promptly notify the Borrower after the exercise of any such rights.

7.4 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 Borrower 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 the Borrower makes any payment hereunder or under any Loan Document in respect of which it is required by applicable law to deduct or withhold any Taxes, the Borrower shall increase the payment hereunder or under any such Loan Document so that after the reduction for the amount of Taxes withheld (and any taxes withheld or imposed with respect to the additional payments required under this Section 7.4(b)), the amount paid to the Lender or equals the amount that was payable hereunder or under any such Loan Document without regard to such Taxes. To the extent the Borrower withholds any Taxes on payments hereunder or under any Loan Document, the Borrower shall pay the full amount deducted to the relevant taxing authority within the time allowed for payment under applicable law and shall deliver to the Lender within 30 days after it has made payment to such authority any receipt issued by such authority (or other evidence satisfactory to the Lender) evidencing the payment of all amounts so required to be deducted or withheld from such payment.

(c) If the Lender is required by law to make any payments of any Taxes on or in relation to any amounts received or receivable hereunder or under any other Loan Document, or any Tax is assessed against the Lender with respect to amounts received or receivable hereunder or under any other Loan Document, the Borrower will indemnify the Lender against (i) such Tax (and any reasonable counsel fees and expenses associated with such Tax) and (ii) any taxes imposed as a result of the receipt of the payment under this Section 7.4(c). A certificate prepared in good faith as to the amount of such payment by Lender shall, absent demonstrable error, be final, conclusive and binding on all parties.

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR LIBOR LOANS;
FUNDING MATTERS; ISSUING LENDER INDEMNIFICATION.

8.1 Increased Costs. (a) If, after the date hereof, the adoption of, or any change in, any applicable law, rule or regulation, or any change in the interpretation or administration of any applicable law, rule or regulation by any Governmental Authority or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) imposes, modifies or deems applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of LIBOR pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by the Lender; or

(ii) imposes on the Lender any other condition affecting its LIBOR Loans, the Note or its obligation to make LIBOR Loans;

(iii) subjects the Lender to any tax of any kind whatsoever with respect to this Agreement or changes the basis of taxation of payments to the Lender in respect thereof;

and the result of anything described in clauses (i) and (iii) above is to increase the cost to (or to impose a cost on) the Lender (or any LIBOR Office of the Lender) of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by the Lender (or its LIBOR Office) under this Agreement or under the Note with respect thereto, then promptly after demand by the Lender (which demand shall be accompanied by a certificate setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail) the Borrower shall pay directly to the Lender such additional amount as will compensate the Lender for such increased cost or such reduction, so long as such amounts have accrued on or after the day that is 120 days prior to the date on which the Lender first made demand therefor.

(b) If the Lender determines that any Change in, or the adoption or phase-in of, any applicable law, rule or regulation regarding capital adequacy, or any Change in the interpretation or administration thereof by any Governmental Authority or comparable agency charged with the interpretation or administration thereof, or the compliance by the Lender or any Person controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Lender's or such controlling Person's capital as a consequence of the Lender's obligations to a level below that which the Lender or such controlling Person could have achieved but for such Change, adoption, phase-in or compliance (taking into consideration the Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by the Lender or such controlling Person to be material, then from time to time, promptly after demand by the Lender (which demand shall be accompanied by a certificate setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail), the Borrower shall pay to the Lender such additional amount as will compensate the Lender or such controlling Person for such reduction so long as such amounts have accrued on or after the day that is 120 days prior to the date on which the Lender first made demand therefor. "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation or directive (whether or not having the force of law) or in the interpretation, promulgation, implementation or administration thereof after the date of this Agreement which affects the amount of capital required or expected to be maintained by the Lender of the Issuing Lender or any corporation controlling the Lender or the Issuing Lender.

Notwithstanding the foregoing, for purposes of this Agreement, all requests, rules, guidelines or directives in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act shall be deemed to be a Change regardless of the date enacted, adopted or issued and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities shall be deemed to be a Change regardless of the date adopted, issued, promulgated or implemented. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

8.2 Basis for Determining Interest Rate Inadequate or Unfair. If:

(a) the Lender determines (which determination shall be binding and conclusive on the Borrower) that by reason of circumstances affecting the interbank LIBOR market adequate and reasonable means do not exist for ascertaining the applicable LIBOR; or

(b) the Lender advises the Borrower that LIBOR will not adequately and fairly reflect the cost to the Lender of maintaining or funding LIBOR Loans for such Interest Period (taking into account any amount to which the Lender may be entitled under Section 8.1) 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 that in the opinion of Lender materially affects such Loans;

then the Lender shall promptly notify the Borrower thereof and, so long as such circumstances shall continue, (i) the Lender shall be under no obligation to make any 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.

Notwithstanding the foregoing or any other provisions of this Agreement to the contrary, if at any time the Lender determines (which Lender determination shall be conclusive absent demonstrable error), or the Borrower notifies the Lender that the Borrower has determined, that (i) the circumstances set forth in clause (a) above have arisen and such circumstances are unlikely to be temporary, (ii) the circumstances set forth in clause (a) above have not arisen but the supervisor for the administrator of the London interbank offered rate or a Governmental Authority having jurisdiction over the Lender has made a public statement identifying a specific date after which such rate shall no longer be used for determining interest rates for loans, or (iii) loan agreements currently being executed, or that include language similar to that contained in this Section are being executed or amended (as applicable), to incorporate or adopt a new benchmark interest rate to replace such rate, then the Lender and the Borrower shall endeavor to establish an alternate rate of interest to the London interbank offered rate for purposes of the Loan Documents that gives due consideration to the then prevailing market convention for determining a rate of interest for loans in the United States at such time, and shall enter into an amendment to this Agreement and the other Loan Documents, as applicable, to reflect such alternate rate of interest and such other related changes to this Agreement and the other Loan Documents as may be applicable (including, without limitation, implementation of a Benchmark Replacement Adjustment); provided that, if such alternate rate of interest shall be less than 0.50%, such rate shall be deemed to be 0.50%. As used herein, "Benchmark Replacement Adjustment" means, with respect to any replacement of the London interbank offered rate with a new benchmark rate for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected by the Lender and the Borrower giving due consideration to (x) any selection or recommendation of a spread adjustment, or method for calculating or determining such

spread adjustment, for the replacement of the London interbank offered rate with the applicable new benchmark rate by the relevant Governmental Authority or (y) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the London interbank offered rate with the applicable new benchmark rate for U.S. Dollar-denominated credit facilities at such time. Notwithstanding anything to the contrary in Section 15.1, such amendment shall become effective without any further action or consent of any other party to this Agreement. Until an alternate rate of interest shall be determined in accordance with this paragraph (but, in the case of the circumstances described in clause (ii) or clause (iii), only to the extent the applicable London interbank offered rate is not available or published at such time on a current basis), (A) any purported conversion of any Loan to, or continuation of any Loan as, a LIBOR Loan shall be ineffective, (B) if any Notice of Borrowing requests a LIBOR Loan, such Loan shall be made as a Base Rate Loan and (C) each outstanding LIBOR Loan shall convert to a Base Rate Loan at the end of the Interest Period in which the circumstances described in the first sentence of this paragraph have occurred.

8.3 Changes in Law Rendering LIBOR Loans Unlawful. If any change in, or the adoption of any new, law, rule or regulation, or any change in the interpretation of any applicable law, rule or regulation by any governmental or other regulatory body charged with the administration thereof, should make it (or in the good faith judgment of the Lender cause a substantial question as to whether it is) unlawful for the Lender to make, maintain or fund LIBOR Loans, then the Lender shall promptly notify the Borrower and, so long as such circumstances shall continue, (a) the Lender shall have no obligation to make any LIBOR Loan (but shall make Base Rate Loans in an amount equal to the amount of LIBOR Loans that would be made by the 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 the 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 the Lender that, 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.

8.4 Funding Losses. The Borrower hereby agrees that promptly after demand by the Lender (which demand shall be accompanied by a certificate setting forth the basis for and calculation of the amount being claimed), the Borrower will indemnify the Lender against any net loss or expense that the 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 the Lender to fund or maintain any LIBOR Loan), as reasonably determined by the Lender, as a result of (a) any payment, prepayment or conversion of any LIBOR Loan of the Lender on a date other than the last day of an Interest Period for such Loan (including any conversion pursuant to Section 8.3) or (b) any failure of the Borrower to borrow any Loan on a date specified therefor in a notice of borrowing pursuant to this Agreement.

8.5 Right of Lender to Fund Through Other Offices. The Lender may, if it so elects, fulfill its commitment as to any LIBOR Loan by causing a foreign branch or Affiliate of the 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 the Lender and the obligation of the Borrower to repay such Loan shall nevertheless be to the Lender and shall be deemed held by it, to the extent of such Loan, for the account of such branch or Affiliate.

8.6 Discretion of Lender as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, the 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 the 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 LIBOR for such Interest Period.

8.7 Mitigation of Circumstances. The Lender shall promptly notify the Borrower of any event of which it has knowledge that will result in, and will use reasonable commercial efforts available to it (and not, in the Lender's sole judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Borrower to pay any amount pursuant to Section 7.5 or 8.1 or (ii) the occurrence of any circumstances described in Section 8.2 or 8.3 (and, if the Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, the Lender shall promptly so notify the Borrower). Without limiting the foregoing, the Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Borrower of) any event described in clause (i) or (ii) above and such designation will not, in the Lender's sole judgment, be otherwise disadvantageous to the Lender.

8.8 Indemnification: Nature of Issuing Lender's Duties.

(a) In addition to its other obligations under Section 2, the Borrower hereby agrees to protect, indemnify, pay and save the Issuing Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including Attorney Costs) that the Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of the Issuing Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called "Government Acts").

(b) As between the Borrower and the Issuing Lender, the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. The Issuing Lender shall not be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of a Letter of Credit to comply fully with conditions required in order to draw upon a Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher beyond the control of the Issuing Lender; (v) for errors in interpretation of technical terms; (vi) for any loss or delay beyond the control of the Issuing Lender in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (vii) for any consequences arising from causes beyond the control of the Issuing Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Issuing Lender's rights or powers hereunder.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Issuing Lender, under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith and with reasonable care, shall not put such Issuing Lender under any resulting liability to the Borrower. It is the intention of the parties that this Agreement shall be construed and applied to protect and indemnify the Issuing Lender against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future Government Acts. The Issuing Lender shall not, in any way, be

liable for any failure by the Issuing Lender or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of the Issuing Lender.

(d) Nothing in this Section 8.8 is intended to limit the reimbursement obligation of the Borrower contained in Section 2.4(d) hereof. The obligations of the Borrower under this Section 8.8 shall survive the termination of this Agreement. No act or omissions of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Issuing Lender to enforce any right, power or benefit under this Agreement.

(e) Notwithstanding anything to the contrary contained in this Section 8.8, the Borrower shall have no obligation to indemnify the Issuing Lender in respect of any liability incurred by such Issuing Lender arising out of the gross negligence, bad faith, willful misconduct or breach of contract of the Issuing Lender (including action not taken by the Issuing Lender) or to reimburse the Issuing Lender for payments made by such Issuing Lender on a Letter of Credit with respect to which the drafts and accompanying documents do not reasonably appear to comply with the terms of the Letter of Credit, as determined by a court of competent jurisdiction.

8.9 Conclusiveness of Statements; Survival of Provisions. Determinations and statements of the Lender pursuant to Section 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Lender may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4, and the provisions of such Sections shall survive repayment of the Obligations, cancellation of the Note and termination of this Agreement.

SECTION 9 REPRESENTATIONS AND WARRANTIES.

To induce the Lender to enter into this Agreement and to induce the Lender to make Loans hereunder, the Borrower represents and warrants (as of the date of each Advance and as of each other date upon which such representations and warranties are deemed to be made hereunder) to the Lender that:

9.1 Corporate Existence. The Borrower is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and it is duly qualified and authorized to do business and is in good standing (or the equivalent) as a foreign entity in the jurisdictions where the character of its property or its business activities makes such qualification necessary, except for such jurisdictions where the failure to so qualify or be in good standing (or the equivalent) could not reasonably be expected to have a Material Adverse Effect.

9.2 Authorization; No Conflict. The Borrower has the right and power and is duly authorized to execute and deliver each Loan Document to which it is a party and to perform and observe the provisions of the Loan Documents to which it is a party; the Borrower is duly authorized to borrow monies hereunder. The execution, delivery and performance by the Borrower of each Loan Document to which it is a party, and the borrowings by the Borrower hereunder, do not and will not (a) require any consent or approval of any Governmental Authority or agency thereof (other than any consent or approval that has been obtained and is in full force and effect), (b) conflict with, violate, result in any breach of any of the provisions of, or constitute a default under, (i) any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award that is binding on the Borrower, (ii) the charter, by-laws or other organizational documents of the Borrower or (iii) any material agreement, indenture, instrument or other document, or any judgment, order or decree, that is binding upon the Borrower or any of its properties, except to the extent that such conflict could not reasonably be expected to have a Material Adverse Effect or (c) require, or result in, the creation or imposition of any Lien on any asset of the Borrower (other than, for the avoidance of doubt, any Liens that may be created pursuant to the Loan Documents to secure the Obligations).

9.3 Validity and Binding Nature; Enforceability. This Agreement and each other Loan Document to which the Borrower is a party is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

9.4 Compliance with Laws and Contracts. The Borrower:

(a) holds all material permits, certificates, licenses, orders, registrations, franchises, authorizations necessary for the conduct of its business and is in compliance with all applicable laws relating thereto, except to the extent that such noncompliance could not reasonably be expected to have a Material Adverse Effect; and

(b) is not in violation of or in default under any material agreement to which it is a party or by which any material portion of its assets is subject or bound, other than for such violations or defaults that could not reasonably be expected to have a Material Adverse Effect.

9.5 Financial Condition. The audited consolidated financial statements of the Borrower and its consolidated Subsidiaries for the Fiscal Year ended December 31, 2019 and the unaudited consolidated financial statements of the Borrower and its consolidated Subsidiaries for the quarter ended June 30, 2020, previously delivered to the Lender, are true and complete in all material respects, were prepared in accordance with GAAP (subject, in the case of such unaudited statements, to the absence of footnotes and to normal year-end adjustments) and present fairly, in all material respects, the financial condition of the Borrower and its consolidated Subsidiaries as of the dates of such financial statements and the results of their operations for the periods then ending.

9.6 No Material Adverse Change. There has been no Material Adverse Change since September 30, 2020.

9.7 Litigation. No litigation (including derivative actions), arbitration proceeding or governmental investigation or proceeding is pending or, to the knowledge of a Senior Officer of the Borrower, threatened in writing against the Borrower that could reasonably be expected to have a Material Adverse Effect. Other than any liability incident to such litigation or proceedings, the audited consolidated financial statements of the Borrower and its consolidated Subsidiaries show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries which are required by GAAP to be reflected in such financial statements.

9.8 Ownership of Properties; Liens. The Borrower has good and, in the case of real property, marketable title to, or a valid leasehold or other contractual interest in, all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all Liens (including any Liens on trademarks, service marks, copyrights and the like), except for Permitted Liens.

9.9 Equity Ownership; Subsidiaries. All issued and outstanding Equity Interests of each Loan Party are duly authorized and validly issued, fully paid and non-assessable (except as required by law), and such securities were issued in compliance with all applicable state and federal laws concerning the issuance of securities. Schedule 9.9 sets forth, as of the Closing Date, each Subsidiary, its jurisdiction of formation, and its relationship to the Borrower, including the percentage of each class of stock (or membership interests) owned by the Borrower or such Subsidiary. Except as set forth on Schedule 9.9, as

of the Closing Date, the Borrower directly or indirectly owns all of the Equity Interests of each of its Subsidiaries.

9.10 Pension Plans. (a) The Unfunded Liability of all Pension Plans could not reasonably be expected to have a Material Adverse Effect. Each Pension Plan complies in all material respects with all applicable requirements of law and regulations, except to the extent noncompliance could not reasonably be expected to have a Material Adverse Effect. No contribution failure under Section 412 of the Code, Section 303 of ERISA (or, prior to the effective date of the Pension Act, under Section 302 of ERISA) or the terms of any Pension Plan has occurred with respect to any Pension Plan, sufficient to give rise to a Lien securing a material amount under Section 303(k) of ERISA (or, prior to the effective date of the Pension Act, under Section 302(f) of ERISA), or otherwise to have a Material Adverse Effect. There are no pending or, to the knowledge of the Borrower, threatened claims, actions, investigations or lawsuits against any Pension Plan, any fiduciary of any Pension Plan, or the Borrower or any other member of the Controlled Group with respect to a Pension Plan or a Multiemployer Pension Plan that could reasonably be expected to have a Material Adverse Effect. Neither the Borrower 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 Pension Plan or Multiemployer Pension Plan that would reasonably be expected to have a Material Adverse Effect. Within the past five years, neither the Borrower nor any other member of the Controlled Group has engaged in a transaction that resulted in a Pension Plan with an Unfunded Liability being transferred out of the Controlled Group that 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 Pension Plan that could reasonably be expected to have a Material Adverse Effect.

(b) Except to the extent the following could not reasonably be expected to have a Material Adverse Effect: all required contributions (if any) have been made to any Multiemployer Pension Plan by the Borrower or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable law; neither the Borrower nor any other member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Pension 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 that, if continued, could result in a withdrawal or partial withdrawal from any such plan; and neither the Borrower nor any other member of the Controlled Group has received 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 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.

9.11 Investment Company Act. The Borrower is not 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.

9.12 Regulations. Neither the Borrower nor any Subsidiary owns or is carrying any Margin Stock in violation of Regulation U of the FRB or is engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. The use of the proceeds of any Loan will not violate, or be inconsistent with, the provisions of Regulation T, U or X of the FRB or any other regulation of the FRB.

9.13 Taxes. The Borrower has timely filed all tax returns required by law to have been filed by it and has paid all taxes and governmental charges due and payable with respect to each such return, except any such taxes or charges that are being contested in good faith by appropriate action and for

which adequate reserves in accordance with GAAP have been set aside on its books, and except where the failure to file such tax returns or to pay such taxes could not reasonably be expected to have a Material Adverse Effect. The Borrower has made adequate reserves on its books and records in accordance with GAAP for all taxes that have accrued but that are not yet due and payable.

9.14 Solvency, etc. On the Closing Date, and immediately prior to and after giving effect to each borrowing hereunder and the use of the proceeds thereof, with respect to the Borrower, (a) the fair value of its assets is greater than the amount of its liabilities, (b) the present fair salable value of its assets is not less than the amount that will be required to pay the probable liability on its debts as they become absolute and matured, (c) it is able to realize upon its assets and pay its debts and other liabilities as they mature in the normal course of business, (d) it does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature and (e) it is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which its property would constitute unreasonably small capital.

9.15 Environmental Matters. The on-going operations of each Loan Party comply in all respects with all Environmental Laws, except such non-compliance that could not (if enforced in accordance with applicable law) reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. Each Loan Party has obtained, and maintained in good standing, all licenses, permits, authorizations, registrations and other approvals required under any Environmental Law and required for their respective ordinary course operations, and for their reasonably anticipated future operations, and each Loan Party is in compliance with all terms and conditions thereof, except with respect to each of the foregoing where the failure to do so could not reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. No Loan Party or any of its properties or operations is subject to, or reasonably anticipates the issuance of, any written order from or agreement with any federal, state or local Governmental Authority, nor subject to any judicial or docketed administrative or other proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Substance, which could reasonably be expected to have a Material Adverse Effect. There are no Hazardous Substances or other conditions or circumstances existing with respect to any property, arising from operations prior to the Closing Date, or relating to any waste disposal, of any Loan Party that would reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. No Loan Party has any underground storage tanks that are not properly registered or permitted under applicable Environmental Laws or that at any time have released, leaked, disposed of or otherwise discharged Hazardous Substances, in each case which could reasonably be expected to have a Material Adverse Effect.

9.16 Insurance. The properties of each Loan Party are insured with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as required by law or governmental regulation or court decree or order applicable to it and as customarily carried by companies engaged in similar businesses and owning similar properties in localities where such Loan Parties operate, except where the failure to maintain such insurance could not reasonably be expected to have a Material Adverse Effect.

9.17 Information. All information heretofore or contemporaneously herewith furnished in writing by the Borrower to the Lender for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of the Borrower to the Lender pursuant hereto or in connection herewith will, when taken as a whole be, true and accurate in all material respects on the date as of which such information is dated or certified, and none of such information is or will, when taken as a whole, be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which it was given on the date as of which such information is dated or certified (it being recognized by

the Lender that any projections and forecasts provided by the Borrower are based on good faith estimates and assumptions believed by the Borrower to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

9.18 Intellectual Property. The Borrower owns and possesses or has a license or other right to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as are necessary for the conduct of the businesses of the Loan Parties except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect, without any infringement upon rights of others that could reasonably be expected to have a Material Adverse Effect.

9.19 Labor Matters. The Borrower is not subject to any material labor or collective bargaining agreement on the Closing Date. There are no existing or threatened, in writing, strikes, lockouts or other labor disputes against the Borrower that singly or in the aggregate could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Borrower are not in violation of the Fair Labor Standards Act or any other applicable law, rule or regulation dealing with such matters, except to the extent such violation could not reasonably be expected to have a Material Adverse Effect.

9.20 No Default. No Event of Default or Unmatured Event of Default exists or would result from the incurrence by the Borrower of any Debt hereunder or under any other Loan Document.

9.21 Compliance with OFAC. To the knowledge of the Senior Officers of the Borrower, neither the Borrower nor any Person who owns a controlling interest in or otherwise controls the Borrower is (a) listed on the Specially Designated Nationals and Blocked Person List maintained by OFAC, the Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (b) 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 Order.

SECTION 10 AFFIRMATIVE COVENANTS.

Until the expiration or termination of the Commitments and thereafter until all Obligations (excluding Hedging Obligation and Lender Product Obligations) hereunder and under the other Loan Documents are paid in full (other than contingent Obligations that are not due and payable and any Obligations supported by cash collateral or Backup Support), the Borrower agrees that, unless at any time the Lender shall otherwise expressly consent in writing, it will:

10.1 Reports, Certificates and Other Information. Furnish to the Lender:

10.1.1 Annual Report. Promptly when available and in any event within 120 days after the close of each Fiscal Year a copy of the annual audit report of the Borrower and its Subsidiaries for such Fiscal Year, including therein consolidated balance sheets and statements of income and comprehensive income and cash flows of the Borrower and its Subsidiaries as at the end of such Fiscal Year, certified without adverse reference to going concern value and without qualification (other than with respect to the scope of the audit in connection with an acquisition) by independent auditors of recognized standing selected by the Borrower.

10.1.2 Interim Reports. Promptly when available and in any event within 45 days after the end of each Fiscal Quarter (except the last Fiscal Quarter of each Fiscal Year), consolidated balance

sheets and profit and loss statement of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter, certified by a Senior Officer of the Borrower.

10.1.3 Compliance Certificates. Contemporaneously with the furnishing of a copy of each annual audit report pursuant to Section 10.1.1 and each set of quarterly statements pursuant to Section 10.1.2, a duly completed compliance certificate with appropriate insertions, dated the date of such annual report or such quarterly statements and signed by a Senior Officer of the Borrower, containing (i) a computation of the Borrower's Tangible Net Worth and (ii) a written statement to the effect that such officer is not aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such event, describing it and the steps, if any, being taken to cure it.

10.1.4 Reports to the SEC and to Shareholders. Promptly upon the filing or public distribution thereof, copies of all regular, periodic or special reports of any Loan Party filed with the SEC; copies of all registration statements of any Loan Party filed with the SEC (other than any exhibits thereto and other than on Form S-8); and copies of all proxy statements or other material communications with respect to financial matters of the Borrower made to security holders generally.

10.1.5 Notice of Default, Litigation and ERISA Matters. Promptly after knowledge thereof by a Senior Officer of the Borrower of any of the following, written notice describing the same and the steps being taken by the Borrower or the Subsidiary affected thereby with respect thereto:

- (a) the occurrence of an Event of Default or an Unmatured Event of Default;
- (b) any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Borrower to the Lender that has been instituted or, to the knowledge of the Borrower, is threatened in writing against any Loan Party or to which any of the properties of any Loan Party is subject that would reasonably be likely to have a Material Adverse Effect;
- (c) the occurrence of any Change of Control;
- (d) the institution of any steps by any member of the Controlled Group or any other Person to terminate any Pension Plan, or the failure of any member of the Controlled Group to make a required material contribution to any Pension Plan (if such failure is sufficient to give rise to a Lien securing a material amount under Section 303(k) of ERISA or under Section 430(k) of the Code) or to any Multiemployer Pension Plan, or the taking of any action with respect to a Pension Plan that could reasonably be expected to result in the requirement that the Borrower furnish a bond or other security securing a material amount to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan or Multiemployer Pension Plan that could reasonably be expected to result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty (including any claim or demand for withdrawal liability in a material amount or partial withdrawal liability in a material amount from any Multiemployer Pension Plan), or any material increase in the contingent liability of the Borrower with respect to any post-retirement welfare benefit plan or other employee benefit plan of the Borrower or another member of the Controlled Group, or 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 insolvent;
- (e) any cancellation or material decrease in coverage in any insurance maintained by the Borrower; or

(f) any other event that could reasonably be expected to have a Material Adverse Effect.

10.1.6 Other Information. Promptly from time to time, such other information concerning the business or financial position of the Loan Parties as the Lender may reasonably request, and, if requested, shall be certified by a Senior Officer of the Borrower or such Loan Party.

10.2 Books, Records and Inspections. Keep, and cause each other Loan Party to keep, its books and records in accordance with sound business practices sufficient to allow the preparation of financial statements in accordance with GAAP; permit, and cause each other Loan Party to permit, at any reasonable time and with reasonable notice (or at any time without notice if an Event of Default exists), the Lender or any representative thereof (i) to inspect the properties and operations of the Loan Parties, (ii) to visit any or all of its offices, to discuss its financial matters with its officers and its independent auditors (and the Borrower hereby authorizes such independent auditors to discuss such financial matters with the Lender or any representative thereof), and (iii) to examine (and, at the expense of the Loan Parties, photocopy extracts from) any of its books or other records. All such visits, examinations and inspections by the Lender beyond one (1) such of any of the foregoing in any fiscal year shall be at the expense of the Lender, as applicable, unless an Event of Default or Unmatured Event of Default exists.

10.3 Maintenance of Property; Insurance. (a) Keep, and cause each other Loan Party to keep, all property useful and necessary in the business of the Loan Parties in good working order and condition, ordinary wear and tear excepted, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Except to the extent the failure to so maintain could not reasonably be expected to have a Material Adverse Effect, maintain, and cause each other Loan Party to maintain, with responsible insurance companies, such insurance coverage as may be required by any law or governmental regulation or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated; and, upon request of the Lender, furnish to the Lender a certificate setting forth in reasonable detail the nature and extent of all insurance maintained by the Loan Parties.

10.4 Compliance with Laws; Payment of Taxes and Liabilities. Except to the extent the failure to comply with any of the following could not reasonably be expected to have a Material Adverse Effect: (a) Comply, and cause each other Loan Party to comply, in all material respects with all applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits; (b) without limiting clause (a) above, 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 OFAC, the 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; (c) without limiting clause (a) above, comply, and cause each other Loan Party to comply, with all applicable Bank Secrecy Act and anti-money laundering laws and regulations; and (d) pay, and cause each other Loan Party to pay, prior to delinquency, all material taxes and other governmental charges against it that, if unpaid, could reasonably be expected to become a Lien securing a material amount on any of its property; provided that the foregoing shall not require any Loan Party to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate action and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP.

10.5 Maintenance of Existence, etc. Maintain and preserve, and (subject to Section 11.5) cause each other Loan Party to maintain and preserve, (a) its existence and good standing (or the equivalent) in the jurisdiction of its organization and (b) its qualification to do business and good standing (or the equivalent) in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing (or the equivalent) could not reasonably be expected to have a Material Adverse Effect).

10.6 Use of Proceeds. Use the proceeds of the Loans solely for the working capital, Capital Expenditures and other general corporate purposes; and not use or permit any proceeds of any Loans to 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 of the FRB.

10.7 Employee Benefit Plans.

(a) Maintain, and cause each other member of the Controlled Group to maintain, each Pension Plan in substantial compliance with all applicable requirements of law and regulations, except to the extent the failure to be in compliance could not reasonably be expected to have a Material Adverse Effect.

(b) Make, and cause each other member of the Controlled Group to make, on a timely basis, all required contributions to any Multiemployer Pension Plan, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) Not, and not permit any other member of the Controlled Group to (i) seek a waiver of the minimum funding standards of ERISA, (ii) terminate or withdraw from any Pension Plan or Multiemployer Pension Plan or (iii) take any other action with respect to any Pension Plan that would reasonably be expected to entitle the PBGC to terminate, impose liability in respect of, or cause a trustee to be appointed to administer, any Pension Plan, unless the actions or events described in clauses (i), (ii) and (iii) individually or in the aggregate would not have a Material Adverse Effect.

10.8 Environmental Matters. If any release or threatened release or other disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of any Loan Party, the Borrower shall, or shall cause the applicable Loan Party to, cause the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, the Borrower shall, and shall cause each other Loan Party to, comply with any Federal or state judicial or administrative order requiring the performance at any real property by any Loan Party of activities in response to the release or threatened release of a Hazardous Substance, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect. To the extent that the transportation of Hazardous Substances is permitted by this Agreement, the Borrower shall, and shall cause its Subsidiaries to, dispose of such Hazardous Substances, or of any other wastes, only at licensed disposal facilities operating in compliance with all Environmental Laws, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

10.9 Deposit Accounts. In order to facilitate the Lender’s maintenance and monitoring of its security interest in cash collateral, not later than ninety (90) days after the Closing Date, maintain most of its United States operating accounts and deposit accounts with the Lender or an Affiliate of the Lender;

provided, that the foregoing requirement shall not apply to any account that routinely has an average daily balance of less than \$10,000.

10.10 Further Assurances. Take, and cause each Subsidiary to take, such actions to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Lender the rights granted or now or hereafter intended to be granted to the Lender under any Loan Document or under any other document executed in connection therewith.

SECTION 11 NEGATIVE COVENANTS

Until the expiration or termination of the Commitments and thereafter until all Obligations (excluding Hedging Obligations and Lender Product Obligations) hereunder and under the other Loan Documents are paid in full (other than contingent Obligations that are not due and payable and any Obligations supported by cash collateral or Backup Support), the Borrower agrees that, unless at any time the Lender shall otherwise expressly consent in writing, it will:

11.1 Debt. Not, and not permit any other Loan Party to, create, incur, assume or suffer to exist any Debt, except:

- (a) Debt under this Agreement and the other Loan Documents;
- (b) Debt secured by Liens permitted by Section 11.2(1), and extensions, renewals, replacements and refinancings thereof; provided that the aggregate principal amount of all such Debt at any time outstanding shall not exceed \$1,000,000;
- (c) Debt of the Borrower to any Wholly-Owned Subsidiary or Debt of any Wholly-Owned Subsidiary to the Borrower or another Wholly-Owned Subsidiary; provided that the aggregate principal amount of all such Debt at any time outstanding shall not exceed \$5,000,000 at any one time outstanding;
- (d) Subordinated Debt;
- (e) Hedging Obligations incurred in favor of the Lender or an Affiliate thereof for bona fide hedging purposes and not for speculation;
- (f) Contingent Liabilities arising with respect to customary indemnification obligations in favor of purchasers in connection with dispositions permitted under Section 11.4;
- (g) Debt consisting of Investments;
- (h) Debt attributable to credit card "charge-backs" incurred in the ordinary course of business; and
- (i) Other unsecured Debt, in addition to the Debt listed above, in an aggregate principal amount not to exceed \$1,000,000 at any time;

11.2 Liens. Not, and not permit any other Loan Party to, create or permit to exist any Lien on any of its real or personal properties, assets or rights of whatever nature (whether now owned or hereafter acquired), except:

(a) any statutory and common law landlords' liens under leases to which the Borrower or any of its Subsidiaries is a party and any lien or encumbrance on any landlord's estate or interest in any property leased by the Borrower or any of its Subsidiaries;

(b) Liens on policies of insurance to secure loans made by insurance companies to finance the premiums for such policies;

(c) Liens on one or more deposit accounts of the Borrower and its Subsidiaries established and maintained for the administration of credit card and other similar merchant services transactions in the ordinary course of business;

(d) Liens arising from precautionary UCC financing statements (or similar filings under applicable law) filed in connection with operating leases;

(e) Liens securing Debt permitted under Sections 11.1(a) and (e);

(f) Liens for taxes or other governmental charges not at the time delinquent for a period of more than thirty (30) days or thereafter payable without penalty or, if more than thirty (30) days overdue, (i) which are being contested in good faith by appropriate action and, in each case, for which it maintains adequate reserves or (ii) with respect to which the failure to make payment could not reasonably be expected to have a Material Adverse Effect;

(g) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics, repairmen, and materialmen and other similar Liens imposed by law and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate action or with respect to which the failure to make payment as to all such amounts in the aggregate could not reasonably be expected to have a Material Adverse Effect;

(h) judgments for sums not constituting an Event of Default under Section 13.1.8, attachments, appeal bonds and other similar Liens 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 contested in good faith and by appropriate action;

(i) (i) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of any Loan Party and (ii) rights of first refusal, transfer restrictions and similar encumbrances pursuant to a Loan Party's organizational documents;

(j) leases, licenses, subleases or sublicenses granted to other Persons in the ordinary course of business which do not interfere in any material respect with the business of any Loan Party; and

(k) Liens securing obligations, the principal amount of which shall not, at the time of incurrence of or increase in the outstanding principal amount of such obligations, exceed in the aggregate for all such obligations, \$1,000,000.

Any Lien permitted above may extend to the identifiable proceeds of such property.

11.3 Restricted Payments. Not, and not permit any other Loan Party to, (a) make any distribution to any holders of its Equity Interests in their capacities as such, (b) purchase or redeem any of its Equity Interests, (c) pay any management fees or similar fees to any of its equityholders or any Affiliate thereof, (d) make any redemption, prepayment, defeasance, repurchase or any other payment in respect of any Subordinated Debt (other than in accordance with the applicable subordination provisions) or (e) set aside funds for any of the foregoing. Notwithstanding the foregoing, (i) any Subsidiary may pay dividends or make other distributions to the Borrower or to a Domestic Wholly-Owned Subsidiary; (ii) any Loan Party may make regularly scheduled payments of principal and interest in respect of Subordinated Debt to the extent permitted under the subordination provisions thereof; (iii) any Loan Party may make non-cash distributions with respect to its Equity Interests; and (iv) so long as no Event of Default exists or would be caused thereby, the Loan Parties may engage in the transactions described in subsections (a) - (e) of this Section 11.3.

11.4 Mergers, Consolidations, Sales. Not, and not permit any other Loan Party to, (a) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or Equity Interests of any class of any other Person; provided, that so long as no Event of Default exists or would be caused thereby, the Borrower may engage in the foregoing transactions so long as the aggregate consideration paid or to be paid in connection therewith (including cash and earn-outs) does not exceed \$7,500,000 during the term of this Agreement, (b) sell, transfer, convey or lease (a "Disposition") all or substantially all of its assets or Equity Interests, or (c) sell or assign (other than for security purposes) with or without recourse any receivables, except for (i) any such merger, consolidation, Disposition or assignment of or by any Wholly-Owned Subsidiary into the Borrower or into any other Domestic Wholly-Owned Subsidiary, (ii) any such purchase or other acquisition by the Borrower or any Domestic Wholly-Owned Subsidiary of the assets or Equity Interests of any Wholly-Owned Subsidiary, (iii) Dispositions of assets for at least fair market value (as determined by the Board of Directors of the Borrower) so long as the net book value of all assets Disposed of in any Fiscal Year (other than in the ordinary course of business) does not exceed 20% of the net book value of the consolidated total assets of the Loan Parties as of the last day of the preceding Fiscal Year, (iv) any Loan Party may Dispose of any, all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Subsidiary, (v) Dispositions of used, damaged, obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business, (vi) Dispositions (x) of assets (including real property) or inventory in the ordinary course of business, or (y) with respect to property of any Loan Party that is no longer necessary for such Loan Party's business as conducted prior thereto or thereafter contemplated, (vii) Dispositions of equipment or real property to the extent that (x) such property is exchanged for credit against the purchase price of similar replacement property or (y) the proceeds of such disposition are reasonably promptly applied to the purchase price of such replacement property, (viii) Dispositions of Investments, (ix) [Reserved], (x) sale-leaseback transactions in connection with financing of equipment or other property used in the ordinary course of business of the Borrower that is otherwise permitted pursuant to Section 11.1, (xi) Dispositions of accounts receivable in connection with the collection or compromise thereof, (xii) leases, subleases, licenses or sublicenses of property in the ordinary course of business and which do not materially interfere with the business of the Loan Parties, and (xiii) transfers of property subject to casualty events, governmental takings and other involuntary transfers.

11.5 Modification of Organizational Documents. Not permit the charter, by-laws or other organizational documents of any Loan Party to be amended or modified in any way that could reasonably be expected to materially adversely affect the interests of the Lender.

11.6 Transactions with Affiliates. Not, and not permit any other Loan Party to, enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its other Affiliates (other than (a) transactions between and among the Borrower, Subsidiaries thereof and/or Loan Parties, and (b) any issuance or transfer of Equity Interests of the Borrower that does not result in a Change of

Control, on terms that are materially less favorable than those that are obtainable from any Person that is not one of its Affiliates.

11.7 Fiscal Year. Not change its Fiscal Year.

11.8 Tangible Net Worth. Not permit Tangible Net Worth to be less than \$125,000,000, tested quarterly, commencing as of the Fiscal Quarter ended December 31, 2020, and continuing on the last day of each March, June, September and December thereafter.

SECTION 12 EFFECTIVENESS; CONDITIONS OF LENDING, ETC.

The obligation of the Lender to make its Loans and of the Issuing Lender to issue Letters of Credit is subject to the following conditions precedent:

12.1 Initial Credit Extension. The obligation of the Lender to make the initial Loans is, in addition to the conditions precedent specified in Section 12.2, subject to the conditions precedent that the Lender shall have received all of the following, each duly executed and dated the Closing Date (or such earlier date as shall be satisfactory to the Lender), in form and substance satisfactory to the Lender (and the date on which all such conditions precedent have been satisfied or waived in writing by the Lender is called the "Closing Date"):

12.1.1 Note. A Revolving Note for the Lender.

12.1.2 Security Agreement; Financing Statement. The Security Agreement, together with a UCC-1 financing statement identifying the Borrower as debtor and the Lender as secured party.

12.1.3 Authorization Documents. The Borrower's (a) charter (or similar formation document), certified by the appropriate Governmental Authority; (b) certificate of active status in its state of incorporation (or formation); (c) bylaws (or similar governing document); (d) resolutions of its board of directors or executive committee of the board of directors (or similar governing body) approving the Borrower's execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; and (e) signature and incumbency certificates of its officers executing any of the Loan Documents (it being understood that the Lender may conclusively rely on each such certificate until formally advised by a like certificate of any changes to the information set forth therein), all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without subsequent modification.

12.1.4 Consents, etc. Certified copies of all documents evidencing any necessary governmental, corporate or partnership action, consents and approvals (if any) required for the execution, delivery and performance by the Borrower of the documents referred to in this Section 12.

12.1.5 Payment of Fees. Evidence of payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with all Attorney Costs of the Lender to the extent invoiced reasonably in advance of the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Lender's reasonable estimate of Attorney Costs incurred or to be incurred by the Lender through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Borrower and the Lender).

12.1.6 Financial Information. Unaudited interim consolidated financial statements for the Borrower and its Subsidiaries for each Fiscal Quarter ended after December 31, 2019.

12.1.7 Search Results. Certified copies of Uniform Commercial Code search reports dated a date reasonably near to the Closing Date, listing all effective financing statements that name any Loan Party as debtor together with (a) copies of such financing statements, and (b) such other Lien searches or terminations as the Lender may reasonably request.

12.1.8 Payoff Letter. A payoff letter from PNC Bank, setting forth the amount to be paid to satisfy all outstanding obligations to that party.

12.1.9 Other. Such other documents as the Lender may reasonably request.

12.2 Conditions to All Credit Extensions. The obligation of the Lender to make any Loan and of the Issuing Lender to issue Letters of Credit is subject to the conditions that (a) the Closing Date shall have occurred and (b) the following additional conditions precedent shall have been satisfied:

12.2.1 Compliance with Warranties, No Default, etc. Both before and after giving effect to any borrowing, the following statements shall be true and correct:

(a) the representations and warranties of each Loan Party set forth in this Agreement and the other Loan Documents that are qualified by materiality shall be true and correct in all respects and the representations and warranties of each Loan Party set forth in this Agreement and the other Loan Documents that are not qualified by materiality shall be true and correct in all material respects, in each case, with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); and

(b) no Event of Default or Unmatured Event of Default shall exist before or after giving effect to such borrowing.

For the avoidance of doubt, it is understood that each request by the Borrower for the making of a Loan (other than a conversion or continuation) shall be deemed to constitute a representation and warranty by the Borrower that the conditions precedent set forth in Section 12.2.1 will be satisfied at the time of the making of such Loan.

SECTION 13 EVENTS OF DEFAULT AND THEIR EFFECT.

13.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

13.1.1 Non-Payment of the Loans, etc. Default in the payment when due of the principal of any Loan; or default, and continuance thereof for five (5) days, in the payment when due of any interest; or default, and continuance thereof for ten (10) days after the same becomes due, in the payment of any fee or other amount payable by the Borrower hereunder or under any other Loan Document.

13.1.2 Non-Payment of Other Debt. Any default shall occur under the terms applicable to any Debt of any Loan Party in an aggregate amount (for all such Debt so affected and including undrawn committed or available amounts and amounts owing to all creditors under any combined or syndicated credit arrangement) exceeding \$1,000,000 (excluding any such Debt which is being disputed in good faith, or with respect to which the existence of a default is being disputed in good faith and for which adequate resources have been established) and such default (a) consists of the failure to pay such Debt when due, whether by acceleration or otherwise, or (b) accelerates the maturity of such Debt or permits

the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such Debt to become due and payable (or require any Loan Party to purchase, defease or redeem such Debt or post cash collateral in respect thereof) prior to its expressed maturity.

13.1.3 Other Material Obligations. Default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, any Loan Party with respect to any material purchase or lease of goods or services where such default, singly or in the aggregate with all other such defaults, could reasonably be expected to have a Material Adverse Effect.

13.1.4 Bankruptcy, Insolvency, etc. The Borrower becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, its debts as they become due; or the Borrower applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for the Borrower or any of its property, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for the Borrower or for a substantial part of the property of the Borrower and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of the Borrower, and if such case or proceeding is not commenced by the Borrower, it is consented to or acquiesced in by the Borrower, or remains for 60 days undismissed; or the Borrower takes any action to authorize any of the foregoing.

13.1.5 Non-Compliance with Loan Documents. (a) Failure by any Loan Party to comply with or to perform any covenant set forth in Section 10.1.5(a), 10.3(b) or 10.5 or Section 11; or (b) failure by any Loan Party to comply with or to perform any other provision of this Agreement or any other Loan Document (and not constituting an Event of Default under any other provision of this Section 13) and continuance of such failure described in this clause (b) for 30 days.

13.1.6 Representations; Warranties. Any representation or warranty made by the Borrower herein or in any other Loan Document is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished by any Loan Party to the Lender in connection herewith is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

13.1.7 Pension Plans. (a) Any Person institutes steps to terminate a Pension Plan if as a result of such termination the Borrower or any member of the Controlled Group could be required to make a contribution to such Pension Plan, or could incur a liability or obligation to such Pension Plan, which contribution, liability or obligation could reasonably be expected to have a Material Adverse Effect; or (b) any withdrawal or partial withdrawal from a Multiemployer Pension Plan occurs and the withdrawal liability (without unaccrued interest) to Multiemployer Pension Plans as a result of such withdrawal (including any outstanding withdrawal liability that the Borrower or any member of the Controlled Group have incurred on the date of such withdrawal) could reasonably be expected to have a Material Adverse Effect.

13.1.8 Judgments. Final judgments that exceed an aggregate of \$1,000,000 (to the extent not covered by independent third-party insurance which has not been denied shall be rendered against any Loan Party and shall not have been paid, discharged or vacated or had execution thereof stayed pending appeal within 30 days after entry or filing of such judgments.

13.1.9 Invalidity of Loan Documents, etc. Any Loan Document (other than as expressly permitted hereunder or thereunder) ceases to be in full force and effect; or any Loan Party contests in any manner the validity, binding nature or enforceability of any Loan Document.

13.1.10 Invalidity of Subordination Provisions, etc. Any subordination provision in any document or instrument governing Subordinated Debt, or any subordination provision in any guaranty by any Subsidiary of any Subordinated Debt, ceases to be in full force and effect, or any Loan Party or any holder of such Subordinated Debt contests in any manner the validity, binding nature or enforceability of any such provision.

13.1.11 Change of Control. A Change of Control occurs.

13.2 Effect of Event of Default. If any Event of Default described in Section 13.1.4 shall occur and be continuing, the Commitments shall immediately terminate and the Loans (with accrued interest thereon) and all other Obligations hereunder shall become immediately due and payable, all without presentment, demand, protest or notice of any kind. If any other Event of Default shall occur and be continuing, the Lender may declare the Commitments to be terminated in whole or in part and/or declare all or any part of the Loans and all other Obligations hereunder to be due and payable, whereupon the Commitments shall immediately terminate (or be reduced, as applicable) and/or the Loans and other Obligations hereunder shall become immediately due and payable (in whole or in part, as applicable), all without presentment, demand, protest or notice of any kind and the Lender shall direct the Borrower to pay to the Issuing Lender cash collateral (or provide Backup Support) in an amount equal to 105% of the maximum undrawn amount of all outstanding Letters of Credit. The Lender shall promptly advise the Borrower of any such declaration, but failure to do so shall not impair the effect of such declaration.

SECTION 14 [RESERVED]

SECTION 15 GENERAL.

15.1 Waiver; Amendments. No failure or delay on the part of the Lender in the exercise of any right, power, privilege or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power, privilege or remedy preclude other or further exercise thereof, or the exercise of any other right, power, privilege or remedy. Except as otherwise provided in Section 6 hereof, 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 Lender 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.

15.2 Confirmations. The Borrower and each holder of a Note agree from time to time, upon written request received by it from the other, to confirm to the other in writing the aggregate unpaid principal amount of the Loans then outstanding under such Note.

15.3 Notices. (a) Except as otherwise provided in Section 2.2, all notices hereunder shall be in writing and shall be sent to the applicable party at its address shown on Schedule 15.3 or at such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose. Notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier service shall be deemed to have been given when received. For purposes of Section 2.2, the Lender shall be entitled to rely on telephonic instructions from any person that the Lender in good faith believes is an authorized officer or employee of the Borrower, and the Borrower shall hold the Lender harmless from any loss, cost or expense resulting from any such reliance.

(b) Notices and other communications to the Lender and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet

websites) pursuant to procedures approved by the Lender. The Lender or the 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.

(c) Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail 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 e-mail or other written acknowledgement), provided that if such notice 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, 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 e-mail address as described in clause (i) above of notification that such notice or communication is available and identifying the website address therefor.

15.4 Computations. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP in a manner consistent with that used in preparing the financial statements referred to in Section 9.5. If at any time any change in GAAP or in the application thereof would affect the computation of any financial ratio or requirement set forth in any Loan Document, and the Borrower or the Lender shall so request, the Lender and the 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, such ratio or requirement shall continue to be computed in accordance with GAAP without giving effect to such change and the Borrower shall provide to the Lender reconciliation statements showing the difference in such calculation, together with the delivery of quarterly and annual financial statements required hereunder. Notwithstanding any provision of any Loan Document to the contrary, for purposes of this Agreement and each other Loan Document (other than covenants to deliver financial statements), the determination of whether a lease constitutes a capital lease or an operating lease and whether obligations arising under a lease are required to be capitalized on the balance sheet of the lessee thereunder and/or recognized as interest expense in the lessee's financial statements shall be determined under generally accepted accounting principles in the United States as of December 1, 2018, notwithstanding any modifications or interpretive changes thereto that may occur thereafter and without regard to any transitional rules in effect under GAAP as of December 1, 2018.

15.5 Costs, Expenses and Taxes. The Borrower agrees to pay promptly after demand all reasonable and documented out-of-pocket costs and expenses of the Lender (including Attorney Costs of one counsel to the Lender and any Taxes) in connection with the preparation, execution, syndication, delivery and administration (including perfection and protection of any collateral and the costs of Intralinks (or other similar service), if applicable) of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), whether or not the transactions contemplated hereby or thereby shall be consummated, and all reasonable and documented out-of-pocket costs and expenses (including Attorney Costs of one counsel to the Lender and any Taxes) incurred by the Lender during an Event of Default, in connection with the collection of the Obligations or the enforcement of this Agreement, the other Loan Documents or any such other documents or during any workout, restructuring or negotiations in respect thereof. All Obligations provided for in this Section 15.5 shall survive repayment of the Loans, cancellation of the Note and termination of this Agreement.

15.6 **GOVERNING LAW.** THIS AGREEMENT AND THE NOTE SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF WISCONSIN APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED

ENTIRELY WITHIN SUCH STATE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

15.7 Confidentiality. The Lender agrees to use commercially reasonable efforts (equivalent to the efforts the Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all information provided to them by any Loan Party, except that the Lender may disclose such information: (a) to Persons employed or engaged by the Lender in evaluating, approving, structuring or administering the Loans and the Commitments (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); (b) to any assignee or participant or potential assignee or participant that has agreed in writing for the benefit of the Borrower to comply with the covenant contained in this Section 15.7 (and any such assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above and subject to the limitations set forth therein); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Lender to be compelled by any court decree, subpoena or legal or administrative order or process; provided that the Lender shall inform the Borrower of disclosure required by any subpoena or similar legal process (to the extent permitted by such subpoena or similar legal process, as the case may be) with respect thereto so that the Borrower or such Affiliate may seek appropriate protective relief; (d) as is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation involving the Borrower to which the Lender is a party; (f) to any nationally recognized rating agency that requires access to information about Lender's investment portfolio in connection with ratings issued with respect to Lender; (g) to any Affiliate of the Lender who may provide Lender Products to the Loan Parties (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); or (h) that ceases to be confidential through no fault of the Lender. Notwithstanding the foregoing, the Borrower consents to the publication by the Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, and the Lender reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

15.8 Severability. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the Borrower and rights of the Lender expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law.

15.9 Nature of Remedies. All Obligations of the Borrower and rights of the Lender expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law.

15.10 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof (except as relates to the fees described in Section 5.3) and any prior arrangements made with respect to the payment by the Borrower of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Lender.

15.11 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Delivery of a counterpart hereof, or a signature page hereto, by facsimile or in a .pdf or similar file shall be effective as delivery of a manually executed original counterpart thereof.

15.12 Successors and Assigns. This Agreement shall be binding upon the Borrower and the Lender and their respective successors and permitted assigns, and shall inure to the benefit of the Borrower and the Lender and the successors and permitted assigns of the Lender. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. The Borrower may not assign or transfer any of its rights or Obligations under this Agreement without the prior written consent of the Lender.

15.13 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

15.14 USA Patriot Act. Because the Lender is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it hereby notifies each Loan Party that pursuant to the requirements of the Patriot Act, it is required to obtain, verify, and record information that identifies such Loan Party, which information includes the name and address of such Loan Party and other information that will allow Lender to identify such Loan Party in accordance with the Patriot Act.

15.15 INDEMNIFICATION BY THE BORROWER. IN CONSIDERATION OF THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE LENDER AND THE AGREEMENT TO EXTEND THE COMMITMENTS PROVIDED HEREUNDER, THE BORROWER HEREBY AGREES TO INDEMNIFY, EXONERATE AND HOLD THE LENDER AND EACH OF THE OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES AND AGENTS OF THE 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 ATTORNEY COSTS (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), INCURRED BY THE LENDER PARTIES OR ANY OF THEM AS A RESULT OF, OR ARISING OUT OF, OR RELATING TO (A) ANY TENDER OFFER, MERGER, PURCHASE OF EQUITY INTERESTS, 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 SUBSTANCE AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY, (C) ANY VIOLATION OF ANY ENVIRONMENTAL LAW 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 SUBSTANCES OR (E) THE BORROWER'S PERFORMANCE OR LENDER PARTIES' ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BY ANY OF THE LENDER PARTIES, EXCEPT FOR ANY SUCH INDEMNIFIED LIABILITIES ARISING ON ACCOUNT OF THE APPLICABLE LENDER PARTY'S GROSS NEGLIGENCE, BAD FAITH, BREACH OF THIS AGREEMENT OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT OF A

COURT OF COMPETENT JURISDICTION. IF AND TO THE EXTENT THE FOREGOING UNDERTAKING MAY BE UNENFORCEABLE FOR ANY REASON, THE BORROWER HEREBY AGREES TO MAKE THE MAXIMUM CONTRIBUTION TO THE PAYMENT AND SATISFACTION OF EACH OF THE INDEMNIFIED LIABILITIES THAT IS PERMISSIBLE UNDER APPLICABLE LAW. ALL OBLIGATIONS PROVIDED FOR IN THIS SECTION 15.15 SHALL SURVIVE REPAYMENT OF THE LOANS, CANCELLATION OF THE NOTE, ANY FORECLOSURE UNDER, OR ANY MODIFICATION, RELEASE OR DISCHARGE OF, ANY OR ALL COLLATERAL DOCUMENTS, IF ANY, AND TERMINATION OF THIS AGREEMENT.

15.16 Nonliability of Lender. The relationship between the Borrower on the one hand and the Lender on the other hand shall be solely that of borrower and lender. Lender does not have 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. Lender does not undertake 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. The Borrower agrees, on behalf of itself and each other Loan Party, that Lender shall not 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, bad faith, breach of contract 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 (EXCEPT TO THE EXTENT THAT SUCH DAMAGES RESULT FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, BAD FAITH OR BREACH OF CONTRACT OF OR BY A LENDER PARTY), NOR SHALL ANY LENDER PARTY HAVE ANY LIABILITY WITH RESPECT TO, AND THE BORROWER ON BEHALF OF ITSELF AND EACH OTHER LOAN PARTY, HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, 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).** The Borrower acknowledges that it has been advised by counsel (or has had the opportunity to be so advised) 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 and the Lender.

15.17 FORUM SELECTION AND CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF WISCONSIN OR IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF WISCONSIN AND OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE

SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF WISCONSIN. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

15.18 WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND LENDER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, THE NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY LENDING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[signature pages follow]

The parties hereto have caused this Credit Agreement to be duly executed and delivered by their duly authorized officers as of the date first above written.

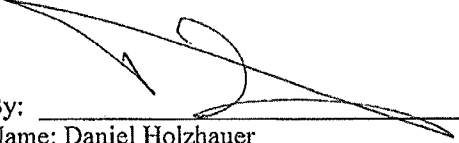
WEYCO GROUP, INC.

By: 

Name: John Wittkowske

Title: Chief Financial Officer

ASSOCIATED BANK, NATIONAL ASSOCIATION



By: _____

Name: Daniel Holzhauer

Title: Senior Vice President

Signature Page to Credit Agreement

SCHEDULE 2.1

LENDER COMMITMENTS

Lender	Revolving Commitment	LOC Commitment
Associated Bank, National Association	\$30,000,000.00	\$500,000.00

SCHEDULE 9.9

SUBSIDIARIES

<u>Name of Subsidiary</u>	<u>Jurisdiction of Formation</u>	<u>Relationship to Borrower/Ownership</u>
Weyco Retail Corp.	WI	100% direct Subsidiary
Weyco Merger, Inc.	WI	100% direct Subsidiary
Florsheim Shoes Europe S.r.l.	Italy	100% direct Subsidiary
Weyco Investments, Inc.	NV	100% direct Subsidiary
Florsheim Australia Pty Ltd.	Australia	100% direct Subsidiary
Weyco Sales, LLC	WI	100% direct Subsidiary
Florsheim Shoes France Sarl.	France	5% Borrower/45% Mattar International S.A.L./50% Florsheim Shoes Europe S.r.l
Florsheim Asia Pacific Ltd.	Hong Kong	100% Florsheim Australia Pty Ltd.
Lucky FM Ltd.	Macau	100% Florsheim Asia Pacific Ltd.
Florsheim Holdings China Ltd.	Hong Kong	100% Florsheim Asia Pacific Ltd.
Florsheim Trading (Shenzhen) Ltd.	China	100% Florsheim Holdings China Ltd.
Florsheim South Africa Pty Ltd.	South Africa	100% Florsheim Australia Pty Ltd.
Florsheim Apparel Pty Ltd.	South Africa	100% Florsheim South Africa Pty Ltd.
Florsheim Retail Pty Ltd.	South Africa	51% Florsheim South Africa Pty Ltd./49% Bold Moves 1645 Pty Ltd.

SCHEDULE 15.3

ADDRESSES FOR NOTICES

WEYCO GROUP, INC.

333 W. Estabrook Blvd.
Glendale, WI 53212-1067
Attention: John Wittkowske
Telephone: (414) 908.1880
E-Mail: jwitt@weycogroup.com

ASSOCIATED BANK, NATIONAL ASSOCIATION

Notices

330 E Kilbourn Avenue
Milwaukee WI 53202
Attention: Daniel Holzhauer
Telephone: (414) 283.2361
E-mail: daniel.holzahuer@associatedbank.com

REVOLVING LOAN NOTE

\$30,000,000.00

Milwaukee, Wisconsin
November 4, 2020

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby unconditionally promises to pay, on the Termination Date (as defined in the Credit Agreement referred to below), to the order of Associated Bank, National Association (the "Lender") at the Lender's office located at 200 North Adams Street, Green Bay, Wisconsin, in lawful money of the United States of America and in immediately available funds, the principal amount of (a) THIRTY MILLION AND 00/100 DOLLARS (\$30,000,000.00), or, if less, (b) the aggregate unpaid principal amount of all Revolving Loans made by the Lender to the undersigned pursuant to Section 2.1 of the Credit Agreement. The undersigned further agrees to pay interest in like money at such office on the unpaid principal amount hereof until payment in full of the principal amount at the rates and on the dates set forth in the Credit Agreement.

The holder of this Note is authorized to endorse the date and amount of each Revolving Loan pursuant to Section 2.1 of the Credit Agreement and each payment of principal and interest with respect thereto on Schedule I annexed hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed; provided, however, that the failure to make any such endorsement shall not affect the obligations of the undersigned under this Note.

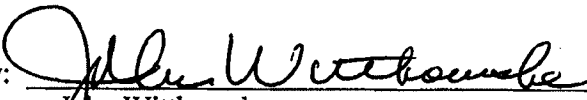
This Note is a Revolving Note referred to in the Credit Agreement dated as of even date herewith, by and between the Borrower and the Lender (as amended, supplemented, or otherwise modified from time to time, the "Credit Agreement"), to which reference is hereby made for a statement of the terms and conditions on which Revolving Loans in part evidenced hereby were or may be made, and for a description of the conditions upon which this Note may be prepaid, in whole or in part, or its maturity accelerated. In the event this Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to principal and interest, all costs of collection, including reasonable attorneys' fees.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, endorser, or otherwise, hereby waive presentment, demand, protest, and all other notices of any kind, other than as set forth in the Credit Agreement.

Terms defined in the Credit Agreement are used herein with their defined meanings unless otherwise defined herein. This Note shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Wisconsin.

[Signature Page Follows]

WEYCO GROUP, INC.

By: 
Name: John Wittkowske
Title: Chief Financial Officer

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") dated as of November 4, 2020, is by and between WEYCO GROUP, INC. (the "Debtor") and ASSOCIATED BANK, NATIONAL ASSOCIATION (the "Secured Party").

W I T N E S S E T H:

WHEREAS, the Debtor has entered into a Credit Agreement dated as of even date herewith (as amended, restated or otherwise modified from time to time, the "Credit Agreement") with the Secured Party, pursuant to which the Secured Party has agreed to make loans to and issue letters of credit for the account of the Debtor; and

WHEREAS, the obligations of the Debtor under the Credit Agreement and the other Loan Documents are to be secured pursuant to this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. Definitions and Interpretation. (a) In addition to terms defined in the Preamble and Recitals above, when used herein, (i) the terms Account, Account Debtor, Certificated Security, Chattel Paper, Commercial Tort Claim, Commodity Account, Commodity Contract, Deposit Account, Document, Electronic Chattel Paper, Equipment, Financial Assets, Fixture, Goods, Instrument, Inventory, Investment Property, Letter of Credit Rights, Security, Security Entitlement, Securities Account, Supporting Obligations and Uncertificated Security have the respective meanings assigned thereto in the UCC (as defined below), (ii) capitalized terms that are not otherwise defined have the respective meanings assigned thereto in the Credit Agreement and (iii) the following terms have the following meanings:

"Assignee Deposit Account" has the meaning given in Section 4.

"Collateral" means all property and rights of the Debtor in which a security interest is granted hereunder.

"Computer Hardware and Software" means all of the Debtor's rights (including rights as licensee and lessee) with respect to: (a) computer and other electronic data processing hardware, including all integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware; (b) all software programs designed for use on the computers and electronic data processing hardware described in clause (a) above, including all operating system software, utilities and application programs in whatsoever form (source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever); (c) any firmware associated with any of the foregoing; and (d) any documentation for hardware, software and firmware described in clauses (a), (b) and (c) above, including flow charts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes.

"Default" means the occurrence of any Unmatured Event of Default or any Event of Default.

"General Intangibles" means all of the Debtor's "general intangibles" as defined in the UCC and, in any event, includes all of the Debtor's licenses, franchises, tax refund claims, guarantee claims, security interests and rights to indemnification.

“Intellectual Property” means all of the Debtor’s trade secrets and other proprietary information; customer lists; trademarks, service marks, business names, trade names, designs, logos, indicia, and other source or business identifiers and the goodwill of the business relating thereto and all registrations or applications for registrations that have heretofore been or may hereafter be issued thereon throughout the world; copyrights (including copyrights for computer programs) and copyright registrations or applications for registrations that have heretofore been or may hereafter be issued throughout the world and all tangible property embodying the copyrights; inventions (whether or not patentable); patent applications and patents; industrial designs, industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; mask works; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing.

“Lender Party” means the Lender and any Affiliate of the Lender that is a party to a Hedging Agreement with the Debtor.

“Liabilities” means all obligations (monetary or otherwise) of the Debtor under the Credit Agreement, the Note, any other Loan Document or any other document or instrument executed in connection therewith, and all Hedging Obligations owed to any Lender Party, in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

“Non-Tangible Collateral” means the Debtor’s Accounts and General Intangibles.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of Wisconsin.

(b) For purposes of this Agreement, the rules of interpretation set forth in Section 1.2 of the Credit Agreement shall apply as if fully set forth herein, mutatis mutandis.

2. Grant of Security Interest. As security for the payment of all Liabilities, the Debtor assigns to the Secured Party for the benefit of the Lender Parties, and grants to the Secured Party for the benefit of the Lender Parties, a continuing security interest in all of the Debtor’s right, title, and interest in, to and under the following, whether now existing or hereafter arising or acquired:

- (i) Accounts;
- (ii) Chattel Paper, including Electronic Chattel Paper;
- (iii) Computer Hardware and Software and all rights with respect thereto, including any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing;
- (iv) Deposit Accounts;
- (v) Documents;
- (vi) Financial Assets;

- (vii) General Intangibles;
- (viii) Goods (including all its Equipment, Fixtures and Inventory), together with all embedded software, accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor;
- (ix) Instruments;
- (x) Intellectual Property;
- (xi) Investment Property (including Commodity Accounts, Commodity Contracts, Securities (whether Certificated Securities or Uncertificated Securities), Security Entitlements and Security Accounts);
- (xii) Letter of Credit Rights;
- (xiii) money (of every jurisdiction whatsoever);
- (xiv) Commercial Tort Claims;
- (xv) Supporting Obligations; and
- (xvi) to the extent not included in the foregoing, all other personal assets and property of any kind or description;

together with all books, records, writings, data bases, information and other property relating to, used or useful in connection with, or evidencing, embodying, incorporating or referring to any of the foregoing, all claims and insurance proceeds arising out of the loss, nonconformity or any interference with the use of, or any defect or infringement of rights in, or damage to, any of the foregoing, and all proceeds, products, offspring, rents, issues, profits and returns of and from, and all distributions on and rights arising out of, any of the foregoing.

3. Representations and Warranties. The Debtor represents and warrants that: (i) no financing statement (other than any that may have been filed on behalf of the Secured Party or in connection with Liens expressly permitted by the Credit Agreement ("Permitted Liens")) covering any of the Collateral is on file in any public office; (ii) the Debtor is and will be the lawful owner of all of its Collateral, free of all liens and claims whatsoever, other than the security interest hereunder and Permitted Liens, with full power and authority to execute and deliver this Agreement and perform the Debtor's obligations hereunder, and to subject the Collateral to the security interest hereunder; (iii) all information with respect to the Collateral and Account Debtors set forth in any schedule, certificate or other writing at any time heretofore or hereafter furnished by the Debtor to the Secured Party or any Lender Party is and will be true and correct as of the date furnished; (iv) the Debtor's true legal name as registered in the jurisdiction in which the Debtor is organized or incorporated is Weyco Group, Inc. and its principal place of business is located at 333 W. Estabrook Blvd., Glendale, Wisconsin 53212; (v) the Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of Wisconsin; (vi) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder are within the Debtor's corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental approval (if any shall be required), and do not and will not contravene or conflict with any provision of law or of the charter or by-laws of the Debtor or of any agreement, indenture, instrument or other document, or any judgment, order or decree, that is binding upon the Debtor; (vii) this Agreement is a legal, valid and binding obligation of the

Debtor, enforceable in accordance with its terms, except that the enforceability of this Agreement may be limited by bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and (viii) no Collateral is in the possession of any Person (other than the Debtor) asserting any claim thereto or security interest therein (other than Permitted Liens), except the Secured Party or its designee may have possession of Collateral as contemplated hereby.

4. Collections, etc. Until such time during the existence of a Default as the Secured Party shall notify the Debtor of the revocation of such power and authority, the Debtor (a) may, in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the Inventory normally held by the Debtor for such purpose; use and consume, in the ordinary course of its business, any raw materials, work-in-process or materials normally held by the Debtor for such purpose; and use, in the ordinary course of its business (but subject to the terms of the Credit Agreement), the cash proceeds of Collateral and other money that constitutes Collateral, (b) may, in the ordinary course of its business, sell Chattel Paper, (c) may, to the extent permitted by the Credit Agreement, sell Instruments, Investment Property and Goods, (d) will, at its own expense, endeavor to collect, as and when due, all amounts due under any of the Non-Tangible Collateral, including the taking of such action with respect to such collection as the Secured Party may reasonably request or, in the absence of such request, as the Debtor may deem advisable, and (e) may grant, in the ordinary course of business, to any party obligated on any of the Non-Tangible Collateral, any rebate, refund or allowance to which such party may be lawfully entitled, and may accept, in connection therewith, the return of Goods, the sale or lease of which shall have given rise to such Non-Tangible Collateral. The Secured Party, however, may, at any time that a Default exists, whether before or after any revocation of such power and authority or the maturity of any of the Liabilities, notify any party obligated on any of the Non-Tangible Collateral to make payment or otherwise render performance to or for the benefit of the Secured Party and enforce, by suit or otherwise, the obligations of any such party obligated on any Non-Tangible Collateral. In connection therewith, the Secured Party may surrender, release or exchange any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Secured Party during the existence of a Default, the Debtor will, at its own expense, notify any party obligated on any of the Non-Tangible Collateral to make payment to the Secured Party of any amounts due or to become due thereunder.

Upon request by the Secured Party during the existence of a Default, the Debtor will forthwith, upon receipt, transmit and deliver to the Secured Party, in the form received, all cash, checks, drafts and other instruments or writings for the payment of money (properly endorsed, where required, so that such items may be collected by the Secured Party) that may be received by the Debtor at any time in full or partial payment or otherwise as proceeds of any of the Collateral. Except as the Secured Party may otherwise consent in writing, any such items that may be so received by the Debtor will not be commingled with any other of its funds or property, but will be held separate and apart from its own funds or property and upon express trust for the Secured Party until delivery is made to the Secured Party. The Debtor will comply with the terms and conditions of any consent given by the Secured Party pursuant to the foregoing sentence.

During the existence of a Default, unless the Secured Party shall otherwise expressly instruct the Debtor in writing, all items or amounts that are delivered by the Debtor to the Secured Party on account of partial or full payment of Liabilities or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (each an "Assignee Deposit Account") of the Debtor with the Secured Party (or another financial institution selected by the Secured Party) over which the Secured Party has sole dominion and control, as security for payment of the Liabilities. The Debtor shall not have any right to withdraw any funds deposited in the applicable Assignee Deposit Account. The Secured Party may,

from time to time, in its discretion, and shall upon request of the Debtor made not more than once in any week, apply any of the then balance, representing collected funds, in the Assignee Deposit Account toward payment of the Liabilities, whether or not then due, in such order of application as the Secured Party may determine, and the Secured Party may, from time to time, in its discretion, release any of such balance to the Debtor.

During the existence of a Default, the Secured Party (or any designee of the Secured Party) is authorized to endorse, in the name of the Debtor, any item, howsoever received by the Secured Party, representing Collateral or any payment on or other proceeds of any of the Collateral.

The Debtor shall not maintain any Deposit Account or deposit any item or amount in any Deposit Account, except Deposit Accounts as to which the Debtor, the Secured Party and the depository bank have entered into an agreement that the depository bank will comply with instructions originated by the Secured Party directing disposition of the funds in the account without further consent by the Debtor.

5. Certificates, Schedules and Reports. The Debtor will from time to time, as the Secured Party may request, deliver to the Secured Party such schedules, certificates and reports respecting any of the Collateral at the time subject to the security interest hereunder, and the items or amounts received by the Debtor in full or partial payment of any of the Collateral, as the Secured Party may reasonably request. Any such schedule, certificate or report shall be executed by a duly authorized officer of the Debtor and shall be in such form and detail as the Secured Party may specify. The Debtor shall immediately notify the Secured Party of the occurrence of any event causing any loss or depreciation in the value of its Inventory or other Goods that is material to the Debtor and its Subsidiaries taken as a whole, and such notice shall specify the amount of such loss or depreciation.

6. Agreements of the Debtor. The Debtor (a) will, upon request of the Secured Party, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices reasonably deemed appropriate by the Secured Party) and do such other acts and things (including delivery to the Secured Party of any Instruments or Certificated Securities that constitute Collateral), all as the Secured Party may from time to time reasonably request, to establish and maintain a valid security interest in the Collateral (free of all other liens, claims and rights of third parties whatsoever, other than Permitted Liens) to secure the payment of the Liabilities (and the Debtor authorizes the Secured Party to file any financing statement that indicates the Collateral as "all assets" of the Debtor or words of similar effect); (b) will, upon the reasonable request of the Secured Party, advise as to all locations at which Debtor keeps its Inventory, Equipment, and other Goods; (c) will not change its state of organization or incorporation and will not change its name, identity or corporate structure such that any financing statement filed to perfect the Secured Party's interests under this Agreement would become seriously misleading, unless the Debtor shall have given the Secured Party not less than 30 days' prior notice of such change; (d) will keep its records concerning the Non-Tangible Collateral in such a manner as will enable the Secured Party or its designees to determine at any time the status of the Non-Tangible Collateral; (e) will permit the Secured Party and its designees, from time to time, on reasonable notice and at reasonable times and intervals during normal business hours (or at any time without notice during the existence of a Default) to inspect the Debtor's Collateral, including the Debtor's Inventory and other Goods, and to inspect, audit and make copies of and extracts from all records and all other papers in the possession of the Debtor or any agent of Debtor pertaining to the Collateral and the Account Debtors, and will, upon request of the Secured Party during the existence of a Default, deliver to the Secured Party all of such records and papers; (f) except for the sale or lease of Inventory in the ordinary course of business and for all dispositions permitted by Section 11.4 of the Credit Agreement will not sell, lease, assign or create or permit to exist any Lien on any Collateral other than Permitted Liens; (g) without limiting the provisions of Section 10.3 of the Credit Agreement, will at all times keep all of its Inventory and other Goods insured under policies maintained with reputable, financially sound insurance companies

against loss, damage, theft and other risks to such extent as is customarily maintained by companies similarly situated, and cause all such policies to provide that loss thereunder shall be payable to the Secured Party as its interest may appear (it being understood that (A) so long as no Default is continuing, the Secured Party shall deliver any proceeds of such insurance that may be received by it to the Debtor and (B) whenever a Default is continuing, the Secured Party may apply any proceeds of such insurance that may be received by it toward payment of the Liabilities, whether or not due, in such order of application as the Secured Party may determine) and such policies or certificates thereof shall, if the Secured Party so requests, be deposited with or furnished to the Secured Party; (h) will take such actions as are reasonably necessary to keep its Inventory in good repair and condition; (i) will take such actions as are reasonably necessary to keep its Equipment in good repair and condition and in good working order, ordinary wear and tear excepted; and (j) will promptly pay when due all license fees, registration fees, taxes, assessments and other charges that may be levied upon or assessed against the ownership, operation, possession, maintenance or use of its Equipment and other Goods; (m) will, upon request of the Secured Party.

Any expenses incurred in protecting, preserving or maintaining any Collateral shall be borne by the Debtor. Whenever a Default exists, the Secured Party shall have the right to bring suit to enforce any of the Intellectual Property or licenses thereunder, in which event the Debtor shall at the request of the Secured Party do any and all lawful acts and execute any and all proper documents requested by the Secured Party in aid of such enforcement and the Debtor shall promptly, upon demand, reimburse and indemnify the Secured Party for all costs and expenses incurred by the Secured Party in the exercise of its rights under this Section 6. Notwithstanding the foregoing, the Secured Party shall have no obligation or liability regarding the Collateral or any thereof by reason of, or arising out of, this Agreement or any Loan Document.

The Debtor agrees that, from time to time at its own expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that the Secured Party may request, in order to perfect, preserve and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

7. Default. (a) Whenever any Default exists, the Secured Party may exercise from time to time any right and remedy available to it under the UCC, under any other applicable law and as set forth in this Section 7.

(b) The Debtor agrees, in case of Default, (i) at the Secured Party's request, to assemble, at its expense, all its Inventory and other Goods (other than Fixtures) at a convenient place or places acceptable to the Secured Party, and (ii) at the Secured Party's request, to execute all such documents and do all such other things that may be necessary or desirable in order to enable the Secured Party or its nominee to be registered as owner of the Intellectual Property with any competent registration authority.

(c) Notice of the intended disposition of any Collateral may be given by the Secured Party by first-class mail, hand-delivery (through a delivery service or otherwise), facsimile or e-mail, and shall be deemed to have been "sent" upon deposit in the U.S. mails with adequate postage properly affixed, upon delivery to an express delivery service or if by facsimile transmission or e-mail, when sent against mechanical confirmation of successful transmission, as applicable. The Debtor agrees and acknowledges that: (i) with respect to Collateral that is (A) perishable or threatens to speedily decline in value or (B) is of a type customarily sold on a recognized market (including, but not limited to, Investment Property), no notice of disposition need be given; and (ii) with respect to Collateral not described in clause (i) above, notification sent after Default and at least ten days before any proposed disposition constitutes notice provided within a reasonable time before disposition.

(d) The Debtor agrees and acknowledges that a commercially reasonable disposition of Inventory, Equipment, Computer Hardware and Software or Intellectual Property may be by lease or license of, in addition to the sale of, such Collateral. The Debtor further agrees and acknowledges that a disposition (i) made in the usual manner on any recognized market, (ii) at the price current in any recognized market at the time of disposition or (iii) in conformity with reasonable commercial practices among dealers in the type of property subject to the disposition shall, in each case, be deemed commercially reasonable.

(e) Any cash proceeds of any disposition by the Secured Party of any of the Collateral shall be applied by the Secured Party to payment of expenses in connection with the Collateral, including attorneys' fees and legal expenses, and thereafter to the payment of any and all of the Liabilities in such order of application as the Secured Party may from time to time elect, and thereafter any surplus will be paid to the Debtor or as a court of competent jurisdiction shall direct. The Secured Party need not apply or pay over for application any noncash proceeds of collection and enforcement unless (i) the failure to do so would be commercially unreasonable and (ii) the Debtor has provided the Secured Party with a written demand to apply or pay over such noncash proceeds on such basis.

8. Limitation on Duty in Respect of Collateral. Beyond the exercise of reasonable care in the custody and preservation thereof, the Secured Party will have no duty as to any Collateral in its possession or control or in the possession or control of any sub-agent or bailee or any income therefrom or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Secured Party will be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equal to that which it accords its own property, and will not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of any act or omission of any sub-agent or bailee selected by the Secured Party in good faith or by reason of any act or omission by the Secured Party or pursuant to instructions from the Secured Party, except to the extent that such liability arises from the Secured Party's gross negligence or willful misconduct.

To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, the Debtor acknowledges and agrees that it is not commercially unreasonable for the Secured Party (a) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to complete raw material or work-in-process into finished goods or other finished products for disposition, (b) to fail to obtain third-party consents for access to Collateral to be disposed of, or to obtain, or, if not required by other law, to fail to obtain, governmental or third-party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other Persons, whether or not in the same business as the Debtor, for expressions of interest in acquiring any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, including any warranties of title, (k) to purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of Collateral, or to provide to the Secured Party a guaranteed return from the collection or disposition of Collateral or (l) to the extent deemed appropriate by the Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the

Collateral. The Debtor acknowledges that the purpose of this Section is to provide nonexhaustive indications of what actions or omissions by the Secured Party would not be commercially unreasonable in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being specifically referred to in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any right to the Debtor or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

9. General. The Debtor agrees that a carbon, photographic or other reproduction of this Agreement is sufficient as a financing statement. The Debtor ratifies its authorization contained in Section 6(a) for the Secured Party to have filed in any UCC jurisdiction prior to the date hereof any financing statement or amendment thereto filed prior to the date hereof.

All notices hereunder shall be in writing and shall be sent, in the case of the Debtor, to the address of the Debtor shown on Schedule 15.3 of the Credit Agreement and, in the case of the Secured Party, at its address set forth on Schedule 15.3 to the Credit Agreement, or to such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose. Notices sent by electronic transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier shall be deemed to have been given when received.

The Debtor agrees to pay all expenses, including reasonable attorneys' fees and charges (including time charges of attorneys who are employees of the Secured Party or any Lender Party) paid or incurred by the Secured Party or any Lender Party in endeavoring to collect the Liabilities of the Debtor, or any part thereof, and in enforcing this Agreement against the Debtor, and all such obligations will themselves be Liabilities.

No delay on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

This Security Agreement shall remain in full force and effect until all Liabilities have been paid in full and all Commitments have terminated. If at any time any part of any payment theretofore applied by the Secured Party or any Lender Party to any of the Liabilities is or must be rescinded or returned by the Secured Party or such Lender Party for any reason whatsoever (including the insolvency, bankruptcy or reorganization of the Debtor), such Liabilities shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Secured Party or such Lender Party, and this Agreement shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by the Secured Party or such Lender Party had not been made.

This Agreement shall be construed in accordance with and governed by the laws of the State of Wisconsin, applicable to contracts made and to be performed entirely within such State, subject, except to the extent that the perfection, effect of perfection or nonperfection, and priority of the security interest hereunder, or remedies hereunder, in respect of any particular collateral are governed by the laws of a jurisdiction other than Wisconsin. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

The rights and privileges of the Secured Party hereunder shall inure to the benefit of its successors and assigns.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement. Delivery of a counterpart hereof, or a signature page hereto, by electronic transmission or in a .pdf or similar file shall be effective as delivery of a manually executed original counterpart thereof. At any time after the date of this Agreement, one or more additional Persons may become parties hereto by executing and delivering to the Secured Party a joinder to this Agreement together setting forth all relevant information with respect to such party as of the date of such delivery. Immediately upon such execution and delivery (and without any further action), each such additional Person will become a party to, and will be bound by all the terms of, this Agreement.

Other than automatic modifications related to the addition of a party hereto as described in the preceding paragraph, no amendment, modification or waiver of, or consent with respect to, any provision of this Agreement shall be effective unless the same shall be in writing and signed and delivered by the Secured Party, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF WISCONSIN OR IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE SECURED PARTY'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND OR IN ANY JURISDICTION IN WHICH A BANKRUPTCY, INSOLVENCY OR OTHER SIMILAR LEGAL OR EQUITABLE PROCEEDING IS PENDING AGAINST THE DEBTOR. THE DEBTOR EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF WISCONSIN AND OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE DEBTOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, TO THE ADDRESS SET FORTH ON SCHEDULE 15.3 TO THE CREDIT AGREEMENT (OR SUCH OTHER ADDRESS AS IT SHALL HAVE SPECIFIED IN WRITING TO THE SECURED PARTY AS ITS ADDRESS FOR NOTICES HEREUNDER) OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF WISCONSIN. THE DEBTOR EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THE DEBTOR MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

THE DEBTOR AND THE SECURED PARTY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, THE NOTE OR ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY FINANCING RELATIONSHIP EXISTING IN CONNECTION WITH

**ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING
SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

[Signature page follows]

IN WITNESS WHEREOF, this Security Agreement has been duly executed as of the date first above written.

DEBTOR:

WEYCO GROUP, INC.

By: 

Name: John Wittkowske

Title: Chief Financial Officer

SECURED PARTY:

ASSOCIATED BANK, NATIONAL ASSOCIATION

By: _____

Name: Daniel Holzhauer

Title: Senior Vice President

IN WITNESS WHEREOF, this Security Agreement has been duly executed as of the date first above written.

DEBTOR:

WEYCO GROUP, INC.

By: _____
Name: John Wittkowske
Title: Chief Financial Officer

SECURED PARTY:

ASSOCIATED BANK, NATIONAL ASSOCIATION

By: _____
Name: Daniel Holzhauser
Title: Senior Vice President