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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Form 10-Q**

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

For the quarterly period ended June 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: 001-36426

**AquaBounty Technologies, Inc.**

(Exact name of the registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**04-3156167**

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

**2 Mill & Main Place, Suite 395  
Maynard, Massachusetts 01754  
(978) 648-6000**

(Address and telephone number of the registrant's principal executive offices)

Title of each class

Trading Symbol(s)

Name of exchange on which registered

**Common Stock, par value \$0.001 per share**

**AQB**

**The NASDAQ Stock Market LLC**

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 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit such files).

Yes  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  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period 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

At August 5, 2020, the registrant had 32,125,184 shares of common stock, par value \$0.001 per share ("Common Shares") outstanding.

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**AquaBounty Technologies, Inc.**  
**FORM 10-Q**  
**For the Quarterly Period Ended June 30, 2020**

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## Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, particularly the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward looking statements. All statements other than present and historical facts and conditions contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial positions, business strategy, plans, and our objectives for future operations, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “intend,” “is designed to,” “may,” “might,” “plan,” “potential,” “predict,” “objective,” “should,” or the negative of these and similar expressions identify forward-looking statements. These forward-looking statements include statements that are not historical facts, including statements regarding management’s expectations for future financial and operational performance and operating expenditures, expected growth, and business outlook; the nature of and progress toward our commercialization plan; the future introduction of our products to consumers; the countries in which we may obtain regulatory approval and the progress toward such approvals; the volume of eggs or fish we may be able to produce; the timeline for our production of saleable fish; the expected advantages of land-based systems over sea cage production; the validity and impact of legal actions; the completion of renovations at our farms; and the establishment of a larger-scale grow-out facility.

We have based these forward-looking statements on our current expectations, assumptions, estimates, and projections. While we believe these expectations, assumptions, estimates, and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties, and other factors, many of which are outside of our control, which could cause our actual results, performance, or achievements to differ materially from any results, performance, or achievements expressed or implied by such forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the anticipated benefits and characteristics of our AquAdvantage salmon product;
- the implementation and likelihood of achieving the business plan, future revenue, and operating results;
- our plans for and the timing of the development of new farms and the output of those farms;
- developments concerning our research projects;
- our expectations regarding our ability to successfully enter new markets or develop additional products;
- our competitive position and developments and projections relating to our competitors and our industry;
- expectations regarding anticipated operating results;
- our cash position and ability to raise additional capital to finance our activities;
- the impact of the COVID-19 coronavirus outbreak (the “COVID-19 pandemic”) on our business, operations, and financial results, any of which could be significantly impaired by the COVID-19 pandemic;
- our ability to protect our intellectual property and other proprietary rights and technologies;
- the impact of and our ability to adapt to changes in laws or regulations and policies;
- the ability to secure any necessary regulatory approvals to commercialize any products;
- the rate and degree of market acceptance of any products developed through the application of bioengineering, including bioengineered fish;
- our ability to retain and recruit key personnel;
- the success of any of our future acquisitions or investments;
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act; and
- our estimates regarding expenses, future revenue, capital requirements, and needs for additional financing.

We caution you that the foregoing list may not contain all of the risks to which the forward-looking statements made in this Quarterly Report on Form 10-Q are subject. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included, particularly in the section titled “Risk Factors,” that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments that we may make.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments unless required by federal securities law. New risks emerge from time to time, and it is not possible for us to predict all such risks.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**AquaBounty Technologies, Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

	As of	
	June 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,021,394	\$ 2,798,744
Other receivables	57,369	55,198
Inventory	2,489,773	1,232,049
Prepaid expenses and other current assets	696,455	391,162
<b>Total current assets</b>	<b>13,264,991</b>	<b>4,477,153</b>
Property, plant and equipment, net	24,562,409	25,065,836
Right of use assets, net	371,292	399,477
Definite-lived intangible assets, net	150,736	157,588
Indefinite-lived intangible assets	101,661	101,661
Other assets	44,306	32,024
<b>Total assets</b>	<b>\$ 38,495,395</b>	<b>\$ 30,233,739</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,764,124	\$ 1,462,809
Current lease liabilities and other	63,836	62,286
Current debt	140,288	163,155
<b>Total current liabilities</b>	<b>1,968,248</b>	<b>1,688,250</b>
Long-term lease obligations	321,728	352,808
Long-term debt	4,423,028	4,432,052
<b>Total liabilities</b>	<b>6,713,004</b>	<b>6,473,110</b>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value, 50,000,000 shares authorized; 32,105,684 (2019: 21,635,365) shares outstanding	32,106	21,635
Additional paid-in capital	171,102,440	156,241,363
Accumulated other comprehensive loss	(576,644)	(360,160)
Accumulated deficit	(138,775,511)	(132,142,209)
<b>Total stockholders' equity</b>	<b>31,782,391</b>	<b>23,760,629</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 38,495,395</b>	<b>\$ 30,233,739</b>

See accompanying notes to these unaudited interim consolidated financial statements.

**AquaBounty Technologies, Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenues</b>				
Product revenues	\$ 2,950	\$ 42,486	\$ 9,703	\$ 140,371
<b>Costs and expenses</b>				
Production costs	1,041,316	941,113	1,882,750	1,803,368
Sales and marketing	137,434	103,390	188,222	175,381
Research and development	635,655	813,449	1,204,417	1,476,930
General and administrative	1,693,544	2,204,253	3,330,734	3,460,105
Total costs and expenses	3,507,949	4,062,205	6,606,123	6,915,784
<b>Operating loss</b>	<b>(3,504,999)</b>	<b>(4,019,719)</b>	<b>(6,596,420)</b>	<b>(6,775,413)</b>
<b>Other income (expense)</b>				
Interest expense	(18,147)	(14,212)	(35,192)	(27,550)
Other income (expense), net	(538)	7,200	(1,690)	12,300
Total other income (expense)	(18,685)	(7,012)	(36,882)	(15,250)
<b>Net loss</b>	<b>\$ (3,523,684)</b>	<b>\$ (4,026,731)</b>	<b>\$ (6,633,302)</b>	<b>\$ (6,790,663)</b>
<b>Other comprehensive income (loss):</b>				
Foreign currency translation gain (loss)	165,501	84,788	(216,484)	172,340
Total other comprehensive income (loss)	165,501	84,788	(216,484)	172,340
<b>Comprehensive loss</b>	<b>\$ (3,358,183)</b>	<b>\$ (3,941,943)</b>	<b>\$ (6,849,786)</b>	<b>\$ (6,618,323)</b>
<b>Basic and diluted net loss per share</b>				
	<b>\$ (0.11)</b>	<b>\$ (0.19)</b>	<b>\$ (0.22)</b>	<b>\$ (0.37)</b>
<b>Weighted average number of Common Shares -</b>				
basic and diluted	32,097,992	21,313,055	29,607,373	18,515,907

See accompanying notes to these unaudited interim consolidated financial statements.

**AquaBounty Technologies, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**(Unaudited)**

	Common stock issued and outstanding	Par value	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at December 31, 2018	15,098,837	\$ 15,099	\$ 142,707,957	\$ (574,186)	\$ (118,914,567)	\$ 23,234,303
Net loss					(2,763,932)	(2,763,932)
Other comprehensive income (loss)				87,552		87,552
Issuance of common stock, net	3,345,282	3345	6,606,310			6,609,655
Exercise of warrants	76,797	77	250,347			250,424
Share based compensation	176,561	176	138,322			138,498
Balance at March 31, 2019	18,697,477	\$ 18,697	\$ 149,702,936	\$ (486,634)	\$ (121,678,499)	\$ 27,556,500
Net loss					(4,026,731)	(4,026,731)
Other comprehensive income (loss)				84,788		84,788
Issuance of common stock, net	2,901,078	2901	5,782,792			5,785,693
Share based compensation			318,218			318,218
Balance at June 30, 2019	21,598,555	\$ 21,598	\$ 155,803,946	\$ (401,846)	\$ (125,705,230)	\$ 29,718,468

	Common stock issued and outstanding	Par value	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at December 31, 2019	21,635,365	\$ 21,635	\$ 156,241,363	\$ (360,160)	\$ (132,142,209)	\$ 23,760,629
Net loss					(3,109,618)	(3,109,618)
Other comprehensive income (loss)				(381,985)		(381,985)
Issuance of common stock, net	10,350,000	10,350	14,511,354			14,521,704
Share based compensation	100,319	101	205,252			205,353
Balance at March 31, 2020	32,085,684	\$ 32,086	\$ 170,957,969	\$ (742,145)	\$ (135,251,827)	\$ 34,996,083
Net loss					(3,523,684)	(3,523,684)
Other comprehensive income (loss)				165,501		165,501
Issuance of common stock, net	20,000	20	40,580			40,600
Share based compensation			103,891			103,891
Balance at June 30, 2020	32,105,684	\$ 32,106	\$ 171,102,440	\$ (576,644)	\$ (138,775,511)	\$ 31,782,391

See accompanying notes to these unaudited interim consolidated financial statements.

**AquaBounty Technologies, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss	\$ (6,633,302)	\$ (6,790,663)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	701,593	576,596
Share-based compensation	309,244	456,716
Gain on disposal of equipment	—	(8,548)
Other non-cash charge	40,600	—
Changes in operating assets and liabilities:		
Other receivables	(4,704)	10,454
Inventory	(1,261,930)	(134,137)
Prepaid expenses and other assets	(404,931)	(238,820)
Accounts payable and accrued liabilities	280,142	922,237
Net cash used in operating activities	<b>(6,973,288)</b>	<b>(5,206,165)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,588,497)	(925,617)
Proceeds from sale of equipment	98,000	8,548
Proceeds from legal settlement, net	1,014,008	—
Other investing activities	(12,460)	—
Net cash used in investing activities	<b>(488,949)</b>	<b>(917,069)</b>
<b>Financing activities</b>		
Proceeds from issuance of debt	221,130	900,767
Repayment of term debt	(41,262)	(27,837)
Proceeds from the issuance of common stock, net	14,521,704	12,395,348
Proceeds from the exercise of stock options and warrants, net	—	250,424
Net cash provided by financing activities	<b>14,701,572</b>	<b>13,518,702</b>
Effect of exchange rate changes on cash and cash equivalents	(16,685)	15,636
Net change in cash and cash equivalents	7,222,650	7,411,104
Cash and cash equivalents at beginning of period	2,798,744	3,002,557
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 10,021,394</b>	<b>\$ 10,413,661</b>
<b>Supplemental disclosure of cash flow information and non-cash transactions:</b>		
Interest paid in cash	\$ 17,058	\$ 27,550
Property and equipment included in accounts payable and accrued liabilities	\$ 238,235	\$ 422,808

See accompanying notes to these unaudited interim consolidated financial statements.

# **AquaBounty Technologies, Inc.**

## **Notes to the consolidated financial statements**

### **For the six months ended June 30, 2020 and 2019 (unaudited)**

#### **1. Nature of business and organization**

AquaBounty Technologies, Inc. (the “Parent” and, together with its subsidiaries, the “Company”) was incorporated in December 1991 in the State of Delaware for the purpose of conducting research and development of the commercial viability of a group of proteins commonly known as antifreeze proteins. In 1996, the Parent obtained the exclusive licensing rights for a gene construct (transgene) used to create a breed of farm-raised Atlantic salmon that exhibit growth rates that are substantially faster than traditional salmon.

In 2015, the Parent obtained approval from the US Food and Drug Administration (the “FDA”) for the production, sale, and consumption of its AquAdvantage salmon product in the United States.

In 2016, the Parent obtained approval from Health Canada for the sale and consumption of its AquAdvantage salmon product in Canada. Previously, in 2013, the Parent obtained approval from Environment Canada for the production of the product.

AQUA Bounty Canada Inc. (the “Canadian Subsidiary”) was incorporated in January 1994 for the purpose of establishing a commercial biotechnology laboratory to conduct research and development programs related to the Parent’s technologies and to commercialize the Parent’s products in Canada.

AquaBounty Panama, S. de R.L. (the “Panama Subsidiary”) was incorporated in May 2008 in Panama for the purpose of conducting commercial trials of the Parent’s products. With the regulatory approval of the Company’s farms in Indiana and Rollo Bay, the site in Panama was no longer needed for commercial trials. Operations at the site ceased in May 2019.

AquaBounty Farms, Inc. (the “U.S. Subsidiary”) was incorporated in December 2014 in the State of Delaware for the purpose of conducting field trials and commercializing the Parent’s products in the United States.

AquaBounty Farms Indiana LLC (the “Indiana Subsidiary”), which is wholly owned by the U.S. Subsidiary, was formed in June 2017 in the State of Delaware for the purpose of operating its aquaculture facility in Albany, Indiana.

AquaBounty Brasil Participações Ltda. (the “Brazil Subsidiary”) was incorporated in May 2015 for the purpose of conducting field trials and commercializing the Parent’s products in Brazil.

#### **2. Basis of presentation**

The unaudited interim consolidated financial statements include the accounts of AquaBounty Technologies, Inc. and its wholly owned direct subsidiaries, AQUA Bounty Canada Inc.; AquaBounty Panama, S. de R.L.; AquaBounty Farms, Inc.; AquaBounty Farms Indiana LLC; and AquaBounty Brasil Participações Ltda. The entities are collectively referred to herein as the “Company.” All intercompany transactions and balances have been eliminated upon consolidation.

The unaudited interim consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“GAAP”) consistent with those applied in, and should be read in conjunction with, the Company’s audited financial statements and related footnotes for the year ended December 31, 2019. The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company’s financial position as of June 30, 2020, and its results of operations and cash flows for the interim periods presented and are not necessarily indicative of results for subsequent interim periods or for the full year. The unaudited interim consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements, as allowed by the relevant SEC rules and regulations; however, the Company believes that its disclosures are adequate to ensure that the information presented is not misleading.

Certain balances in the 2019 financial statements have been reclassified to conform with the presentation of the 2020 unaudited interim consolidated financial statements.

#### **Liquidity Matters**

The Company has experienced net losses and negative cash flows from operations since its inception and has cumulative losses attributable to common stockholders of \$138.8 million as of June 30, 2020. At June 30, 2020, the Company’s cash balance totaled \$10.0 million. Subsequent to quarter end, the Company received proceeds of \$4.0 million under a loan agreement (see Note 11). Management has evaluated its cash resources in view of its planned spending for on-going operations, capital expenditures, and working capital and believes that its current cash balance, along with the loan proceeds and expected revenues from its Indiana farm, will meet the Company’s cash requirements for at least the next twelve months from the filing date, taking into consideration the foreseeable financial impact of delays or other events associated with the COVID-19 pandemic. Until such time, if ever, as the Company can generate positive operating cash flows, it may finance its cash needs through a combination of equity offerings, debt

financings, government or other third-party funding, strategic alliances, and licensing arrangements. The current COVID-19 pandemic has introduced uncertainty into the financial markets and, as a result, future funding sources may be more difficult to obtain, if at all.

#### Inventories

Inventories are mainly comprised of feed, eggs, fish in process and packaging materials. Inventories are measured at the lower of cost or net realizable value (“NRV”), where NRV is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion and transportation.

Fish in process inventory is a biological asset that is measured based on the estimated biomass of fish on hand. The Company has established a standard procedure to estimate the biomass of fish on hand using counting and sampling techniques.

#### Net loss per share

Basic and diluted net loss per share available to common stockholders has been calculated by dividing net loss by the weighted average number of Common Shares outstanding during the period. Basic net loss is based solely on the number of Common Shares outstanding during the period. Fully diluted net loss per share includes the number of Common Shares potentially issuable upon the exercise of warrants and options with an exercise price less than the fair value of the Common Shares. Since the Company is reporting a net loss for all periods presented, all potential Common Shares are considered anti-dilutive and are excluded from the calculation of diluted net loss per share.

At June 30, 2020, the Company had 2,325,852 potentially dilutive securities outstanding, consisting of 1,662,304 warrants and 663,548 stock options.

#### Accounting Pronouncements

Management does not expect any recently issued, but not yet effective, accounting standards to have a material effect on its results of operations or financial condition.

### 3. Risks and uncertainties

In addition to the risks inherent in the Company’s industry and its stage of commercialization, the impact of the COVID-19 pandemic introduces a novel risk that is difficult to assess or predict. To date, the Company’s farm operations have not been adversely affected by the pandemic, although the Company has made modifications to its biosecurity procedures and its farm sites to adapt to local requirements and to provide a safe work environment.

The Company has experienced delays in capital projects due to the pandemic, including a delay in the completion of its processing facility at the Indiana farm. The delay in the completion of this project is expected to continue into the third quarter of 2020 and the Company is therefore considering third party alternatives for fish processing in the interim. The Company has also seen a reduction in the market price for Atlantic salmon due to the pandemic’s impact on demand in the food service sector. If sustained, this could impact the Company’s forecast in the near-term.

#### Concentration of credit risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents. This risk is minimized by the Company’s policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Company’s cash balances may at times exceed insurance limitations. The Company holds cash balances in bank accounts located in Canada to fund its local operations. These amounts are subject to foreign currency exchange risk, which is mitigated by the Company’s policy to limit the balances held in these accounts. Balances in Canadian bank accounts totaled \$241 thousand at June 30, 2020.

### 4. Inventory

Major classifications of inventory are summarized as follows:

	June 30, 2020	December 31, 2019
Feed	\$ 263,483	\$ 251,778
Eggs and fry	62,781	55,887
Packaging	2,581	—
Fish in process	2,160,928	924,384
Total inventory	\$ 2,489,773	\$ 1,232,049

## 5. Property, plant and equipment

Major classifications of property, plant and equipment are summarized as follows:

	June 30, 2020	December 31, 2019
Land	\$ 705,363	\$ 718,586
Building and improvements	13,567,702	13,297,489
Construction in process	2,542,044	2,105,873
Equipment	11,684,991	12,275,619
Office furniture and equipment	200,140	201,813
Vehicles	26,810	28,097
Total property and equipment	\$ 28,727,050	\$ 28,627,477
Less accumulated depreciation and amortization	(4,164,641)	(3,561,641)
Property, plant and equipment, net	\$ 24,562,409	\$ 25,065,836

Included in construction in process is \$1.8 million for construction related to the Rollo Bay farm site. An additional \$307 thousand has been committed.

In December 2019, the Company reclassified certain feed mill equipment at the Indiana farm as held for sale, a component of prepaid expenses and other current assets, and adjusted the the carrying value to fair value less estimated selling costs. During the first quarter of 2020, the equipment was sold, resulting in proceeds of \$98 thousand. No gain or loss was recognized upon the sales of the equipment.

In March 2020, the Company settled an outstanding legal claim against a third party resulting in net proceeds of \$1.0 million. The proceeds received reduced the carrying value of the acquired equipment. Depreciation on these items is being recalculated prospectively over their remaining useful lives.

## 6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following:

	June 30, 2020	December 31, 2019
Accounts payable	\$ 917,229	\$ 809,444
Accrued payroll including vacation	358,113	236,489
Accrued professional fees and contract services	403,248	346,349
Accrued taxes and other	85,534	70,527
Accounts payable and accrued liabilities	\$ 1,764,124	\$ 1,462,809

## 7. Debt

The current material terms and conditions of debt outstanding are as follows:

Original loan amount	Interest rate	Monthly repayment	Maturity date	June 30, 2020	December 31, 2019
ACOA AIF grant (C\$2,871,919)	0%	Royalties	-	\$ 2,105,117	\$ 2,206,208
ACOA term loan (C\$337,000)	0%	\$3,120	June 2026	169,264	184,583
ACOA term loan (C\$500,000)	0%	\$4,630	November 2028	356,319	384,100
Kubota Canada Ltd. (C\$95,961)	0%	\$1,142	January 2025	46,056	53,533
Finance PEI term loan (C\$2,717,093)	4%	\$16,313	November 2023	1,886,560	1,766,783
Total debt				\$ 4,563,316	\$ 4,595,207
less: current portion				(140,288)	(163,155)
Long-term debt				\$ 4,423,028	\$ 4,432,052

Estimated principal payments remaining on loan debt are as follows:

Year	AIF	ACOA	FPEI	Kubota	Total
2020	\$ —	\$ 17,042	\$ 39,118	\$ 5,024	\$ 61,184
2021	—	68,169	80,622	10,048	158,839
2022	—	68,169	83,907	10,048	162,124
2023	—	68,169	1,682,913	10,048	1,761,130
2024	—	68,169	—	10,048	78,217
Thereafter	2,105,117	235,865	—	840	2,341,822
Total	\$ 2,105,117	\$ 525,583	\$ 1,886,560	\$ 46,056	\$ 4,563,316

In response to the COVID-19 pandemic, the Company was informed by Atlantic Canada Opportunities Agency (ACOA) on March 19, 2020, that all payments to the Canadian government would be deferred for three months, commencing April 1, 2020. On June 15, 2020, the Company was informed that payments would be deferred an additional three months, recommencing October 1, 2020. A revised loan amortization schedule has not yet been received from ACOA.

In 2018, the Canadian Subsidiary obtained a new loan from Finance PEI (FPEI) in the amount of C\$2.0 million (\$1.5 million). The loan has an interest rate of 4% and is collateralized by a mortgage executed by the Canadian Subsidiary, which conveys a first security interest in all of its current and acquired assets. On March 24, 2020, the Company was informed by FPEI that all payments would be deferred for three months due to the pandemic. On April 23, 2020, the Canadian Subsidiary received the final C\$300 thousand (\$221 thousand) of funds available under the loan. A revised loan amortization schedule has not yet been received from FPEI.

The Company recognized interest expense of \$35 thousand and \$27 thousand for the six months ended June 30, 2020 and 2019, respectively, on its interest-bearing debt.

## 8. Leases

Lease expense for the six months ended June 30, 2020 and 2019, amounted to \$40 thousand and \$100 thousand, respectively. The weighted average remaining lease term of the Company's operating leases was 23 years as of June 30, 2020. Lease payments included in operating cash flows totaled \$42 thousand and \$101 thousand for the six months ended June 30, 2020 and 2019, respectively.

The table below summarizes the Company's lease obligations and remaining payments at June 30, 2020:

Lease Type	End Date	Remaining Years	June 30, 2020		December 31, 2019		
			Remaining Payments	Lease Liability	Remaining Payments	Lease Liability	
Maynard Office Lease	Operating	Mar 2023	2.8	\$ 183,534	\$ 160,720	\$ 215,556	\$ 186,323
Indiana Auto Lease	Operating	Feb 2021	0.7	3,578	3,223	5,999	5,533
Indiana Well Lease	Operating	Dec 2048	28.5	694,575	220,564	702,341	223,238
Total leases				\$ 881,687	\$ 384,507	\$ 923,896	\$ 415,094
Less: current portion				(84,870)	(62,779)	(85,011)	(62,286)
Long-term leases				\$ 796,817	\$ 321,728	\$ 838,885	\$ 352,808

Remaining payments under leases are as follows at June 30, 2020:

Year	Office	Auto	Well	Amount
2020	\$ 32,615	\$ 2,421	\$ 7,766	\$ 42,802
2021	66,416	1,157	15,998	83,571
2022	67,602	—	16,478	84,080
2023	16,901	—	16,972	33,873
2024	—	—	17,481	17,481
Thereafter	—	—	619,880	619,880
<b>Total Lease Payments</b>	<b>\$ 183,534</b>	<b>\$ 3,578</b>	<b>\$ 694,575</b>	<b>\$ 881,687</b>

## 9. Stockholders' equity

### Recent issuances

On February 12, 2020, the Company completed a public offering of 10,350,000 Common Shares. Net proceeds to the Company were \$14.5 million after deducting discounts, fees, and expenses. TS Biotechnology Holdings, which is managed by Third Security and is controlled by Randal J. Kirk, our largest shareholder, participated in this offer, purchasing 5,175,000 shares of our common stock for a total of approximately \$7.8 million in gross proceeds.

On May 6, 2020, the Company issued 20,000 restricted common shares to a consultant. The Company recorded a charge of \$41 thousand in conjunction with the share issuance.

### Warrants

The following table summarizes information about outstanding warrants at June 30, 2020:

	Number of warrant shares	Weighted average exercise price
Outstanding at December 31, 2019	1,662,304	\$3.25
Outstanding at June 30, 2020	1,662,304	\$3.25
Exercisable at June 30, 2020	1,662,304	\$3.25

### Share-based compensation

At June 30, 2020, the Company has reserved 1,658,315 shares of common stock issuable upon the exercise of outstanding stock options and future issuances under its 2006 and 2016 Equity Incentive Plans.

#### Restricted stock

A summary of the Company's shares of restricted stock as of June 30, 2020, is as follows:

	Shares	Weighted average grant date fair value
Balance at December 31, 2019	39,900	\$2.31
Granted	100,319	1.88
Vested	(51,201)	2.07
Balance at June 30, 2020	89,018	\$1.97

During the six months ended June 30, 2020 and 2019, the Company expensed \$122 thousand and \$184 thousand, respectively, related to the restricted stock awards. At June 30, 2020, the balance of unearned share-based compensation to be expensed in future periods related to the restricted stock awards is \$159 thousand. The period over which the unearned share-based compensation is expected to be earned is approximately 2.9 years.

## Stock options

The Company's option activity is summarized as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2019	573,925	\$4.94
Issued	104,458	1.99
Expired	(14,835)	11.62
Outstanding at June 30, 2020	663,548	\$4.33
Exercisable at June 30, 2020	565,350	\$4.73

Unless otherwise indicated, options issued to employees, members of the Board of Directors, and non-employees are vested daily over one to three years and are exercisable for a term of ten years from the date of issuance.

The fair values of stock option grants to employees and members of the Board of Directors during 2020 were measured on the date of grant using Black-Scholes, with the following weighted average assumptions:

	May 2020	March 2020	January 2020
Expected volatility	104%	102%	101%
Risk free interest rate	0.31%	0.66%	1.67%
Expected dividend yield	0%	0%	0%
Expected life (in years)	5	5	5

The weighted average fair value of stock options granted during the six months ended June 30, 2020, was \$1.49.

The total intrinsic value of all options outstanding was \$521 thousand and \$1 thousand at June 30, 2020, and December 31, 2019, respectively. The total intrinsic value of exercisable options was \$402 thousand at June 30, 2020, and \$1 thousand at December 31, 2019, respectively.

The following table summarizes information about options outstanding and exercisable at June 30, 2020:

Weighted average exercise price of outstanding options	Number of options outstanding	Weighted average remaining estimated life (in years)	Number of options exercisable	Weighted average exercise price of outstanding and exercisable options
\$1.88 - \$2.50	531,519	8.8	433,321	
\$3.30 - \$6.90	37,139	2.1	37,139	
\$7.50 - \$10.80	21,303	3.9	21,303	
\$14.20 - \$23.40	73,587	5.8	73,587	
	663,548		565,350	\$4.73

Total share-based compensation on stock options amounted to \$187 thousand and \$272 thousand for the six months ended June 30, 2020 and 2019, respectively. At June 30, 2020, the balance of unearned share-based compensation to be expensed in future periods related to unvested share-based awards was \$148 thousand. The period over which the unearned share-based compensation is expected to be earned is approximately 3.0 years.

## 10. Commitments and contingencies

The Company recognizes and discloses commitments when it enters into executed contractual obligations with other parties. The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

See Note 5 for commitments related to our renovation and construction costs.

There have been no other material changes to the commitments and contingencies disclosed in our Annual Report on Form 10-K as of and for the year ended December 31, 2019.

## 11. Subsequent Events

On July 31, 2020, the Company's Indiana Subsidiary received \$4.0 million in proceeds from a loan from First Farmers Bank and Trust. The loan bears interest at a rate of 5.3% for the first five years. On July 31, 2025 the interest rate resets to the then US Treasury 5-year maturities rate plus 5% and remains fixed at that rate through maturity on October 1, 2028. The note requires interest only payments for the first 15 months, followed by monthly principal and interest payments of approximately \$57 thousand through maturity. Proceeds from the loan may be used for the purpose of performing equipment upgrades, purchasing equipment and other improvements to the Indiana subsidiary.

The Company must comply with certain financial and non-financial covenants. The loan is also subject to certain prepayment penalties and is secured by the assets of the Indiana subsidiary and a guarantee by the Parent. The loan agreement requires the Company to maintain a \$500 thousand minimum cash balance with the bank throughout the loan term.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following “Management’s Discussion and Analysis of Financial Condition and Results of Operations” should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed on March 10, 2020.

### **Overview**

We believe that we are a leader in the field of land-based aquaculture and the use of technology for improving its productivity and sustainability. Our lead product is the AquAdvantage salmon, which received FDA approval in 2015 as the first bioengineered animal available for sale for human consumption. We have commenced commercial activities with operations in the United States and Canada where we have received regulatory approval.

### **COVID-19**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, SARS-CoV-2, as a pandemic, which continues to spread throughout the United States and worldwide. Because infections of this virus and incidences of the disease it causes, COVID-19, have been reported throughout both the United States and Canada, certain national, provincial, state, and local governmental authorities have issued proclamations and directives aimed at minimizing the spread of the virus. Additional, more restrictive proclamations and directives may be issued in the future.

The ultimate impact of the COVID-19 pandemic on our operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 pandemic, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or we, may direct, which may result in an extended period of continued business disruption and reduced operations. Our current preventative and protective measures include, but are not limited to, segregating farm workers to specific locations, rotating shifts, and monitoring worker temperatures upon arrival at our facilities. To the extent possible, work-from-home is utilized for employees that do not have fish care responsibilities. Any resulting financial impact cannot be reasonably estimated at this time but may have a material adverse impact on our business, financial condition, and results of operations.

To date, our farm operations have not been adversely affected by the pandemic, although we have made modifications to biosecurity procedures and our farm sites to adapt to local requirements and to provide a safe work environment.

We have experienced delays in capital projects due to the pandemic, including a delay in the completion of the processing facility at the Indiana farm. The delay in the completion of this project is expected to continue into the third quarter of 2020 and we are therefore considering third party alternatives for fish processing in the interim. We have also seen a reduction in the market price for Atlantic salmon due to the pandemic’s impact on demand in the food service sector. If sustained, this could impact our forecast in the near-term.

We remain focused on maintaining a strong balance sheet, liquidity, and financial flexibility and continue to monitor developments as we deal with the disruptions and uncertainties from a business and financial perspective relating to the COVID-19 pandemic. Management expects that all of its operations, across all of its geographies, will be impacted to some degree, but the significance of the impact of the COVID-19 pandemic on our business and the duration for which it may have an impact cannot be determined at this time.

### **Revenue**

We generate product revenue through the sales of our AquAdvantage salmon. We also sell conventional Atlantic salmon, salmon eggs, fry, and byproducts. We expect that our sales will be modest and infrequent in the near-term as we slowly build our sales and distribution supply chain for our Indiana and Rollo Bay farm sites.

In the future, we believe that our revenue will depend upon the number of countries in which we have received regulatory approval for the sale of our products, the number and capacity of grow-out farms we have in operation, and the market acceptance we achieve.

### **Production Costs**

Production costs include the labor and related costs to grow out our fish, including feed, oxygen, and other direct costs; an application of overhead; and the cost to process and ship our products to customers. A portion of production costs are absorbed into inventory as fish in process to the extent that these costs do not exceed the net realizable value of the fish in process. As our farms in Indiana and Rollo Bay ramp up their production activity, the costs that are not absorbed into inventory are classified as other production costs. As of June 30, 2020, we had forty employees engaged in production activities.

### **Sales and Marketing Expenses**

Our sales and marketing expenses currently include consulting fees for market-related activities. As of June 30, 2020, we had no employees dedicated to sales and marketing.

## Research and Development Expenses

As of June 30, 2020, we employed twenty scientists and technicians at our facilities on Prince Edward Island to oversee our broodstock of AquAdvantage salmon, as well as the lines of fish we maintain for research and development purposes. We recognize research and development expenses as they are incurred. Our research and development expenses consist primarily of:

- salaries and related overhead expenses for personnel in research, development functions, and brood-stock husbandry;
- fees paid to contract research organizations and consultants who perform research for us;
- costs related to laboratory supplies used in our research and development efforts; and
- costs related to the operation of our field trials.

## General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees in executive, corporate, and finance functions. Other significant general and administrative expenses include corporate governance and public company costs, regulatory compliance, rent and utilities, insurance, and legal service. We had fourteen employees in our general and administrative group at June 30, 2020.

## Other Income (Expense)

Interest expense includes the interest on our outstanding loans. Other income (expense) includes bank charges, fees, interest income, and miscellaneous gains or losses on asset disposals.

## Results of Operations

### Comparison of the three months ended June 30, 2020, to the three months ended June 30, 2019.

The following table summarizes our results of operations for the three months ended June 30, 2020 and 2019, together with the changes in those items in dollars and as a percentage (all dollar amounts in thousands):

	Three Months Ended June 30,		Dollar	%
	2020	2019	Change	Change
	(unaudited)			
Product revenue	\$ 3	\$ 42	\$ (39)	(93)%
Operating expenses:				
Production costs	1,041	941	100	11 %
Sales and marketing	137	103	34	33 %
Research and development	636	814	(178)	(22)%
General and administrative	1,694	2,204	(510)	(23)%
Operating loss	3,505	4,020	(515)	(13)%
Total other (income) expense	19	7	12	171 %
Net loss	\$ 3,524	\$ 4,027	\$ (503)	(12)%

### Product Revenue

Product revenue for the three months ended June 30, 2020 and 2019 consisted of conventional Atlantic salmon eggs. Sales of our fish are anticipated to commence from our Indiana and Rollo Bay farm sites in the third quarter and fourth quarter of 2020, respectively.

### Production Costs

Production costs for the three months ended June 30, 2020, were up from the corresponding period in 2019, due to production cost increases related to increasing fish biomass at the Indiana and Rollo Bay farms as they continue their ramp-up.

Costs for the current period also include a \$316 thousand charge to reduce the value of the fish in process inventory at the Indiana farm to reflect the reduction in the Net Realizable Value due to a reduction in the market price for salmon.

### Sales and Marketing Expenses

Sales and marketing expenses for the three months ended June 30, 2020, were up from the corresponding period in 2019 due to an increase in charges related to the commencement of marketing activities for our salmon, offset by a decrease in personnel. We expect that our sales and marketing expenses will continue to increase as we commence sales of our fish.

### *Research and Development Expenses*

Research and development expenses for the three months ended June 30, 2020, were down from the corresponding period in 2019 due to lower field trial costs, primarily related to the closing of our demonstration farm in Panama, and lower personnel costs, offset by an increase in outside contract service fees. We expect that our research and development expenses will increase as we expand our broodstock capacity, commence new field trials, and continue to pursue regulatory approval for additional products and additional markets.

### *General and Administrative Expenses*

General and administrative expenses for the three months ended June 30, 2020, were down significantly from the corresponding period in 2019 due to a decrease in personnel associated compensation, regulatory legal fees associated with the FDA legal challenge, and travel, offset by increases in outside consulting fees. We expect that our general and administrative expenses will fluctuate based on our legal fees associated with the FDA legal challenge.

### *Total Other (Income) Expense*

Total other (income) expense is comprised of interest on debt, bank charges, and interest income for the three months ended June 30, 2020, and interest on debt, bank charges, a gain on disposal of equipment and interest income for the three months ended June 30, 2019.

### **Comparison of the six months ended June 30, 2020, to the six months ended June 30, 2019.**

The following table summarizes our results of operations for the six months ended June 30, 2020 and 2019, together with the changes in those items in dollars and as a percentage (all dollar amounts in thousands):

	<b>Six Months Ended June 30,</b>		<b>Dollar</b>	<b>%</b>
	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>Change</b>
	<b>(unaudited)</b>			
Product revenue	\$ 10	\$ 140	\$ (130)	(93)%
Operating expenses:				
Production costs	1,883	1,803	80	4 %
Sales and marketing	188	175	13	7 %
Research and development	1,204	1,477	(273)	(18)%
General and administrative	3,331	3,461	(130)	(4)%
Operating loss	6,596	6,776	(180)	(3)%
Total other (income) expense	37	15	22	147 %
Net loss	\$ 6,633	\$ 6,791	\$ (158)	(2)%

### *Product Revenue*

Product revenue for the six months ended June 30, 2020 consisted of conventional Atlantic salmon fry and eggs. For the comparative period in 2019, revenue included the sale of AquAdvantage salmon from our Panama demonstration farm. Sales of our fish are anticipated to commence from our Indiana and Rollo Bay farm sites in the third quarter and fourth quarter of 2020, respectively.

### *Production Costs*

Production costs for the six months ended June 30, 2020, were up from the corresponding period in 2019, due to production cost increases related to increasing fish biomass at the Indiana and Rollo Bay farms as they continue their ramp-up.

Costs for the current period also include a \$316 thousand charge to reduce the value of the fish in process inventory at the Indiana farm to reflect the reduction in the Net Realizable Value due to a reduction in the market price for salmon.

### *Sales and Marketing Expenses*

Sales and marketing expenses for the six months ended June 30, 2020, were up from the corresponding period in 2019 due to an increase in charges related to the commencement of marketing activities for our salmon, offset by a decrease in personnel.

### *Research and Development Expenses*

Research and development expenses for the six months ended June 30, 2020, were down from the corresponding period in 2019 due to lower field trial costs, primarily related to the closing of our demonstration farm in Panama, and lower personnel costs, offset by an increase in outside contract service fees.

### *General and Administrative Expenses*

General and administrative expenses for the six months ended June 30, 2020, were down from the corresponding period in 2019 due to decrease in stock compensation charges, regulatory legal fees associated with the FDA legal challenge, and travel, offset by increases in outside consulting fees.

### *Total Other (Income) Expense*

Total other (income) expense is comprised of interest on debt, bank charges and interest income for the six months ended June 30, 2020, and interest on debt, bank charges, a gain on disposal of equipment, and interest income for the six months ended June 30, 2019.

### **Cash Flows**

The following table sets forth the significant sources and uses of cash for the periods set forth below (in thousands):

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	
Net cash provided by (used in):		
Operating activities	\$ (6,973)	\$ (5,206)
Investing activities	(489)	(917)
Financing activities	14,702	13,518
Effect of exchange rate changes on cash	(17)	16
Net increase (decrease) in cash	<u>\$ 7,223</u>	<u>\$ 7,411</u>

### *Cash Flows from Operating Activities*

Net cash used in operating activities during the six months ended June 30, 2020, was primarily comprised of our \$6.6 million net loss, offset by non-cash depreciation and stock compensation charges of \$1 million, and increased by working capital uses of \$1.4 million. Net cash used in operating activities during the six months ended June 30, 2019, was primarily comprised of our \$6.8 million net loss, offset by non-cash depreciation and stock compensation charges of \$1.0 million, and decreased by working capital sources of \$560 thousand.

Spending on operations decreased due to lower field trial costs related to our demonstration farm in Panama and travel, offset by increases in outside consulting and production activities at our Rollo Bay and Indiana farm sites. Cash used by working capital increased in the current period and was due primarily to an increase in inventory and prepaid expenses, offset by an increase in accounts payable and accrued liabilities.

### *Cash Flows from Investing Activities*

During the six months ended June 30, 2020, we used \$1.6 million for renovations to our Indiana farm site and for construction charges at our Rollo Bay site, offset by \$98 thousand in proceeds from the sale of equipment and \$1 million in net proceeds from a legal settlement. During the same period in 2019, we used \$926 thousand for renovations to our Indiana farm site and for construction charges at our Rollo Bay site.

### *Cash Flows from Financing Activities*

During the six months ended June 30, 2020, we received approximately \$14.5 million in net proceeds from the issuance of Common Shares in a public offering and \$221 thousand from new debt. This was offset by \$41 thousand in the repayment of debt. During the same period in 2019, we received approximately \$12.4 million in net proceeds from the issuance of Common Shares in a public offering, \$250 thousand from the exercise of warrants, and \$901 thousand from new debt. This was offset by \$28 thousand in the repayment of debt.

### **Future Capital Requirements**

As discussed in Note 2 to the financial statements, the Company has experienced net losses and negative cash flows from operations since its inception and has cumulative losses attributable to common stockholders of \$138.8 million and a cash balance of \$10 million as of June 30, 2020. Subsequent to quarter end, the Company received proceeds of \$4.0 million under a loan agreement (see Note 11). Management believes its current cash balance, along with the loan proceeds and expected revenues from its Indiana farm will meet the Company's cash requirements for at least the next twelve months from the filing date.

Until such time, if ever, as we can generate positive operating cash flows, we may finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, strategic alliances, and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of holders of our common stock will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of holders of our common stock. Debt financing, if available, may involve agreements that include covenants limiting or

restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through government or other third-party funding; marketing and distribution arrangements; or other collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, or product candidates or to grant licenses on terms that may not be favorable to us.

The current COVID-19 pandemic has introduced uncertainty and volatility into the financial markets and as a result sources of future funding may be more difficult to obtain, if at all.

If we are unable to generate additional funds in the future through financings, sales of our products, government grants, loans, or from other sources or transactions, we will exhaust our resources and will be unable to maintain our currently planned operations. If we cannot continue as a going concern, our stockholders would likely lose most or all of their investment in us.

### **Critical Accounting Policies and Estimates**

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The following sections provide quantitative information on our exposure to interest rate risk and foreign currency exchange risk. We make use of sensitivity analyses, which are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

#### **Interest Rate Risk**

Our primary exposure to market risk is interest rate risk associated with debt financing that we utilize from time to time to fund operations or specific projects. The interest on this debt is usually determined based on a fixed rate and is contractually set in advance. At June 30, 2020, and December 31, 2019, we had \$1.9 million and \$1.8 million, respectively, in interest-bearing debt instruments on our consolidated balance sheet. All of our interest-bearing debt is at fixed rates.

#### **Foreign Currency Exchange Risk**

Our functional currency is the U.S. Dollar. The functional currency of our Canadian subsidiary is the Canadian Dollar, and the functional currency of our Panama, U.S., and Brazil subsidiaries is the U.S. Dollar. For the Canadian Subsidiary, assets and liabilities are translated at the exchange rates in effect at the balance sheet date, equity accounts are translated at the historical exchange rate, and the income statement accounts are translated at the average rate for each period during the year. Net translation gains or losses are adjusted directly to a separate component of other comprehensive loss within shareholders' equity (deficit).

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the quarter ended June 30, 2020, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(g) and 15d-15(f)) that occurred during the fiscal quarter covered by this report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

#### Lawsuit Against the FDA Approval of AquAdvantage Salmon

On March 30, 2016, a coalition of non-governmental organizations filed a complaint in the United States District Court for the Northern District of California against the FDA, the United States Fish and Wildlife Service, and related individuals for their roles in the approval of AquAdvantage salmon. Subsequently, the Fish and Wildlife Service was dismissed from the case, and we joined the case as an intervenor to protect our interests. The coalition, including the Center for Food Safety and Friends of the Earth, claims that the FDA had no statutory authority to regulate bioengineered animals, and, if it did, that the agency failed to analyze and implement measures to mitigate ecological, environmental, and socioeconomic risks that could impact wild salmon and the environment, including the risk that AquAdvantage salmon could escape and threaten endangered wild salmon stocks. The discovery phase of litigation is now complete, and the court has issued an initial ruling that FDA has statutory authority to regulate bioengineered animals. The case is now moving forward on substantive briefing on the specific challenge to FDA's approval of the original AquAdvantage salmon NADA.

Other than as set forth above, we are not party to any legal proceedings the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our future business, consolidated results of operations, cash flows, or financial position. We may, from time to time, be subject to legal proceedings and claims arising from the normal course of business activities.

### Item 1A. Risk Factors

As disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed on March 10, 2020, there are a number of risks and uncertainties that may have a material effect on the operating results of our business and our financial condition. The following risk factors are either new or have changed materially from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2019. You should carefully review the risks involved and those described in our Annual Report on Form 10-K and in other reports we file with the Securities and Exchange Commission in evaluating our business.

#### *Risks Relating to our Business*

##### **Ethical, legal, and social concerns about bioengineered products and perceived environmental impacts could lead to legal challenges, limit or prevent the use of our products, and limit our revenues.**

Our technologies include the use of bioengineering. Public perception about the safety and environmental hazards of, and ethical concerns over, bioengineered products could influence public acceptance of our technologies and products. Activist groups opposing the bioengineering of organisms have in the past pressured a number of retail food outlets and grocery chains to publicly state that they will not carry bioengineered Atlantic salmon, and they could file lawsuits to prevent the production and sale of our products. If we are not able to overcome the ethical, legal, and social concerns relating to bioengineering, products using our technologies may not be accepted in the marketplace, and demand for our products could fall short of what we expect. These concerns could also result in increased expenses, regulatory scrutiny, delays, or other impediments to implementation of our business plan.

The subject of bioengineered products has received negative publicity, which has aroused public debate. This adverse publicity could lead to lawsuits against the production, distribution, and sale of bioengineered products; greater regulation of those products; and trade restrictions on their importation. Further, there is a concern that products produced using our technologies could be perceived to cause adverse events, which could also lead to negative publicity.

##### **Business, political, or economic disruptions or global health concerns, such as the COVID-19 pandemic, could seriously harm our current or planned business and increase our costs and expenses.**

Broad-based business or economic disruptions, political instability, or global health concerns could adversely affect our current or planned production, sale, distribution, research and development, and expansion. For example, the COVID-19 pandemic has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours.

Global health concerns like the coronavirus pandemic could in themselves result in social, economic, and labor instability in the countries in which we or the third parties with whom we engage operate. The COVID-19 pandemic and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, including salmon in the institutional sales chain that includes restaurants, has fallen, with a resulting drop in the prices for those goods and services. In response to the COVID-19

pandemic, we have closed our executive offices, with our administrative employees continuing their work remotely, and limited the number of staff in any given farm site. As a result of the COVID-19 pandemic, we may experience disruptions that could severely impact our business, including disruptions or restrictions on our ability to travel, obtain regulatory approvals from the FDA and other regulators, pursue partnerships and other business transactions, conduct production activities, and make shipments, as well as be impacted by the temporary closure of the facilities of suppliers. While we have taken steps to address the impact of the coronavirus on our operations, and we believe that our suppliers and potential customers continue to operate in the ordinary course in all material respects, we cannot presently predict the scope and severity of any additional business shutdowns or disruptions or the future impact on consumer demand. If we or any of the third parties with whom we engage, including suppliers, distributors, service providers, regulators, and overseas business partners, experience additional or continued shutdowns or other disruptions, or consumer demand remains materially reduced, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted, our anticipated revenues could decrease, and our costs and expenses could rise as a result of our efforts to address such disruptions.

In addition, the trading prices for our common stock and the stock of other biotechnology and food companies have been highly volatile as a result of the COVID-19 pandemic. As a result, we may face difficulties raising capital through sales of our common stock or such sales may be on unfavorable terms. The COVID-19 pandemic continues to rapidly evolve, and the extent to which it may impact our business and planned programs will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease; the duration of the pandemic; travel restrictions and other actions to contain the pandemic or address its impact, such as social distancing and quarantines or lock-downs in the United States, Canada, and other countries; business closures or business disruptions; and the effectiveness of actions taken in the United States, Canada, and other countries to contain and address the disease.

**Our ability to generate revenue to support our operations depends on maintaining regulatory approvals for AquAdvantage salmon and our farm sites and obtaining new approvals for farm sites and the sale of our products in other markets, the receipt of which is uncertain.**

As a bioengineered animal for human consumption, AquAdvantage salmon required approval from the FDA in the United States and the Ministers of Health and Environment in Canada before it could be produced, sold, or consumed in those countries. Our FDA approval covers the production of our eggs in our hatchery in Canada and the grow-out of our eggs in our facilities in Indiana and Rollo Bay. FDA approvals will be needed for each additional facility we plan to operate. Additionally, we will require local regulatory approvals in other countries in which we hope to operate. There is no guarantee that we will receive or be able to maintain regulatory approvals from the FDA or other regulatory bodies or that there will not be a significant delay before approval. There is also no guarantee that any approvals granted will not be subject to onerous obligations in relation to matters such as production or labeling, or that any regulator will not require additional data prior to approval, which may be costly and time-consuming to acquire.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other agencies on which our operations may rely is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new applications to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years the U.S. government has shut down several times, and certain regulatory agencies, such as the FDA, have had to furlough critical FDA and other government employees and stop critical activities. Separately, in response to the COVID-19 pandemic, on March 10, 2020, the FDA announced its intention to postpone most inspections of foreign manufacturing facilities and products through April 2020. On March 18, 2020, the FDA announced its intention to temporarily postpone routine surveillance inspections of domestic manufacturing facilities. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Future shutdowns could also affect other government agencies, such as the SEC, which may also impact our business by delaying review of our public filings, to the extent such review is necessary, and our ability to access the public markets.

**Security breaches and other disruptions could compromise our information, expose us to fraud or liability, or interrupt our operations, which would cause our business and reputation to suffer.**

In the ordinary course of our business, we use our servers and networks to store sensitive data, including our proprietary business and financial information; general business information regarding our customers, suppliers, and business partners; and personally identifiable information of our employees. The secure storage and maintenance of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error or malfeasance. A breach of our security could compromise our networks, and the information stored there could be accessed, manipulated, publicly disclosed, lost, or stolen. Any such access, manipulation, disclosure, or loss of information could result in errors in our records, fraudulent use of our financial information or theft of assets, legal claims or proceedings, liability under laws that protect the privacy of personal information, theft of our intellectual property, or damage to our reputation. In addition, our

systems could be the subject of denial of service or other interference, which could disrupt our operations and commercial transactions. Any of the foregoing could adversely affect our business, revenues, and competitive position.

**If our technologies or products are stolen, misappropriated, or reverse engineered, or we find it necessary to grant interests in our technologies to third parties, others could use the technologies to produce competing technologies or products or could limit our ability to fully realize the value of those technologies.**

Third parties, including our collaborators, contractors, and others involved in our business often have access to, and may require that we grant interests in, our technologies. If our technologies or products were stolen, misappropriated, or reverse engineered, or if we are forced to grant broad interests in our technologies, they could be used by other parties that may be able to reproduce our technologies or products using our technologies for their own commercial gain. If this were to occur, it would be difficult for us to challenge this type of use, especially in countries with limited intellectual property protection. In addition, third parties granted interests in our technologies could seek to prevent or limit our use or commercialization of those technologies based on claims of partial ownership.

**If we lose key personnel, including key management personnel, or are unable to attract, train, and retain additional personnel, it could delay our commercialization plans, limit our production capacity, or harm our research and development efforts, and we may be unable to sell or develop our own products.**

Our success depends substantially on the efforts and abilities of our officers and other key employees. The loss of any key members of our management, or the failure to attract or retain other key employees who possess the requisite expertise for the conduct of our business, could prevent us from developing and commercializing our products and executing on our business strategy. We may not be able to attract or retain qualified employees in the future due to the intense competition for qualified personnel among aquaculture, biotechnology, and other technology-based businesses, or due to the unavailability of personnel with the particular qualifications or experience necessary for our business. For production positions, effective training will be needed for new hires due to the overall lack of industry experience in land-based aquaculture in North America. If we are not able to attract, train, and retain the necessary personnel to accomplish our business objectives, we may experience staffing constraints that could adversely affect our ability to meet the demands of our customers in a timely fashion, adequately staff existing or new production facilities, or support our internal research and development programs. In particular, our production facilities require individuals experienced or trained in RAS-based aquaculture, and our product development programs are dependent on our ability to attract and retain highly skilled scientists. Competition for experienced production staff, scientists, and other technical personnel from numerous companies and academic and other research institutions may limit our ability to attract and retain such personnel on acceptable terms.

**A shutdown of or damage to any of our farms could result in our prematurely harvesting fish, a loss of a material percentage of our fish in production, a delay in our commercialization plans, and a negative impact on our results of operations.**

At present, we only have farms in Albany, Indiana, and Prince Edward Island, Canada. As an interruption in the oxygen supply, water quality systems, or other critical infrastructure of an aquaculture facility for more than a short period of time can lead to the loss of a large number of fish, any shutdown of or damage to either of our farms—for example, due to natural disaster, reduction in water supply, interruption in services beyond our backup capacity, or human interference—could require us to prematurely harvest some or all of the fish at that farm or could result in a loss of a material percentage of our fish in production. Shutdown or significant damage could also result in delays in our commercialization plans, an inability to meet customer demand, an increase in costs, and a negative impact on our results of operations.

**The successful development of our business depends on our ability to efficiently and cost-effectively produce and sell salmon at large commercial scale.**

Although we have over two decades of experience in successfully raising Atlantic salmon in land-based systems, we have only begun to produce them at commercial scale. Our business plans depend on our ability to increase our production capacity through the development of larger farms. We have limited experience constructing, ramping up, and managing such large, commercial-scale facilities, and we may not have anticipated all of the factors that could affect our production, harvest, sale, and delivery of salmon at such a scale. For example, our salmon may not perform as expected when raised at very large commercial scale, we may encounter operational challenges for which we are unable to identify a workable solution, control deficiencies may surface, our vendors may experience capacity constraints, or our production cost and timeline projections may prove to be inaccurate. Any of these could decrease process efficiency, create delays, and increase our costs.

**We remain dependent on third parties for the processing, distribution, and sale of our products.**

At present, we rely on third parties to process our fish, deliver them to seafood vendors, and ultimately sell them to consumers. While we carefully select processors or other intermediaries in the supply chain, any failure on their part to maintain quality standards or proper food handling processes could subject us to product liability claims, product recalls, increased scrutiny from regulators, and loss of consumer confidence in the safety and quality of our products. Seafood vendors may reject our products due to their particular product or volume requirements, extract pricing concessions that reduce our margins, or fail to adequately promote and sell our

products. Our reliance on third parties could therefore result in a reduction in our revenues, an increase in our costs, delays in commercialization, additional regulatory requirements, or negative public opinion that could impact future sales and growth.

### ***Risks Relating to our Common Stock***

#### **The significant share ownership position of certain affiliates allows them to influence corporate matters.**

Based solely on a Schedule 13D/A filed on February 18, 2020, by Randal J. Kirk; Third Security; TS AquaCulture LLC (“TS AquaCulture”); and TS Biotechnology Holdings, LLC (“TS Biotechnology”), TS AquaCulture owns 8,239,199 shares of our common stock, or approximately 25.7% of our outstanding shares, and TS Biotechnology owns 5,175,000 shares of our common stock, or approximately 16.2% of our outstanding shares. In addition, entities controlled by Mr. Kirk, including Third Security and its affiliates other than TS AquaCulture and TS Biotechnology, currently hold 837,554 shares of our common stock, or approximately 2.6% of our outstanding shares. TS AquaCulture and TS Biotechnology are managed by Third Security, and TS AquaCulture is successor-in-interest to Precigen under the Relationship Agreement. See “Related-Party Transactions, Policies, and Procedures-Relationship Agreement with TS AquaCulture.” Further, Alana D. Czypinski, who joined the Company’s Board of Directors, married Randal J. Kirk in March 2020 and has reported that she owns 2,159 shares of our common stock in her own name, which is less than one percent of our outstanding shares. Based on these holdings, Mr. Kirk, Third Security’s Chief Executive Officer and Senior Managing Director, and Ms. Czypinski have each reported control over approximately 44.4% of our outstanding shares. Mr. Kirk and Ms. Czypinski each disclaim beneficial ownership of the shares owned directly by the other, and Ms. Czypinski disclaims beneficial ownership of the shares deemed beneficially owned by Mr. Kirk, other than those that she owns directly.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On May 6, 2020, the Company issued 20,000 restricted common shares to a consultant, for non-cash consideration valued at \$41 thousand. This issuance was made in reliance on one or more of the following exemptions or exclusions from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”): Section 4(a)(2) of the Securities Act, Regulation D promulgated under the Securities Act, or Regulation S promulgated under the Securities Act.

#### **Item 3. Defaults Upon Senior Securities**

None.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

#### **Item 5. Other Information**

None.

## Item 6. Exhibits

### EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Exhibit Description</b>
<a href="#"><u>10.1*</u></a>	<a href="#"><u>Amendment No. 2 to the AquaBounty Technologies, Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed on April 29, 2020).</u></a>
<a href="#"><u>10.2**</u></a>	<a href="#"><u>Loan and Security Agreement by and between AquaBounty Farms Indiana LLC and First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Term Note granted by AquaBounty Farms Indiana LLC in favor of First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.4</u></a>	<a href="#"><u>Mortgage, Assignment of Rents and Leases, Security Agreement, Fixture Filing and Financing Statement granted by AquaBounty Technologies, Inc. in favor of First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.5</u></a>	<a href="#"><u>Guarantor Security Agreement by and between AquaBounty Technologies, Inc. and First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.6</u></a>	<a href="#"><u>Unconditional and Continuing Secured Guaranty Agreement by and between AquaBounty Technologies, Inc. and First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.7</u></a>	<a href="#"><u>Collateral Access Agreement by and between AquaBounty Technologies, Inc. and First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.8</u></a>	<a href="#"><u>Unconditional and Continuing Guaranty Agreement by and between AquaBounty Farms, Inc. and First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>10.9</u></a>	<a href="#"><u>Environmental Indemnity Agreement by and among AquaBounty Technologies, Inc., AquaBounty Farms Indiana LLC, and First Farmers Bank and Trust, dated as of July 31, 2020.</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>

\* Previously Filed

\*\* Schedules, exhibits, and similar supporting attachments or agreements to the Loan and Security Agreement are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish a supplemental copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

## 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.

AQUABOUNTY TECHNOLOGIES, INC.

August 6, 2020

/s/ Sylvia Wulf

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Sylvia Wulf

President, Chief Executive Officer, and Director (Principal Executive Officer)

August 6, 2020

/s/ David A. Frank

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David A. Frank

Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

## LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT dated as of July 31, 2020 (the "Agreement"), is executed by and between AQUABOUNTY FARMS INDIANA LLC, a Delaware limited liability company (the "Borrower"), whose principal office address is 2 Mill and Main Place, Suite 395, Maynard, MA 01754, and FIRST FARMERS BANK AND TRUST (the "Bank"), whose address is 123 N. Jefferson Street, Converse, Indiana 46919.

In consideration of the mutual agreements herein contained, the Borrower and the Bank hereby agree as follows:

### 1. DEFINITIONS.

1.1 Defined Terms. For the purposes of this Agreement, the following capitalized words and phrases shall have the meanings set forth below.

"Account", "Chattel Paper", "Commercial Tort Claims", "Deposit Accounts", "Documents", "Electronic Chattel Paper", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instruments", "Inventory", "Investment Property", "Letter-of-Credit Right", "Payment Intangibles", "Proceeds", "Security", "Security Certificate", and "Supporting Obligations" shall have the respective meanings assigned to such terms in the UCC.

"Bankruptcy Code" shall mean the United States Bankruptcy Code, as now existing or hereafter amended.

"Borrower" shall have the meaning set forth in the first paragraph of this Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday on which banks are authorized or required to be closed for the conduct of commercial banking business in Indianapolis, Indiana.

"Capital Lease" shall mean, as to any Person, a lease by such Person, as lessee, of any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, that is, in accordance with GAAP, recorded as a "capital lease" on the financial statements of such Person.

"Capital Securities" shall mean, with respect to any Person, all shares, interests, participations 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, interests in a trust, interests in other unincorporated organizations or any other equivalent of such ownership interest.

"Capitalized Lease Obligations" shall mean, as to any Person, all rental obligations of such Person, as lessee under a Capital Lease which are or will be required to be capitalized on the books of such Person, in accordance with GAAP.

"Change in Control" shall mean an event or series of events by which:

(a) except as expressly permitted under the terms of this Agreement, Borrower consolidates with or merges into another Person or conveys, transfers or leases all or substantially all of its property to any Person in one or a series of transactions, or any Person consolidates or merges into Borrower, in either event pursuant to a transaction in which the outstanding Capital Securities of Borrower are reclassified or changed into or exchanged for cash, securities or other property;

(b) except as otherwise expressly permitted under the terms of this Agreement, Borrower shall cease to own and control, directly or indirectly, all of the economic and voting rights associated with all of the outstanding Capital Securities of each of Borrower's Domestic Subsidiaries; or

(c) except as otherwise expressly permitted under the terms of this Agreement, a Domestic Subsidiary of Borrower shall cease to own and control, directly or indirectly, all of the economic and voting rights associated with all of the outstanding Capital Securities or membership interests of each Domestic Subsidiary of a Domestic Subsidiary of Borrower.

"Closing Date" shall mean the date on which all of the Bank's conditions precedent to the Loan (including without limitation those described in Article 3 below) have been satisfied or waived in writing by the Bank.

"Collateral" shall have the meaning set forth in Section 6.1 hereof.

"Collateral Access Agreement" means an agreement in form and substance reasonably satisfactory to the Bank pursuant to which a mortgagee or lessor of real property on which Collateral is stored or otherwise located, or a warehouseman, processor or other bailee of Inventory or other property owned by the Borrower, acknowledges the Liens of the Bank and waives any Liens held by such Person on such property, and, in the case of any such agreement with a mortgagee or lessor, permits the Bank reasonable access to and use of such real property following the occurrence and during the continuance of an Event of Default to assemble, complete and sell any Collateral stored or otherwise located thereon.

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

"Current Ratio" means, on any date, the ratio of (a) current assets of the Borrower and its Subsidiaries on such date to (b) current liabilities of the Borrower and its Subsidiaries on such date, all determined on a consolidated basis in accordance with GAAP.

"Debt Service Coverage Ratio" means, with respect to Borrower and its Subsidiaries, at any time for the period measured, determined in accordance with GAAP, the ratio of (i) the sum of Borrower's and its Subsidiaries' net income before taxes and amortization, plus depreciation and interest, to (ii) the sum of interest expense and principal payments on Indebtedness that were paid or were due and payable for during such period.

"Debt to Equity Ratio" for any period means the ratio of (a) the total Indebtedness of the Borrower and its Subsidiaries on a consolidated basis, to (b) the equity of the holders of any Capital Securities of Borrower and its Subsidiaries.

"Default Rate" shall mean a per annum rate of interest equal to the Interest Rate plus four percent (4.00%).

"Designated Person" shall mean a Person designated by the Borrower in writing to the Bank and reasonably acceptable to the Bank, until such designation has been revoked in writing by the Borrower to the Bank and a substituted Designated Person, reasonably acceptable to the Bank, has been similarly designated by the Borrower.

"Domestic Subsidiary" shall mean any Subsidiary which is (a) directly owned by a Borrower and/or another Domestic Subsidiary and (b) organized under the laws of the United States or any political subdivision of the United States.

"EBIT" shall mean, for any period, determined for the Borrower and its Subsidiaries on a consolidated basis, the sum of the following, all determined in accordance with GAAP and without duplication:

(a) the net income (or net loss) after loss reserves for such period;

plus (b) to the extent included in determining such net income, the sum of the following for such period: (i) Interest Expense, (ii) foreign, federal, state and local taxes paid in cash and paid on, or measured by, income or capital, including franchise or similar taxes, (iii) any non-cash impairment charges and other non-cash charges or losses, (iv) non-cash employee compensation expense and other non-cash expenses, (v) losses and expenses covered by insurance or an indemnification provision acceptable to the Bank in its reasonable discretion, in an aggregate amount not to exceed 10% of EBIT in any twelve-month period for purposes of this calculation, (vi) the total of all charges to earnings which constitute purchase accounting adjustments (vii) any extraordinary charge or loss, (viii) any net unrealized loss (after any offset) resulting from currency translation losses related to currency remeasurements of Indebtedness (excluding intercompany indebtedness), including any net loss resulting from obligations under hedging agreements for currency exchange risk, and any foreign currency translation losses;

minus (c) to the extent included in determining such net income, the sum of the following for such period: (i) all extraordinary gains, and (iii) any cash expenditure in respect of any reserves or other non-cash items added back to EBIT in a prior period.

Except as set forth in Section 1.2, the Borrower shall not make any calculation of EBIT on a pro forma basis for purposes of this Agreement without the Bank's prior written consent (not to be unreasonably withheld or delayed), which may be made subject to additional diligence or reporting, all in the Bank's reasonable discretion.

"Employee Plan" includes any pension, stock bonus, employee stock ownership plan, retirement, disability, medical, dental or other health plan, life insurance or other death benefit plan, profit sharing, deferred compensation, stock option, bonus or other incentive plan, vacation

benefit plan, severance plan or other employee benefit plan or arrangement, including, without limitation, those pension, profit-sharing and retirement plans of the Borrower described from time to time in the financial statements of the Borrower and any pension plan, welfare plan, Defined Benefit Pension Plans (as defined in ERISA) or any multi-employer plan, maintained or administered by Borrower or to which Borrower is a party or may have any liability or by which Borrower is bound.

“Environmental Indemnity Agreement” shall mean that certain Environmental Indemnity Agreement dated as of even date herewith by and among Borrower, Secured Guarantor, and Bank.

"Environmental Laws" shall mean any Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, policy and rule of common law now or hereafter in effect, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, Hazardous Materials, or employee health and safety, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. § 9601, et seq.); the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984 (42 U.S.C. § 6901, et seq.); the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984 (42 U.S.C. § 6901, et seq.); the National Environmental Policy Act of 1970 (42 U.S.C. § 4321, et seq.), the Rivers and Harbors Act of 1899 (33 U.S.C. § 401, et seq.), the Endangered Species Act of 1973, as amended (16 U.S.C. § 1531, et seq.); the Safe Drinking Water Act, 42 U.S.C. § 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. § 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 et seq.; the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; Title 13 of the Indiana Code; and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower directly or indirectly resulting from or based upon (a) any violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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

"Event of Default" shall mean any of the events or conditions set forth in Article 10 hereof.

"Excluded Assets" shall mean, with respect to any Person, (i) any asset that is not permitted to be pledged by applicable law, and (ii) any Excluded Contract but in each case, only so long as (a) such Excluded Contract specifically prohibits the grant of a security interest as provided in this Agreement and the Loan Documents in Borrower's or any Domestic Subsidiary's right, title and interest in such Excluded Contract, and (b) upon the termination of such contractual prohibition (howsoever arising), the Collateral shall be deemed to immediately include any such formerly excluded property, right or interest.

"Excluded Contract" shall mean any contract or agreement entered into by Borrower or any Domestic Subsidiary in the ordinary course of business, which is in full force and effect as of the Closing Date, if pursuant to such contract or agreement the grant by Borrower or a Domestic Subsidiary of a security interest in Borrower's or any Domestic Subsidiary's right, title and interest in such contract or agreement shall result in an effective default under such contract or agreement pursuant to an enforceable provision of such contract or agreement (other than to the extent that any such enforceable contractual provision would be rendered ineffective pursuant to applicable law or Sections 9-406, 9-407, 9-408 or 9-409 of the Code).

"Excluded Swap Obligations" shall mean with respect to any guarantor of a Swap Obligation, including the grant of a security interest to secure the guaranty of such Swap Obligation, any Swap Obligation if, and to the extent that, such Swap Obligation is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty or grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Swap Obligation or security interest is or becomes illegal.

"Fiscal Quarter" shall mean a fiscal quarter of a Fiscal Year.

"Fiscal Year" shall mean the fiscal year of Borrower, which period shall be the 12-month period ending on December 31 of each year.

"Fixed Charge Coverage Ratio" shall mean, for any period, for the Borrower and its Subsidiaries (on a consolidated basis and determined in accordance with GAAP, without duplication) for the twelve-months ending on the last day of such period, the ratio of: (a) EBIT *minus* (i) foreign, federal, state and local taxes actually paid during such period, plus (ii) Fixed Charges during such period, to (b) the sum of the Fixed Charges. The Fixed Charge Coverage Ratio shall be calculated without including any multiple in the denominator, on a trailing twelve-month basis ending on the last day of the relevant period.

"Fixed Charges" means, for any period, (i) principal amounts paid or scheduled to be paid on Indebtedness during such period, (ii) *plus* Interest Expense paid in cash or scheduled to be

paid during such period, (iii) *plus* business taxes paid or scheduled to be paid during such period, (iv) *plus* insurance paid or scheduled to be paid during such period, *plus* (v) amounts paid or payable for such period with respect to Capital Lease Obligations.

"GAAP" shall mean generally accepted accounting principles in effect from time to time in the United States of America, consistently applied.

"Guarantors" or "Guarantor" means Secured Guarantor and Unsecured Guarantor.

"Guarantor Security Agreement" means that certain Guarantor Security Agreement dated as of even date herewith by and between Secured Guarantor and Bank which secures Borrower's obligations under this Agreement with certain collateral owned by Secured Guarantor, as further described therein.

"Guaranties" means collectively, the Secured Guaranty Agreement and the Guaranty Agreement.

"Guaranty Agreement" means that certain Unconditional and Continuing Guaranty Agreement by and between AquaBounty Farms, Inc., a Delaware corporation, and Lender.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous substances", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the exposure to, or release of which is prohibited, limited or regulated by any governmental authority.

"Indebtedness" shall mean, without duplication, (a) all indebtedness (including principal, interest, fees and charges) of a Person for borrowed money or for the deferred purchase price of property or services (other than deferred compensation or earnout obligations not due and payable), (b) all indebtedness secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person (provided, however, if such Person has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property subject to such Lien), (c) the aggregate amount of all Capitalized Lease Obligations of such Person, (d) all guaranteed indebtedness of such Person, (e) all obligations under any Interest Rate Agreements, and (f) all monetary obligations of such Person under (i) a so-called synthetic, off-balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment). Notwithstanding the foregoing, Indebtedness shall not include trade payables and accrued expenses incurred by such Person in accordance with customary practices and in the ordinary course of business of such Person.

"Indemnified Party" and "Indemnified Parties" shall mean, respectively, each of the Bank and any parent corporations, affiliated corporations or subsidiaries of the Bank, and each of their respective officers, directors, employees, attorneys and agents, and all of such parties and entities.

"Interest Expense" shall mean for any period the total interest expense of the Borrower and its Subsidiaries for such period, whether paid or accrued (including the interest component of Capital Leases, commitment and letter of credit fees), and net payments (if any) pursuant to Interest Rate Agreements.

"Interest Rate" shall mean the rate of interest per annum on U.S. Treasury Notes having a maturity of five (5) years as shown in the 5 year listing in the column under the heading "Treasury Constant Maturities" for the date closest to the Closing Date, of the Federal Reserve statistical release FORM H 15 which has been most recently published, *plus* five percent (5.0%); provided that, upon the fifth anniversary of the Closing Date, the rate of interest shall be the interest rate per annum on U.S. Treasury Notes having a maturity of five (5) years as shown in the 5 year listing in the column under the heading "Treasury Constant Maturities" for the date closest to the date that is the fifth anniversary of the Closing Date, *plus* five percent (5%) and shall be fixed at this rate for the remainder of the term of the Term Loan.

"Interest Rate Agreements" shall mean any interest rate protection agreement, interest rate swap or other interest rate hedge arrangement (other than any interest rate cap or other similar agreement or arrangement pursuant to which the Borrower has no credit exposure to the Bank) to or under which Borrower is a party or beneficiary.

"Liabilities" shall mean at all times all liabilities of a Person that would be shown as such on a balance sheet of such Person.

"Lien" shall mean any mortgage, pledge, hypothecation, judgment lien or similar legal process, title retention lien, or other lien or security interest, including, without limitation, the interest of a vendor under any conditional sale or other title retention agreement and the interest of a lessor under a lease of any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, by such Person as lessee that is, or should be, a Capital Lease on the balance sheet of the Borrower.

"Loan" shall mean the Term Loan and all other loans made by the Bank to Borrower, under and pursuant to this Agreement.

"Loan Documents" shall mean this Agreement, the Environmental Indemnity Agreement, the Guaranties, the Guarantor Security Agreement, the Mortgage, the Term Note, the documents relating to the Bank's Lien on the Collateral and all documents, instruments and agreements delivered in connection with the foregoing.

"Maturity Date" shall mean October 1, 2028.

"Mortgage" shall mean that certain Mortgage, Assignment of Rents and Leases, Security Agreement, Fixture Filing and Financing Statement encumbering the Real Property executed by Secured Guarantor and dated as of even date herewith and delivered to the Bank.

"Obligations" shall mean the Loan, as evidenced by the Term Note, all interest accrued thereon, any fees due the Bank hereunder, any expenses incurred by the Bank hereunder (including without limitation reasonable expenses of legal counsel to the Bank) and any and all other liabilities and obligations of Borrower (and of any partnership in which Borrower is or may be a partner) to the Bank, howsoever created, arising or evidenced, and howsoever owned, held or acquired, whether now or hereafter existing, whether now due or to become due, direct or indirect, absolute or contingent, and whether several, joint or joint and several, including, but not limited to, any Interest Rate Agreements and any treasury management accounts; provided, however, that the term "Obligations" shall not include any Excluded Swap Obligations.

"Obligor" shall mean Borrower, any Guarantor, any other guarantor, accommodation endorser, third party pledgor, or any other party liable with respect to the Obligations.

"Permitted Asset Disposition" means the disposition of any assets in an amount not to exceed \$20,000.

"Permitted Indebtedness" shall mean any Indebtedness permitted by Section 8.1 below.

"Permitted Investments" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the U.S. (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the U.S.), in each case maturing within one year from the date of acquisition thereof.

"Permitted Liens" shall mean those Liens described in Section 8.2.

"Person" shall mean any individual, partnership, limited liability company, corporation, trust, joint venture, joint stock company, association, unincorporated organization, government or agency or political subdivision thereof, or other entity.

"Pro Forma Basis" shall mean prepared on a pro forma basis reasonably satisfactory to the Bank.

"Rate Management Obligations" shall mean Obligations arising under any Interest Rate Agreement.

"Real Property" shall mean the land and improvements constructed thereon and all easements and appurtenances thereto located at 11550 E Gregory Road, Albany, Indiana 47320.

"Regulatory Change" shall mean the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or its lending office.

"Secured Guarantor" means AquaBounty Technologies, Inc., a Delaware corporation.

"Secured Guaranty Agreement" means that certain Unconditional and Continuing Secured Guaranty Agreement by and between Secured Guarantor and Lender.

"Subsidiary" shall mean, 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 Capital Securities at least 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, in the case of the Borrower, each reference to Subsidiaries herein shall be a reference to all Domestic Subsidiaries and all Subsidiaries other than Domestic Subsidiaries of the Borrower.

"Swap Obligations" shall mean any Rate Management Obligation that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act, as amended from time to time.

"Term Loan" the direct advance made by the Bank to the Borrower under and pursuant to this Agreement, as set forth in Section 2.1 of this Agreement.

"Term Loan Commitment" shall mean Four Million and 00/100 Dollars (\$4,000,000.00).

"Term Note" shall have the meanings set forth in Section 4.1 hereof.

"UCC" shall mean the Uniform Commercial Code in effect in Indiana from time to time.

"Unsecured Guarantor" means AquaBounty Farms, Inc., a Delaware corporation.

1.2 Accounting Terms. Calculations and determinations of financial and accounting terms used and not otherwise specifically defined hereunder and the preparation of financial statements to be furnished to the Bank pursuant hereto shall be made and prepared, both as to classification of items and as to amount, consistent with the preparation of the financial statements of the Borrower and Guarantors prior to the date of this Agreement. If any changes in accounting principles or practices from those used in the preparation of the financial statements are hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or any successor thereto or agencies with similar functions), which results in a material change in the method of accounting in the financial statements required to be furnished to the Bank hereunder, the parties hereto agree to enter into good faith negotiations to amend such provisions so as equitably to reflect such changes to the end that the criteria for evaluating the financial condition and performance of the Borrower and Guarantors will be the same after such changes as they were before such changes.

1.3 Other Terms Defined in UCC. All other capitalized words and phrases used herein and not otherwise specifically defined shall have the respective meanings assigned to such terms in the UCC, as amended from time to time, to the extent the same are used or defined therein.

1.4 Other Definitional Provisions; Construction. Whenever the context so requires, the neuter gender includes the masculine and feminine, the single number includes the plural, and vice versa, and in particular the word "Borrower" shall be so construed. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and references

to Article, Section, Subsection, Annex, Schedule, Exhibit and like references are references to this Agreement unless otherwise specified. An Event of Default shall "continue" or be "continuing" until such Event of Default has been cured or waived in accordance with Section 12.3 hereof. References in this Agreement to any party shall include such party's successors and permitted assigns. To the extent any of the provisions of the other Loan Documents are inconsistent with the terms of this Loan Agreement, the provisions of this Loan Agreement shall govern.

## 2. COMMITMENT OF THE BANK.

### 2.1 Term Loan.

(a) Term Loan Commitment. Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of the Borrower set forth herein and in the other Loan Documents, the Bank agrees to make the Term Loan in the amount of the Term Loan Commitment. The Term Loan shall be available to the Borrower in a single principal advance. The Term Loan shall be used by the Borrower for the purpose of performing equipment upgrades, purchasing equipment and other improvements to the Real Property. The Term Loan may be prepaid in whole or in part, subject to the terms of Section 2.1(d), but shall be due in full on the Maturity Date, unless the credit extended under the Term Loan is otherwise terminated or extended as provided in this Agreement.

### (b) Interest Rate; Late Payments; Default Rate.

(i) Except as otherwise provided in this Section, the principal amount of the Term Loan outstanding from time to time shall bear interest at the Interest Rate.

(ii) If any principal, interest or any other sums due under the Loan Documents is not paid by Borrower within ten (10) days after the date due (other than the outstanding principal amount of the Loan due on the Maturity Date and/or in the event that the Loan is accelerated by Bank pursuant to the terms and conditions of the Loan Documents), or, for payment of the outstanding principal amount of the Loan due on the Maturity Date or immediately after acceleration, within fifteen (15) days of such Maturity Date or acceleration, Borrower shall pay to Bank upon demand an amount equal to the lesser of two percent (2%) of such unpaid sum or the maximum amount permitted by applicable law, not to exceed \$1,000, in order to defray the expense incurred by Bank in handling and processing such delinquent payment and to compensate Bank for the loss of the use of such delinquent payment; provided that the minimum amount of the late charge shall be \$50. Any such late payment shall be secured by the Loan Documents to the extent permitted by applicable law.

(iii) The late payment charge will apply individually to all payments past due and will be accessed no more than one (1) time to each late payment. This provision will not be deemed to excuse a late payment or be deemed a

waiver of any other rights Bank may have including the right to declare the entire unpaid principal and/or interest immediately due and payable. Borrower agree that the late payment charge is a provision for liquidated damages and represents a fair and reasonable estimate of the damages Bank will incur by reason of the late payment considering all circumstances known to Borrower and Bank on the Closing Date. Borrower further agrees that proof of actual damages will be difficult or impossible to ascertain.

(iv) In addition to the late payment charge, any amount of principal or interest on the Term Loan which is not paid when due or within the applicable period stated in Section 2.1(b)(ii), whether at stated maturity, by acceleration or otherwise, shall bear interest payable on demand at the Default Rate. Interest on the Term Loan shall be computed on the basis of a year of 360 days consisting of 12 thirty-day months.

(c) Term Loan Payments. Prior to October 1, 2021, accrued interest shall be due and payable on the first (1st) day of each calendar month commencing on the first (1st) day of the calendar month immediately following the calendar month in which the disbursement of proceeds of the Term Loan is made. The outstanding principal balance of the Term Loan shall be repaid in installments of principal as follows on the first (1st) day of each calendar month (provided that if such 1st calendar day is not a Business Day, then such payment shall be due and payable on the next Business Day), commencing on October 1, 2021, and continuing on the first (1st) day of each calendar month thereafter (provided that if such first (1st) day is not a Business Day, then such payment shall be due and payable on the next Business Day), until the Maturity Date (unless the Term Loan is sooner paid in full):

<b>Installment Payment Date</b>	<b>Installment Amount</b>
Beginning on October 1, 2021, and the first day of each month thereafter	\$56,831.95

(d) Optional Principal Payments; Prepayment Penalty. The Borrower may prepay the Term Note, in whole (100%) or in part, at any time prior to the Maturity Date, if applicable, upon written or telephonic notice to Bank, when such notice is received by Bank before 5:00 p.m. local time on any Business Day provided Borrower pay any applicable Prepayment Penalty; however, Borrower may prepay up to an annual aggregate of ten percent (10%) of the principal balance outstanding as of the Closing Date or as of each anniversary date thereafter. As used herein, "anniversary date" means the month and date of any year subsequent to the Closing Date. Any prepayment in excess of the ten percent (10%) limitation (the "Excess Payment") shall be subject to the prepayment penalty below. The "Prepayment Penalty" shall be assessed as follows:

(i) If the prepayment occurs on or before the fifth anniversary date of the Term Loan, the Prepayment Penalty will equal five percent (5%) of the Excess Payment.

## 2.2 Additional Loan Provisions.

(a) Loan Indemnity. If any Regulatory Change (whether or not having the force of law) shall (a) impose, modify or deem applicable any assessment, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of or loans by, or any other acquisition of funds or disbursements by, the Bank; (b) subject the Bank or any Loan to any tax, duty, charge, stamp tax or fee or change the basis of taxation of payments to the Bank of principal or interest due from the Borrower to the Bank hereunder (other than a change in the taxation of the overall net income of the Bank); or (c) impose on the Bank any other condition regarding such Loan or the Bank's funding thereof, and the Bank shall determine (which determination shall be conclusive, absent manifest error) that the result of the foregoing is to increase the cost to the Bank of making or maintaining such Loan or to reduce the amount of principal or interest received by the Bank hereunder, then the Borrower shall pay to the Bank, on demand, such additional amounts as the Bank shall, from time to time, determine are sufficient to compensate and indemnify the Bank for such increased cost or reduced amount. If the Bank makes such a demand, the Bank shall provide notice to the Borrower describing such demand and the basis for such demand.

(b) Authorization for Direct Payments (ACH Debits). To effectuate any payment due under the Term Note, or under any of the other Loan Documents, the Borrower hereby authorizes the Bank to initiate debit entries to Account Number 2357747 at the Bank and to debit the same to such account; provided that the Bank shall use its best efforts to provide the Borrower with notice of any such debit entry prior to, or promptly following, initiation of such debit entry. This authorization to initiate debit entries shall remain in full force and effect until the Bank has received written notification of its termination in such time and such manner as to afford the Bank a reasonable opportunity to act on it. The Borrower represents and warrants that the Borrower is and will be the owner of all funds in such account. Borrower acknowledges that: (i) such debit entries may cause an overdraft of such account which may result in the Bank's refusal to honor items drawn on such account until adequate deposits are made to such account; (ii) the Bank is under no duty or obligation to initiate any debit entry for any purpose; and (iii) if a debit is not made because the above-referenced account does not have a sufficient available balance or otherwise, the payment may be late or past due.

(c) Bank's Right of Setoff. The Borrower grants to the Bank a security interest in the Borrower's accounts and deposits held by the Bank, and the Bank is authorized to setoff and apply amounts in all such accounts and deposits, and all securities and other property in the custody, possession or control of the Bank, against any and all Obligations. This right of setoff may be exercised at any time and from time to time after the occurrence and during the continuation of an Event of Default, without prior notice to or demand on the Borrower and regardless of whether any Obligations are contingent, unmatured or unliquidated.

2.3 Interest and Fee Computation; Collection of Funds. Except as otherwise set forth herein, all interest and fees shall be calculated on the basis of a year of 360 days consisting of 12 thirty-day months and shall be paid for the actual number of days elapsed.  
Principal payments

submitted in funds not immediately available shall continue to bear interest until collected. If any payment to be made by the Borrower hereunder or under the Term Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment. All payments shall be made in immediately available funds.

### 3. CONDITIONS OF BORROWING.

Notwithstanding any other provision of this Agreement, the Bank shall not be required to disburse or make all or any portion of the Loan (whether as of the date of this Agreement or at any time thereafter) if any of the following conditions shall have occurred.

3.1 Loan Documents. The Borrower shall have failed to execute and deliver to the Bank any of the following Loan Documents, all of which must be satisfactory in form and substance to the Bank and the Bank's counsel, in their sole discretion:

(a) Loan Agreement. Two copies of this Agreement duly executed by the Borrower.

(b) Term Note. A Term Note duly executed by the Borrower, in the form attached hereto as Exhibit A.

(c) Mortgage. The Mortgage, duly executed by Secured Guarantor.

(d) Guaranties. The Guaranties, duly executed by each Guarantor party thereto.

(e) Guarantor Security Agreement. The Guarantor Security Agreement, duly executed by the Secured Guarantor.

(f) Environmental Indemnity Agreement. The Environmental Indemnity Agreement, duly executed by Secured Guarantor and Borrower.

(g) Collateral Access Agreement(s). Executed collateral access agreement(s), relating to the leased premises of the Borrower, if any.

(h) Solvency Certificate. A solvency certificate in the form attached hereto as Exhibit C, duly executed by the authorized officer of Borrower confirming the solvency of Borrower after giving effect to the loan transactions contemplated by this Agreement, which certificate shall be in form and substance acceptable to the Bank in its sole discretion.

(i) Resolutions and Organizational Documents of the Borrower and Guarantors. Resolutions of the board of directors, shareholders, members and/or managers of Borrower and each Guarantor authorizing the execution of this Agreement and the Loan Documents, Certificates of Good Standing and/or Existence from Borrower's and each Guarantor's jurisdiction of incorporation or organization, Certified Articles of Incorporation (or equivalent organizational document), and Bylaws (or

equivalent organizational document), all certified as accurate and complete by Borrower's and each Guarantor's corporate secretary.

(j) Additional Documents. Such other certificates, financial statements, schedules, resolutions, notes and other documents which are provided for hereunder or which the Bank shall reasonably require.

3.2 Origination Fee. The Borrower shall have failed to pay any fees, costs and expenses of the Bank, including any appraisals, title insurance, recording fees, etc., to the extent then due and payable on (or invoiced prior to) the Closing Date (including without limitation the Bank's origination fee of \$60,000).

3.3 Event of Default. Any Event of Default, or any event which, with notice or lapse of time, or both would constitute an Event of Default, shall have occurred and be continuing.

3.4 Adverse Changes. A material adverse change in the financial condition or affairs of the Borrower shall have occurred since December 31, 2019, and shall not have been reflected in the financial statements of Borrower and Guarantors previously provided to the Bank.

3.5 Litigation. Any litigation or governmental proceeding shall have been instituted against Borrower or any of their respective officers or shareholders, members or managers, which in the discretion of the Bank, reasonably exercised, materially adversely affects the financial condition or continued operation of Borrower.

3.6 Representations and Warranties; Covenants. Any representation or warranty of the Borrower contained herein or in any Loan Document shall be untrue or incorrect in any material respect as of the date of any Loan as though made on such date, except to the extent such representation or warranty expressly relates to an earlier date, or the Borrower shall have failed to comply with any covenant contained herein or in any Loan Agreement.

#### **4. NOTE EVIDENCING LOAN.**

4.1 Term Note. The Term Loan shall be evidenced by a single Term Note (together with any and all renewal, extension, modification or replacement notes executed by the Borrower and given in substitution therefor, the "Term Note") in the form of Exhibit A attached hereto, duly executed by the Borrower and payable to the order of the Bank. At the time of the disbursement of the Term Loan or a repayment made in whole or in part thereon, an appropriate notation thereof shall be made on the books and records of the Bank. All amounts recorded shall be, absent demonstrable error, conclusive and binding evidence of (i) the principal amount of the Term Loan advanced hereunder, (ii) any unpaid interest owing on the Term Loan and (iii) all amounts repaid on the Term Loan. The failure to record any such amount or any error in recording such amounts shall not, however, limit or otherwise affect the obligations of the Borrower under the Term Note to repay the principal amount of the Term Loan, together with all interest accruing thereon.

**5. MANNER OF BORROWING.**

The Term Loan shall be made available to the Borrower upon its request, from any Person whose authority to so act has not been revoked by the Borrower in writing previously received by the Bank. The proceeds of the Term Loan shall be made available at the office of the Bank by credit to the account of the Borrower or by other means requested by the Borrower and reasonably acceptable to the Bank.

The Bank is authorized to rely on any written, verbal, electronic, telephonic or telecopy loan requests which the Bank believes in its good faith judgment to emanate from a properly authorized representative of Borrower, whether or not that is in fact the case. Borrower does hereby irrevocably confirm, ratify and approve all such advances by the Bank and does hereby indemnify the Bank against losses and expenses (including reasonable court costs, attorneys' and paralegals' fees) and shall hold the Bank harmless with respect thereto, except to the extent such losses and expenses are due to Bank's gross negligence or willful misconduct.

**6. SECURITY FOR THE OBLIGATIONS.**

6.1 Security for Obligations. As security for the payment of the Obligations, Borrower does hereby pledge, assign, transfer and deliver to the Bank and does hereby grant to the Bank a continuing and unconditional first priority security interest in and to any and all property of Borrower, of any kind or description, tangible or intangible, wheresoever located and whether now existing or hereafter arising or acquired, including, but not limited to, the following (all of which property, along with the products and proceeds therefrom, are individually and collectively referred to as the "Collateral"):

(a) all property of, or for the account of, Borrower now or hereafter coming into the possession, control or custody of, or in transit to, the Bank or any agent or bailee for the Bank or any parent, affiliate or subsidiary of the Bank or any participant with the Bank in the Loan (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise), including all earnings, dividends, interest, or other rights in connection therewith and the products and proceeds therefrom, including the proceeds of insurance thereon; and

(b) the additional property of Borrower, whether now existing or hereafter arising or acquired, and wherever now or hereafter located, together with all additions and accessions thereto, substitutions for, and replacements, products and proceeds therefrom, and all of Borrower's books and records and recorded data relating thereto (regardless of the medium of recording or storage), together with all of Borrower's right, title and interest in and to all computer software required to utilize, create, maintain and process any such records or data on electronic media, identified and set forth as follows:

(i) All Accounts and all Goods whose sale, lease or other disposition by Borrower has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, Borrower, or rejected or refused by an account debtor;

(ii) All General Intangibles;

(iii) All Inventory, including, without limitation, raw materials, work-in-process and finished goods;

(iv) All Goods (other than Inventory), including, without limitation, embedded software, Equipment, vehicles, furniture and Fixtures;

(v) All Securities, Investment Property, Security Certificates and Deposit Accounts;

(vi) All Chattel Paper, Electronic Chattel Paper, Instruments, Documents, Letter of Credit Rights, all proceeds of letters of credit, health care insurance receivables, Supporting Obligations, notes secured by real estate, Commercial Tort Claims and General Intangibles, including Payment Intangibles and contract rights;

(vii) All Proceeds from the foregoing; and

(viii) All insurance policies and proceeds insuring the foregoing property or any part thereof, including unearned premiums.

(c) Notwithstanding the foregoing grant or anything to the contrary in this Agreement, this Agreement shall not constitute a grant of a security interest in any Excluded Assets.

6.2 Possession and Transfer of Collateral. Until an Event of Default has occurred and is continuing hereunder, the Borrower shall be entitled to possession or use of the Collateral. The cancellation or surrender of the Term Note, upon payment or otherwise, shall not affect the right of the Bank to retain the Collateral for any other of the Obligations. Borrower shall not sell, assign (by operation of law or otherwise), license, lease or otherwise dispose of, or grant any option with respect to any of the Collateral, except for a Permitted Asset Disposition or to the extent otherwise permitted pursuant to this Agreement, nor move nor remove any Collateral from Borrower's premises in the State of Indiana, and provided that the Borrower may sell Inventory in the ordinary course of business.

6.3 Financing Statements. Borrower shall, at the Bank's request, at any time and from time to time, execute and deliver to the Bank such financing statements, amendments and other documents and do such acts as the Bank deems reasonably necessary in order to establish and maintain valid, attached and perfected first security interests in the Collateral in favor of the Bank, free and clear of all Liens and claims and rights of third parties whatsoever (except as otherwise specifically set forth in Article 8 hereof). Borrower hereby irrevocably authorizes the Bank at any time, and from time to time, to file in any jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed, or (ii) as being of an equal or lesser scope or within greater detail, and (b) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed regarding the sufficiency or filing office acceptance of any financing

statement or amendment, including (i) whether Borrower is an organization, the type of organization and any organization identification number issued to Borrower, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Borrower agrees to furnish any such information to the Bank promptly upon request. Borrower further ratifies and affirms its authorization for any financing statements and/or amendments thereto, executed and filed by the Bank in any jurisdiction prior to the data of this Agreement.

6.4 Additional Collateral. During the continuance of an Event of Default, Borrower shall deliver to the Bank immediately upon its demand, such other collateral owned by any Borrower or any of its Domestic Subsidiaries as the Bank may from time to time reasonably request, should the value of the Collateral, in the Bank's sole and absolute discretion, decline, deteriorate, depreciate or become impaired.

6.5 Automatic Release of Collateral and Obligors. Any Collateral consisting of assets or equity interests sold or otherwise disposed of in a sale or other disposition or transfer permitted under Section 8.4 shall be automatically released from any lien created by the Loan Documents. In each case as specified in this Section 6.5, the Bank will, at the Borrower's expense, execute and deliver to the applicable Obligor such documents as such Obligor may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Loan Documents, or to evidence the release of such Obligor from its obligations under this Agreement, in each case in accordance with the terms of the Loan Documents and this Section 6.5.

6.6 Preservation of the Collateral. The Bank may, but is not required to, take such action from time to time as the Bank deems appropriate to maintain or protect the Collateral. The Bank shall have exercised reasonable care in the custody and preservation of the Collateral if it takes such action as the Borrower shall reasonably request in writing; provided, however, that such request shall not be inconsistent with the Bank's status as a secured party, and the failure of the Bank to comply with any such request shall not be deemed a failure to exercise reasonable care. In addition, any failure of the Bank to preserve or protect any rights with respect to the Collateral against prior or third parties, or to do any act with respect to preservation of the Collateral, not so requested by the Borrower, shall not be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral. The Borrower shall have the sole responsibility for taking such action as may be necessary, from time to time, to preserve all rights of the Borrower and the Bank in the Collateral against prior or third parties. Without limiting the generality of the foregoing, where Collateral consists in whole or in part of securities, Borrower represents to, and covenants with, the Bank that Borrower has made arrangements for keeping informed of changes or potential changes affecting the securities (including, but not limited to, rights to convert or subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights), and Borrower agrees that the Bank shall have no responsibility or liability for informing Borrower of any such or other changes or potential changes or for taking any action or omitting to take any action with respect thereto.

6.7 Other Actions as to any and all Collateral. Borrower further agrees to take any other action reasonably requested by the Bank to insure the attachment, perfection and first

priority of, and the ability of the Bank to enforce, the Bank's security interest in any and all of the Collateral including, without limitation, (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that Borrower's signature thereon is required therefor, (b) causing the Bank's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Bank to enforce, the Bank's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Bank to enforce, the Bank's security interest in such Collateral, (d) using commercially reasonable efforts to obtain governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other Person obligated on Collateral, (e) using commercially reasonable efforts to obtain waivers from mortgagees and landlords in form and substance reasonably satisfactory to the Bank, and (f) taking all actions required by the UCC in effect from time to time or by other law, as applicable in any relevant UCC jurisdiction, or by other law as applicable in any foreign jurisdiction.

6.8 Letter-of-Credit Rights. If Borrower at any time is a beneficiary under a letter of credit now or hereafter issued in favor of Borrower, Borrower shall promptly notify the Bank thereof and, at the request and option of the Bank, Borrower shall, pursuant to an agreement in form and substance reasonably satisfactory to the Bank, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Bank of the proceeds of any drawing under the letter of credit, or (ii) arrange for the Bank to become the transferee beneficiary of the letter of credit, with the Bank agreeing, in each case, that the proceeds of any drawing under the letter to credit are to be applied as provided in this Agreement.

6.9 Commercial Tort Claims. If Borrower shall at any time hold or acquire a commercial tort claim with a value in excess of \$10,000, Borrower shall promptly notify the Bank in writing signed by Borrower of the details thereof and grant to the Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Bank.

## **7. REPRESENTATIONS AND WARRANTIES.**

To induce the Bank to make the Loan, the Borrower makes the following representations and warranties to the Bank, each of which shall be true and correct as of the date of the execution and delivery of this Agreement, and which shall survive the execution and delivery of this Agreement:

### 7.1 Organization, Name and Capital Structure of Borrower, Guarantors and Subsidiaries.

(a) Borrower and each Guarantor is an entity duly organized or formed, existing and in good standing under the laws of the State of Delaware, with full and adequate corporate or limited liability power, as applicable, to carry on and conduct its business as presently conducted. Borrower and each Guarantor is duly licensed or qualified in all foreign jurisdictions wherein the nature of its activities requires such

qualification or licensing. The exact legal name of Borrower is as set forth in the first paragraph of this Agreement, and Borrower currently does not conduct, nor has it during the last five (5) years conducted, business under any other name or trade name. One hundred percent (100%) of the outstanding Capital Securities of Borrower are owned by Unsecured Guarantor, and one hundred percent (100%) of the outstanding Capital Securities of Unsecured Guarantor are owned by Secured Guarantor.

(b) Each Subsidiary of Borrower and Guarantors is duly organized, existing and in good standing under the laws of the State or country of its incorporation or organization, with full and adequate corporate power to carry on and conduct its business as presently conducted. Each Subsidiary is duly licensed or qualified in all foreign jurisdictions wherein the nature of its activities requires such qualification or licensing. As of the Closing Date, the exact legal name and an organizational chart showing ownership of each Subsidiary of Borrower and Guarantors is as set forth in Schedule 7.1, and no Subsidiary currently conducts, nor has it during the last five (5) years conducted, business under any other name or trade name.

7.2 Authorization; Validity. Borrower has full right, power and authority to enter into this Agreement, to make the borrowings and execute and deliver the Loan Documents to which it is a party as provided herein and to perform all of its duties and obligations under this Agreement and the Loan Documents. The execution and delivery of this Agreement and the Loan Documents will not, nor will the observance or performance of any of Borrower's Obligations under this Agreement or any of the other Loan Documents violate or contravene any provision of law or of the organizational documents of Borrower. All necessary and appropriate action has been taken on the part of Borrower to authorize the execution and delivery of this Agreement and the Loan Documents. This Agreement and the Loan Documents are valid and binding agreements and contracts of Borrower enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, and similar laws affecting the enforceability of creditors' rights generally.

7.3 Compliance With Laws. The nature and transaction of Borrower's and its Domestic Subsidiaries' (if any) business and operations and the use of their respective properties and assets, including, but not limited to, the Collateral or any real estate owned or occupied by Borrower, do not and during the term of the Loan shall not, violate or conflict with any applicable law, statute, ordinance, rule, regulation or order of any kind or nature, including, without limitation, the provisions of the Fair Labor Standards Act or any zoning, land use, building, noise abatement, occupational health and safety or other laws, any Environmental Laws, any building permit or any condition, grant, easement, covenant, condition or restriction, whether recorded or not, except to the extent any such violation or conflict would not have a material adverse effect on the financial condition of Borrower. The Real Property and any property leased by the Borrower are in full compliance and conformity with all zoning requirements.

7.4 Absence of Breach. The execution, delivery and performance of this Agreement, the Loan Documents and any other documents or instruments to be executed and delivered by Borrower and the Guarantors in connection with the Loan shall not: (i) violate any provisions of law or any applicable regulation, order, writ, injunction or decree of any court or governmental

authority the violation of which would have a material adverse effect on Borrower or its Subsidiaries, or (ii) conflict with, be inconsistent with, or result in any breach or default of any of the terms, covenants, conditions, or provisions of any indenture, mortgage, deed of trust, instrument, document, agreement or contract of any kind to which Borrower or any of its Subsidiaries is a party or by which Borrower or its Subsidiaries or any of their property or assets may be bound, except to the extent such conflict, inconsistency, breach or default would not have a material adverse effect on the financial condition of Borrower or its Subsidiaries.

7.5 Collateral Representations. Borrower is the sole owner of its portion of the Collateral, free from any Lien of any kind, other than Permitted Liens.

7.6 Financial Statements. All financial statements submitted to the Bank are true, complete and correct and have been prepared in accordance with GAAP (or, in the case of financial statements for non-Domestic Subsidiaries, similar accounting standards) on a basis, except as otherwise noted therein, consistent with the previous Fiscal Year and truly and accurately reflect the financial condition of the Borrower and Guarantors and the results of the operations for the Borrower and Guarantors as of such date and for the periods indicated. Since the date of the most recent financial statement submitted by the Borrower and Guarantors to the Bank, there has been no material adverse change in the financial condition or in the assets or liabilities of the Borrower or any Guarantor, including the Real Property, or any changes except those occurring in the ordinary course of business.

7.7 Litigation and Taxes. There is no litigation, demand, charge, claim, petition or governmental investigation or proceeding pending, or to the knowledge of Borrower, threatened, against Borrower or any of its Subsidiaries, the Real Property or the Collateral, which, if adversely determined, would be likely to result in any material adverse change in the financial condition or properties, business or operations of Borrower or any Subsidiary. Borrower and all Subsidiaries have duly filed all applicable income or other tax returns and has paid all income or other taxes when due (after application of any permitted extensions therefor), except for any such taxes or charges that are being diligently contested in good faith by appropriate proceedings and the contesting of which does not create a Lien that is not a Permitted Lien. As of the Closing Date, there is no controversy or objection pending, or to the knowledge of Borrower, threatened in respect of any tax returns of Borrower or any Subsidiaries. Neither Borrower, nor any Guarantor (i) has received notice of any claim with respect to any Environmental Liability or material violation of Environmental Law or knows of any basis for any material Environmental Liability and (ii) and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a material adverse effect, neither Borrower nor any Guarantor (A) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law (B) has become subject to any Environmental Liability, (C) has received notice of any claim with respect to any Environmental Liability or (D) knows of any basis for any Environmental Liability.

7.8 Event of Default. No Event of Default has occurred and is continuing, and, to Borrower's knowledge, no event has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute such an Event of Default under this Agreement or any of the Loan Documents and Borrower is not in default (taking into account any applicable

grace or cure periods) under any contract or agreement to which it is a party, the effect of which default shall materially adversely affect the performance by Borrower of its obligations pursuant to and as contemplated by the terms and provisions of this Agreement.

7.9 ERISA Obligations. Except for the Employee Plans listed on Schedule 7.9, (a) all Employee Plans of Borrower and its Domestic Subsidiaries meet the minimum funding standards of Section 302 of ERISA where applicable and each such Employee Plan that is intended to be qualified within the meaning of Section 401 of the Internal Revenue Code of 1986 is qualified; (b) no withdrawal liability has been incurred under any such Employee Plans and no "Reportable Event" or "Prohibited Transaction" (as such terms are defined in ERISA), has occurred with respect to any such Employee Plans, unless approved by the appropriate governmental agencies; and (c) Borrower and its Domestic Subsidiaries have promptly paid and discharged all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of their properties or assets.

7.10 Adverse Circumstances. No condition, circumstance, event, agreement, document, instrument, restriction, litigation or proceeding (or, to Borrower's knowledge threatened litigation or proceeding or basis therefor) exists which (a) could adversely affect the validity or priority of the Liens granted to the Bank under the Loan Documents, (b) could materially adversely affect the ability of Borrower or any Domestic Subsidiaries to perform their obligations under the Loan Documents, (c) would constitute an Event of Default under any of the Loan Documents, or (d) would constitute such a default with the giving of notice or lapse of time or both.

7.11 Lending Relationship. Borrower acknowledges and agrees that the relationship hereby created with the Bank is and has been conducted on as open and arm's length basis in which no fiduciary relationship exists and that Borrower has not relied and is not relying on any such fiduciary relationship in executing this Agreement and in consummating the Loan. The Bank represents that it will receive the Term Note payable to its order as evidence of a bank loan.

7.12 Business Loan. The Loan, including interest rate, fees and charges as contemplated hereby, (i) are an exempted transaction under the Truth-In-Lending Act, 12 U.S.C. 1601 *et seq.*, as amended from time to time, and (ii) do not, and when disbursed shall not, violate the provisions of the Indiana usury laws, any consumer credit laws or the usury laws of any state which may have jurisdiction over this transaction, the Borrower or any property securing the Loan.

7.13 Compliance with Regulation U. No portion of the proceeds of the Loan shall be used by Borrower, or any affiliates of Borrower, either directly or indirectly, for the purpose of purchasing or carrying any margin stock, within the meaning of Regulation U as adopted by the Board of Governors of the Federal Reserve System.

7.14 Governmental Regulation. Borrower and its Domestic Subsidiaries are not, or after giving effect to any loan, will not be, subject to regulation under the Investment Company Act of 1940 or to any federal or state statute or regulation limiting their ability to incur indebtedness for borrowed money.

7.15 Properties. The principal place of business of Borrower is 2 Mill and Main Place, Suite 395, Maynard, MA 01754, and the Borrower shall promptly notify the Bank of any change in such location. Schedule 7.15 sets forth the address of each parcel of real property that is owned or leased by Borrower. Each of such leases and subleases is valid and enforceable in accordance with its terms and is in full force and effect, and no default by any party to any such lease or sublease exists. Borrower has good and indefeasible title to, or valid leasehold interests in, all of its real and personal property, free of all Liens other than those permitted by Section 8.2. Borrower will not remove or permit the Collateral to be removed from such locations listed on Schedule 7.15 without the prior written consent of the Bank, except for Inventory sold in the usual and ordinary course of the Borrower's business.

7.16 Intellectual Property. The Borrower owns, or is licensed to use, all material trademarks, trade names, copyrights, technology, know-how and processes necessary for the conduct of its business as currently conducted, a correct and complete list of which as of the date of this Agreement is set forth on Schedule 7.16, and the use thereof by Borrower does not infringe in any material respect upon the rights of any other Person, and Borrower's rights thereto are not subject to any licensing agreement or similar arrangement.

7.17 Material Contracts. All material contracts to which Borrower is a party or is bound as of the date of this Agreement are listed on Schedule 7.17 (the "Material Contracts"). Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any material contract to which it is a party or (ii) any agreement or instrument evidencing or governing Indebtedness.

7.18 Disclosures. (a) Borrower has disclosed to the Bank all agreements, instruments and corporate or other restrictions to which Borrower is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a material adverse effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of Borrower to the Bank in connection with the negotiation of this Agreement or any other Loan Document (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7.19 Insurance. Schedule 7.19 sets forth a description of all insurance maintained by or on behalf of Borrower as of the Closing Date. As of the Closing Date, all premiums in respect of such insurance have been paid.

7.20 Title. The Collateral is owned free and clear of all liens, claims and encumbrances, except for the Permitted Liens. There are no sale contracts or other similar agreements affecting all or any portion of the Real Property. Secured Guarantor owns good and marketable fee simple title to the Real Property that will be secured by the Mortgage, and the other collateral secured by the Secured Guaranty Agreement.

7.21 Employment Matters. As of the Closing Date, there are no strikes, lockouts or slowdowns against Borrower pending or, to the knowledge of Borrower, threatened. The hours worked by and payments made to employees of Borrower have not been in violation of the Fair

Labor Standards Act or any other applicable federal, state, local or foreign law dealing with such matters. All payments due from Borrower, or for which any claim may be made against Borrower, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of Borrower.

7.22 Security Interest in Collateral. The provisions of this Agreement and the other Loan Documents create legal and valid Liens on all the Collateral in favor of the Bank, and such Liens constitute perfected and continuing Liens on the Collateral, enforceable against Borrower and all third parties, and having priority over all other Liens on the Collateral except in the case of (a) Permitted Liens, to the extent any such Permitted Liens would have priority over the Liens in favor of the Bank pursuant to any applicable law or agreement, and (b) Liens perfected only by possession (including possession of any certificate of title), to the extent the Bank has not obtained or does not maintain possession of such Collateral.

7.23 Complete Information. This Agreement and all financial statements, schedules, certificates, confirmations, agreements, contracts, and other materials submitted to the Bank in connection with or in furtherance of this Agreement by or on behalf of the Borrower or the Guarantors fully and fairly state, in all material respects, the matters with which they purport to deal, and neither misstate any material fact nor, separately or in the aggregate, fail to state any material fact necessary to make the statements made not misleading.

7.24 Hazardous Materials. Apart from diesel stored in storage tanks used to supply generators on the Real Property, no Hazardous Materials have been generated, released, stored or deposited over, beneath or on the Real Property or any property leased by the Borrower, or in any structure located on the Real Property or any leased property. No Hazardous Materials have been used or will be used in the construction of all or any portion of the Real Property or any leased property, nor, to the best of the Borrower's actual knowledge after due inquiry, has any part of the Real Property or any leased property been used for or as a land fill, the result of which could impose any liability against the Borrower, the Bank or the Real Property or any leased property under any applicable law or regulation, including, without limitation the Environmental Laws. Borrower covenants that it shall indemnify, hold harmless and defend the Bank from any and all claims, losses, damages, response costs and expenses (collectively, "Claims") arising out of or in any way relating to the past, present or future presence, removal or disposal of any Hazardous Materials over, beneath, in or on the Real Property or any leased property regardless of whether such presence, removal or disposal constitutes a breach of the representations, warranties, covenants and agreements set forth in this Section, including, but not limited to: (a) claims of third parties (including governmental agencies) for damages, penalties, response costs, injunctive or other relief; (b) costs of removal and restoration, including fees of attorneys and experts and costs of reporting the existence of any Hazardous Materials to any governmental agency; and (c) any and all expenses or obligations incurred at, before and after any trial or appeal therefrom, including without limitation, attorneys' fees, witness fees, deposition costs, photocopying charges and other expenses, all of which shall be paid by the Borrower when incurred.

**8. NEGATIVE COVENANTS. Borrower hereby covenants and agrees as follows:**

8.1 Indebtedness. The Borrower shall not (and shall not permit any Domestic Subsidiaries to), either directly or indirectly, create, assume, incur or have outstanding any Indebtedness (including purchase money indebtedness), or become liable, whether as endorser, guarantor, surety or otherwise, for any debt or obligation of any other Person, except the following (all of the following, collectively, "Permitted Indebtedness"):

(a) the Obligations;

(b) the Indebtedness listed on Schedule 8.1;

(c) endorsement for collection or deposit of any commercial paper secured in the ordinary course of business;

(d) obligations of Borrower (or its Domestic Subsidiaries, as the case may be) for taxes, assessments, municipal or other governmental charges;

(e) obligations of Borrower (or its Domestic Subsidiaries, as the case may be) for accounts payable, other than for money borrowed, incurred in the ordinary course of business;

(f) Indebtedness incurred by the Borrower simultaneously with and used to finance the purchase or lease of personal property (including Capital Leases) to be used in the ordinary course of business, which Indebtedness (except and excluding Capital Leases) shall not exceed an amount equal to the lesser of seventy-five percent (75%) of the lesser of the cost or fair market value of the personal property;

(g) Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, bid, performance and surety bonds, in each case, in the ordinary course of business;

(h) Indebtedness in connection with Interest Rate Agreements entered into with the Bank in the ordinary course of business and not for speculative purposes;

(i) Indebtedness incurred in favor of insurance companies (or their financing affiliates) in connection with the financing of insurance premiums; and

(j) other Indebtedness not exceeding \$50,000 in the aggregate at any time outstanding incurred with the prior written approval of the Bank.

8.2 Encumbrances. The Borrower shall not (and shall not permit any Domestic Subsidiaries to), either directly or indirectly, create, assume, incur or suffer or permit to exist any Lien or charge of any kind or character upon any asset of Borrower (or any Domestic Subsidiaries, as the case may be), whether owned at the date hereof or hereafter acquired except (all of the following, collectively, "Permitted Liens"):

(a) the Liens listed on Schedule 8.2;

(b) Liens for taxes, assessments or other governmental charges not yet due or which are being contested in good faith by appropriate proceedings;

(c) Liens or charges incidental to the conduct of its business or the ownership of its property and assets, including easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title or other similar charges or encumbrances, which were not incurred in connection with the borrowing of money or the obtaining of an advance or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(d) good faith deposits in connection with lending contracts or leases to which any Borrower (or any Domestic Subsidiaries, as the case may be) is a party;

(e) deposits to secure public or statutory obligations of any Borrower (or any Domestic Subsidiaries, as the case may be), including, without limitation, Liens arising under workers' compensation, unemployment insurance, social security, and other similar laws and regulations;

(f) Liens existing on the date hereof and disclosed on the financial statements referred to in Section 7.6;

(g) Liens granted to the Bank hereunder and Liens securing purchase money indebtedness, permitted under Section 8.1(f);

(h) mechanics' or materialmen's liens, landlords' liens, carriers' liens and software licenses, in each case incurred or granted in the ordinary course of business;

(i) Liens to which the Bank consents in writing; and

(j) extensions, renewals or replacements of any of the foregoing.

8.3 Investments. The Borrower shall not (and shall not permit any Domestic Subsidiaries to), either directly or indirectly, make or have outstanding any new investments (whether through purchase of stocks, obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets, business, stock or other evidence of beneficial ownership of any other Person except:

(a) Permitted Investments, subject to control agreements in favor of the Bank or otherwise subject to a perfected security interest in favor of the Bank;

(b) investments held in accounts at the Bank or any affiliate of the Bank;

(c) investments listed on Schedule 8.3 attached hereto;

(d) investments received as the non-cash portion of consideration received in connection with dispositions permitted pursuant to Section 8.4 (provided that the

Borrower has provided the Bank with prompt notice of receipt of each such portion of non-cash consideration);

(e) investments or loans in or to any wholly owned Domestic Subsidiary of the Borrower; or

(f) investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and investments acquired in connection with the settlement of delinquent accounts or notes receivable or in connection with the bankruptcy or reorganization of suppliers or customers (to the extent such investments are made in the ordinary course of Borrower's business).

8.4 Merger; Change in Management. Borrower will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or otherwise dispose of all or substantially all/any substantial part of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate, divide or dissolve, without providing the Bank written notice within ten (10) days of such change. Borrower will not effect material changes to the present executive or management personnel of Borrower without providing the Bank written notice within ten (10) days of such change.

8.5 Issuance of Stock. Borrower shall not (and shall not permit any Domestic Subsidiary to), either directly or indirectly, issue or distribute any additional Capital Securities of Borrower (or any Domestic Subsidiary, as the case may be); provided that Borrower may issue or distribute Capital Securities if Borrower has obtained the prior written approval of the Bank and if Borrower complies with the provisions of Section 2.2(a)(ii) with respect to the proceeds of such sale of Capital Securities.

8.6 Distributions. Borrower shall not (and shall not permit any Domestic Subsidiary to), either directly or indirectly, purchase or redeem any shares of their stock or membership interests or declare or pay any dividends without the prior written approval of the Bank.

8.7 Change of Legal Status. Borrower shall not change (and shall not permit any Domestic Subsidiary to change) its name, its organizational identification number, its type of organization, its jurisdiction of organization or other legal structure, in each case without the prior written consent of the Bank, which consent shall not be unreasonably withheld or delayed.

8.8 Continuity of Operations. Without the prior written consent of the Bank (which consent shall not be unreasonably withheld or delayed), Borrower shall not, nor shall any Domestic Subsidiary, (a) engage in any business activities substantially different from those in which the Borrower is presently engaged; (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, (c) change their names, dissolve, or sell any assets out of the ordinary course of business; or (d) enter into any arrangement with any person providing of the leasing by Borrower or any Domestic Subsidiary of real or personal property which has been sold or transferred by Borrower or Domestic Subsidiary to such person, in each case except as permitted by Section 8.4.

8.9 Conflicting Agreements. Borrower shall not, nor shall any Domestic Subsidiary, enter into any agreement containing any provision which would be violated or breached by the performance of the obligations of Borrower or a Domestic Subsidiary under this Agreement or any of the other Loan Documents.

8.10 Transfer of Ownership; Subsidiaries. Without the prior written consent of the Bank, which consent shall not be unreasonably withheld or delayed, Borrower shall not (a) permit any pledge of any ownership interest in Borrower or any Domestic Subsidiary, or any sale or other transfer of any ownership interest in Borrower or any Domestic Subsidiary, or (b) form, create, or acquire any Domestic Subsidiary.

8.11 Excluded Assets. Borrower shall provide prompt written notice to the Bank if the aggregate value of all Excluded Assets shall exceed \$10,000 at any time, provided however, that the aggregate value of all Excluded Assets shall not exceed \$50,000 at any time.

8.12 Employee Plans. After the Closing Date, Borrower shall not, nor shall any Domestic Subsidiary, participate in or contribute to any Employee Plans other than: (i) those disclosed on Schedule 7.9, or (ii) other reasonably similar Employee Plans that would not have a material adverse effect on Borrower's or any Domestic Subsidiary's financial condition, operations or business.

8.13 Leases. Borrower shall not, nor shall any Domestic Subsidiary, enter into any lease with an aggregate total payout of \$100,000 or more without the prior written consent of the Bank.

**9. AFFIRMATIVE COVENANTS.** The Borrower hereby covenants and agrees as follows:

9.1 Compliance with Bank Regulatory Requirements. The Borrower shall reimburse the Bank for the Bank's additional costs and/or reductions in the amount of principal or interest received or receivable by the Bank if at any time after the date of this Agreement any law, treaty or regulation or any change in any law, treaty or regulation or the interpretation thereof by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or the Loan, whether or not having the force of law, shall impose, modify or deem applicable any reserve and/or special deposit requirement against or in respect of assets held by or deposits in or for the account of the Loan by the Bank or impose on the Bank any other condition with respect to this Agreement or the Loan, the result of which is to either increase the cost to the Bank of making or maintaining the Loan or to reduce the amount of principal or interest received or receivable by the Bank with respect to such Loan. The Borrower shall pay any such reimbursement to the Bank on the next scheduled payment date as set forth in Section 2.2, provided that the Bank shall have provided the Borrower with at least five Business Days' prior written notice of such reimbursement request. Said additional costs and/or reductions will be those which directly result from the imposition of such requirement or condition on the making or maintaining of such Loan. All Loan shall be deemed to be match funded for the purposes of the Bank's determination in the previous sentence. Notwithstanding the foregoing, the Borrower shall not be required to pay any

such additional costs which could be avoided by the Bank with the exercise of reasonable conduct and diligence.

9.2 Borrower's Existence; Organization of Borrower and Affiliates. Borrower shall (and shall cause its Subsidiaries to) at all times preserve and maintain its corporate existence (except as permitted under Section 8.4 or 8.10), rights, franchises and privileges, and shall at all times continue as going concerns in the same general lines of business which Borrower is presently conducting, and businesses reasonably related thereto. If Borrower or any of its Domestic Subsidiaries does not have a state issued identification number and later obtains one, Borrower shall promptly notify the Bank of such organizational identification number.

9.3 Maintain Property. Borrower shall (and shall cause its Subsidiaries to) maintain good and marketable title to all of Borrower's assets and properties. The Borrower shall (and shall cause all its Subsidiaries to) at all times maintain, preserve and keep their plant, properties and Equipment, including, but not limited to, any Collateral, in good repair, working order and condition, normal wear and tear excepted, and shall from time to time make all needful and proper repairs, renewals, replacements, and additions thereto so that at all times the efficiency thereof shall be fully preserved and maintained, if failure to so maintain would have a material adverse effect on Borrower's financial condition, operations or business. Borrower shall permit the Bank to examine and inspect such plant, properties and Equipment, including, but not limited to, any Collateral, at all reasonable times and upon reasonable prior notice to Borrower. Borrower shall reimburse the Bank for the costs of performing all such inspections or audits, provided that unless an Event of Default exists and is continuing, the Borrower shall not be required to reimburse the Bank for the cost of more than two (2) such inspections or audits per calendar year.

9.4 Maintain Insurance. The Borrower shall at all times insure, cause to be insured, and keep insured by insurance companies reasonably acceptable to the Bank, all insurable property owned by the Borrower which is of a character usually insured by companies similarly situated and operating like properties, against loss or damage from fire and such other hazards or risks as are customarily insured against by companies similarly situated and operating like properties; and shall similarly insure employers', public and professional liability risks, and, with respect to the Real Property, ensure that coverage is in place in an amount sufficient to replace the Real Property in accordance with the appraisal performed in conjunction with this Loan and with a maximum deductible of \$25,000 per incident. At least three (3) days prior to the Closing Date, the Borrower shall deliver to the Bank a certificate setting forth in summary form the nature and extent of the insurance maintained by the Borrower pursuant to this Section 9.4. All such policies of insurance must be reasonably satisfactory to the Bank in relation to the insurance provided, amount and term of the Obligations and type and value of the Collateral and assets of the Borrower and all policies shall identify the Bank as lender's loss payee and as an additional insured, and, on the policies relation to the Real Property, as mortgagee. In the event the Borrower either fails to provide the Bank with evidence of the insurance coverage required by this Section or at any time hereafter shall fail to obtain or maintain any of the policies of insurance required above, or to pay any premium in whole or in part relating thereto, then the Bank, without waiving or releasing any obligation or default by the Borrower hereunder, may, upon at least five Business Days' prior written notice to Borrower (but shall be under no obligation to so act), obtain and maintain such policies of insurance and pay such premium and

take any other action with respect thereto, which the Bank deems advisable. This insurance coverage (i) may, but need not, protect any Borrower's interest in such property, including, but not limited to the Collateral, and (ii) may not pay any claim made by, or against, the Borrower in connection with such property, including, but not limited to the Collateral. The Borrower may later cancel any such insurance purchased by the Bank, but only after providing the Bank with evidence that the Borrower has obtained the insurance coverage required by this Section. The costs of such insurance obtained by the Bank, through and including the effective date such insurance coverage is canceled or expires, shall be payable upon at least five Business Days' prior written notice to Borrower. The costs of such insurance, which may be greater than the cost of insurance which the Borrower may be able to obtain on its own may be added to the total Obligations due and owing.

9.5 Tax Liabilities. The Borrower and its Domestic Subsidiaries shall at all times pay and discharge all material property and other taxes, assessments and governmental charges upon, and all claims (including claims for labor, materials and supplies) against the Borrower or any Domestic Subsidiaries any of their material properties, Equipment or Inventory, before the same shall become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings. The Borrower shall have the right to contest in good faith, by an appropriate proceeding promptly initiated and diligently conducted, the validity, amount, or imposition of any tax, assessment, or charge. Upon a good faith contest, the Borrower may delay or refuse payment of the tax, assessment, or charge, if: (a) the Borrower establishes adequate reserves in accordance with GAAP to cover the anticipated liability for the contested taxes, assessments, or charges; and (b) the contest does not have a material adverse effect on Borrower's financial condition, results of operations or business, the ability of Borrower to pay any of the Liabilities, or the priority of Bank's security interest in the Collateral.

9.6 ERISA Liabilities; Employee Plans. Borrower shall (and shall cause any Domestic Subsidiaries to) (i) keep in full force and effect any and all Employee Plans which are presently in existence or may, from time to time, come into existence under ERISA, and not withdraw from any such Employee Plans, unless such withdrawal can be effected or such Employee Plans can be terminated without material liability to Borrower; (ii) make contributions to all of such Employee Plans in a timely manner and in a sufficient amount to comply with the standards of ERISA; including the minimum funding standards of ERISA; (iii) comply with all material requirements of ERISA which relate to such Employee Plans; (iv) notify the Bank immediately upon receipt by any Borrower of any notice concerning the imposition of any withdrawal liability or of the institution of any proceeding or other action which may result in the termination of any such Employee Plans or the appointment of a trustee to administer such Employee Plans; (v) promptly advise the Bank of the occurrence of any "Reportable Event" or "Prohibited Transaction" (as such terms are defined in ERISA), with respect to any such Employee Plans; and (vi) amend any Employee Plan that is intended to be qualified within the meaning of Section 401 of the Internal Revenue Code of 1986 to the extent necessary to keep the Employee Plan qualified, and to cause the Employee Plan to be administered and operated in a manner that does not cause the Employee Plan to lose its qualified status.

9.7 Financial Statements. The Borrower shall at all times maintain (and shall cause Guarantors and their Subsidiaries to maintain) a standard and modern system of accounting, on

the accrual basis of accounting and in all respects in accordance with GAAP (or, in the case of financial statements for non-Domestic Subsidiaries, similar accounting standards), and shall furnish to the Bank or its authorized representatives such information regarding the business affairs, operations and financial condition of the Borrower, Guarantors and their Subsidiaries, respectively, as the Bank may reasonably request, including, but not limited to:

(a) as to Borrower, Guarantors and their consolidated Subsidiaries, as soon as available, and in any event, within one hundred twenty (120) days after the close of each Fiscal Year, copies of (i) the consolidated audited annual financial statements for Borrower, Guarantors and their Subsidiaries (as applicable), and (ii) the unaudited annual financial statements for Borrower derived from the Secured Guarantor's annual audited consolidated financial statements, including, for both (i) and (ii), balance sheet, statement of cash flows, and statement of income and retained earnings for the Fiscal Year then ended; consolidated tax returns for the Fiscal Year then ended, and such other information (including nonfinancial information) as the Bank may reasonably request, in reasonable detail, prepared and audited by the Borrower's independent outside accountants, with such audit performed by a certified public accountant reasonably satisfactory to Bank;

(b) as to Borrower and its consolidated Subsidiaries, as soon as available, and in any event, within thirty (30) days following the end of each calendar month, monthly reports identifying capital project updates, production records and profit and loss compared to projections of the Borrower; and

(c) as soon as available, and in any event, within forty-five (45) days following the end of each Fiscal Quarter of each Fiscal Year, a Covenant Compliance Certificate in the form of Exhibit B hereto.

No change with respect to such accounting principles shall be made by Borrower without giving prior notification to the Bank. The Borrower represents and warrants to the Bank that the financial statements delivered to the Bank at or prior to the execution and delivery of this Agreement and to be delivered at all times thereafter accurately reflect and will accurately reflect, in all material respects, the financial condition of the Borrower and Guarantors. The Bank shall have the right at all times during business hours with reasonable prior notice to Borrower to inspect the books and records of the Borrower and Guarantors and make extracts therefrom. The Borrower agrees to advise the Bank immediately of any adverse change in the financial condition, the operations or any other status of Borrower or any Guarantor.

9.8 Supplemental Financial Statements. The Borrower shall, within ten (10) business days of receipt thereof, provide to the Bank copies of interim and supplemental reports if any, submitted to the Borrower or Guarantors by independent accountants in connection with any interim audit or review of the books of the Borrower and/or Guarantors.

9.9 Compliance with Law. (a) The Borrower shall comply, and cause any Domestic Subsidiaries 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 its Domestic Subsidiaries to ensure, that no person who owns a controlling interest in or otherwise controls Borrower or any Domestic Subsidiary is or shall be (i) listed on the

Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (ii) a person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders; and (c) without limiting clause (a) above, comply, and cause its Domestic Subsidiaries to comply, with all applicable Bank Secrecy Act ("BSA") and anti-money laundering laws and regulations.

9.10 Other Reports. The Borrower shall, within such reasonable period of time as the Bank may specify, deliver to the Bank such other schedules and reports as the Bank may reasonably require.

9.11 Collateral Records. The Borrower shall keep full and accurate books and records relating to the Collateral and shall mark such books and records to indicate the Bank's Lien in the Collateral including, without limitation, placing a legend, in form and content reasonably acceptable to the Bank, on all Chattel Paper created by the Borrower indicating that the Bank has a Lien in such Chattel Paper.

9.12 Notice of Proceedings. The Borrower shall, within five (5) Business Days after knowledge thereof shall have come to the attention of any officer of Borrower or any Domestic Subsidiary, give written notice to the Bank of: (a) all material threatened or pending actions, suits, and proceedings before any court or governmental department, commission, board or other administrative agency involving Borrower or any Domestic Subsidiary; (b) the occurrence of any event which gives rise to the Bank's option to terminate the credit facilities described in this Agreement; (c) the institution of steps by Borrower or any Domestic Subsidiary to withdraw from, or the institution of any steps to terminate, any Employee Plan as to which Borrower or any Domestic Subsidiary may have liability; and (d) any reportable event or any prohibited transaction in connection with any Employee Plan.

9.13 Notice of Default. The Borrower shall, immediately after it becomes aware thereof, give notice to the Bank in writing of the occurrence of an Event of Default or of any event which, with the lapse of time, the giving of notice or both, would constitute an Event of Default hereunder.

9.14 Banking Relationship; Interest Rate Agreement. The Borrower covenants and agrees that at all times during the term of this Agreement, the Borrower shall maintain a deposit account with Bank with a minimum balance of \$500,000 which shall be considered a maintenance reserve for the Real Property.

9.15 Financial Statement Calculations. The financial requirements set forth in this Article 9 shall be computed in accordance with GAAP (or, in the case of financial statements for non-Domestic Subsidiaries, similar accounting standards) applied on a basis consistent with financial statements previously submitted by the Borrower and Guarantors to the Bank. The financial covenants set forth in Article 10 shall be calculated on the basis of the Borrower's financial statements prepared on a consolidated basis with its Subsidiaries in accordance with GAAP (or, in the case of financial statements for non-Domestic Subsidiaries, similar accounting standards).

## 10. EVENTS OF DEFAULT.

The Borrower, without notice or demand of any kind, shall be in default under this Agreement upon the occurrence of any of the following events (each an "Event of Default").

10.1 Nonpayment of Obligations. The Borrower (i) fails to make any payment of principal of the Loan when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) within five (5) Business Days after the same becomes due and payable, (ii) fails to pay when due and payable, interest on, or fees owing in respect of, the Loan or in respect of any of the other Obligations hereunder within five (5) Business Days after the same becomes due and payable, or (iii) fails to pay or reimburse the Bank for any expense reimbursable hereunder or under any other Loan Document within five (5) Business Days after the same becomes due and payable.

10.2 Misrepresentation. Any representation or warranty now or hereafter made by the Borrower in or in connection with this Agreement or any of the Loan Documents is untrue or incorrect in any material respect when made; or any schedule, certificate, statement, report, financial statement, notice, or other writing furnished at any time by Borrower, to the Bank is untrue or incorrect in any material respect on the date as of which the facts are stated or certified; or any representation, warranty, schedule, certificate, statement, report, financial statement, notice, or other writing furnished at any time by Borrower, to the Bank omits to state or include a material fact necessary to make the statement or the writing not misleading.

10.3 Nonperformance. Any failure to perform or default in the performance of any covenant, condition or agreement contained in this Agreement and, if capable of being cured, such failure to perform or default in performance continues for a period of twenty (20) days after the Borrower receive notice or knowledge from any source of such failure to perform or default in performance; provided, however that such cure period shall not apply to any covenants included in this Article 10 (including without limitation those contained in Sections 10.9, 10.10, 10.11 and 10.12 below) or the covenants contained in Section 9.14 above.

10.4 Default under Loan Documents. A payment default or any other material default under any provision of any of the other Loan Documents (after expiration of any applicable grace or cure periods) or any other agreement with the Bank, all of which covenants, conditions and agreements contained therein are hereby incorporated in this Agreement by express reference, shall be and constitute an Event of Default under this Agreement and any other of the Obligations.

10.5 Default under Other Indebtedness. Any default in the payment of principal, interest or any other sum for any other Indebtedness of \$25,000 or more beyond any period of grace provided with respect thereto or in the performance of any other term, condition or covenant contained in any agreement under which any such Indebtedness is created, the effect of which default is to cause or permit the holder of such Indebtedness (or the other party to such other agreement) to cause such Indebtedness to become due prior to its stated maturity.

10.6 Assignment for Creditors. Any Obligor makes an assignment for the benefit of creditors, fails to pay, or admits in writing its inability to pay its debts as they mature; or if a

trustee of any substantial part of the assets of any Obligor is applied for or appointed, and in the case of such trustee being appointed in a proceeding brought against such Obligor, the Obligor, by any action or failure to act indicates its approval of consent to, or acquiescence in such appointment and such appointment is not vacated, stayed on appeal or otherwise shall not have ceased to continue in effect within sixty (60) days after the date of such appointment.

10.7 Bankruptcy. Any proceeding involving any Obligor, is commenced by or against such Obligor under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government, and in the case of any such proceeding being instituted against such Obligor, (i) such Obligor, by any action or failure to act indicates its approval of, consent to or acquiescence therein, or (ii) an order shall be entered approving the petition in such proceedings and such order is not vacated, stayed on appeal or otherwise shall not have ceased to continue in effect within sixty (60) days after the entry thereof.

10.8 Judgments. To the extent unsatisfied or undischarged and in effect for thirty (30) consecutive calendar days without a stay of enforcement or execution, the entry of any final judgment, decree, levy, attachment, garnishment or other process of \$250,000 or more against any Obligor which is not fully covered by insurance, and which judgment or other process would have a material adverse effect on the ability of Borrower or any Obligor to perform under this Agreement or under any other agreement between such Obligor and the Bank.

10.9 Change in Control. Any Change in Control shall occur.

10.10 Collateral Impairment. The filing of any Lien (other than Permitted Liens) against, all or a material portion of the Collateral, and such judgment or other process shall not have been, within sixty (60) days from the entry thereof, (i) bonded over to the satisfaction of the Bank and appealed, (ii) vacated, (iii) discharged, (iv) stayed, or (v) lifted; or any sale, transfer, lease, assignment, conveyance, financing, lien, encumbrance or other transaction made in violation of this Agreement, including but not limited to any sale or other transfer of any of the Collateral or any other collateral securing the Loan.

10.11 Financial Covenants.

(a) Current Ratio. The Borrower will not permit the Current Ratio, determined on the last day of any Fiscal Quarter set forth below, to be less than 1.0 to 1.

(b) Debt to Equity Ratio. The Debt to Equity Ratio shall be less than or equal to (i) for the period ending on December 31, 2021, 1.0 to 4; and (ii) after December 31, 2021, less than or equal to 1.0 to 5, in either instance as calculated as of the last day of each Fiscal Quarter.

(c) Debt Service Coverage Ratio. The Debt Service Coverage Ratio shall be (i) for the Fiscal Quarter beginning on October 1, 2020, and ending on December 31, 2020, greater than or equal to 1.0 to 1; and (ii) for each Fiscal Quarter thereafter beginning on January 1, 2021, greater than or equal to 1.5 to 1.

(d) Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio shall be greater than or equal to 1.0 to 1, determined as of the end of any Fiscal Quarter for the four most recently ended Fiscal Quarters, beginning with the Fiscal Quarter beginning on January 1, 2021.

10.12 Material Adverse Financial Change. The determination by the Bank that a material adverse change has occurred in the financial condition of the Borrower, Guarantors and their Subsidiaries from the condition set forth in the most recent financial statement of the Borrower, Guarantors and their Subsidiaries furnished to the Bank, or from the financial condition of the Borrower, Guarantors and their Subsidiaries most recently disclosed to the Bank in any manner.

## 11. REMEDIES.

Upon the occurrence and during the continuation of an Event of Default, the Bank shall have all rights, powers and remedies set forth in the Loan Documents, in any written agreement or instrument (other than this Agreement or the Loan Documents) relating to any of the Obligations or any security therefor, or as otherwise provided at law or in equity. Without limiting the generality of the foregoing, the Bank may, at its option upon the occurrence of an Event of Default, declare its commitments to the Borrower to be terminated and all Obligations to be immediately due and payable, provided, however, that upon the occurrence of an Event of Default under either Section 10.6, "Assignment for Creditors", or Section 10.7, "Bankruptcy", all commitments of the Bank to the Borrower shall immediately terminate and all Obligations shall be automatically due and payable, all without demand, notice or further action of any kind required on the part of the Bank. Borrower hereby waives any and all presentment, demand, notice of dishonor, protest, and all other notices and demands (in each case to the extent permitted by law) in connection with the enforcement of Bank's rights under the Loan Documents, and hereby consents to, and waives notice of release, with or without consideration, of Borrower or of any Collateral, notwithstanding anything contained herein or in the Loan Documents to the contrary. In addition to the foregoing, following the occurrence and during the continuation of an Event of Default:

11.1 Possession and Assembly of Collateral. The Bank may, without notice, demand or legal process of any kind, take possession of any or all of the Collateral (in addition to Collateral of which the Bank already has possession), wherever it may be found, and for that purpose may pursue the same wherever it may be found, and may enter into any of the Borrower's premises where any of the Collateral may be or is supposed to be, and search for, take possession of, remove, keep and store any of the Collateral until the same shall be sold or otherwise disposed of and the Bank shall have the right to store the same in any of the Borrower's premises without cost to the Bank. The Bank and Borrower acknowledge that a portion of the Collateral consists of certain fish (the "Fish Collateral"). Upon the occurrence and during the continuation of an Event of Default and at the sole consent and discretion of the Bank, Borrower shall have a duty to properly manage and maintain the production, harvesting and selling of the Fish Collateral, according to best practices, in trust for the Bank and solely for the Bank's benefit (the "Fish Production"); *provided that* (i) purchasers of such Fish Collateral shall submit payments directly to the Bank through a lock-box program to be established by the Bank and Borrower, and (ii) the Bank shall at all times have the right to discontinue the Fish

Production by Borrower, including but not limited to the Bank locating, in its sole discretion and determination, (x) a qualified replacement manager for the Fish Collateral, or (y) a purchaser for all of the Fish Collateral at a price acceptable to the Bank. Upon the occurrence and during the continuance of an Event of Default beyond the applicable cure period, Borrower agrees that, upon Bank's request, Borrower shall assign or cause to be assigned all rights and interests in and to that certain Lease Agreement, dated November 22, 2005, by and between Thomas David Stone ("Lessor") and Bell Aquaculture, LLC (the "Original Tenant") (the "Lease Agreement"), as amended by that certain Addendum to Lease Agreement dated April 28, 2008, by and between Lessor and Original Tenant; as further amended by that certain Addendum to Lease Agreement dated July 29, 2008, by and between Lessor and Original Tenant; as further amended by that certain Second Addendum to Lease Agreement dated October 15, 2008, by and between Lessor and Original Tenant; as further amended by that certain Agreement of Understanding, Consent and Amendment dated March 4, 2016, by and between Lessor and Bell Fish Company LLC (f/k/a TCFI Bell SPE I LLC) (the "Second Tenant"); as assigned to Secured Guarantor under that certain Notice of Assignment of Lease Agreement dated July 7, 2017, from Second Tenant to Lessor; and as assigned as a matter of law to Michael Haydon Miller as Co-Trustee of the 2003 Michael Haydon Miller Trust following its purchase from Lessor of the real property underlying the Lease Agreement and assumption of the rights and obligations of Lessor under the Lease Agreement, in order to allow for the continuation of operations on the Real Property.

11.2 Sale of Collateral. The Bank may sell any or all of the Collateral at public or private sale, upon such terms and conditions as the Bank may reasonably deem proper, and the Bank may purchase any or all of the Collateral at any such sale (to the extent permitted by law). The Bank may apply the net proceeds, after deducting all reasonable costs, expenses, attorneys' and paralegals' fees incurred or paid at any time in the collection, protection and sale of the Collateral and the Obligations, to the payment of the Term Note and/or any of the other Obligations, returning the excess proceeds, if any, to the Borrower. The Borrower shall remain liable for any amount remaining unpaid after such application, with interest. Any notification of intended disposition of the Collateral required by law shall be conclusively deemed reasonably and properly given if given by the Bank at least ten (10) calendar days before the date of such disposition.

11.3 Standards for Exercising Remedies. To the extent that applicable law imposes duties on the Bank to exercise remedies in a commercially reasonable manner, Borrower acknowledges and agrees that it is not commercially unreasonable for the Bank (a) to fail to incur expenses reasonably deemed significant by the Bank 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 Borrower, for expressions of interest in acquiring all or 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, without limitation, any warranties of title, (k) to purchase insurance or credit enhancements to insure the Bank against risks of loss, collection or disposition of Collateral or to provide to the Bank a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed reasonably appropriate by the Bank, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Bank in the collection or disposition of any of the Collateral. The Borrower acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by the Bank would not be commercially unreasonable in the Bank's exercise of remedies against the Collateral and that other actions or omissions by the Bank shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to the Borrower or to impose any duties on the Bank that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

11.4 UCC and Offset Rights. The Bank may exercise, from time to time, any and all rights and remedies available to it under the UCC or under any other applicable law in addition to, and not in lieu of, any rights and remedies expressly granted in this Agreement or in any other agreements between any Obligor and the Bank, and may, without demand or notice of any kind, appropriate and apply toward the payment of such of the Obligations, whether matured or unmatured, including reasonable costs of collection and attorneys' and paralegals' fees, and in such order of application as the Bank may, from time to time, elect, any indebtedness of the Bank to any Obligor, however created or arising, including, but not limited to, balances, credits, deposits, accounts or moneys of such Obligor in the possession, control or custody of, or in transit to the Bank. Borrower, on behalf of itself and each Obligor, hereby waives the benefit of any law that would otherwise restrict or limit the Bank in the exercise of its right, which is hereby acknowledged, to appropriate at any time hereafter any such indebtedness owing from the Bank to any Obligor.

11.5 Additional Remedies. The Bank shall have the right and power to:

(a) in addition to any other remedies that the Bank may exercise, upon the failure of the Borrower to satisfy any of the financial covenants set forth in Section 10.11, the Interest Rate imposed on the Term Loan shall increase by one-half percent (0.5%), and shall continue to remain at such rate until all financial covenants are brought back into compliance with the terms of this Agreement;

(b) take possession of the Real Property and do anything necessary or desirable in Bank's sole judgment to fulfill the obligations of the Borrower hereunder;

(c) foreclose the Mortgage and exercise any of the rights and remedies contained in this Agreement and/or any of the other Loan Documents and/or exercise any other rights and remedies that Bank may have at law or in equity;

(d) instruct the Borrower, at its own expense, to notify any parties obligated on any of the Collateral, including, but not limited to, any account debtors, to make payment directly to the Bank of any amounts due or to become due thereunder, or the Bank may directly notify such obligors of the security interest of the Bank, and/or of the assignment to the Bank of the Collateral and direct such obligors to make payment to the Bank of any amounts due or to become due with respect thereto, and thereafter, collect any such amounts due on the Collateral directly from such Persons obligated thereon;

(e) enforce collection of any of the Collateral, including, but not limited to any Accounts, by suit or otherwise, or make any compromise or settlement with respect to any of the Collateral, or surrender, release or exchange all or any part thereof, or compromise, extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder;

(f) take possession or control of any proceeds and products of any of the Collateral, including the proceeds of insurance thereon;

(g) extend, renew or modify for one or more periods (whether or not longer than the original period) the Term Note, any other of the Obligations, any obligation of any nature of any other obligor with respect to the Term Note or any of the Obligations;

(h) grant releases, compromises or indulgences with respect to the Term Note, any of the Obligations, any extension or renewal of any of the Obligations, any security therefor, or to any other obligor with respect to the Term Note or any of the Obligations;

(i) transfer the whole or any part of securities which may constitute Collateral into the name of the Bank or the Bank's nominee without disclosing, if the Bank so desires, that such securities so transferred are subject to the security interest of the Bank, and any corporation, association, or any of the managers or trustees of any trust issuing any of said securities, or any transfer agent, shall not be bound to inquire, in the event that the Bank or said nominee makes any further transfer of said securities, or any portion thereof, as to whether the Bank or such nominee has the right to make such further transfer, and shall not be liable for transferring the same;

(j) vote the Collateral;

(k) make an election with respect to the Collateral under Section 1111 of the Bankruptcy Code or take action under Section 364 or any other section of the Bankruptcy Code; provided, however, that any such action of the Bank as set forth herein shall not, in any manner whatsoever, impair or affect the liability of the Borrower hereunder, nor prejudice, waive, nor be construed to impair, affect, prejudice or waive the Bank's rights and remedies at law, in equity or by statute, nor release, discharge, nor be construed to release or discharge, the Borrower, any guarantor or other Person liable to the Bank for the Obligations; and

(l) at any time, and from time to time, accept additions to, releases, reductions, exchanges or substitution of the Collateral, without in any way altering, impairing, diminishing or affecting the provisions of this Agreement, the Loan

Documents, or any of the other Obligations, or the Bank's rights hereunder, under the Term Note or under any of the other Obligations.

Borrower hereby ratifies and confirms whatever the Bank may do with respect to the Collateral and agrees that the Bank shall not be liable for any error of judgment or mistakes of fact or law with respect to actions taken in connection with the Collateral.

11.6 Attorney-in-Fact. Borrower hereby irrevocably makes, constitutes and appoints the Bank (and any officer of the Bank or any Person designated by the Bank for that purpose) as Borrower's true and lawful attorney-in-fact (and agent-in-fact), effective upon the occurrence and during the continuance of an Event of Default, for the purposes set forth in this Section 11.6, in Borrower's name, place and stead, with full power of substitution, to (i) take such actions as are permitted in this Agreement, (ii) execute such financing statements and other documents and to do such other acts as the Bank may reasonably require to perfect and preserve the Bank's security interest in, and to enforce such interests in the Collateral, and (iii) endorse Borrower's name to checks, drafts, instruments and other items of payment, and proceeds of the Collateral, execute change of address forms with the postmaster of the United States Post Office serving the address of Borrower, change the address of Borrower to that of the Bank, opening all envelopes addressed to Borrower and apply any payments contained therein to the Obligations.

11.7 No Marshaling. The Bank shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order. To the extent that it lawfully may, Borrower hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Bank's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, Borrower hereby irrevocably waives the benefits of all such laws.

11.8 Application of Proceeds. The Bank will upon receipt of cash or solvent credits from collection of items of payment, proceeds of Collateral or any other source, apply the whole or any part thereof against the Obligations secured hereby. The Bank shall further have the exclusive right to determine how, when and what application of such payments and such credits shall be made on the Obligations, and such determination shall be conclusive upon the Borrower. Any proceeds of any disposition by the Bank of all or any part of the Collateral may be first applied by the Bank to the payment of reasonable expenses incurred by the Bank in connection with the Collateral, including reasonable attorneys' fees and legal expenses as provided for in Section 12.20 hereof.

11.9 No Waiver. No Event of Default shall be waived by the Bank except in writing. No failure or delay on the part of the Bank in exercising any right, power or remedy hereunder shall operate as a waiver of the exercise of the same or any other right at any other time nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. There shall be no obligation on the part of the Bank to exercise any remedy available to the Bank in any order.

The remedies provided for herein are cumulative and not exclusive of any remedies provided at law or in equity. Borrower agrees that in the event that Borrower fails to perform, observe or discharge any of its Obligations or liabilities under this Agreement or any other agreements with the Bank, no remedy of law will provide adequate relief to the Bank, and further agrees that the Bank shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

## 12. MISCELLANEOUS.

12.1 Obligations Absolute. None of the following shall affect the Obligations of the Borrower to the Bank under this Agreement or the Bank's rights with respect to the Collateral:

(a) acceptance or retention by the Bank of other property or any interest in property as security for the Obligations;

(b) release by the Bank of Borrower, any Guarantor, or of all or any part of the Collateral or of any party liable with respect to the Obligations;

(c) release, extension, renewal, modification or substitution by the Bank of the Term Note, or any note evidencing any of the Obligations, or the compromise of the liability of the Obligations; or

(d) failure of the Bank to resort to any other security or to pursue any Borrower or any other obligor liable for any of the Obligations before resorting to remedies against the Collateral.

12.2 Entire Agreement. This Agreement is valid, binding and enforceable against the Borrower and the Bank in accordance with its provisions and no conditions exist as to its legal effectiveness. This Agreement, together with the Exhibits and Schedules hereto and 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 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 Bank.

12.3 Amendments; Waivers. No amendment, modification, termination, discharge or waiver of any provision of this Agreement or of the Loan Documents, or consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only for the specific purpose for which given.

12.4 WAIVER OF DEFENSES; WAIVER OF SPECIAL DAMAGES. BORROWER, ON BEHALF OF ITSELF AND ANY GUARANTORS OF ANY OF THE OBLIGATIONS, WAIVES EVERY PRESENT AND FUTURE DEFENSE, CAUSE OF ACTION, COUNTERCLAIM OR SETOFF WHICH BORROWER MAY NOW HAVE OR HEREAFTER MAY HAVE TO ANY ACTION BY THE BANK IN ENFORCING THIS AGREEMENT. BORROWER WAIVES ANY IMPLIED COVENANT OF GOOD FAITH AND RATIFIES AND CONFIRMS WHATEVER THE BANK MAY DO PURSUANT TO THE TERMS OF

THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BANK GRANTING ANY FINANCIAL ACCOMMODATION TO BORROWER. BORROWER WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT BORROWER MAY HAVE TO CLAIM OR RECOVER FROM THE BANK IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

12.5 WAIVER OF JURY TRIAL. THE BANK AND THE BORROWER, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL. EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY, THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE TERM NOTE OR ANY OF THE OTHER OBLIGATIONS, THE COLLATERAL, OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT OR COURSE OF DEALING IN WHICH THE BANK AND THE BORROWER ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BANK GRANTING ANY FINANCIAL ACCOMMODATION TO THE BORROWER.

12.6 LITIGATION. TO INDUCE THE BANK TO MAKE THE LOAN, BORROWER IRREVOCABLY AGREES THAT ALL ACTIONS ARISING, DIRECTLY OR INDIRECTLY, AS A RESULT OR CONSEQUENCE OF THIS AGREEMENT, THE TERM NOTE, ANY OTHER AGREEMENT WITH THE BANK OR THE COLLATERAL SHALL BE INSTITUTED AND LITIGATED ONLY IN COURTS HAVING THEIR SITUS IN THE CITY OF INDIANAPOLIS, INDIANA. BORROWER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT HAVING ITS SITUS IN SAID CITY, AND WAIVES ANY OBJECTION BASED ON *FORUM NON CONVENIENS*.

12.7 Assignability. The Bank may at any time assign the Bank's rights in this Agreement, the Term Note, the Obligations, or any part thereof and transfer the Bank's rights in any or all of the Collateral, and the Bank thereafter shall be relieved from all liability with respect to such Collateral. In addition, the Bank may at any time sell one or more participations in the Loan. The Borrower may not sell or assign this Agreement, or any other agreement with the Bank or any portion thereof, either voluntarily or by operation of law, without the prior written consent of the Bank, which the Bank will not unreasonably withhold, condition or delay. This Agreement shall be binding upon the Bank and the Borrower and their respective legal representatives and successors. All references herein to Borrower shall be deemed to include any successors, whether immediate or remote. In the case of a joint venture or partnership, the term "Borrower" shall be deemed to include all joint venturers or partners thereof, who shall be jointly and severally liable hereunder.

12.8 Confidentiality. Borrower and the Bank hereby agree and acknowledge that any and all information relating to Borrower which is (i) furnished by Borrower to the Bank (or to any affiliate of the Bank), and (ii) non-public, confidential or proprietary in nature, shall be kept confidential by the Bank or such affiliate in accordance with applicable law, provided, however, that such information and other credit information relating to Borrower may be distributed by the Bank or such affiliate to the Bank's or such affiliate's directors, officers, employees, attorneys,

affiliates, auditors and regulators, and in compliance with the order of a court or other governmental agency having jurisdiction over the Bank or such affiliate, to any other party. Borrower and the Bank further agree that this provision shall survive the termination of this Agreement.

12.9 Binding Effect. This Agreement shall become effective upon execution by the Borrower and the Bank. If this Agreement is not dated or contains any blanks when executed by the Borrower, the Bank is hereby authorized, without notice to the Borrower, to date this Agreement as of the date when it was executed by the Borrower, and to complete any such blanks according to the terms upon which this Agreement is executed.

12.10 Governing Law. This Agreement, the Loan Documents and the Term Note shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the internal laws of the State of Indiana (but giving effect to federal laws applicable to national banks), and for all purposes shall be construed in accordance with the laws of such State, without giving effect to the choice of law provisions of such State.

12.11 Enforceability. Wherever 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, unenforceable or invalid under any jurisdiction, such provision shall as to such jurisdiction, be severable and be ineffective, but this Agreement shall remain in full force and effect as to all other clauses, terms, and conditions, and the remaining provisions of this Agreement shall be amended so as to render the Agreement as a whole most nearly consistent with the parties' intentions in light of the removal of the invalid or illegal provision; provided that no such amendment of this Agreement shall have the effect of invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

12.12 Survival of Borrower Representations. All covenants, agreements, representations and warranties made by the Borrower herein shall, notwithstanding any investigation by the Bank, be deemed material and relied upon by the Bank and shall survive the making and execution of this Agreement and the Loan Documents and the issuance of the Term Note, and shall be deemed to be continuing representations and warranties until such time as the Borrower has fulfilled all of its Obligations to the Bank, and the Bank has been paid in full. The Bank, in extending financial accommodations to the Borrower, is expressly acting and relying on the aforesaid representations and warranties.

12.13 Extensions of Bank's Commitment and Notes. This Agreement shall secure and govern the terms of any extensions or renewals of the Bank's commitment hereunder and the Term Note pursuant to the execution of any modification, extension or renewal note executed by the Borrower and accepted by the Bank in its sole and absolute discretion in substitution for the Term Note.

12.14 Time of Essence. Time is of the essence in making payments of all amounts due the Bank under this Agreement and in the performance and observance by the Borrower of each covenant, agreement, provision and term of this Agreement.

12.15 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

12.16 Facsimile Signatures. The Bank is hereby authorized to rely upon and accept as an original any Loan Documents or other communication which is sent to the Bank by facsimile, telegraphic or other electronic transmission (each, a "Communication") which the Bank in good faith believes has been signed by Borrower and has been delivered to the Bank by a Designated Person, whether or not that is in fact the case. Notwithstanding the foregoing, the Bank shall not be obligated to accept any such Communication as an original and may in any instance require that an original document be submitted to the Bank in lieu of, or in addition to, any such Communication.

12.17 Notices. Except as otherwise provided herein, the Borrower waives all notices and demands in connection with the enforcement of the Bank's rights hereunder. All notices, requests, demands and other communications provided for hereunder shall be in writing, sent by certified or registered mail, postage prepaid, by facsimile, or delivered in person, and addressed as follows:

If to the Borrower:

AquaBounty Farms Indiana LLC  
2 Mill and Main Place, Suite 395  
Maynard, MA 01754  
Attention: General Counsel  
Fax: 978-897-3217

If to the Bank:

First Farmers Bank & Trust  
123 N. Jefferson Street  
Converse, Indiana 46919  
Attention: Amie Osborne, Vice President

With a copy to:

Ice Miller LLP  
One American Square, Suite 2900  
Indianapolis, Indiana 46282  
Attention: Joshua L. Christie

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this subsection. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

12.18 Indemnification. Borrower agrees to defend (with counsel reasonably satisfactory to the Bank), protect, indemnify and hold harmless each Indemnified Party from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and distributions of any kind or nature (including, without limitation, the disbursements and the reasonable fees of counsel for each Indemnified Party thereto, which shall also include, without limitation, reasonable attorneys' fees and time charges of attorneys who may be

employees of the Bank, any parent corporation or affiliated corporation of the Bank and which are directly charged to the Bank), which may be imposed on, incurred by, or asserted against, any Indemnified Party (whether direct, indirect or consequential and whether based on any federal, state or local laws or regulations, including, without limitation, securities, Environmental Laws and commercial laws and regulations, under common law or in equity, or based on contract or otherwise) in any manner relating to or arising out of this Agreement or any of the Loan Documents, or any act, event or transaction related or attendant thereto, the preparation, execution and delivery of this Agreement and the Loan Documents, including, but not limited to, the making or issuance and management of the Loan, the use or intended use of the proceeds of the Loan, the enforcement of the Bank's rights and remedies under this Agreement, the Loan Documents, the Term Note, any other instruments and documents delivered hereunder, or under any other agreement between the Borrower and the Bank; provided, however, that the Borrower shall not have any obligations hereunder to any Indemnified Party with respect to matters caused by or resulting from the willful misconduct or gross negligence of such Indemnified Party. To the extent that the undertaking to indemnify set forth in the preceding sentence may be unenforceable because it violates any law or public policy, the Borrower shall satisfy such undertaking to the maximum extent permitted by applicable law. Any liability, obligation, loss, damage, penalty, cost or expense covered by this indemnity shall be paid to each Indemnified Party on demand, and, failing prompt payment, shall, together with interest thereon at the Default Rate from the date incurred by each Indemnified Party until paid by the Borrower, be added to the Obligations of the Borrower and be secured by the Collateral. The provisions of this Section 12.18 shall survive the satisfaction and payment of the other Obligations and the termination of this Agreement.

12.19 Severability. If any one or more of the obligations of the Borrower under this Agreement or the Term Note is invalid, illegal, or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Borrower shall not in any way be affected or impaired, and the invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the Obligations of the Borrower in any other jurisdiction.

12.20 Expenses. The Borrower agrees to pay or reimburse the Bank for all its out-of-pocket costs and expense and reasonable attorneys' fees incurred in connection with the development, preparation and execution of, and in connection with the enforcement or preservation of any rights under, this Agreement, any amendment, supplement or modification hereto, and any other documents prepared in connection herewith or therewith. These costs and expenses include without limitation any costs or expenses incurred by the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

12.21 Non-Liability of the Bank. The relationship between the Borrower and the Bank created by this Agreement is strictly a debtor and creditor relationship and not fiduciary in nature, nor is the relationship to be construed as creating any partnership or joint venture between the Bank and the Borrower. Borrower is exercising Borrower's own judgment with respect to Borrower's business. All information supplied to the Bank is for the Bank's protection only and no other party is entitled to rely on such information. There is no duty for the Bank to review, inspect, supervise or inform Borrower of any matter with respect to Borrower's business. The Bank and the Borrower intend that that Bank may reasonably rely on all information

supplied by the Borrower to the Bank, together with all representations and warranties given by the Borrower to the Bank, without investigation or confirmation by the Bank and that any investigation or failure to investigate will not diminish the Bank's right to so rely.

12.22 Sole Discretion of the Bank. Whenever the Bank's consent or approval is required under this Agreement, the decision as to whether or not to consent or approve shall be in the sole and exclusive discretion of the Bank and the Bank's decision shall be final and conclusive.

12.23 Advice of Counsel. The Borrower acknowledges that they have been advised by counsel, or had the opportunity to be advised by counsel, in the negotiation, execution and delivery of this Agreement and the other Loan Documents.

12.24 Conflicting Terms. If this Agreement is inconsistent with any provision in any other Loan Document, the Bank shall determine, in the Bank's sole and absolute discretion, which of the provisions shall control any such inconsistency.

12.25 Customer Identification - USA Patriot Act Notice. The Bank hereby notifies the Borrower that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the "Act"), it is required to obtain, verify and record information that identifies Borrower, which information includes the names and addresses of Borrower and other information that will allow the Bank to identify Borrower in accordance with the Act.

***[Signatures appear on the following page]***

IN WITNESS WHEREOF, the Borrower and the Bank have executed this Loan and Security Agreement as of the date first above written.

**BORROWER:**

**AQUABOUNTY FARMS INDIANA LLC,**  
a Delaware limited liability company

By: /s/ David A. Frank  
Name: David A. Frank  
Title: Treasurer and Chief Financial Officer

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

The foregoing instrument was acknowledged before me, a Notary Public in and for said County and State, on this 31st day of July, 2020, by David A. Frank, as Treasurer and Chief Financial Officer of AquaBounty Farms Indiana LLC, a Delaware limited liability company, on behalf of the company.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

**WITNESS:**

/s/ Sherry Sylvester  
Witness Signature

Witness Name (Print): Sherry Sylvester

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

Before me, a Notary Public in and for said County and State, personally appeared Sherry Sylvester, on this 31st day of July, 2020, being known to me to be the person whose name is subscribed as a witness to the foregoing instrument, who, being duly sworn by me, deposes and says that the foregoing instrument was executed and delivered by David A. Frank in the above-named subscribing witness's presence, and that the above-named subscribing witness is not a party to the transaction described in the foregoing instrument and will not receive any interest in or proceeds from the property that is the subject of the transaction.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

Signature Page Loan and Security Agreement

**BANK:**

**FIRST FARMERS BANK AND TRUST**

By: /s/Amie Osborn

Name: Amie Osborn

Title: Vice President

Signature Page Loan and Security Agreement

Exhibits:

- A – Form of Term Note**
- B – Form of Compliance Certificate**
- C – Form of Solvency Certificate**

Schedules:

- Schedule 7.1 Organization**
- Schedule 7.9 Employee Plans**
- Schedule 7.15 Properties**
- Schedule 7.16 Intellectual Property**
- Schedule 7.17 Material Contracts**
- Schedule 7.19 Insurance**
- Schedule 8.1 Indebtedness**
- Schedule 8.2 Liens**
- Schedule 8.3 Investments**

TERM NOTE

\$4,000,000.00 Indianapolis, Indiana

Dated: July 31, 2020

1. PROMISE TO PAY. On or before October 1, 2028 (the "Maturity Date"), AQUABOUNTY FARMS INDIANA LLC, a Delaware limited liability company (the "Borrower"), with an address of 2 Mill and Main Place, Suite 395, Maynard, MA 01754, promises to pay to the order of FIRST FARMERS BANK AND TRUST (the "Bank") at the principal office of the Bank at 123 N. Jefferson Street, Converse, Indiana 46919, the principal sum of Four Million and 00/100 Dollars (\$4,000,000.00), plus interest as provided herein, less such amounts as shall have been repaid in accordance with this Term Note (this "Note").

2. NOTE TERMS, RATE AND PAYMENT DATES. This Note evidences indebtedness (the "Loan") incurred or to be incurred by the Borrower under the term loan extended to the Borrower by the Bank pursuant to that certain Loan and Security Agreement dated as of even date with this Note (as the same may be amended, renewed, consolidated, restated, replaced or otherwise modified from time to time, the "Loan Agreement"), and shall be subject to the terms and conditions of the Loan Agreement. The outstanding balance of this Note shall appear on a supplemental bank record and is not necessarily the face amount of this Note, which record shall evidence the balance due pursuant to this Note at any time. Such records shall be deemed prima facie to be correct as to such matters. The failure of the Bank to make any such recordation on its books shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Loan Agreement or hereunder in respect of the Loan made by the Bank.

Interest on the unpaid principal balance of any Loan outstanding from time to time prior to and after maturity will accrue at the Interest Rate provided in the Loan Agreement. Prior to October 1, 2021, accrued interest shall be due and payable on the first (1st) day of each calendar month commencing on the first (1st) day of the calendar month immediately following the calendar month in which the first disbursement of proceeds of the Loan is made. After October 1, 2021, in addition to monthly accrued interest, the unpaid principal balance of this Note shall be due and payable in consecutive monthly installments of \$56,831.95; provided that the entire principal balance, together with all accrued and unpaid interest and any other charges, advances and fees, if any, outstanding hereunder shall be due and payable in full on the earlier of (a) the Maturity Date or (b) acceleration of this Note. If any payment to be made by the Borrower hereunder shall become due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment. After maturity, interest shall be due and payable as accrued and without demand. The interest rate under this Note will not exceed the maximum rate permitted by applicable law under any circumstances.

Payments received in respect of this Note will be applied in the following order: first, to charges, fees and expenses (including attorneys' fees if an Event of Default has occurred and is continuing), second, to accrued interest, and third to principal. No part of the Indebtedness evidenced by this Note may, on the repayment thereof, be redrawn or reborrowed by Borrower.

3. SECURITY. This Note is secured, among other things, by all of the Collateral described in the Loan Agreement.
4. USE OF PROCEEDS. Borrower certifies that the proceeds of the Loan will be used for business purposes in accordance with the Loan Agreement and the other Loan Documents.
5. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to Bank that the representations and warranties contained in the Loan Agreement and the other Loan Documents are true and accurate as of the date hereof.
6. DEFINITIONS. Capitalized terms used herein which are not otherwise defined in this Note shall have the meanings set forth in the Loan Agreement or in the other Loan Documents, as applicable. All financial terms used herein but not defined herein or in the Loan Agreement or in any other Loan Document have the meanings given to them by GAAP. All other undefined terms have the meanings given to them in the Uniform Commercial Code as adopted in the State of Indiana.
7. COVENANTS. Borrower agrees that, from the date of execution of this Note until payment in full of the Obligations, Borrower will comply with all of the covenants set forth in the Loan Agreement and the other Loan Documents.
8. EVENTS OF DEFAULT. The occurrence of an "Event of Default" under Article 10 the Loan Agreement or any of the other Loan Documents shall constitute an Event of Default under this Note.
9. REMEDIES. Upon the occurrence of an Event of Default and during the continuation thereof, in addition to any other remedy permitted by law, including, but not limited to those remedies provided to secured parties under the Uniform Commercial Code, Bank may at any time, without notice, if permitted under applicable law: (i) increase the Interest Rate to the Default Rate, (ii) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in the Loan Agreement or this Note (including any increased rate), and (iii) apply the Collateral to this Note or such other Obligations, whether due or not, and (iv) proceed to enforce and protect its rights by an action at law or in equity or by any other appropriate proceedings; provided that this Note and the Obligations shall be accelerated automatically and immediately if the Event of Default is a filing under the U.S. Bankruptcy Code. In addition, Bank may use, in connection with any assembly or disposition of the Collateral, any trademark, trade name, tradestyle, copyright, patent right, trade secret or technical process used or utilized by Borrower. Bank may take such measures as Bank may deem necessary or advisable to preserve, collect, process, develop, maintain, protect, care for or insure the Collateral or any portion thereof; and Borrower irrevocably appoints Bank as Borrower's attorney-in-fact to do all acts and things in connection therewith and in particular, to endorse checks and other instruments payable to Borrower. The Borrower shall pay all costs of collection incurred by Bank, including its Attorneys' Fees, if this Note is referred to an attorney for collection, whether or not payment is obtained before entry of judgment.

Bank's rights and remedies hereunder are cumulative, and may be exercised together, separately, and in any order. No delay on the part of Bank in the exercise of any such right or remedy shall operate as a waiver. No single or partial exercise by Bank of any right or remedy shall preclude any other further exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Bank of any Event of Default shall be effective unless in writing and signed by Bank, nor shall a waiver on one occasion be construed as a waiver of any other occurrence in the future.

10. LATE FEE; DEFAULT RATE; FEES. The Bank may charge late fees as set forth in the Section 2.1(b) of the Loan Agreement. Additionally, subject to Section 2.1 of the Loan Agreement, upon the occurrence and during the continuation of an Event of Default, the Borrower agrees to pay to Bank, and the Borrower agrees that Bank may increase the Interest Rate to, in each case without notice, the Default Rate. Bank may impose a non-sufficient funds fee for any check that is presented for payment that is returned for any reason. In addition, Bank may charge loan documentation fees as may be reasonably determined by Bank.

11. PREPAYMENT. The Borrower may prepay all or part of the Loans under this Note, subject to the provisions of Section 2.1(d) of the Loan Agreement.

12. ENTIRE AGREEMENT; FACSIMILE SIGNATURE; MULTIPLE COUNTERPARTS. Borrower agrees that there are no conditions or understandings which are not expressed in this Note and the other Loan Documents. This Note may be (a) signed by facsimile signature or other electronic delivery of an image file reflecting the execution hereof, and if so signed, may be relied on by Bank as if the document were a manually signed original and will be binding on Borrower for all purposes, and (b) executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

13. SEVERABILITY AND INTERPRETATION. The declaration of invalidity of any provision of this Note shall not affect any part of the remainder of the provisions. Unless the context otherwise indicates, the singular includes the plural and vice versa, the masculine includes the feminine and neuter, and the pronouns "herein" and the like refer to this entire Note.

14. ASSIGNMENT. Borrower agrees not to assign any of Borrower's rights, remedies or obligations described in this Note without the prior written consent of Bank, which Bank will not unreasonably withhold, condition or delay. Borrower agrees that Bank may assign some or all of its rights and remedies described in this Note in accordance with the terms and conditions of the Loan Agreement.

15. MODIFICATION; WAIVER OF BANK. The modification or waiver of any of the Borrower's obligations or Bank's rights under this Note must be contained in a writing signed by the Borrower and Bank. Bank may perform Borrower's obligations, or delay or fail to exercise any of its rights or remedies, without causing a waiver of those obligations or rights. A waiver on one occasion shall not constitute a waiver on another occasion. The Borrower's obligations under this Note shall not be affected if Bank amends, compromises, exchanges, fails to exercise, impairs or releases (i) any of the obligations belonging to any co-borrower, endorser

or guarantor, (ii) any of its rights against any co-borrower, guarantor or endorser, or (iii) the Collateral or any other property securing the Obligations.

16. WAIVER OF BORROWER. Demand, presentment, protest and notice of dishonor, notice of protest and notice of default are hereby waived by Borrower, and any endorser or guarantor hereof. Borrower, and any co-maker and accommodation maker of this Note hereby waives relief under valuation and appraisal laws and all suretyship defenses including but not limited to all defenses based upon impairment of Collateral and all suretyship defenses described in Section 3-605 of the UCC. Such waiver is entered to the full extent permitted by Section 3-605 (i) of the UCC.

17. NOTICES. Any notices under or pursuant to this Note shall be made in accordance with the Loan Agreement.

18. TIME IS OF THE ESSENCE. Time is of the essence in carrying out all of the provisions in this Note.

19. GOVERNING LAW; CONSENT TO JURISDICTION. This Note is delivered in, is intended to be performed in, will be construed and enforceable in accordance with and governed by the internal laws of, the State of Indiana, without regard to principles of conflicts of law that would result in the application of the laws of any state other than the State of Indiana. Borrower agrees that the state and federal courts in the County where Bank is located or any other court in which Bank initiates proceedings shall have exclusive jurisdiction over all matters arising out of this Note, and that service of process in any such proceeding shall be effective if mailed to Borrower at the address set forth in the Loan Agreement.

20. JURY WAIVER. BANK, BORROWER AND ANY ENDORSER OR GUARANTOR HEREOF WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

21. JOINT AND SEVERAL LIABILITY. All of the obligations of Borrower hereunder are joint, several and primary. No Borrower shall be or be deemed to be an accommodation party with respect to this Note.

(Signature Page Follows)

**BORROWER**

AQUABOUNTY FARMS INDIANA LLC,  
a Delaware limited liability company

By: /s/David A. Frank  
Name: David A. Frank  
Title: Treasurer and Chief Financial Officer

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

The foregoing instrument was acknowledged before me, a Notary Public in and for said County and State, on this 31st day of July, 2020, by David A. Frank, as Treasurer and Chief Financial Officer of AquaBounty Farms Indiana LLC, a Delaware limited liability company, on behalf of the company.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

(Signature Page to Term Note)

**WITNESS:**

/s/ Sherry Sylvester  
Witness Signature

Witness Name (Print): Sherry Sylvester

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

Before me, a Notary Public in and for said County and State, personally appeared Sherry Sylvester, on this 31st day of July, 2020, being known to me to be the person whose name is subscribed as a witness to the foregoing instrument, who, being duly sworn by me, deposes and says that the foregoing instrument was executed and delivered by David A. Frank in the above-named subscribing witness's presence, and that the above-named subscribing witness is not a party to the transaction described in the foregoing instrument and will not receive any interest in or proceeds from the property that is the subject of the transaction.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

(Signature Page to Term Note)

THIS INSTRUMENT WAS  
PREPARED BY AND AFTER  
RECORDING RETURN TO

Joshua L. Christie  
Ice Miller LLP  
One American Square, Suite 2900  
Indianapolis, Indiana 46282

MORTGAGE, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

THIS MORTGAGE, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is dated as of July 31, 2020, by AQUABOUNTY TECHNOLOGIES, INC., a Delaware corporation ("Mortgagor"), as mortgagor, whose address is 2 Mill and Main Place, Suite 395, Maynard, MA 01754, to FIRST FARMERS BANK AND TRUST, as mortgagee ("Mortgagee," which term shall include each of its successors and assigns in such capacity), whose address is 123 N. Jefferson Street, Converse, Indiana 46919.

Background:

- A. Mortgagor is the owner of the fee simple interest in the real property located at 11550 E Gregory Road, Albany, Indiana 47320, as more particularly described on Exhibit A attached hereto and incorporated herein by reference;
- B. Pursuant to that certain Unconditional and Continuing Secured Guaranty Agreement of even date herewith given by Mortgagor in favor of Mortgagee (the "Guaranty"), Mortgagor is guaranteeing the payment and performance of those obligations of AquaBounty Farms Indiana LLC, a Delaware limited liability company and subsidiary of the Mortgagor (the "Borrower"), under that certain Loan and Security Agreement dated as of July 31, 2020 (as it may hereafter be amended, modified, extended, renewed, restated, supplemented and/or amended and restated from time to time, the "Loan Agreement"), including without limitation, that certain Term Note in the original principal amount of Four Million Dollars and 00/100 (\$4,000,000.00) of even date herewith, executed by Borrower in favor of Mortgagee, and any and all modifications, extensions and renewals thereof (the "Note"). The loan evidenced by the Note, together with any and all modifications, extensions and renewals thereof, is referred to herein as the "Loan".
- C. Mortgagor is required to execute and deliver this Mortgage pursuant to the Guaranty and the Loan Agreement.

NOW, THEREFORE, to secure the obligations of the Mortgagor under the Guaranty, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor hereby agrees as follows:

All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Loan Agreement. References to this "Mortgage" shall mean this instrument as amended, revised, modified, supplemented, extended or amended and restated from time to time.

#### ARTICLE I. MORTGAGE

1.1 Grant. For the purposes and upon the terms and conditions in this Mortgage, Mortgagor irrevocably mortgages, warrants, grants, conveys and assigns to Mortgagee, with right of entry and possession and, to the extent permitted by applicable law, power of sale, Mortgagor's interest in the following now owned or hereafter acquired: (a) all of that tract or parcel(s) of land and other real property interests described on Exhibit A attached hereto (the "Land") and all of the buildings, improvements, structures and fixtures (excluding any equipment owned by Praxair, Inc., including any such equipment deemed to be a fixture (the "Praxair Equipment") now or subsequently located on the Land (the "Improvements," the Land and the Improvements being collectively referred to as the "Real Property"); (b) all easements, rights-of-way and rights used in connection with or as a means of access to any portion of the Real Property; (c) all tenements, hereditaments and appurtenances thereof and thereto; (d) all right, title and interest of Mortgagor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Real Property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Real Property; (e) all buildings, improvements, fixtures, equipment, and property (excluding the Praxair Equipment) now or hereafter built on or in, or affixed to, the Real Property, including but not limited to boilers, engines, motors, dynamos and generating equipment; computers, computer workstations and terminals used in the operation of building systems; telephone and other communications systems; piping and plumbing fixtures; stoves, ranges, cooking apparatus and mechanical kitchen equipment; dishwashers, clothes-dryers, refrigerators and freezers; cooling, heating, ventilating, sprinkling and vacuum cleaning systems; fire extinguishing apparatus and equipment; gas and electric fixtures; irrigation systems and equipment; carpeting and underpadding; fire alarm, security and access control systems; elevators, escalators, partitions, mantels, built-in mirrors, window shades, blinds, screens, storm sash and awnings; furniture and furnishings of public spaces, halls and lobbies; incinerating systems and equipment; and landscaping now or hereafter erected or located on the Real Property (the "Tangible Personalty"); (f) all development rights, governmental or quasi-governmental licenses, permits or approvals, zoning rights and other similar rights or interests which relate to the development, use or operation of, or that benefit or are appurtenant to, the Real Property; (g) all mineral rights, oil and gas rights, air rights, water or water rights, including without limitation, all wells, canals, ditches and reservoirs of any nature and all rights thereto, appurtenant to or associated with the Real Property, whether decreed or undecreed, tributary or non-tributary, surface or underground, appropriated or unappropriated, and all shares of stock in any water, canal, ditch or reservoir company, and all well permits, water service contracts, drainage rights and other evidences of any such rights; (h) all leases, licenses, rental agreements and other agreements of any kind relating to the use or occupancy of any of the Real Property, whether existing as of the date hereof or at any time hereafter entered into, together with all guarantees of and security for any tenant's or lessee's performance thereunder, and all amendments, extensions, renewals and modifications thereto (each, a "Lease" and collectively, the "Leases"), together with any and all other rents, income, receipts, revenues, issues, profits and other income of any nature now or hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Real Property including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, forfeitures or liquidated damages following default in any Lease, all proceeds payable as a result of exercise of any option to purchase the Real Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, and all proceeds from any rights and claims of any kind that Mortgagor may

have against any tenant under the Leases or any occupants of the Real Property (all of the above are hereafter collectively referred to as the “Rents”); (i) all interest or estate which Mortgagor now has or may hereafter acquire in the Real Property and all additions and accretions thereto; and (j) all awards or payments made for the taking of all or any portion of the Real Property by eminent domain or any proceeding or purchase in lieu thereof, or any damage to any portion of the Real Property, and all proceeds of the foregoing (all such property and related rights described in clauses (a) through (j) in this Section 1.1 are hereinafter individually and collectively referred to as the “Subject Property”). The listing of specific rights or property shall not be interpreted as a limitation of general terms.

TO HAVE AND TO HOLD the Subject Property with all privileges and appurtenances thereunto belong, to Mortgagee, its successors and assigns forever, upon the terms and conditions, and for the uses hereinafter set forth.

This Mortgage shall also constitute a security agreement under the Indiana Uniform Commercial Code (the “Indiana UCC”) between Mortgagor as debtor and Mortgagee as secured party. Mortgagor grants a security interest to Mortgagee in any of the Subject Property that is fixtures or personal property, including without limitation the Rents and any contract rights under the Leases.

## ARTICLE II. OBLIGATIONS SECURED

2.1 Obligations Secured. Mortgagor makes this grant and assignment for the purpose of securing the following (each, a “Secured Obligation” and collectively, the “Secured Obligations”):

(a) performance by Mortgagor of all of the terms, provisions, conditions, covenants and agreements on Mortgagor’s part to be performed and observed as provided in the Guaranty;

(b) payment of all of the Obligations, including, without limitation, the payment and performance of all obligations and liabilities of Mortgagor, as guarantor, and Borrower (whether now existing or hereafter arising) under the Loan Agreement and each of the other Loan Documents (including, without limitation, this Mortgage);

(c) payment and performance of all obligations of Mortgagor under this Mortgage, the Guaranty, or any other Loan Document to which it is a party, together with all advances, payments or other expenditures made by Mortgagee as or for the payment or performance of any such obligations of Mortgagor;

(d) payment and performance of all future advances and other obligations made or incurred by Borrower pursuant to the Loan Agreement or the other Loan Documents; and

(e) all modifications, extensions and renewals of any of the Secured Obligations (including without limitation, (i) modifications, extensions or renewals at a different rate of interest, or (ii) deferrals or accelerations of the required principal payment dates or interest payment dates or both, in whole or in part), however evidenced, whether or not any such modification, extension or renewal is evidenced by a new or additional promissory note or notes.

2.2 Obligations. The term “obligations” is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, joint or several, including without limitation, all principal, interest, charges, including prepayment charges and late charges, and loan fees at any time accruing or assessed on any Secured Obligation.

2.3 Notice of Secured Obligations. Upon the recordation of this Mortgage with the Recorder's Office in the County where the Real Property is located, all Persons who may have or acquire an interest in the Subject Property are hereby deemed to have notice of the terms of the Secured Obligations and to have notice, if provided therein, that: (a) the Loan Agreement or any other Secured Obligation may permit borrowing, repayment and reborrowing; and (b) the rate of interest on one or more of the Secured Obligations may vary from time to time. All such advances shall have the same priority as the funds initially advanced under any such Secured Obligation.

2.4 Future Advances. This Mortgage is a "Future Advance Mortgage" under IC 32-29-1-10. This Mortgage is given to secure future advances under the Secured Obligations to the same extent as if such future advances were made on the date of the execution of this Mortgage, including payment of any and all additional sums which are in the future loaned by Mortgagee to Mortgagor or any other Borrower, to Mortgagor and another Borrower, or to another guaranteed or endorsed by Mortgagor or any other Borrower pursuant to the Loan Agreement or any other Loan Document, whether now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, secured or unsecured, whether for principal, interest or other debts, obligations or liabilities and whether or not all or any of such debts, obligations or liabilities are or become barred by any statute of limitations or otherwise unenforceable. The lien of this Mortgage shall be valid as to all obligations secured hereby, including future advances, from the time of its filing for recording in the recorder's or registrar's office of the county in which the Subject Property is located. The total principal amount of the obligations secured hereby may increase or decrease from time to time, however the amount secured hereby shall not at any time exceed the maximum principal amount of \$10,000,000, together with interest thereon and the amount of any disbursements made to preserve the lien of this Mortgage.

### ARTICLE III. ASSIGNMENT OF LEASES AND RENTS

3.1 Assignment. For the purposes and upon the terms and conditions set forth herein, Mortgagor irrevocably assigns to Mortgagee all of Mortgagor's right, title and interest, now owned or hereafter acquired in, to and under all Leases and Rents. This assignment shall not impose upon Mortgagee any duty to produce Rents from the Subject Property, nor cause Mortgagee to be: (a) a "mortgagee in possession" for any purpose; (b) responsible for performing any of the obligations of the lessor or landlord under any Lease; or (c) responsible for any waste committed by any Person at any time in possession of the Subject Property or any part thereof, or for any dangerous or defective condition of the Subject Property, or for any negligence in the management, upkeep, repair or control of the Subject Property. This is an absolute assignment, not an assignment for security only, and Mortgagee's right to Rents is not contingent upon and may be exercised without taking possession of the Subject Property. Mortgagor agrees to execute and deliver to Mortgagee, within five (5) days of Mortgagee's written request, such additional documents as Mortgagee may reasonably request to further evidence the assignment to Mortgagee of any and all Leases and Rents. Upon the occurrence and during the continuance of an Event of Default, Mortgagee, at Mortgagee's option and without notice, may notify any lessee or tenant of this assignment of the Leases and Rents.

3.2 Protection of Security. To protect the security of this assignment, Mortgagor agrees:

(a) At Mortgagor's sole cost and expense: (i) to perform each obligation to be performed by the lessor or landlord under each Lease and to enforce or secure the performance of each material obligation to be performed by the lessee or tenant under each Lease; (ii) not to anticipate the Rents under any Lease (i.e. not to accept payment of any Rents more than one month in advance); and (iii) except in Mortgagor's ordinary course of business, not to waive or release any lessee or tenant of or from any material Lease obligations, in each case except as otherwise permitted by the Loan Agreement. Upon the occurrence and during the continuance of an Event of Default, Mortgagor assigns to Mortgagee all of Mortgagor's right and power to modify the terms of any Lease, to accept a surrender under or terminate

the term of or anticipate the Rents under any Lease, and to waive or release any lessee or tenant of or from any Lease obligations.

(b) At Mortgagor's sole cost and expense, to defend any action in any manner connected with any Lease or the obligations thereunder, and to pay all costs of Mortgagee, including reasonable attorneys' fees, in any such action in which Mortgagee may appear.

(c) That, should Mortgagor fail to do any act required to be done by Mortgagor under a Lease, then Mortgagee, but without obligation to do so and without releasing Mortgagor from any obligation hereunder, may make or do the same in such manner and to such extent as Mortgagee deems necessary to protect the security hereof, and, in exercising such powers, Mortgagee may employ attorneys and other agents, and Mortgagor shall pay necessary reasonable costs and attorneys' fees incurred by Mortgagee, or its agents, in the exercise of the powers granted herein.

(d) To pay to Mortgagee immediately upon demand all sums reasonably expended under the authority hereof, including attorneys' fees, together with interest thereon at the default rate provided for in the Loan Agreement, and the same, at Mortgagee's option, may be added to any Secured Obligation and shall be secured hereby.

3.3 License. So long as no Event of Default exists, Mortgagor shall have a license ("License") to collect and retain the Rents as, but not before, they come due and payable and a license to exercise all rights under and with respect to the Leases. At any time that an Event of Default exists, the License may be revoked by Mortgagee, and Mortgagee may, to the extent permitted by applicable law, at Mortgagee's option and without further notice, either in person or by agent, with or without bringing any action, or by a receiver to be appointed by a court: (a) enter, take possession of, manage and operate the Subject Property or any part thereof; provided that Borrower may, at the sole discretion of Mortgagee and subject to the terms and conditions set forth in Section 11.1 of the Loan Agreement, continue to produce, harvest and sell fish currently in production at the Subject Property at the time of entry by Mortgagee; (b) make, cancel, enforce or modify any Lease; (c) obtain and evict tenants, fix or modify Rents, and do any acts which Mortgagee deems proper to protect the security hereof; and (d) either with or without taking possession of the Subject Property, in its own name, sue for or otherwise collect and receive all Rents, including those past due and unpaid, and apply the same in accordance with the provisions of this Mortgage. Mortgagor hereby authorizes and directs the tenants of the Subject Property to pay Rents to Mortgagee upon written demand by Mortgagee, without further consent of Mortgagor, without any obligation of such tenants to determine whether an Event of Default has in fact occurred and regardless of whether Mortgagee has taken possession of any portion of the Subject Property, and the tenants may rely upon any written statement delivered by Mortgagee to the tenants. Any such payments to Mortgagee shall constitute payments to Mortgagor under the Leases. The entering and taking possession of the Subject Property, the collection of Rents and the application thereof as aforesaid, shall not cure or waive any Event of Default, nor waive, modify or affect any notice of default hereunder, nor invalidate any act done pursuant to any such notice. The License shall not grant to Mortgagee the right to possession, except as provided in this Mortgage.

3.4 Statutory Rights. Without limited the scope of the assignment of Leases and Rents contained in this Mortgage, the assignment of Leases and Rents set forth herein shall constitute an assignment of rents as set forth in IC 32-21-4-1 and thereby creates, and Borrower hereby grants to Mortgagee, a security interest in the Leases and Rents that will be perfected upon the recording of this Mortgage.

#### ARTICLE IV. RIGHTS AND DUTIES OF THE PARTIES

4.1 Title. Mortgagor warrants that, except for Permitted Liens, Mortgagor lawfully possesses and holds a valid fee simple interest in the Subject Property without limitation on the right to encumber,

as herein provided, and that this Mortgage is a valid lien on the Subject Property and all of Mortgagor's interest therein. Mortgagor warrants that (a) it has a right to mortgage the Subject Property; (b) that it is seized of the Land and the Improvements and has indefeasible fee simple title to the Land and the Improvements and has the right to encumber and convey the same, and title to such Land and Improvements is free and clear of all liens and encumbrances except for the Permitted Liens; (c) that it is the owner of all material Tangible Personalty free and clear of all liens and encumbrances except for the Permitted Liens and (c) that it will warrant and defend the title to such property except for Permitted Liens against the claims of all Persons. As to the balance of the Subject Property, the Rents, and all other personal property, the Mortgagor represents and warrants that it will defend such property against the claims of all Persons subject to the Permitted Liens.

#### 4.2 Damages; Insurance and Condemnation Proceeds.

(a) (i) All awards of damages and all other compensation payable directly or indirectly by reason of a condemnation or proposed condemnation (or transfer in lieu thereof) for public or private use affecting the Subject Property; (ii) all other claims and awards for damages to or decrease in value of the Subject Property; (iii) all proceeds of any insurance policies payable by reason of loss sustained to the Subject Property; and (iv) all interest which may accrue on any of the foregoing, are all absolutely and irrevocably assigned to and shall be paid to Mortgagee. At the absolute discretion of Mortgagee, whether or not its security is or may be impaired, but subject to the terms of the Loan Agreement and applicable law if any, and without regard to any requirement contained in any other Section hereof, Mortgagee may apply all or any of the proceeds it receives to its expenses in settling, prosecuting or defending any such claim and apply the balance to the Secured Obligations in any order, and release all or any part of the proceeds to Mortgagor upon any conditions Mortgagee may impose. Mortgagee may commence, appear in, defend or prosecute any assigned claim or action, and may adjust, compromise, settle and collect all claims and awards assigned to Mortgagee; provided that in no event shall Mortgagee be responsible for any failure to collect any claim or award.

(b) Notwithstanding the foregoing to the contrary, if each of the following conditions, is satisfied, Mortgagee shall, upon request of Mortgagor, permit insurance or condemnation proceeds held by Mortgagee to be used by Mortgagor for repair, restoration or replacement:

(i) There shall then exist no Event of Default;

(ii) Mortgagor shall furnish to Mortgagee a certificate of an architect or engineer reasonably acceptable to Mortgagee stating (x) that the Subject Property is capable of being restored, prior to the maturity of the Secured Obligations, to substantially the same condition as existed prior to the loss or condemnation, (y) the aggregate estimated direct and indirect costs of such restoration and (z) as to any condemnation, that the property taken in such condemnation, or sold under threat thereof, is not necessary to Mortgagor's customary use or occupancy of the Subject Property or Mortgagor otherwise provides Mortgagee adequate assurance that the Subject Property can be restored or is not necessary to Mortgagor's customary use or occupancy of the Subject Property;

(iii) In the event that the estimated cost of restoration set forth in the certificate of such architect or engineer (and such revisions to such estimate as are from time to time made) exceeds the net insurance proceeds or condemnation awards actually received from time to time, Mortgagor shall deposit the amount of such excess with Mortgagee or such other arrangements reasonably acceptable to Mortgagee; and

(iv) Mortgagor completes the repair, restoration and replacement within 365 days after the date of the loss or condemnation (or such longer term as Mortgagee may reasonably approve).

If Mortgagee makes insurance or condemnation proceeds available for repair, restoration or replacement under this Section 4.2(b), such proceeds shall be disbursed by Mortgagee in accordance with its customary procedures for the disbursement of construction loans.

4.3 Protection of Security. Mortgagor shall, at Mortgagor's sole expense: (a) protect, preserve and defend the Subject Property and Mortgagor's title and right to possession of the Subject Property against all adverse claims and (b) protect, preserve and defend the security of this Mortgage and the rights and powers of Mortgagee under this Mortgage against all adverse claims. Mortgagor shall give Mortgagee prompt notice in writing of the assertion of any claim, the filing of any action or proceeding, or the occurrence of any damage, condemnation offer or other action relating to or affecting the Subject Property.

4.4 Powers and Duties of Mortgagee. Mortgagee, may, upon written request, without obligation to do so or liability therefor and without notice: (a) release all or any part of the Subject Property from the lien of this Mortgage; (b) consent to the making of any map or plat of the Subject Property; and (c) join in any grant of easement or declaration of covenants and restrictions with respect to the Subject Property, or any extension agreement or any agreement subordinating the lien or charge of this Mortgage. Mortgagee may from time to time apply to any court of competent jurisdiction for aid and direction in the exercise or enforcement of its rights and remedies available under this Mortgage, and may obtain orders or decrees directing, confirming or approving acts in the exercise or enforcement of said rights and remedies. Mortgagee has no obligation to notify any party of any pending sale or any action or proceeding (including, but not limited to, actions in which Mortgagor or Mortgagee shall be a party) unless held or commenced and maintained by Mortgagee under this Mortgage.

4.5 Compensation; Exculpation; Indemnification.

(a) Mortgagee shall not directly or indirectly be liable to Mortgagor or any other Person as a consequence of: (i) the exercise of any rights, remedies or powers granted to Mortgagee in this Mortgage; (ii) the failure or refusal of Mortgagee to perform or discharge any obligation or liability of Mortgagor under this Mortgage or any Lease or other agreement related to the Subject Property; or (iii) any loss sustained by Mortgagor or any third party as a result of Mortgagee's failure to lease the Subject Property or any portion thereof after any Event of Default or from any other act or omission of Mortgagee in managing the Subject Property or any portion thereof after any Event of Default unless such loss is caused by the willful misconduct or gross negligence of Mortgagee, in each case as determined by a final and non-appealable judgment in a court of competent jurisdiction; and no such liability shall be asserted or enforced against Mortgagee, and all such liability is hereby expressly waived and released by Mortgagor.

(b) Mortgagor shall indemnify Mortgagee against, and defend and hold them harmless from, any and all losses, damages, liabilities, claims, causes of action, judgments, court costs, reasonable attorneys' fees and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which any such Person may suffer or incur: (i) by reason of this Mortgage; (ii) by reason of the execution of this Mortgage or the performance of any act required or permitted hereunder or by law; (iii) as a result of any failure of Mortgagor to perform Mortgagor's obligations; or (iv) by reason of any alleged obligation or undertaking of Mortgagee to perform or discharge any of the representations, warranties, conditions, covenants or other obligations contained in any other document related to the Subject Property, including without limitation, the payment of any taxes, assessments, rents or other lease obligations, liens, encumbrances or other obligations of Mortgagor under this Mortgage, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the Mortgagee, as determined by a court of competent jurisdiction by final nonappealable judgment. Mortgagor's duty to indemnify and defend Mortgagee shall survive the payment, discharge or cancellation of the Secured Obligations and the release or satisfaction, in whole or in part, of this Mortgage.

(c) Mortgagor shall pay all indebtedness arising under this Section immediately upon demand by Mortgagee, together with interest thereon from the date such indebtedness arises at the default rate provided for in the Loan Agreement.

4.6 Releases, Extensions, Modifications and Additional Security. Without notice to or the consent, approval or agreement of any Person having any interest at any time in the Subject Property or in any manner obligated under any Secured Obligation (each, an “Interested Party”), Mortgagee may, from time to time as permitted by the Loan Agreement, release any Interested Party from liability for the payment of any Secured Obligation, take any action or make any agreement extending the maturity or otherwise altering the terms or increasing the amount of any Secured Obligation, accept additional security, and enforce, waive, subordinate or release all or a portion of the Subject Property or any other security for any Secured Obligation. None of the foregoing actions shall release or reduce the personal liability of any Interested Party or release or impair the priority of the lien of this Mortgage upon the Subject Property.

4.7 Release of Mortgage. Upon any disposition of the Secured Property permitted by the Loan Agreement and upon the payment in full of all Secured Obligations (other than (i) contingent indemnification and expense reimbursement obligations which survive termination of the Loan Documents and in respect of which no claim has been made and (ii) obligations under Secured Cash Management Agreements and Secured Hedge Agreements as to which arrangements satisfactory to the applicable Secured Party have been made), the termination or expiration of the Commitments, Mortgagee, without warranty, shall deliver for recording in the appropriate real property records a satisfaction or release of Mortgage for the Subject Property, or that portion thereof then covered hereby, from the lien of this Mortgage.

4.8 Subrogation. Mortgagee shall be subrogated to the lien of all encumbrances, whether or not released of record, paid in whole or in part by Mortgagee pursuant to this Mortgage or by the proceeds of any Secured Obligation.

4.9 Restrictions on Transfer. Except as permitted by the Loan Documents, it shall be an Event of Default hereunder if, without the prior written consent of Mortgagee, Mortgagor shall create, effect or consent to or shall suffer or permit any conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation of the Subject Property or any part thereof or interest therein, including the equity of redemption; whether any such conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation is effected directly, indirectly, voluntarily or involuntarily, by operation of law or otherwise; provided that the foregoing provisions of this Section shall not apply to (i) liens securing the Loan, or (ii) the lien of current taxes and assessments not in default.

#### ARTICLE V. DEFAULT PROVISIONS

5.1 Event of Default. The term “Event of Default” as used in this Mortgage shall mean:

- (a) if a default or an Event of Default under any Loan Document occurs and continues beyond any applicable cure period;
- (b) if a default under any loan to or agreement with Mortgagee by the Mortgagor shall occur and be continuing beyond any applicable cure period;
- (c) if a default under Section 4.9 herein shall occur and be continuing without notice or period of grace of any kind;

(d) if any default exists under any other provisions hereof, and such default shall continue for thirty (30) days after written notice to Mortgagor or if such failure cannot reasonably be corrected within such thirty (30) day time period, such longer period not to exceed ninety (90) days that the Mortgagor diligently pursues the correction thereof; or

(e) if there shall occur any default or event of default, or any similar event, or any event which requires the prepayment of borrowed money or the acceleration of the maturity thereof, under the terms of any evidence of indebtedness or other agreement guaranteed, issued, assumed or entered into by the Mortgagor or any borrower or guarantor of the Loan or under the terms of any indenture, agreement or instrument under which any such evidence of indebtedness or other agreement is issued, assumed, secured or guaranteed, whether owed to Mortgagee or any other creditor, and such event shall continue beyond any applicable period of grace.

5.2 Rights and Remedies. Upon the occurrence and continuance of any Event of Default, and at any time thereafter, Mortgagee shall, subject to the terms of the Guaranty, have all the following rights and remedies:

(a) With or without notice, to declare all Secured Obligations immediately due and payable in full;

(b) To the extent permitted by applicable law, with or without notice, without releasing Mortgagor from any Secured Obligation and without becoming a mortgagee in possession, to cure any Event of Default and, in connection therewith: (i) to enter upon the Subject Property and to do such acts and things as Mortgagee deems necessary or desirable to protect the security of this Mortgage, including without limitation, to appear in and defend any action or proceeding purporting to affect the security of this Mortgage or the rights or powers of Mortgagee hereunder and to exclude Mortgagor and its agents and employees from the Subject Property without liability for trespass, damage or otherwise (Mortgagor hereby agreeing to surrender possession of the Subject Property to Mortgagee upon demand at any such time) and use, operate, manage, maintain and control the Subject Property and every part thereof, including, at the sole discretion of Mortgagee and subject to the terms and conditions set forth in Section 11.1 of the Loan Agreement, permitting Borrower to continue to produce, harvest and sell fish currently in production at the Subject Property at the time of entry by Mortgagee; (ii) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the judgment of Mortgagee, is senior in priority to this Mortgage (except to the extent set forth in the Intercreditor Agreement), the judgment of Mortgagee being conclusive as between the parties hereto; (iii) to obtain, and to pay any premiums or charges with respect to, any insurance required to be carried hereunder; and (iv) to employ counsel, accountants, contractors and other appropriate persons to assist Mortgagee.

(c) To commence and maintain proceedings, judicial or otherwise, to foreclose this Mortgage under applicable law, in which case the Subject Property or any interest therein may be sold for cash or credit in one or more parcels or in several interests or portions and in any manner, at such time and place, upon such terms and after such notice thereof as may be required or permitted by applicable law, or to obtain specific enforcement of the covenants of Mortgagor under this Mortgage, and Mortgagor agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy. For the purposes of any suit brought under this subsection, Mortgagor waives the defenses of laches and any applicable statute of limitations.

(d) To apply to a court of competent jurisdiction for and obtain appointment of a receiver of the Subject Property as a matter of strict right and without regard to: (i) the adequacy of the security for the repayment of the Secured Obligations; or (ii) the existence of a declaration that the Secured Obligations are immediately due and payable.

(e) To take and possess all documents, books, records, papers and accounts of Mortgagor or the then owner of the Subject Property; to make or modify Leases of, and other agreements with respect to, the Subject Property upon such terms and conditions as Mortgagee deems proper; and to make repairs, alterations and improvements to the Subject Property deemed necessary, in Mortgagee's judgment, to protect or enhance the security hereof.

(f) To resort to and realize upon the security hereunder and any other security now or later held by Mortgagee concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both, to take all actions permitted under the Indiana UCC, and to apply the proceeds received in accordance with Section 5.3, all in such order and manner as Mortgagee shall determine in its sole discretion.

(g) Upon sale of the Subject Property at any judicial or non-judicial foreclosure, Mortgagee may credit bid (as determined by Mortgagee in its sole discretion) all or any portion of the Secured Obligations. In determining such credit bid, Mortgagee may, but is not obligated to, take into account all or any of the following: (i) appraisals of the Subject Property as such appraisals may be discounted or adjusted by Mortgagee in its sole underwriting discretion; (ii) expenses and costs incurred by Mortgagee with respect to the Subject Property prior to foreclosure; (iii) expenses and costs which Mortgagee anticipates will be incurred with respect to the Subject Property after foreclosure, but prior to resale, including without limitation, costs of structural reports and other due diligence, costs to carry the Subject Property prior to resale, costs of resale (e.g., commissions, attorneys' fees, and taxes), Hazardous Materials clean-up and monitoring, deferred maintenance, repair, refurbishment and retrofit, and costs of defending or settling litigation affecting the Subject Property; (iv) declining trends in real property values generally and with respect to properties similar to the Subject Property; (v) anticipated discounts upon resale of the Subject Property as a distressed or foreclosed property; (vi) the existence of additional collateral, if any, for the Secured Obligations; and (vii) such other factors or matters that Mortgagee deems appropriate. Mortgagor acknowledges and agrees that, to the extent permitted by law: (A) Mortgagee is not required to use any or all of the foregoing factors to determine the amount of its credit bid; (B) this Section does not impose upon Mortgagee any additional obligations that are not imposed by law at the time the credit bid is made; (C) the amount of Mortgagee's credit bid need not have any relation to any loan-to-value ratios specified in any agreement between Mortgagor and Mortgagee or previously discussed by Mortgagor and Mortgagee; and (D) Mortgagee's credit bid may be, at Mortgagee's sole discretion, higher or lower than any appraised value of the Subject Property.

(h) In the event of any breach of any of the covenants, agreements, terms or conditions contained in this Mortgage, and notwithstanding to the contrary any exculpatory or non-recourse language which may be contained herein, Mortgagee shall be entitled to enjoin such breach and obtain specific performance of any covenant, agreement, term or condition and Mortgagee shall have the right to invoke any equitable right or remedy as though other remedies were not provided for in this Mortgage. In any sale of the Subject Property made pursuant to this Mortgage, Mortgagee, to the extent permitted by governing law, may elect to deem all of the Subject Property to be real property for purposes thereof.

5.3 Application of Foreclosure Sale Proceeds. After deducting all costs, fees and expenses of sale, including costs of evidence of title and attorneys' fees in connection with a sale, all proceeds of any foreclosure sale shall, to the extent permitted by law, be applied first, to payment of all Secured Obligations (including without limitation, all sums expended by Mortgagee under the terms hereof and not then repaid, with accrued interest at the default rate provided for in the Loan Agreement), in such order and amounts as Mortgagee in its sole discretion shall determine; and the remainder, if any, to the Person or Persons legally entitled thereto.

5.4 Application of Other Sums. All Rents or other sums received by Mortgagee or any agent or receiver hereunder, less all costs and expenses incurred by Mortgagee or such agent or receiver, including attorneys' fees, shall be applied to payment of the Secured Obligations in such order as

Mortgagee shall determine in its sole discretion; provided that Mortgagee shall have no liability for funds not actually received by Mortgagee.

5.5 No Cure or Waiver. Neither Mortgagee's or any receiver's entry upon and taking possession of the Subject Property, nor any collection of Rents, insurance proceeds, condemnation proceeds or damages, other security or proceeds of other security, or other sums, nor the application of any collected sum to any Secured Obligation, nor the exercise of any other right or remedy by Mortgagee or any receiver shall impair the status of the security of this Mortgage, or cure or waive any breach, Event of Default or notice of default under this Mortgage, or nullify the effect of any notice of default or sale, or prejudice Mortgagee in the exercise of any right or remedy, or be construed as an affirmation by Mortgagee of any tenancy, lease or option of the Subject Property or a subordination of the lien of this Mortgage.

5.6 Costs, Expenses and Attorneys' Fees. Mortgagor agrees to pay to Mortgagee immediately upon demand the full amount of all out of pocket payments, advances, charges, costs and expenses, including court costs and reasonable attorneys' fees, expended or incurred by Mortgagee pursuant to this Article V, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Mortgagee or any other Person) relating to Mortgagor or in any way affecting any of the Subject Property or Mortgagee's ability to exercise any of its rights or remedies with respect thereto. Without limitation of the foregoing, Mortgagor shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Mortgagee from and against any and all claims, losses, payments, charges, costs and expenses imposed upon or incurred by or asserted against any Secured Party and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Mortgage or any of the other Loan Documents. All of the foregoing shall be paid by Mortgagor with interest from the date of demand until paid in full at the default rate provided for in the Loan Agreement.

5.7 Power to File Notices and Cure Defaults. Mortgagor hereby irrevocably appoints Mortgagee (and all officers, employees or agents designated by Mortgagee) as Mortgagor's true attorney-in-fact to perform any of the following powers, which agency is coupled with an interest and is irrevocable: (a) to execute and/or record any notices of completion, cessation of labor, or any other notices that Mortgagee deems appropriate to protect the Mortgagee's interests; and (b) upon the occurrence and continuance of any event, act or omission which with the giving of notice or the passage of time, or both, would constitute an Event of Default, to perform any obligation of Mortgagor hereunder; provided that Mortgagee, as such attorney-in-fact, shall only be accountable for such funds as are actually received by Mortgagee, and Mortgagee shall not be liable to Mortgagor or any other Person for any failure to act under this Section.

5.8 Remedies Cumulative; No Waiver. All rights, powers and remedies of Mortgagee hereunder are cumulative and are in addition to all rights, powers and remedies provided by law or in any other Loan Document. No delay, failure or discontinuance of Mortgagee in exercising any right, power or remedy hereunder shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy.

#### ARTICLE VI. MISCELLANEOUS PROVISIONS

6.1 No Merger. No merger shall occur as a result of any Secured Party's acquiring any other estate in, or any other lien on, the Subject Property unless such Secured Party specifically consents to a merger in writing.

6.2 Execution of Documents. Mortgagor agrees, upon demand by Mortgagee, to do any act or execute any and all reasonably requested documents and instruments (including, but not limited to, security agreements on any personalty included or to be included in the Secured Obligations and a separate assignment of each Lease in recordable form that includes or refers to the License) required to effectuate the provisions hereof as long as any such documents or instruments do not add additional liability or obligations on Mortgagor.

6.3 Right of Inspection. Subject to the rights of tenants under the Leases, Mortgagee or its agents or employees may enter onto the Subject Property at any reasonable time upon prior notice (other than in the case of an emergency) for the purpose of inspecting the Subject Property and ascertaining Mortgagor's compliance with the terms hereof.

6.4 Notices, Requests for Notice. All notices, requests and demands which Mortgagor or Mortgagee is required or may desire to give to the other party must be in writing, delivered in accordance with the terms of the Loan Agreement to Mortgagee at the following address:

First Farmers Bank and Trust  
123 N. Jefferson Street  
Converse, Indiana 46919

and to Mortgagor at its address set forth in the introductory paragraph hereto, or at such other address as either party shall designate by written notice to the other party in accordance with the provisions hereof.

6.5 Successors; Assignment. This Mortgage shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

6.6 Rules of Construction. (a) When appropriate based on the identity of the parties or other circumstances, the masculine gender includes the feminine or neuter or both, and the singular number includes the plural; (b) the term "Subject Property" includes all and any part of or interest in the Subject Property; (c) all Section headings herein are for convenience of reference only, are not a part of this Mortgage, and shall be disregarded in the interpretation of any portion of this Mortgage; and (d) all terms of Exhibit A, and each other exhibit and/or rider attached hereto and recorded herewith, are hereby incorporated into this Mortgage by this reference.

6.7 Amendments and Waivers; No Oral Modification. Neither this Mortgage nor any terms hereof may be amended, supplemented or modified except in accordance with the provisions of the Loan Agreement. This Mortgage may not be changed or terminated orally. Any agreement made by Mortgagor and Mortgagee after the date of this Mortgage relating to this Mortgage shall be superior to the rights of the holder of any intervening or subordinate lien or encumbrance.

6.8 Severability of Provisions. If any provision of this Mortgage shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Mortgage.

6.9 Mortgagor's Waiver of Rights. To the fullest extent permitted by law, Mortgagor waives the benefit of all laws now existing or that may subsequently be enacted providing for (i) any appraisal before sale of any portion of the Subject Property, (ii) any extension of the time for the enforcement of the collection of the Secured Obligations or the creation or extension of a period of redemption from any sale made in collecting such debt and (iii) exemption of the Subject Property from attachment, levy or sale under execution or exemption from civil process. To the full extent Mortgagor

may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, exemption, extension or redemption, or requiring foreclosure of this Mortgage before exercising any other remedy granted hereunder and Mortgagor, for Mortgagor and its successors and assigns, and for any and all Persons ever claiming any interest in the Subject Property, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of exercise by Mortgagee or any other Secured Party of the right of the rights hereby created.

6.10 Multiple Security. If (a) the Subject Property shall consist of one or more parcels, whether or not contiguous and whether or not located in the same county, (b) in addition to this Mortgage, Mortgagee shall now or hereafter hold or be the beneficiary of one or more additional mortgages, liens, deeds of trust or other security (directly or indirectly) for the Secured Obligations upon other property in the State of Indiana (whether or not such property is owned by Mortgagor or by others) or (c) both the circumstances described in clauses (a) and (b) shall be true, then to the fullest extent permitted by law, upon the occurrence and during the continuance of an Event of Default, Mortgagee may, at its election, commence or consolidate in a single mortgagee's sale or foreclosure action all mortgagee's sale or foreclosure proceedings against all such collateral securing the Secured Obligations (including the Subject Property), which action may be brought or consolidated in the courts of, or sale conducted in, any county in which any of such collateral is located. Mortgagor acknowledges that the right to maintain a consolidated mortgagee's sale or foreclosure action upon the occurrence and during the continuance of an Event of Default is a specific inducement to Mortgagee to extend the Secured Obligations, and Mortgagor expressly and irrevocably waives any objections to the commencement or consolidation of the foreclosure proceedings in a single action and any objections to the laying of venue or based on the grounds of *forum non conveniens* which it may now or hereafter have. Mortgagor further agrees that if upon the occurrence and during the continuance of an Event of Default Mortgagee shall be prosecuting one or more foreclosure or other proceedings against a portion of the Subject Property or against any collateral other than the Subject Property, which collateral directly or indirectly secures the Secured Obligations, or if Mortgagee shall have obtained a judgment of foreclosure and sale or similar judgment against such collateral, then, whether or not such proceedings are being maintained or judgments were obtained in or outside the State of Indiana, upon the occurrence and during the continuance of an Event of Default Mortgagee may commence or continue any foreclosure proceedings and exercise its other remedies granted in this Mortgage against all or any part of the Subject Property and Mortgagor waives any objections to the commencement or continuation of a foreclosure of this Mortgage or exercise of any other remedies hereunder based on such other proceedings or judgments, and waives any right to seek to dismiss, stay, remove, transfer or consolidate either any action under this Mortgage or such other proceedings on such basis. The commencement or continuation of proceedings to sell the Subject Property, to foreclose this Mortgage or the exercise of any other rights hereunder or the recovery of any judgment by Mortgagee or the occurrence of any sale by Mortgagee in any such proceedings shall not prejudice, limit or preclude Mortgagee's right to commence or continue one or more foreclosure or other proceedings or obtain a judgment against any other collateral (either in or outside the State of Indiana) which directly or indirectly secures the Secured Obligations, and Mortgagor expressly waives any objections to the commencement of, continuation of, or entry of a judgment in such other sales or proceedings or exercise of any remedies in such sales or proceedings based upon any action or judgment connected to this Mortgage, and Mortgagor also waives any right to seek to dismiss, stay, remove, transfer or consolidate either such other sales or proceedings or any sale or action under this Mortgage on such basis. It is expressly understood and agreed that to the fullest extent permitted by law, Mortgagee may, upon the occurrence and during the continuance of an Event of Default, at its election, cause the sale of all collateral which is the subject of a single mortgagee's sale or foreclosure action at either a single sale or at multiple sales conducted simultaneously and take such other measures as are appropriate in order to effect the agreement of the parties to dispose of and administer all collateral securing the Secured Obligations (directly or indirectly) in the most economical and least time-consuming manner.

6.11 Governing Law. This Mortgage shall be governed by and construed in accordance with the laws of the State of Indiana.

6.12 Conflicts. In the event of any conflict between the terms and provisions of this Mortgage and the terms and provisions of the Loan Agreement, the terms and provisions of the Loan Agreement shall govern with respect to the Subject Property.

6.13 Fixture Filing. This Mortgage constitutes a financing statement filed as a fixture filing under the Indiana UCC, as amended or recodified from time to time, covering any Subject Property or goods which now is or later may become a fixture attached to the Real Property or any building located thereon and is to be filed for record in the real estate records of the county where the Subject Property is situated. The real property to which the fixtures relate is described on Exhibit A attached hereto. The name of the debtor for purposes of this financing statement is the name of the Mortgagor set forth in the first paragraph on Page 1 hereof, and the name of the secured party for purposes of this financing statement is the name of Mortgagee set forth in the first paragraph on Page 1 hereof. The mailing address of the Mortgagor/debtor is the address of the Mortgagor set forth in the first paragraph on Page 1 hereof. The address of Mortgagee/secured party is the address of Mortgagee as set forth in the first paragraph on Page 1 hereof. Mortgagor is an organization that is a corporation organized under the laws of the State of Delaware. The Delaware organizational identification number for Mortgagor is 2282110.

6.14 Indiana State Specific Provisions. Notwithstanding anything to the contrary contained in this Mortgage, in the event of any conflict or inconsistency between the provisions of this Section 6.14 and the other provisions of this Mortgage, the provisions of this Section 6.14 will govern.

(a) The obligations under the Loan Agreement have a final maturity date of October 1, 2028.

(b) Nothing in this Mortgage is intended to constitute a waiver of deficiency under IC 32-29-7-5.

(c) Mortgagor agrees that Mortgagee shall be entitled to a receiver as a matter of right in accordance with IC 32-30-5-1(4)(C) in any action by Mortgagee seeking to enforce this Mortgage, including, without limitation, by foreclosure.

(d) For purposes of this Section 6.14(d), "Applicable Law" means statutory and case law in Indiana, including, but not by way of limitation, Mortgage Foreclosure Actions, Ind. Code 32-30-10, Receiverships, Ind. Code 32-30-5, and the Uniform Commercial Code - Secured Transactions, Ind. Code 26-1-9.1 (the "UCC"), as amended, modified and/or recodified from time to time; provided, however, if by reason of mandatory provisions of law, the perfection, the effect of perfection or nonperfection, and the priority of a security interests in any collateral are governed by the Uniform Commercial Code as in effect in a jurisdiction other than Indiana, "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to perfection, effect of perfection or non-perfection, and the priority of the security interests in any such collateral. Notwithstanding anything in the Loan Agreement, this Mortgage or the other Loan Documents to the contrary, upon the occurrence and during the continuance of an Event of Default, Mortgagee shall be entitled to all rights and remedies that a mortgagee would have under Applicable Law. In the event of any inconsistency between the provisions of this Mortgage and the provisions of Applicable Law, the provisions of Applicable Law shall take precedence over the provisions of the Mortgage, but shall not invalidate or render unenforceable any other provisions of the Mortgage that can be construed in a manner consistent with Applicable Law. Conversely, if any provision of the Mortgage shall grant to Mortgagee any rights or remedies upon the occurrence and during the continuance of an Event of Default of the Mortgagor which are more limited than the rights or remedies that would otherwise be vested in the mortgagee under

Applicable Law in the absence of said provision, Mortgagee shall be vested with the rights and remedies granted under Applicable Law. Notwithstanding any provision in this Mortgage relating to a power of sale or other provision for sale of the Subject Property upon the occurrence and during the continuance of an Event of Default by Mortgagor other than under a judicial proceeding, any sale of the Subject Property pursuant to the Mortgage will be made through a judicial proceeding, except as otherwise may be permitted under the Uniform Commercial Code. To the extent Applicable Law limits: (i) the availability of the exercise of any of the remedies set forth in the Mortgage, including without limitation the remedies involving a power of sale on the part of Mortgagee and the right of Mortgagee to exercise self-help in connection with the enforcement of the terms of the Mortgage, or (ii) the enforcement of waivers and indemnities made by Mortgagor, such remedies, waivers, or indemnities shall be exercisable or enforceable, any provisions in the Mortgage to the contrary notwithstanding, if, and to the extent, permitted by the laws in force at the time of the exercise of such remedies or the enforcement of such waivers or indemnities without regard to whether such remedies, waivers or indemnities were enforceable at the time of the execution and delivery of the Mortgage. The proceeds of any foreclosure sale of the Subject Property shall be distributed and applied pursuant to Applicable Law.

(e) All payments owed by Mortgagor to Mortgagee under the Loan Agreement, this Mortgage, or any other Loan Document shall be made without relief from valuation and appraisal laws.

*[Signature page follows.]*

IN WITNESS WHEREOF, Mortgagor has executed and delivered this Mortgage as of the date first set forth above.

Mortgagor:

AQUABOUTY TECHNOLOGIES, INC.,  
a Delaware corporation

By: /s/ David A. Frank  
Name: David A. Frank  
Title: Treasurer and Chief Financial Officer

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

The foregoing instrument was acknowledged before me, a Notary Public in and for said County and State, on this 31st day of July, 2020, by David A. Frank, as Treasurer and Chief Financial Officer of AquaBounty Farms Indiana LLC, a Delaware limited liability company, on behalf of the company.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

Witness:

/s/ Sherry Sylvester

Witness Signature

Witness Name (Print): Sherry Sylvester

STATE OF MASSACHUSETTS )

) SS:

COUNTY OF MIDDLESEX )

Before me, a Notary Public in and for said County and State, personally appeared Sherry Sylvester, on this 31st day of July, 2020, being known to me to be the person whose name is subscribed as a witness to the foregoing instrument, who, being duly sworn by me, deposes and says that the foregoing instrument was executed and delivered by David A. Frank in the above-named subscribing witness's presence, and that the above-named subscribing witness is not a party to the transaction described in the foregoing instrument and will not receive any interest in or proceeds from the property that is the subject of the transaction.

/s/ Christopher H. Martin

Print Name: Christopher H. Martin

Notary Public, Middlesex County, Massachusetts

My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

This instrument was prepared by and upon recording return to:

Joshua L. Christie, Esq.

Ice Miller LLP

One American Square, Suite 2900

Indianapolis, Indiana 46282

I affirm, under the penalties for perjury, that I have taken reasonable care to redact each social security number in this document, unless required by law. **Joshua L. Christie, Esq.**

## EXHIBIT A

Description of Real Property.

THE FOLLOWING REAL ESTATE IS LOCATED IN DELAWARE COUNTY, INDIANA:

Part of Section 35, Township 22 North, Range 11 East, Niles Township, Delaware County, Indiana as described as follows:

Commencing at a monument found at the southwest corner of said Section 35; thence South 88 degrees 52 minutes 32 seconds East (assumed bearing) 753.23 feet along the south line of said Section 35 to a PK nail found in Gregory Road at the Point of beginning of this description; thence North 61 degrees 09 minutes 52 seconds West 8.97 feet to a point in Gregory Road; thence North 34 degrees 42 minutes 01 second West 269.24 feet to a PK nail found Gregory Road; thence North 32 degrees 04 minutes 43 seconds West 210.49 feet to a PK nail found in Gregory Road; thence North 57 degrees 58 minutes 47 seconds East 165.85 feet to an iron rod set; thence North 00 degrees 02 minutes 33 seconds West 455.09 feet to an iron rod found; thence North 83 degrees 34 minutes 06 seconds East 157.13 feet to an iron rod found; thence South 00 degrees 47 minutes 35 seconds West 956.90 feet to a point found; thence North 88 degrees 52 minutes 32 seconds West 13.88 feet to the Point of Beginning, containing 3.45 acres, in Section 35.

ALSO: A part of the Southwest Quarter of Section 35, Township 22 North, Range 11 East, more particularly described as follows, to-wit: Beginning at a point in the centerline of Granville & Albany Pike 1,276.0 feet West of the southeast corner of the Southwest Quarter of Section 35, Township 22 North, Range 11 East; thence North 01 degree 29 minutes 26 seconds East parallel with the east line of said Southwest quarter 2,660.27 feet to the north line of said Southwest Quarter also being the northwest corner of Deed Record 2000 page 8008 as recorded in the records of Delaware County, Indiana; thence North 89 degrees 14 minutes 04 seconds West and on the north line of said Southwest Quarter 632.62 feet; thence South 00 degrees 14 minutes 26 seconds West 580.95 feet to an existing fence; thence North 88 degrees 41 minutes 51 seconds West 126.23 feet to a concrete post; thence South 00 degrees 22 minutes 07 seconds West on an existing fence line 1,112.71 feet to its intersection with the north line of Deed Record 1998 Page 6312 as recorded in the records of Delaware County, Indiana; thence North 83 degrees 24 minutes 42 seconds East and on the north line of said Deed Record 1998 Page 6312, 157.13 feet to the northeast corner of said Deed Record 1998 Page 6312; thence South 00 degrees 27 minutes 29 seconds West on the east line of said Deed Record 1998 Page 6312, 984.53 feet to the Point in the center line of Granville & Albany Pike (being the southeast corner of said Deed Record 1998 Page 6312); thence South 88 degrees 53 minutes 41 seconds East 566.52 feet to the Point of Beginning. Estimated to contain 40.0 acres, more or less.

## GUARANTOR SECURITY AGREEMENT

This GUARANTOR SECURITY AGREEMENT (as it may be amended, restated, supplemented or otherwise modified from time to time, this “Agreement”) is made as of July 31, 2020 (the “Effective Date”) by AquaBounty Technologies, Inc., a Delaware corporation (the “Guarantor”), in favor of First Farmers Bank and Trust (together with its successors and assigns, the “Bank”).

### Background Information

A. The Bank and AquaBounty Farms Indiana, LLC, a Delaware limited liability company (the “Borrower”), entered into a certain Loan and Security Agreement dated as of the date hereof (as it may be amended, restated, supplemented or otherwise modified from time to time, the “Loan Agreement”) pursuant to which the Bank has agreed to extend certain loans to the Borrower (as they may be increased or modified from time to time pursuant to the Loan Agreement, the “Loan”).

B. To induce the Bank to continue to extend the Loan, and in order to secure the payment and performance of the Secured Obligations (as hereinafter defined), Guarantor has agreed to grant a security interest to Bank in certain Collateral (as hereinafter defined) now or hereafter owned or acquired by Guarantor as security for the Secured Obligations.

### Provisions

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to extend the Loan, Guarantor hereby agrees with the Bank as follows:

1. Definitions. References to “Sections” shall be to Sections of this Agreement unless otherwise specifically provided. For purposes hereof, “including” is not limiting and “or” is not exclusive. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. Unless otherwise defined herein, all terms that are defined in the Uniform Commercial Code of Indiana in effect from time to time shall have the same meanings herein as in such Code, and all other capitalized terms shall have the meanings given them in the Loan Agreement.

“Collateral” means all of the following personal property and real property owned by Guarantor, whether now owned or existing, or hereafter arising or acquired or received by Guarantor, wherever located:

(a) all Equipment located at or on the Real Property, excluding any equipment or fixtures owned by Praxair, Inc.;

(b) Guarantor’s ledger sheets, ledger cards, files, correspondence, records, books of account, business papers, computers, computer software (owned by Guarantor or in which Guarantor has an interest), computer programs, electronic media, tapes, disks and documents relating to that Equipment;

(c) all proceeds and products of subsections (a) and (b) of this definition of Collateral in whatever form, including: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds; and

(d) the Real Property.

"Mortgage" shall mean that certain Mortgage, Assignment of Rents and Leases, Security Agreement, Fixture Filing and Financing Statement encumbering the Real Property executed by Guarantor and dated as of even date herewith and delivered to the Bank.

"Real Property:" shall mean the land and improvements constructed thereon and all easements and appurtenances thereto located at 11550 E Gregory Road, Albany, Indiana 47320.

"Secured Obligations" means any and all existing and future indebtedness, obligation and liability of every kind, nature and character, direct or indirect, absolute or contingent (including all renewals, extensions and modifications thereof and all fees, reasonable and documented out-of-pocket costs and expenses incurred by the Bank in connection with the preparation, administration, collection or enforcement thereof), of the Borrower or any other party to the Loan Agreement to the Bank, or any branch, subsidiary or Affiliate of Bank, including without limitation all existing and future indebtedness, obligations and liabilities arising under or pursuant to this Agreement, the Loan Agreement, the Term Note, any promissory note or notes or letters of credit now or hereafter issued under the Loan Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time, including any modification which results in the increase in the principal amount of such obligations and liabilities, and the other Loan Documents, the structuring fees described in the Loan Agreement, or any other fees arising under the Loan Agreement or the Loan Documents.

2. Grant of Security Interests. To secure the Secured Obligations, Guarantor hereby does hereby pledge, assign, transfer and deliver to the Bank and grants to Bank for its benefit a continuing and unconditional first priority security interest in and to any and all of the Collateral.

3. Delivery of Collateral; UCC Financing Statements; Mortgage.

(a) All titles, certificates, if any, or instruments representing or evidencing any Collateral, if any, shall be delivered to and held by or on behalf of Bank pursuant hereto and shall be accompanied by an irrevocable power of attorney authorizing transfer or assignment, in form and substance satisfactory to Bank.

(b) Guarantor hereby authorizes Bank to file one or more UCC financing or continuation statements, and amendments thereto (or similar documents required by any laws of any applicable jurisdiction), relating to all or any part of the Collateral without the signature of Guarantor (to the extent such signature is required under the laws of any applicable jurisdiction).

(c) Guarantor agrees that the Secured Obligations will be secured by the Real Property described in and on the terms and conditions of the Mortgage and authorizes Bank to record the Mortgage in the appropriate county recorder's office.

4. Representations and Warranties. Guarantor represents and warrants as follows:

(a) Guarantor has full corporate power, capacity and authority to execute, deliver and perform this Agreement, in accordance with its terms. Neither the execution, delivery nor the performance of this Agreement violates or results in any breach, or constitutes a default or causes an acceleration of any obligation, of (i) any judgment, decree, order, statute, rule or regulation applicable to Guarantor, or (ii) any material permit, any material agreement or other material instrument to which Guarantor is a party.

(b) To the best of Guarantor's knowledge, (a) the proper filing in the appropriate (i) filing office of a UCC financing statement describing the same as collateral, and (ii) the recording of the Mortgage, is effective to create valid and perfected security interests in the Collateral, free of any adverse claim, other than Permitted Liens, securing the payment of the Secured Obligations, and (b) subject only to the filing of a financing statement described in the immediately preceding sentence, Bank has a valid and first priority security interest in the Collateral which may be perfected by such filing and/or recording, securing the payment of the Secured Obligations, and such security interests are entitled to all of the rights, priorities and benefits afforded by the UCC or other applicable law as enacted in any relevant jurisdiction which relates to perfected security interests.

(c) This Agreement constitutes a valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

(d) To the best of Guarantor's knowledge, no authorization, approval or other action by, and no notice to or filing with, any domestic or foreign governmental authority or regulatory body (other than as set forth in Section 3(b)) or consent of any other Person (other than those consents obtained on or prior to the date hereof) is required for: (i) the pledge and grant of a security interest by Guarantor pursuant to this Agreement, (ii) the execution, delivery or performance of this Agreement by Guarantor, or (iii) the exercise by Bank of its rights and remedies hereunder (except as may have been taken by or at the direction of Guarantor and except as may be required in connection with any disposition of the Collateral by laws affecting the offering and sale of securities generally).

(e) All information heretofore, herein or hereafter supplied to Bank by or on behalf of Guarantor with respect to the Collateral is and will, as to hereafter supplied information, be accurate and complete in all material respects at the time made.

(f) All representations and warranties of Guarantor contained in this Agreement shall survive the execution and delivery of this Agreement, except those which by their terms are made as of a specified date.

5. Covenants; Further Assurances. Guarantor covenants as follows:

(a) Guarantor shall, from time to time, at its expense, promptly execute and deliver all further reasonable instruments, documents and notices and take all further action that may be reasonably necessary or that Bank may reasonably request, in order to create, perfect and protect any security interest granted or purported to be granted by this Agreement or to enable Bank to exercise and enforce its rights and remedies hereunder. Without limiting the generality of the foregoing, Guarantor will, upon Bank's reasonable request, appear in and defend any action or proceeding that may adversely affect Guarantor's title to or Bank's security interest in the Collateral.

(b) Guarantor shall furnish to Bank, from time to time upon reasonable request, statements and schedules further identifying, updating, and describing the material Collateral and such other information, reports and evidence concerning the Collateral as Bank may reasonably request, all in reasonable detail.

(c) Guarantor agrees that it shall not consent to: (i) an amendment, change or alteration of its charter documents in any way not consistent with the Loan Agreement; (ii) a Change in Control without prior written consent of Bank pursuant to Section 18; (iii) a dissolution, assignment for the benefit of creditors, or bankruptcy filing by Guarantor; or (iv) an appointment of a receiver, trustee or liquidator with respect to the property of Guarantor. Notwithstanding the foregoing, Guarantor may change its name from AquaBounty Technologies, Inc. to AquaBounty, Inc. upon concurrent written notice to the Bank.

(d) Except for the name change contemplated in Section 5(c) above, Guarantor shall not change its name, type of organization or jurisdiction of organization, without thirty (30) days' prior written notice of such change to Bank.

(e) Except as otherwise permitted herein, Guarantor shall not: (i) sell, assign (by operation of law or otherwise), transfer or otherwise dispose of, or grant any option or similar right with respect to, any of the Collateral, or (ii) move or remove any of the Collateral from the State of Indiana. In addition, Guarantor shall not use or permit the use of any Collateral in violation of any provision of applicable law and shall not do anything to impair the rights of Bank in any of the Collateral.

(f) Guarantor agrees it shall not create, incur, assume or suffer to exist any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement, including without limitation, any conditional sale or other title retention agreement, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing of any kind (including the charge on property purchased under conditional sales or other title retention agreements) upon or with respect to the Collateral except (i) in favor of Bank securing the Secured Obligations, and (ii) to the extent otherwise permitted herein and Permitted Liens.

(g) To the extent applicable, Guarantor agrees that it shall maintain full and complete books of account and other records reflecting the results of its operations, and the operations of Guarantor.

(h) Guarantor agrees that it shall, (i) pay and discharge promptly, or cause to be paid and discharged promptly, when due and payable, all material and income taxes, assessments and governmental charges or levies imposed upon Guarantor, Guarantor's income or Guarantor's property, or upon any part thereof, other than those being properly contested; and/or (ii) preserve and keep in full force and effect its material rights and properties in the Collateral, except, in each case, in any instance where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(i) Upon the occurrence and during the continuance of an Event of Default beyond the applicable cure period, Guarantor agrees that it shall cause to be paid all sums and distributions (whether made in cash, tangible or intangible property of any kind or character, or otherwise) due or to become due to Guarantor, pertaining to the Collateral, directly to Bank, upon Bank's written notice directing such action to Guarantor. Guarantor further agrees that it shall not take any actions (or inactions) which limit or otherwise impair the foregoing. Any distributions that are required to be remitted to Bank pursuant to the terms of this Agreement shall be deposited into such account as directed by Bank from time to time.

(j) Except as otherwise permitted by this Agreement, Guarantor agrees that it will not, without Bank's prior written consent: (i) grant, create, incur, assume, permit or suffer to exist any lien upon any of its properties or assets, whether now owned or hereafter acquired, except liens which would not adversely affect the value of the Collateral and Permitted Liens; (ii) dissolve or liquidate, or sell, transfer, license, lease or otherwise dispose of any material portion of its property or assets or business, other than sales or dispositions in the ordinary course of business or otherwise permitted by the Loan Agreement; (iii) do any other act that would make it impossible or impractical to carry on the ordinary business of Guarantor as it is generally conducted on the Effective Date.

(k) Insurance Requirements.

(1) Guarantor shall at all times insure and keep insured by insurance companies reasonably acceptable to the Bank, all Collateral against loss or damage from general liability, fire and such other hazards or risks as are customarily insured against by companies similarly situated and operating like properties, and, with respect to the Real Property, in an amount sufficient to replace the Real Property in accordance with the appraisal performed in conjunction with the Loan and with a maximum deductible of \$25,000 per incident. At least three (3) days prior to the Closing Date, Guarantor shall deliver to the Bank a certificate setting forth in summary form the nature and extent of the insurance maintained by Guarantor pursuant to this Section 5(k)(1). All such policies of insurance must be reasonably satisfactory to the Bank in relation to the insurance provided, amount and term of the Obligations and type and value of the Collateral and assets of the Guarantor and all policies shall identify the Bank as lender's loss payee and as an additional insured, and, on the policies relation to the Real Property, as mortgagee.

(2) In the event of the loss of any Collateral occasioned by fire or other hazard, Guarantor shall give prompt written notice to the insurance carrier and to Bank. During the existence of an Event of Default, Bank shall have the right, on behalf of Guarantor, to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to

collect and receive insurance proceeds, and to deduct therefrom Bank's reasonable expenses incurred in the collection of such proceeds; *provided, however*, that nothing contained in this paragraph shall require Bank to incur any expense or take any action hereunder. Guarantor hereby collaterally assigns to Bank all rights of Guarantor in and to any insurance proceeds paid as a result of any such loss or damage.

(l) Upon the occurrence and during the continuance of an Event of Default beyond the applicable cure period, Guarantor agrees that, upon Bank's request, Guarantor shall assign or cause to be assigned all rights and interests in and to that certain Lease Agreement, dated November 22, 2005, by and between Thomas David Stone ("Lessor") and Bell Aquaculture, LLC (the "Original Tenant") (the "Lease Agreement"), as amended by that certain Addendum to Lease Agreement dated April 28, 2008, by and between Lessor and Original Tenant; as further amended by that certain Addendum to Lease Agreement dated July 29, 2008, by and between Lessor and Original Tenant; as further amended by that certain Second Addendum to Lease Agreement dated October 15, 2008, by and between Lessor and Original Tenant; as further amended by that certain Agreement of Understanding, Consent and Amendment dated March 4, 2016, by and between Lessor and Bell Fish Company LLC (f/k/a TCFI Bell SPE I LLC) (the "Second Tenant"); as assigned to Guarantor under that certain Notice of Assignment of Lease Agreement dated July 7, 2017, from Second Tenant to Lessor; and as assigned as a matter of law to Michael Haydon Miller as Co-Trustee of the 2003 Michael Haydon Miller Trust following its purchase from Lessor of the real property underlying the Lease Agreement and assumption of the rights and obligations of Lessor under the Lease Agreement, in order to allow for the continuation of operations on the Real Property.

6. Defaults. The occurrence of any Event of Default, as defined in the Loan Agreement or any of the Loan Documents or the breach of any terms or provisions of the Loan Agreement or any of the Loan Documents, which default or breach continues beyond any period of grace therein provided shall constitute a Default of this Agreement.

#### 7. Collateral Rights

(a) So long as no Event of Default has occurred and is then continuing beyond the applicable cure period, Guarantor shall be entitled to exercise any and rights pertaining to the Collateral, or any part thereof, for any purpose not inconsistent with the terms of this Agreement; and

(b) So long as no Event of Default has occurred and is then continuing beyond the applicable cure period, in respect of which Bank has provided Guarantor with notice of its election to exercise the rights and remedies set forth in subsection 7(c) below, Guarantor shall be entitled to exercise any and all rights pertaining to the Collateral, or any part thereof, for any purpose not inconsistent with the terms of this Agreement.

(c) At any time that an Event of Default has occurred and is then continuing beyond the applicable cure period, in respect of which Bank has provided Guarantor with notice of its election to exercise the rights and remedies set forth in this subsection 7(c), all rights of Guarantor to exercise rights in respect of the Collateral shall immediately cease to be effective upon its receipt of notice from Bank of Bank's intent to exercise its rights hereunder, and upon

the delivery of such notice all such rights shall become vested in Bank and Bank shall thereupon have the sole right to exercise such rights with respect to the Collateral.

8. Bank Appointed Attorney-in-Fact. Guarantor hereby irrevocably appoints Bank, its nominee, and any other Person whom Bank may designate, as Guarantor's attorney-in-fact, (a) solely during the existence of an Event of Default, with full power to take any action and to execute any instrument that such attorney-in-fact may deem necessary or advisable to exercise its rights in the Collateral, including, without limitation, to receive, endorse and collect all sums and distributions (whether made in cash, tangible or intangible property of any kind or character, or otherwise) due or to become due to Guarantor on account of the Collateral, and (b) with full power, during the existence of any Event of Default (in respect of which Bank has provided Guarantor with notice of its election to exercise the rights and remedies set forth in subsection 7(c) above), to take any action and to execute any instrument that such attorney-in-fact may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to: (i) receive, endorse and collect all instruments (or other property, as applicable) made payable to Guarantor representing any distribution in respect of the Collateral, or any part thereof; (ii) exercise the rights pertaining to the Collateral; and (iii) sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though such attorney-in-fact was the absolute owner thereof for all purposes, and to do, at such attorney-in-fact's option and Guarantor's expense, at any time or from time to time, all acts and things that such attorney-in-fact deems necessary to protect, preserve or realize upon the Collateral. Guarantor hereby ratifies and approves all acts of any such attorney-in-fact made or taken pursuant to this Section 8 and agrees that neither Bank nor any other person designated as an attorney-in-fact by Bank shall be liable for any acts, omissions, errors of judgment or mistakes of fact or law (other than, and only to the extent of, such person's gross negligence or willful misconduct). The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Secured Obligations have been satisfied in full (other than contingent obligations not yet due and owing).

9. Bank May Perform. If Guarantor fails to perform any agreement contained herein, subject to any applicable cure period, Bank may itself perform, or cause performance of, such agreement, and the out-of-pocket expenses of Bank incurred in connection therewith shall be payable by Guarantor under Section 14 hereof, and be a part of the Secured Obligations.

10. Limitation on Duty of Bank with Respect to the Collateral. Beyond the safe custody thereof, and as otherwise required by the UCC, Guarantor agrees that Bank shall have no duties concerning the custody and preservation of any Collateral in its control or with respect to any income thereon or the preservation of rights against prior parties or any other rights pertaining thereto. Bank shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its control if the Collateral is accorded treatment substantially equal to that which it accords its own property. It is expressly agreed that Bank shall have no responsibility for: (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not Bank has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral, but Bank may do so and all reasonable expenses incurred in connection therewith shall be payable by and for the sole account of Guarantor.

## 11. Remedial Provisions.

(a) Upon the occurrence and during the continuance of an Event of Default beyond the applicable cure period, Bank and its attorneys may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein, in the Mortgage (with respect to the Real Property), or otherwise available to it, all the rights and remedies of a secured party under the UCC or under the Mortgage, and Bank may also, without demand, advertisement or notice of any kind (other than the notice specified below relating to a public or private sale), sell the Collateral or any part thereof in one or more portions at one or more public or private sales or dispositions, at any exchange, broker's board or at any of Bank's offices (or those of Bank's attorneys) or elsewhere, for cash, on credit, or for future delivery, at such price or prices and upon such other terms as Bank deems advisable. Guarantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to Guarantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification of such matters; provided, that no notification need be given to Guarantor if it has authenticated after default a statement renouncing or modifying any right to notification of sale or other intended disposition. At any sale of the Collateral, if permitted by law, Bank may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof free of any right of equity or redemption in Guarantor. Bank shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Bank may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Guarantor recognizes that Bank may be unable to effect a public sale of all or part of the Collateral and may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Guarantor acknowledges that any such private sales may be at prices and on terms less favorable to the seller than if sold at public sales and agrees that the fact that the sale is conducted at a private sale shall itself not be cause to determine that such sale was not made in a commercially reasonable manner. To the extent permitted by law, Guarantor hereby specifically waives (and, as applicable, releases) any right or equity of redemption, and any right of stay or appraisal, which Guarantor has or may have under any law now existing or hereafter enacted.

(c) Guarantor acknowledges that Bank shall not be liable for any failure or delay in realizing upon or collecting the Secured Obligations or any guaranty thereof or collateral security therefore; and Guarantor further acknowledges that Bank shall not have any duty to take any action with respect thereto, except with respect to any duty or obligation imposed on Bank by the UCC.

12. Remedies Cumulative. No failure on the part of Bank to exercise, and no delay in exercising and no course of dealing with respect to, any power, privilege or right under this Agreement, the Loan Agreement or any of the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise by Bank of any power, privilege or right under this Agreement, the Loan Agreement or the other Loan Documents preclude any other or further exercise thereof or the exercise of any other such power, privilege or right. The powers,

privileges and rights in this Agreement, the Loan Agreement and the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

13. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale or disposition of, or other realization upon, all or any part of the Collateral shall be applied in the following manner:

(a) FIRST: To the payment of all reasonable costs and expenses of such sale, collection or other realization and all amounts for which Bank is entitled to indemnification hereunder, and to the payment of all reasonable costs and expenses paid or incurred by Bank in connection with the exercise of any right or remedy hereunder, all in accordance with Section 14;

(b) SECOND: To the payment of any Secured Obligations, as shall be determined in the sole discretion of Bank; and

(c) THIRD: To the payment or upon the order of Guarantor, or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

14. Expenses. Without limiting Guarantor's obligations under the Loan, this Agreement, the Loan Agreement or any other Loan Document, Guarantor hereby agrees to promptly pay all of Bank's reasonable and documented out-of-pocket fees, costs and expenses (including out-of-pocket expenses and reasonable outside attorney's fees) in connection with (a) maintaining the Collateral, (b) creating, perfecting, protecting and enforcing the lien for the benefit of Bank on the Collateral, (c) selling or otherwise disposing of the Collateral, (d) paying any amount required under any provision of applicable law (including, without limitation, Section 9-615(a)(3) of the UCC) with respect to the Collateral, or (e) any other matters contemplated by or arising out of this Agreement with respect to the Collateral. If Guarantor fails to promptly pay any portion of the above fees, costs and expenses when due or to perform any other obligation of Guarantor under this Agreement, Bank or any agent of Bank may, at its option, but shall not be required to, pay or perform the same and charge Guarantor's account for all fees, costs and expenses incurred therefor, and Guarantor agrees to reimburse Bank or such agent therefor on demand. All sums so paid or incurred by Bank or any agent for any of the foregoing, any and all other sums for which Guarantor may become liable hereunder and all fees, costs and expenses (including reasonable attorneys' fees, legal expenses and court costs) incurred by Bank or any agent in enforcing or protecting any of their rights or remedies under this Agreement shall be payable on demand, shall constitute Secured Obligations, shall bear interest until paid at the highest rate provided in the Loan Agreement and shall be secured by the Collateral.

15. Termination of Lien; Release of Collateral. Bank agrees that upon satisfaction in full of all Secured Obligations (other than contingent obligations not yet due and owing) and the termination of the Loan Agreement and all other Loan Documents, the lien provided for hereunder shall automatically terminate without further action.

16. Changes in Writing. No amendment, modification, termination or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by Bank and Guarantor.

17. Notices. All notices, approvals, requests, demands and other communications hereunder shall be given in accordance with the notice provisions of the Loan Agreement.

18. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that Guarantor may not assign its rights or obligations hereunder without the prior written consent of Bank, which Bank will not unreasonably withhold, condition or delay. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Secured Obligations or any portion thereof or interest therein shall in any manner impair the lien granted to Bank hereunder.

19. Waivers. In addition to, and not in lieu of, any other waivers herein, Guarantor waives to the greatest extent it may lawfully do so, and agrees that it shall not at any time insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshalling of assets, redemption or similar law, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by Guarantor of its obligations under, or the enforcement by Bank of, this Agreement. Guarantor hereby waives, to the extent permitted by applicable law, diligence, presentment and demand (whether for nonpayment or protest or of acceptance, maturity, extension of time, change in nature or form of the Secured Obligations, acceptance of further security, release of further security, composition or agreement arrived at as to the amount of, or the terms of the Secured Obligations, notice of adverse change in any person's financial condition or any other fact which might materially increase the risk to Guarantor) with respect to any of the Secured Obligations or all other demands whatsoever and waives the benefit of all provisions of law which are or might be in conflict with the terms of this Agreement.

20. Indemnity. Guarantor hereby agrees to indemnify, pay and hold harmless Bank and the officers, directors and employees of Bank (collectively called the "Indemnitees") from and against any and all liabilities, obligations, losses (other than loss of profit), damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and out of pocket disbursements of outside counsel for such Indemnitee) in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitee shall be designated a party thereto and including any such proceeding initiated by or on behalf of Guarantor, which may be imposed on, incurred by or asserted against such Indemnitee as a result of or in connection with this Agreement or the enforcement by Bank of its rights and remedies hereunder, in each case, except that Guarantor shall not have any obligation hereunder to an Indemnitee with respect to (x) any liability resulting from the gross negligence or willful misconduct of such Indemnitee, as determined by a court of competent jurisdiction, (y) a claim brought by the Borrower or any Subsidiary against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if Borrower or such Subsidiary has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction or (z) or arising from any litigation, contest, dispute, suit, proceeding, action or claim between one such Indemnitee and another such Indemnitee. To the extent that the undertaking set forth in the immediately preceding sentence may be unenforceable, Guarantor shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all such indemnified liabilities incurred by the Indemnitees or any of them.

21. WAIVER OF JURY TRIAL. The parties hereto acknowledge and agree that there may be a constitutional right to a jury trial in connection with any claim, dispute or lawsuit arising between or among them, but that such right may be waived. Accordingly, the parties agree that, notwithstanding such constitutional right, in this commercial matter the parties believe and agree that it shall in their best interests to waive such right, and, accordingly, hereby waive such right to a jury trial, and further agree that the best forum for hearing any claim, dispute, or lawsuit, if any, arising in connection with this Agreement, the Loan Agreement, the Loan Documents, or the relationship among the parties hereto, in each case whether now existing or hereafter arising, or whether sounding in contract or tort or otherwise, shall be a court of competent jurisdiction sitting without a jury.

22. Governing Law. This Agreement shall be construed in accordance with the internal laws (but without regard to the conflict of laws provisions) of the State of Indiana but giving effect to federal laws applicable to national banks.

23. Consent to Jurisdiction. Guarantor hereby irrevocably (a) consents to the jurisdiction of the state and federal courts located in Marion County, Indiana with respect to any litigation; (b) waives any objection to the jurisdiction and venue of any litigation in either such court; (c) agrees not to commence any litigation except in either of such courts or to contest the removal of any litigation commenced in any other court to either of such courts; (d) agrees not to seek to remove, by consolidation or otherwise, any litigation commenced in either of such courts to any other court; and (e) waives personal service of process in connection with any litigation and consents to service of process by registered or certified mail, postage prepaid, addressed as set forth herein or in any other manner permitted by law. Unless the parties otherwise agree, all discovery shall be conducted in Indianapolis, Indiana and each party shall bear its own expenses in connection therewith.

24. Counterparts; Integration; Headings. This Agreement may be signed in any number of counterparts, including by facsimile or other electronic means, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. Headings and captions used in this Agreement are included for convenience of reference and shall not be given any substantive effect.

[Signatures on Following Pages]

IN WITNESS WHEREOF, Guarantor has caused this Agreement to be executed and delivered effective as of the Effective Date.

**GUARANTOR:**

AQUABOUNTY TECHNOLOGIES, INC.

By: /s/ David A. Frank

David A. Frank, Treasurer and Chief Financial Officer

STATE OF MASSACHUSETTS )

) SS:

COUNTY OF MIDDLESEX )

The foregoing instrument was acknowledged before me, a Notary Public in and for said County and State, on this 31st day of July, 2020, by David A. Frank, as Treasurer and Chief Financial Officer of AquaBounty Farms Indiana LLC, a Delaware limited liability company, on behalf of the company.

/s/ Christopher H. Martin

Print Name: Christopher H. Martin

Notary Public, Middlesex County, Massachusetts

My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

***Guarantor's Signature Page to Guarantor Security Agreement***

**WITNESS:**

/s/ Sherry Sylvester  
Witness Signature

Witness Name (Print): Sherry Sylvester

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

Before me, a Notary Public in and for said County and State, personally appeared Sherry Sylvester, on this 31st day of July, 2020, being known to me to be the person whose name is subscribed as a witness to the foregoing instrument, who, being duly sworn by me, deposes and says that the foregoing instrument was executed and delivered by David A. Frank in the above-named subscribing witness's presence, and that the above-named subscribing witness is not a party to the transaction described in the foregoing instrument and will not receive any interest in or proceeds from the property that is the subject of the transaction.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

***Guarantor's Signature Page to Guarantor Security Agreement***

Accepted as of the day and year first above written.

**BANK:**

FIRST FARMERS BANK AND TRUST

By: /s/ Amie Osborn  
Amie Osborn, Vice President

*Bank's Signature Page to Guarantor Security Agreement*

## UNCONDITIONAL AND CONTINUING SECURED GUARANTY AGREEMENT

THIS UNCONDITIONAL AND CONTINUING SECURED GUARANTY AGREEMENT (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Agreement") is made as of July 31, 2020, by AquaBounty Technologies, Inc., a Delaware corporation (the "Guarantor"), in favor of First Farmers Bank and Trust, located at 123 N. Jefferson St., Converse Indiana 46919 (the "Lender").

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, and to induce Lender to make certain loans (collectively, the "Loan") to AquaBounty Farms Indiana, LLC, a Delaware limited liability company (the "Borrower"), pursuant to that certain Loan and Security Agreement dated as of the date hereof by and among Lender and Borrower (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), from which Guarantor expects to derive direct financial benefit, Guarantor, for itself, legal representatives, successors and assigns, absolutely and unconditionally guarantees to Lender, its successors and permitted assigns, the full and complete payment and performance of any and all of Borrower's liabilities, obligations and debts to Lender, now existing or hereinafter incurred or created, with respect to the Loans; whether any such indebtedness is due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether recovery on the indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever, and including, without limitation, pertaining to the Note issued pursuant to and as defined in the Loan Agreement, and secured by such other documents or instruments given in connection with the Loan (all such liabilities, obligations and debts of Borrower, together with all accrued and unpaid interest thereon, any expenses, including reasonable and documented outside attorneys' fees, that Lender may pay in collecting from Borrower or Guarantor, or for protecting or liquidating any Collateral (as defined in that certain Guarantor Security Agreement, dated as of the date hereof, by and between the Guarantor and the Lender), and all other amounts payable by Borrower pursuant to the Loan Documents (as defined in the Loan Agreement) with respect to the Loans shall be referred to herein collectively as the "Guaranteed Obligations"). Unless otherwise defined herein, all capitalized terms shall have the meanings given them in the Loan Agreement.

### Additional Terms and Conditions of Guaranty

1. This Agreement is secured by a first priority security interest in the Collateral.

2. This Agreement is a guaranty of payment and not of collection. Therefore, Lender may insist that Guarantor pay immediately, and Lender is not required to attempt to collect first from Borrower, any Collateral, any other Guarantor, or any other person liable for the Guaranteed Obligations. The obligations of Guarantor under this Agreement shall be unconditional and absolute, regardless of any invalidity or unenforceability of any provisions of the Loan Documents, or the existence of any defense, setoff or counterclaim which Borrower may assert against Lender or which Guarantor may assert against Borrower and/or Lender. Without limiting the generality of the foregoing, the obligations of Guarantor hereunder shall not be discharged or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, Guarantor: (a) the failure to give notice to Guarantor of the occurrence of a default under this Agreement or of a

default under the terms and provisions of any of the Loan Documents; (b) the waiver, compromise, consent or release, or other action or inaction in respect to the payment, performance or observance of any of the obligations, covenants or agreements of Borrower or any other party liable for the Guaranteed Obligations contained in any of the Loan Documents; (c) the extension of the time for payment of the Loan or of the time for performance of any of the obligations, covenants or agreements under or arising out of any of the Loan Documents or this Agreement, or the extension or renewal thereof; (d) the modification, amendment, addition or supplement (whether material or otherwise) of any obligation, covenant or agreement or other term of the Loan Documents; (e) any failure, omission or delay on the part of Lender in enforcing, asserting or exercising any right, power or remedy conferred on Lender under any of the Loan Documents or this Agreement, or in enforcing, asserting or exercising any other right, power or remedy of Lender; (f) the voluntary or involuntary liquidation, dissolution, sale, lease or other transfer or disposition of all or substantially all assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting Borrower or any other party liable for the Guaranteed Obligations or any of the assets of Borrower or any other such party, or any allegation concerning, or contest of, the validity of any of the Loan Documents or this Agreement in any such proceeding; (g) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Agreement; (h) the default or failure of Borrower or any other party liable for the Guaranteed Obligations fully to perform any of their respective obligations, covenants or agreements set forth in any of the Loan Documents; (i) any act or omission of Lender; (j) any limitation of Borrower's or any other party's liability under any of the Loan Documents or any limitation of Borrower's or any other such party's liability which may now or hereafter be imposed by any statute, regulation or rule of law; (k) the substitution or release, in whole or in part, of any Collateral securing the Loans or this Agreement; (l) the addition of a new guarantor or guarantors or the release of one or more than one guarantor; (m) any change in the composition or structure of Borrower, including a merger or consolidation with any other person or entity; or (n) any other circumstance. Guarantor waives, to the extent permitted by applicable law, any defenses based on suretyship and all relief from any and all homestead, appraisal and exemption laws now in force or hereafter enacted.

3. If any monies become available that Lender can apply to the Guaranteed Obligations, Lender may apply them in any manner it chooses, including but not limited to applying them against obligations of Borrower which are not covered by this Agreement. Lender may take any action against Borrower, any Collateral securing the Guaranteed Obligations or this Agreement or any other person liable for any of the Guaranteed Obligations. Lender may release Borrower or anyone else from the Guaranteed Obligations, either in whole or in part, or release any Collateral, and need not perfect a security interest in any Collateral. Lender is not liable to exercise any rights that it has against Borrower or any other party or make any effort to realize on any Collateral or right of set-off. If Borrower requests more credit or any other benefit, Lender may grant it, and Lender may grant renewals, extensions, modifications and amendments of the Guaranteed Obligations and otherwise deal with Borrower or any other person as Lender sees fit and as if this Agreement were not in effect, all without affecting the obligations of Guarantor hereunder.

4. Guarantor shall be jointly and severally liable with Borrower and any other guarantor of the Guaranteed Obligations to the extent of this Agreement. If Lender elects to enforce its rights against less than all guarantors of the Guaranteed Obligations, that election shall not release Guarantor from its obligations under this Agreement. The compromise or release of any of the obligations of any of the other guarantors or Borrower shall not serve to waive, alter or release Guarantor's obligations under this Agreement.

5. Guarantor agrees that, without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed, Guarantor shall not permit (a) any pledge of any ownership interest in Guarantor, AquaBounty Farms, Inc., a Delaware corporation ("ABF"), Borrower or any other Domestic Subsidiary, or (b) any sale or other transfer of any ownership interest in Guarantor, ABF, Borrower or any Domestic Subsidiary.

6. Guarantor waives, to the extent permitted by applicable law, any right it may have to receive notice of the following matters before Lender enforces any of its rights: (a) Lender's acceptance of this Agreement; (b) any credit that Lender extends to Borrower; (c) the occurrence of a Default; (d) any demand; or (e) any action that Lender takes regarding Borrower, anyone else liable for the Guaranteed Obligations, any Collateral or any Guaranteed Obligations which it might be entitled to by law or under any other agreement. Lender may waive or delay enforcing any of its rights without losing them. No modification or waiver of this Agreement shall be effective unless it is in writing and signed by the party against whom it is being enforced, and any such waiver shall affect only the specific terms and time period stated in the waiver.

7. Guarantor represents that (a) the execution and delivery of this Agreement and the performance of the obligations it imposes (i) do not violate any law; (ii) do not conflict with any material agreement by which such Guarantor is bound; and (iii) do not require the consent or approval of any governmental authority or any third party; (b) this Agreement has been duly executed and delivered and is a valid and binding agreement of Guarantor, enforceable according to its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and (c) all financial statements and other information furnished to Lender fairly reflect, in all material respects, the financial condition of Guarantor on their effective dates, including contingent liabilities of every type, which financial condition has not changed materially and adversely since those dates, subject to normal year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes and other presentation items.

8. Guarantor expressly waives, to the extent permitted by applicable law, any and all rights of subrogation, contribution, reimbursement, indemnity, exoneration, implied contract, recourse to security or any other claim (including any claim, as that term is defined in the federal Bankruptcy Code, and any amendments) which Guarantor may now have or later acquire against Borrower, any other person or entity directly or contingently liable for the Guaranteed Obligations, or against the Collateral, arising from the existence or performance of Guarantor's obligations under this Agreement. Guarantor further agrees that should any payments to Lender on the Guaranteed Obligations be, in whole or in part, invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy act or code, state or federal law, common law or equitable doctrine, this

Agreement and any Collateral shall remain in full force and effect (or be reinstated, as the case may be) until payment in full of any such amounts, which payment shall be due on demand.

Except as prohibited by applicable law, Guarantor waives any right to require Lender: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Guaranteed Obligations or of any nonpayment related to any Collateral securing the Guaranteed Obligations, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Guaranteed Obligations or in connection with the creation of new or additional loans or obligations; (b) to resort for payment or to proceed directly or at once against any person, including Borrower or any other guarantor; (c) to proceed directly against any Collateral securing the Guaranteed Obligations, any other guarantor, or any other person or entity; (d) to give notice of the terms, time, and place of any public or private sale of any personal property Collateral, or to comply with any other applicable provisions of the Uniform Commercial Code; (e) to pursue any other remedy within Lender's power; or (f) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

9. Any notice regarding this Agreement shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally to the party or upon receipt thereof following its having been sent by registered or certified mail to any party hereto at the applicable address above stated or at such other address of which said party shall have notified the party giving such notice in writing.

10. This Agreement shall be governed by Indiana law. Guarantor agrees that any legal action or proceeding against it with respect to any of its obligations under this Agreement may be brought in any state or federal court located in the State of Indiana, as Lender in its sole discretion may elect. By the execution and delivery of this Agreement, Guarantor submits to and accepts, with regard to any such action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts. Guarantor waives any claim that Indiana is not a convenient forum or the proper venue for any such suit, action or proceeding.

11. Guarantor's liability under this Agreement is independent of its liability under any other guaranty previously or subsequently executed by Guarantor, singularly or together with others, as to all or any part of the Guaranteed Obligations, and may be enforced for the full amount of this Agreement regardless of Guarantor's liability under any other guaranty. Upon the occurrence of an Event of Default, Lender shall have the right at any time to apply its own debt or liability to Guarantor in whole or partial payment of this Agreement, without any requirement for mutual maturity. This Agreement is binding on Guarantor's successors and assigns and will operate to the benefit of Lender and its successors and assigns.

**12. Guarantor acknowledges and agrees that there may be a constitutional right to a jury trial in connection with any claim, dispute or lawsuit arising with respect to this Agreement, but that such right may be waived. Accordingly, Guarantor agrees that, notwithstanding such constitutional right, in this commercial matter Guarantor believes and agrees that it shall be in Guarantor's best interests to waive such right, and, accordingly, hereby waives such right to a jury trial, and further agrees that the best forum for hearing any claim, dispute, or lawsuit, if any, arising in connection with this Agreement**

**or the relationship among Borrower, Lender, and Guarantor, whether now existing or hereafter arising, or whether sounding in contract or tort or otherwise, shall be a court of competent jurisdiction sitting without a jury.**

13. Lender is hereby authorized to record electronically or otherwise (i) the date and amount of each disbursement of any Guaranteed Obligations, (ii) the date and amount of each payment or repayment of Guaranteed Obligations, and (iii) such other information as it deems necessary or appropriate, and may, if Lender so elects in connection with any transfer or enforcement of this Agreement, endorse on a schedule forming a part hereof appropriate notation to evidence the foregoing information with respect to the Guaranteed Obligations then outstanding. Such recordation or endorsement shall constitute prima facie evidence of the accuracy of the information so recorded or endorsed; provided, however, the failure of Lender to make any such recordation(s) or endorsement(s) shall not affect the obligation of Guarantor to pay the Guaranteed Obligations or any other amount due hereunder in accordance with the terms hereof.

14. Guarantor agrees to pay all costs, expenses (including reasonable and documented attorneys' fees), and disbursements incurred by Lender on Borrower's behalf (a) in all efforts made to enforce this Agreement, (b) in connection with modifying or amending this Agreement, (c) in enforcing and foreclosing on Lender's security interest in any Collateral or possession of any premises containing any Collateral, whether through judicial proceedings or otherwise, (d) in defending or prosecuting any actions or proceedings arising out of or relating to Lender's transactions with Guarantor, or (e) in connection with any advice given to Lender with respect to its rights and obligations under this Agreement and all related agreements. Expenses being reimbursed by Guarantor under this section include costs and expenses incurred in connection with: (i) appraisals and insurance reviews; (ii) environmental examinations and reports; (iii) field examinations and the preparation of reports based thereon; (iv) the fees charged by a third party retained by Lender or the internally allocated fees for each person or entity employed by Lender with respect to each field examination; (v) taxes, fees and other charges for (x) lien and title searches and (y) the recording of any mortgages, filing of any financing statements and continuations, and other actions to perfect, protect, and continue Lender's security interests; (vi) sums paid or incurred to take any action required of Borrower under the Loan Documents that Borrower fails to pay or take; and (vii) forwarding loan proceeds, collecting checks and other items of payment, and costs and expenses of preserving and protecting the Collateral.

[Signature Page Follows]

IN WITNESS WHEREOF, the Guarantor has executed this Agreement as of the day and year first written above.

GUARANTOR:

**AQUABOUNTY TECHNOLOGIES, INC.**

By: /s/ David A. Frank

David A. Frank, CFO and Treasurer

Address: 2 Mill & Main Place, Suite 395  
Maynard, MA 01754

STATE OF MASSACHUSETTS )

) SS:

COUNTY OF MIDDLESEX )

The foregoing instrument was acknowledged before me, a Notary Public in and for said County and State, on this 31st day of July, 2020, by David A. Frank, as Treasurer and Chief Financial Officer of AquaBounty Farms Indiana LLC, a Delaware limited liability company, on behalf of the company.

/s/ Christopher H. Martin

Print Name: Christopher H. Martin

Notary Public, Middlesex County, Massachusetts

My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

*Signature Page to  
Secured Guaranty*

**WITNESS:**

/s/ Sherry Sylvester  
Witness Signature

Witness Name (Print): Sherry Sylvester

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

Before me, a Notary Public in and for said County and State, personally appeared Sherry Sylvester, on this 31st day of July, 2020, being known to me to be the person whose name is subscribed as a witness to the foregoing instrument, who, being duly sworn by me, deposes and says that the foregoing instrument was executed and delivered by David A. Frank in the above-named subscribing witness's presence, and that the above-named subscribing witness is not a party to the transaction described in the foregoing instrument and will not receive any interest in or proceeds from the property that is the subject of the transaction.

/s/ Christopher H. Martin  
Print Name: Christopher H. Martin  
Notary Public, Middlesex County, Massachusetts  
My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

*Signature Page to  
Secured Guaranty*

## COLLATERAL ACCESS AGREEMENT

This **COLLATERAL ACCESS AGREEMENT** dated as of July 31, 2020 (this "Agreement"), is executed by AquaBounty Technologies, Inc., a Delaware corporation (the "Parent"), whose address is 2 Mill and Main Place, Suite 395, Maynard, MA 01754, Attention: David Frank, to and for the benefit of First Farmers Bank and Trust (the "Lender"), whose mailing address is 123 N. Jefferson Street, Converse, Indiana 46919.

### R E C I T A L S:

A. The Parent is the owner of real property commonly known as 11550 E Gregory Road, Albany, Indiana 47320, as more particularly described on Exhibit A attached hereto (the "Premises"), and has provided use of the Premises to AquaBounty Farms Indiana LLC, a Delaware limited liability company and subsidiary of the Parent ("ABF Indiana").

B. The Lender has entered into, and may from time to time hereafter enter into, various agreements, instruments and documents with ABF Indiana and/or its affiliates and subsidiaries (collectively, as such agreements, instruments and documents may be amended, restated, supplemented or otherwise modified from time to time, "Loan Agreement"; capitalized terms used herein but not otherwise defined herein shall have the meanings given to such terms in the Loan Agreement) providing for the Lender to make or cause to be made certain financial accommodations for the benefit of ABF Indiana and/or its affiliates and subsidiaries.

C. ABF Indiana has granted to the Lender a first priority security interest in substantially all of the personal property and assets, including inventory, equipment, trade fixtures and books and records of ABF Indiana which may from time to time be located in and on the Premises (the "Collateral") as security for any and all loans which the Lender has made or may make to ABF Indiana and its affiliates (the "Loans").

D. The Lender is willing to make such Loans only if the Parent waives any claims, demands or rights which the Parent may have or acquire with respect to such Collateral.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parent hereby agrees with the Lender as follows:

### A G R E E M E N T S:

1. The Parent hereby unconditionally subordinates to the security interest of the Lender any and all liens, claims, demands or rights, however arising, including without limitation, the right to levy, distrain, sue, execute or sell for unpaid rent or otherwise, which the Parent now has or may hereafter acquire with respect to any or all of the property of ABF Indiana, or in which ABF Indiana has an interest (whether such property is now or hereafter located on or in the Premises), including, without limitation, the Collateral, and all of the proceeds thereof, whether by statute under the laws of the State in which the Premises is located, by virtue of ABF Indiana's occupation of the Premises. The Parent shall not take any action to enforce any liens, statutory or otherwise, with regard to the Collateral or the Premises, without

the prior written consent of the Lender or until all Borrower Obligations owed to the Lender by ABF Indiana under the Loan Agreement have been paid in full.

2. Subject to all the provisions of this Agreement, the Parent recognizes and acknowledges that the Lender's security interest in the Collateral is superior to any lien, right or claim of title of any nature which the Parent now has or hereafter may have or assert in or to the Collateral by statute, any other agreement or otherwise.

3. The Parent agrees that the Collateral (a) is and shall remain the personal property of ABF Indiana, and (b) is not and shall not become or be deemed to be fixtures affixed to the Premises.

4. The Parent represents and warrants to the Lender that ABF Indiana has complied with all obligations currently owed to the Parent by ABF Indiana, and that there is currently no lease agreement by Parent and ABF Indiana. The Parent agrees to give the Lender written notice of the occurrence to the address set forth above of any event which, with the giving of notice or passage of time or both, could result in the Parent terminating ABF Indiana's use of the Premises.

5. Nothing contained in this Agreement will, as between the Parent and ABF Indiana, (i) extend or create any right to cure any default by ABF Indiana, or (ii) limit, restrict, alter or modify the rights of the Parent which are available to the Parent as result of the use of the Premises by ABF Indiana. In the event of a termination of the use of the Premises by ABF Indiana, or if the Parent recovers possession of the Premises by any means, the Lender shall have the right to remove the Collateral from the Premises for the ninety (90) day period after its receipt of written notice thereof from the Parent.

6. Upon receipt by the Parent of a written notice from the Lender containing a certification to the Parent that (i) ABF Indiana is in default under any document or agreement evidencing or securing the Loans, and (ii) Lender is entitled to take possession of the Collateral, the Lender, through its authorized representatives, may enter the Premises at any time and from time to time, and maintain, store, sell or remove the Collateral, allow Borrower (at Lender's sole discretion and pursuant to Section 11.1 of the Loan Agreement) to continue operations relating to the Collateral, or conduct a sale or sales of the Collateral on the Premises and that the Lender shall have no obligation to the Parent except the obligation to pay the Parent any monthly rent for the Premises being paid by ABF Indiana to Parent at the time of such default (to the extent rent was not previously received by the Parent for such period, and to the extent such rent has been previously paid by ABF Indiana as evidenced by the financial records of ABF Indiana and Parent, which shall be provided to Lender in the event that entry upon the Premises by the Lender pursuant to this Section 6 occurs) prorated on a per diem basis for the period from (x) the earlier of (1) the date on which the Lender notified the Parent of the Lender's intent to possess the Collateral and (2) the date on which the Lender and/or its representatives actually enter the Premises, to (y) the date on which the Lender and its representatives relinquish possession of the Premises. ABF Indiana hereby unconditionally and irrevocably authorizes the Parent to (a) rely upon the validity and correctness of any such notice from the Lender, and (b) following the Parent's receipt of such notice, grant and allow access by the Lender (or its attorneys or representatives) to the Premises without any duty or obligation to make inquiry of the Lender or to oversee or monitor in any way the activities of the Lender in the Premises. ABF Indiana

hereby unconditionally releases the Parent from any such claim, allegation or assertion by ABF Indiana so long as the Parent receives the written notice from Lender required by this section. If the Parent obtains possession of the Premises and any significant Collateral remains on the Premises, the Parent shall notify the Lender in writing that the Parent has obtained possession of such Collateral and that Lender shall have the right to obtain possession of such Collateral in accordance with the terms of this Agreement. In the event that the Lender removes any or all of the Collateral from the Premises, the Lender shall repair any damage to the Premises resulting from the removal of any of the Collateral. During the Lender's occupancy of the Premises, the Lender shall make the Premises available for inspection by the Parent and prospective tenants and shall cooperate in the Parent's reasonable efforts to re-lease the Premises.

7. The Lender shall promptly repair, at the Lender's expense, or reimburse the Parent for any physical damage to the Premises actually caused by the conduct of such sale and/or any removal of Collateral by or through the Lender or its representatives. In addition, the Lender shall indemnify, defend and hold the Parent, its mortgagee(s) and their respective officers, directors, shareholders, members, managers, partners, agents, employees, contractors and other representatives (collectively, the "Indemnified Parties"), harmless from and against any and all liability and damage, and from and against any and all lawsuits, claims and demands of every kind and nature, including reasonable attorneys' fees and other legal expenses by or on behalf of any person, firm, association or company arising from or based upon any accident, bodily injury or damage, however occurring, which shall happen or may happen in connection with (i) a public auction or private sale of the Collateral from the Premises or (2) the entry into the Premises and/or any removal therefrom of the Collateral by the Lender or its representatives, agents, contractors or employees; provided, that in no event shall the Lender be liability for any such liability or damage to the extent arising out of an Indemnified Party's gross negligence or willful misconduct.

8. The Lender may, without any fee or charge for rent, at any reasonable time during customary business hours and with reasonable notice, enter upon the Premises to inspect ABF Indiana's activity located at the Premises in accordance with the terms of the Loan Agreement.

9. The Lender may, without affecting the validity of this Agreement, extend, amend or in any way modify the terms of payment or performance of any of ABF Indiana's obligations and liabilities to the Lender, without the consent of the Parent and without giving notice thereof to the Parent.

10. The parties hereto hereby express their intention to be legally bound by this Agreement and acknowledge receipt of benefit therefrom. This Agreement shall inure to the benefit of the successors and assigns of the Lender and shall be binding upon the heirs, personal representatives, successors and assigns of the Parent and ABF Indiana. This Agreement represents the whole agreement between the parties relating to the matters set forth herein and may be amended only in writing signed by all parties. The Parent agrees to disclose this Agreement to any purchaser or successor to the Parent's interest in the Premises.

11. The laws of the State of Indiana shall govern the validity, interpretation and enforcement of this Agreement.

12. This Agreement shall continue in force until all of the Loans are paid in full and the Lender has no further interest in any of the Collateral.

13. Notices hereunder shall be effective when sent to the parties at the addresses set forth above (or such other addresses specified in accordance with this paragraph), by personal delivery, recognized overnight courier, or certified mail, return receipt requested, sufficient postage prepaid.

14. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, the parties hereto have executed this Collateral Access Agreement as of the date first above appearing.

**PARENT:**

AQUABOUNTY TECHNOLOGIES, INC.

By: /s/ David A. Frank

Name: David A. Frank

Its: Treasurer and Chief Financial Officer

[Signature Pages to Collateral Access Agreement]

CONSENTED AND AGREED TO:

**ABF INDIANA:**

AQUABOUNTY FARMS INDIANA LLC

By: /s/ David A. Frank

Name: David A. Frank

Its: Treasurer and Chief Financial Officer

[Signature Pages to Collateral Access Agreement]

**LENDER:**

FIRST FARMERS BANK AND TRUST

By: /s/ Amie Osborn

Name: Amie Osborn

Its: Vice President

[Signature Pages to Collateral Access Agreement]

## **Exhibit A**

### Description of Real Property

THE FOLLOWING REAL ESTATE IS LOCATED IN DELAWARE COUNTY, INDIANA:

Part of Section 35, Township 22 North, Range 11 East, Niles Township, Delaware County, Indiana as described as follows:

Commencing at a monument found at the southwest corner of said Section 35; thence South 88 degrees 52 minutes 32 seconds East (assumed bearing) 753.23 feet along the south line of said Section 35 to a PK nail found in Gregory Road at the Point of beginning of this description; thence North 61 degrees 09 minutes 52 seconds West 8.97 feet to a point in Gregory Road; thence North 34 degrees 42 minutes 01 second West 269.24 feet to a PK nail found Gregory Road; thence North 32 degrees 04 minutes 43 seconds West 210.49 feet to a PK nail found in Gregory Road; thence North 57 degrees 58 minutes 47 seconds East 165.85 feet to an iron rod set; thence North 00 degrees 02 minutes 33 seconds West 455.09 feet to an iron rod found; thence North 83 degrees 34 minutes 06 seconds East 157.13 feet to an iron rod found; thence South 00 degrees 47 minutes 35 seconds West 956.90 feet to a point found; thence North 88 degrees 52 minutes 32 seconds West 13.88 feet to the Point of Beginning, containing 3.45 acres, in Section 35.

ALSO: A part of the Southwest Quarter of Section 35, Township 22 North, Range 11 East, more particularly described as follows, to-wit: Beginning at a point in the centerline of Granville & Albany Pike 1,276.0 feet West of the southeast corner of the Southwest Quarter of Section 35, Township 22 North, Range 11 East; thence North 01 degree 29 minutes 26 seconds East parallel with the east line of said Southwest quarter 2,660.27 feet to the north line of said Southwest Quarter also being the northwest corner of Deed Record 2000 page 8008 as recorded in the records of Delaware County, Indiana; thence North 89 degrees 14 minutes 04 seconds West and on the north line of said Southwest Quarter 632.62 feet; thence South 00 degrees 14 minutes 26 seconds West 580.95 feet to an existing fence; thence North 88 degrees 41 minutes 51 seconds West 126.23 feet to a concrete post; thence South 00 degrees 22 minutes 07 seconds West on an existing fence line 1,112.71 feet to its intersection with the north line of Deed Record 1998 Page 6312 as recorded in the records of Delaware County, Indiana; thence North 83 degrees 24 minutes 42 seconds East and on the north line of said Deed Record 1998 Page 6312, 157.13 feet to the northeast corner of said Deed Record 1998 Page 6312; thence South 00 degrees 27 minutes 29 seconds West on the east line of said Deed Record 1998 Page 6312, 984.53 feet to the Point in the center line of Granville & Albany Pike (being the southeast corner of said Deed Record 1998 Page 6312); thence South 88 degrees 53 minutes 41 seconds East 566.52 feet to the Point of Beginning. Estimated to contain 40.0 acres, more or less.

## UNCONDITIONAL AND CONTINUING GUARANTY AGREEMENT

THIS UNCONDITIONAL AND CONTINUING GUARANTY AGREEMENT (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Agreement") is made as of July 31, 2020, by AquaBounty Farms, Inc., a Delaware corporation (the "Guarantor"), in favor of First Farmers Bank and Trust, located at 123 N. Jefferson St., Converse Indiana 46919 (the "Lender").

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, and to induce Lender to make certain loans (collectively, the "Loan") to AquaBounty Farms Indiana LLC, a Delaware limited liability company (the "Borrower"), pursuant to that certain Loan and Security Agreement dated as of the date hereof by and among Lender and Borrower (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), from which Guarantor expects to derive direct financial benefit, Guarantor, for itself, legal representatives, successors and assigns, absolutely and unconditionally guarantees to Lender, its successors and permitted assigns, the full and complete payment and performance of any and all of Borrower's liabilities, obligations and debts to Lender, now existing or hereinafter incurred or created, with respect to the Loan; whether any such indebtedness is due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether recovery on the indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever, and including, without limitation, pertaining to the Note issued pursuant to and as defined in the Loan Agreement, and secured by such other documents or instruments given in connection with the Loan (all such liabilities, obligations and debts of Borrower, together with all accrued and unpaid interest thereon, any expenses, including reasonable and documented outside attorneys' fees, that Lender may pay in collecting from Borrower or Guarantor, and all other amounts payable by Borrower pursuant to the Loan Documents (as defined in the Loan Agreement) with respect to the Loans shall be referred to herein collectively as the "Guaranteed Obligations"). Unless otherwise defined herein, all capitalized terms shall have the meanings given them in the Loan Agreement.

### Additional Terms and Conditions of Guaranty

1. This Agreement is a guaranty of payment and not of collection. Therefore, Lender may insist that Guarantor pay immediately, and Lender is not required to attempt to collect first from Borrower, any Collateral, any other Guarantor, or any other person liable for the Guaranteed Obligations. The obligations of Guarantor under this Agreement shall be unconditional and absolute, regardless of any invalidity or unenforceability of any provisions of the Loan Documents, or the existence of any defense, setoff or counterclaim which Borrower may assert against Lender or which Guarantor may assert against Borrower and/or Lender. Without limiting the generality of the foregoing, the obligations of Guarantor hereunder shall not be discharged or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, Guarantor: (a) the failure to give notice to Guarantor of the occurrence of a default under this Agreement or of a default under the terms and provisions of any of the Loan Documents; (b) the waiver, compromise, consent or release, or other action or inaction in respect to the payment, performance or observance of any of the obligations, covenants or agreements of Borrower or any other party liable for the Guaranteed Obligations contained in any of the Loan Documents; (c) the extension of the time for payment of the Loan or of the time for performance of any of the

obligations, covenants or agreements under or arising out of any of the Loan Documents or this Agreement, or the extension or renewal thereof; (d) the modification, amendment, addition or supplement (whether material or otherwise) of any obligation, covenant or agreement or other term of the Loan Documents; (e) any failure, omission or delay on the part of Lender in enforcing, asserting or exercising any right, power or remedy conferred on Lender under any of the Loan Documents or this Agreement, or in enforcing, asserting or exercising any other right, power or remedy of Lender; (f) the voluntary or involuntary liquidation, dissolution, sale, lease or other transfer or disposition of all or substantially all assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting Borrower or any other party liable for the Guaranteed Obligations or any of the assets of Borrower or any other such party, or any allegation concerning, or contest of, the validity of any of the Loan Documents or this Agreement in any such proceeding; (g) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Agreement; (h) the default or failure of Borrower or any other party liable for the Guaranteed Obligations fully to perform any of their respective obligations, covenants or agreements set forth in any of the Loan Documents; (i) any act or omission of Lender; (j) any limitation of Borrower's or any other party's liability under any of the Loan Documents or any limitation of Borrower's or any other such party's liability which may now or hereafter be imposed by any statute, regulation or rule of law; (k) the substitution or release, in whole or in part, of any Collateral securing the Loans; (l) the addition of a new guarantor or guarantors or the release of one or more than one guarantor; (m) any change in the composition or structure of Borrower, including a merger or consolidation with any other person or entity; or (n) any other circumstance. Guarantor waives, to the extent permitted by applicable law, any defenses based on suretyship and all relief from any and all homestead, appraisal and exemption laws now in force or hereafter enacted.

2. If any monies become available that Lender can apply to the Guaranteed Obligations, Lender may apply them in any manner it chooses, including but not limited to applying them against obligations of Borrower which are not covered by this Agreement. Lender may take any action against Borrower, any Collateral securing the Guaranteed Obligations or any other person liable for any of the Guaranteed Obligations. Lender may release Borrower or anyone else from the Guaranteed Obligations, either in whole or in part, or release any Collateral, and need not perfect a security interest in any Collateral. Lender is not liable to exercise any rights that it has against Borrower or any other party or make any effort to realize on any Collateral or right of set-off. If Borrower requests more credit or any other benefit, Lender may grant it, and Lender may grant renewals, extensions, modifications and amendments of the Guaranteed Obligations and otherwise deal with Borrower or any other person as Lender sees fit and as if this Agreement were not in effect, all without affecting the obligations of Guarantor hereunder.

3. Guarantor shall be jointly and severally liable with Borrower and any other guarantor of the Guaranteed Obligations to the extent of this Agreement. If Lender elects to enforce its rights against less than all guarantors of the Guaranteed Obligations, that election shall not release Guarantor from its obligations under this Agreement. The compromise or release of any of the obligations of any of the other guarantors or Borrower shall not serve to waive, alter or release Guarantor's obligations under this Agreement.

4. Guarantor agrees that, without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed, Guarantor shall not permit (a) any pledge of any ownership interest in Guarantor, Borrower or any Domestic Subsidiary or (b) any sale or other transfer of any ownership interest in Guarantor, Borrower or any Domestic Subsidiary.

5. Guarantor waives, to the extent permitted by applicable law, any right it may have to receive notice of the following matters before Lender enforces any of its rights: (a) Lender's acceptance of this Agreement; (b) any credit that Lender extends to Borrower; (c) the occurrence of a Default; (d) any demand; or (e) any action that Lender takes regarding Borrower, anyone else liable for the Guaranteed Obligations, any Collateral or any Guaranteed Obligations which it might be entitled to by law or under any other agreement. Lender may waive or delay enforcing any of its rights without losing them. No modification or waiver of this Agreement shall be effective unless it is in writing and signed by the party against whom it is being enforced, and any such waiver shall affect only the specific terms and time period stated in the waiver.

6. Guarantor represents that (a) the execution and delivery of this Agreement and the performance of the obligations it imposes (i) do not violate any law; (ii) do not conflict with any material agreement by which such Guarantor is bound; and (iii) do not require the consent or approval of any governmental authority or any third party; (b) this Agreement has been duly executed and delivered and is a valid and binding agreement of Guarantor, enforceable according to its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; and (c) all financial statements and other information furnished to Lender fairly reflect, in all material respects, the financial condition of Guarantor on their effective dates, including contingent liabilities of every type, which financial condition has not changed materially and adversely since those dates, subject to normal year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes and other presentation items.

7. Guarantor expressly waives, to the extent permitted by applicable law, any and all rights of subrogation, contribution, reimbursement, indemnity, exoneration, implied contract, recourse to security or any other claim (including any claim, as that term is defined in the federal Bankruptcy Code, and any amendments) which Guarantor may now have or later acquire against Borrower, or any other person or entity directly or contingently liable for the Guaranteed Obligations, arising from the existence or performance of Guarantor's obligations under this Agreement. Guarantor further agrees that should any payments to Lender on the Guaranteed Obligations be, in whole or in part, invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy act or code, state or federal law, common law or equitable doctrine, this Agreement shall remain in full force and effect (or be reinstated, as the case may be) until payment in full of any such amounts, which payment shall be due on demand.

Except as prohibited by applicable law, Guarantor waives any right to require Lender: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Guaranteed Obligations, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Guaranteed Obligations or in connection with the creation of new or additional loans or obligations; (b) to resort for payment or to proceed directly or at once against any person, including Borrower or any

other guarantor; (c) to proceed directly against any Collateral securing the Guaranteed Obligations, any other guarantor, or any other person or entity; (d) to give notice of the terms, time, and place of any public or private sale of any personal property Collateral, or to comply with any other applicable provisions of the Uniform Commercial Code; (e) to pursue any other remedy within Lender's power; or (f) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

8. Any notice regarding this Agreement shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally to the party or upon receipt thereof following its having been sent by registered or certified mail to any party hereto at the applicable address above stated or at such other address of which said party shall have notified the party giving such notice in writing.

9. This Agreement shall be governed by Indiana law. Guarantor agrees that any legal action or proceeding against it with respect to any of its obligations under this Agreement may be brought in any state or federal court located in the State of Indiana, as Lender in its sole discretion may elect. By the execution and delivery of this Agreement, Guarantor submits to and accepts, with regard to any such action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts. Guarantor waives any claim that Indiana is not a convenient forum or the proper venue for any such suit, action or proceeding.

10. Guarantor's liability under this Agreement is independent of its liability under any other guaranty previously or subsequently executed by Guarantor, singularly or together with others, as to all or any part of the Guaranteed Obligations, and may be enforced for the full amount of this Agreement regardless of Guarantor's liability under any other guaranty. Upon the occurrence of an Event of Default, Lender shall have the right at any time to apply its own debt or liability to Guarantor in whole or partial payment of this Agreement, without any requirement for mutual maturity. This Agreement is binding on Guarantor's successors and assigns and will operate to the benefit of Lender and its successors and assigns.

**11. Guarantor acknowledges and agrees that there may be a constitutional right to a jury trial in connection with any claim, dispute or lawsuit arising with respect to this Agreement, but that such right may be waived. Accordingly, Guarantor agrees that, notwithstanding such constitutional right, in this commercial matter Guarantor believes and agrees that it shall be in Guarantor's best interests to waive such right, and, accordingly, hereby waives such right to a jury trial, and further agrees that the best forum for hearing any claim, dispute, or lawsuit, if any, arising in connection with this Agreement or the relationship among Borrower, Lender, and Guarantor, whether now existing or hereafter arising, or whether sounding in contract or tort or otherwise, shall be a court of competent jurisdiction sitting without a jury.**

12. Lender is hereby authorized to record electronically or otherwise (i) the date and amount of each disbursement of any Guaranteed Obligations, (ii) the date and amount of each payment or repayment of Guaranteed Obligations, and (iii) such other information as it deems necessary or appropriate, and may, if Lender so elects in connection with any transfer or enforcement of this Agreement, endorse on a schedule forming a part hereof appropriate notation to evidence the foregoing information with respect to the Guaranteed Obligations then outstanding. Such recordation or endorsement shall constitute prima facie evidence of the

accuracy of the information so recorded or endorsed; provided, however, the failure of Lender to make any such recordation(s) or endorsement(s) shall not affect the obligation of Guarantor to pay the Guaranteed Obligations or any other amount due hereunder in accordance with the terms hereof.

13. Guarantor agrees to pay all costs, expenses (including reasonable and documented attorneys' fees), and disbursements incurred by Lender on Borrower's behalf (a) in all efforts made to enforce this Agreement, (b) in connection with modifying or amending this Agreement, (c) in enforcing and foreclosing on Lender's security interest in any Collateral or possession of any premises containing any Collateral, whether through judicial proceedings or otherwise, (d) in defending or prosecuting any actions or proceedings arising out of or relating to Lender's transactions with Guarantor, or (e) in connection with any advice given to Lender with respect to its rights and obligations under this Agreement and all related agreements. Expenses being reimbursed by Guarantor under this section include costs and expenses incurred in connection with: (i) appraisals and insurance reviews; (ii) environmental examinations and reports; (iii) field examinations and the preparation of reports based thereon; (iv) the fees charged by a third party retained by Lender or the internally allocated fees for each person or entity employed by Lender with respect to each field examination; (v) taxes, fees and other charges for (x) lien and title searches and (y) the recording of any mortgages, filing of any financing statements and continuations, and other actions to perfect, protect, and continue Lender's security interests; (vi) sums paid or incurred to take any action required of Borrower under the Loan Documents that Borrower fails to pay or take; and (vii) forwarding loan proceeds, collecting checks and other items of payment, and costs and expenses of preserving and protecting the Collateral.

[Signature Page Follows]

IN WITNESS WHEREOF, the Guarantor has executed this Agreement as of the day and year first written above.

GUARANTOR:

**AQUABOUNTY FARMS, INC.**

By: /s/ David A. Frank

David A. Frank, Treasurer and Chief  
Financial Officer

Address: 2 Mill & Main Place, Suite 395  
Maynard, MA 01754

STATE OF MASSACHUSETTS )  
 ) SS:  
COUNTY OF MIDDLESEX )

The foregoing instrument was acknowledged before me, a Notary Public in and for said County and State, on this 31st day of July, 2020, by David A. Frank, as Treasurer and Chief Financial Officer of AquaBounty Farms Indiana LLC, a Delaware limited liability company, on behalf of the company.

/s/ Christopher H. Martin

Print Name: Christopher H. Martin

Notary Public, Middlesex County, Massachusetts

My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

*Signature Page to Guaranty Agreement (ABF)*

Witness:

/s/ Sherry Sylvester

Witness Signature

Witness Name (Print): Sherry Sylvester

STATE OF MASSACHUSETTS )

) SS:

COUNTY OF MIDDLESEX )

Before me, a Notary Public in and for said County and State, personally appeared Sherry Sylvester, on this 31st day of July, 2020, being known to me to be the person whose name is subscribed as a witness to the foregoing instrument, who, being duly sworn by me, deposes and says that the foregoing instrument was executed and delivered by David A. Frank in the above-named subscribing witness's presence, and that the above-named subscribing witness is not a party to the transaction described in the foregoing instrument and will not receive any interest in or proceeds from the property that is the subject of the transaction.

/s/ Christopher H. Martin

Print Name: Christopher H. Martin

Notary Public, Middlesex County, Massachusetts

My commission expires: August 19, 2022

[Affix seal below]

/SEAL/

## ENVIRONMENTAL INDEMNITY AGREEMENT

THIS ENVIRONMENTAL INDEMNITY AGREEMENT (this "Agreement") is entered into as of July 31, 2020, by AquaBounty Technologies, Inc., a Delaware corporation ("Guarantor"), and AquaBounty Farms Indiana LLC, a Delaware limited liability company ("Borrower"), each with their principal places of business located at 2 Mill and Main Place, Suite 395, Maynard, MA 01754; to and for the benefit of First Farmers Bank and Trust, with its principal place of business located at 123 N. Jefferson Street, Converse, Indiana 46919, its successors and assigns and the holder or holders from time to time of the Loan Documents described below ("Lender").

### RECITALS

A. Borrower entered into a Loan and Security Agreement dated as of even date herewith (the "Loan Agreement"), by and between Borrower and Lender, pursuant to which Borrower has granted to Lender a security interest in all of its personal property assets pursuant to the Loan Agreement and the Loan Documents given by Borrower in favor of Lender.

B. Pursuant to the terms and conditions of the Loan Agreement, Lender will issue a Term Note in the original principal amount of Four Million and 00/100 Dollars (\$4,000,0000.00) dated as of even date herewith (the "Note"), pursuant to the terms of the Loan Agreement.

C. Guarantor entered into an Unconditional and Continuing Secured Guaranty Agreement dated as of even date herewith (the "Guaranty"), and a Guarantor Security Agreement dated as of even date herewith (the "Security Agreement"), each by and between Guarantor and Lender, pursuant to which Guarantor agreed to guarantee the obligations of Borrower under the Loan Agreement.

D. As security for the obligations of Borrower under the Loan Agreement, the Loan Documents (as defined in the Loan Agreement) and this Agreement, and pursuant to the Guaranty and the Security Agreement, Guarantor entered into the Mortgage, Assignment of Rents and Leases, Security Agreement, Fixture Filing and Financing Statement dated as of even date herewith (the "Mortgage"), pursuant to which Lender was granted a mortgage, lien and security interest in the real property and all improvements located at 11550 E Gregory Road, Albany, Indiana 47320 and as more particularly described on Exhibit A attached hereto (the "Property").

**NOW, THEREFORE**, in consideration of the foregoing and for the purpose of inducing Lender to provide the Note, Borrower and Guarantor agree as follows:

1. Definitions. As used in this Agreement, the following terms have the following meanings:

(a) "Environmental Laws" means all federal, state and local statutes, laws, rules, regulations, ordinances, requirements, or rules of common law, whether now existing or hereinafter promulgated, relating to public health and safety or protection of the environment.

(b) "Hazardous Materials" means any above or underground storage tanks, flammables, explosives, accelerants, asbestos, radioactive materials, radon, urea formaldehyde foam insulation, lead-based paint, polychlorinated biphenyls, petroleum or petroleum based or related substances, hydrocarbons or like substances and their additives or constituents, methane, hazardous materials, hazardous wastes, toxic substances or related materials; including, without limitation, substances now or hereafter defined as "hazardous substances", "hazardous materials", "toxic substances", "solid waste", or "hazardous wastes" in The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. §9601, et seq.), The Toxic Substance Control Act of 1976 as amended, (15 U.S.C. §2601 et seq.), The Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901, et seq.), The Hazardous Materials Transportation Act, as amended (49 U.S.C. §1801, et seq.), The Clean Water Act, as amended (33 U.S.C. §1251, et seq.), The Clean Air Act, as amended (42 U.S.C. §7401 et seq.), The Illinois Environmental Protection Act, as amended (415 ILCS 5/1 et seq.), any so-called "Superfund" or "Superlien" law or any other applicable Environmental Laws. Notwithstanding anything to the contrary contained herein, the term "Hazardous Materials" shall not include substances which otherwise would be included in such definition but which are of kinds and in amounts ordinarily and customarily used or stored in properties similar to the Property, including, without limitation, substances used for the purposes of cleaning, maintenance, or operations, substances typically used in construction, and typical products used in properties like the Property, and which are otherwise in compliance with all Environmental Laws.

(c) The term "Environmental Liability" means any loss, liability, obligation, penalty, charge, fee, claim, litigation demand, defense, cost, judgment, suit, proceeding, response cost, damages (including consequential damages), disbursement or expense of any nature whatsoever (including but not limited to court costs, reasonable attorneys' and experts' reasonable fees and costs incurred in investigating, defending against or prosecuting any litigation, claim or proceeding) which is at any time imposed upon, incurred by, asserted or awarded against Lender or any of Lender's affiliated entities, shareholders, directors, officers, employees, contractors, attorneys, agents or other representatives (collectively "Affiliates") directly or indirectly in connection with, arising from or attributable to:

(1) any Hazardous Materials in violation of Environmental Law (A) affecting all or any portion of the Property, (B) affecting the air, soil, ground water, or surface water at, on, about, under, or within the Property or (C) migrating from the Property to other property;

(2) any misrepresentation, inaccuracy or breach of any representation, warranty, covenant or agreement contained in any Loan Document relating to or regarding Borrower's, Guarantor's or the Property's compliance with any Environmental Law or the presence of Hazardous Materials on the Property;

(3) any alleged or actual violation of any Environmental Laws by Borrower or Guarantor;

(4) the imposition of any lien against the Property for damages caused by, or the recovery of any costs for, the remediation, release or threatened release of Hazardous Materials;

(5) the enforcement of this Agreement;

(6) the costs of Remedial Work (as defined below) or other removal or remediation of any Hazardous Materials in violation of Environmental Laws (A) affecting all or any portion of the Property, (B) affecting the air, soil, ground water, or surface water at, on, about, under, or within the Property, or (C) affecting other property contaminated by migration of Hazardous Materials from the Property;

(7) costs incurred to comply with any Environmental Law in connection with all or any portion of the Property or in connection with the air, soil, ground water, or surface water at, on, about, under, or within the Property; and

(8) Lender's participation (as a party or otherwise), in any legal proceedings or actions initiated by any person, agency or entity (governmental or otherwise) in connection with any Environmental Laws and relating to the Property or the air, soil, ground water, or surface water at, on, about, under, or within the Property.

(d) All capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Loan Agreement.

2. Indemnity. Each of Borrower and Guarantor will indemnify and defend (at trial and appellate levels and with counsel reasonably acceptable to Lender and at Borrower's and Guarantor's sole cost) Lender and its assignees and Affiliates from and against any Environmental Liability, subject to the terms of Section 12 of this Agreement.

3. Payments. All amounts due hereunder are payable within five (5) days following written demand from Lender with an explanation of the amounts claimed and reasonable documentation supporting the same. Time is of the essence of this Agreement as to Borrower's and Guarantor's performance. Any amount that Borrower or Guarantor fail to pay within ten (10) days after such amount is due and payable will bear interest on such unpaid amount at the Default Rate under the Note. All of Borrower's and Guarantor's obligations under this Agreement are payable and performable at the place or places where Borrower's and Guarantor's obligations under the Loan Documents are payable and performable.

4. Site-Related Representations and Warranties. Each of Borrower and Guarantor hereby represent and warrant that:

(a) Site Inspection. The soil, subsoil, bedrock, surface water and ground water of the Property are free of any Hazardous Materials;

(b) Environmental Investigations. The Property has not been the subject of any investigation which could reasonably be expected to result in legal, administrative or other action (public or private) against the Property pursuant to any Environmental Laws;

(c) Above and Underground Storage Tanks. Apart from diesel storage tanks used to supply generators on the Property, there are no above- or underground storage tanks (including but not limited to petroleum storage tanks) on the Property, nor to Borrower's or Guarantor's knowledge, have any above or underground storage tanks (including but not limited to petroleum storage tanks) been removed from the Property within the last six (6) years in any manner other than in material compliance with all currently applicable Environmental Laws;

(d) Former Uses. To Borrower's and Guarantor's knowledge, no current or former occupant or user of the Property has materially violated any Environmental Laws;

(e) Absence of Hazardous Materials. To Borrower's and Guarantor's knowledge, no use, generation, manufacture, production, storage, treatment, transportation or disposal of Hazardous Materials has occurred in violation of Environmental Laws, nor is occurring, at, on, about, under, or within the Property;

(f) Proceedings and Actions. To Borrower's and Guarantor's knowledge, there are no pending or threatened in writing: (1) actions or proceedings by any governmental agency or any other entity having jurisdiction over the Property regarding public health risks at, on, about, under, within, or affecting the Property or the environmental condition of the Property, or the disposal or presence of Hazardous Materials at, on, about, under, or within the Property, or regarding the alleged violation of any Environmental Laws at, on, about, under, or within the Property; or (2) liens or governmental actions involving the Property or other real property of Borrower, notices of violations at the Property or other real property of Borrower, notices of noncompliance or other proceedings of any kind that could materially impair the Property's value, or the priority of the lien of the Mortgage or of any other documents or instruments now or hereafter given as security to Lender;

(g) Release. To Borrower's and Guarantor's knowledge, no release of Hazardous Materials has occurred or is occurring or threatened at, on, about, under, within, or from the Property; and

(h) Notices. Neither Borrower nor Guarantor (a) has given any written notice to or received any written inquiry from, nor has actual knowledge that any other person or entity has given written notice to or received any written inquiry from, any governmental agency or other entity or person concerning the release of any Hazardous Materials at, on, about, under, within, or affecting the Property, and (b) has given or received written notice of any pending or threatened action, suit (public or private), proceeding, investigation, or other proceeding relating to the Property's physical condition.

5. Corporate Warranties. Each of Borrower and Guarantor make to Lender the following additional representations and warranties:

(a) Authorization. Borrower and Guarantor each have full right, power and authority to enter into this Agreement and carry out his, her or its obligations hereunder. Each of Borrower and Guarantor has obtained all requisite entity authorization for its execution of this Agreement and such authorization remains in full force and effect;

(b) No Conflict. The execution, delivery and performance of this Agreement by each of Borrower and Guarantor will not violate or be in conflict with, result in a breach of, or constitute a default under, any indenture, agreement or any other instrument to which Borrower or Guarantor is a party or by which Borrower or Guarantor or any of their respective assets or properties is bound, or any order, writ, injunction or decree of any court or governmental institution; and

(c) Enforceability. This Agreement is a legal, valid and binding obligation of Borrower and Guarantor, jointly and severally, in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the rights of creditors generally.

6. Covenants. Each of Borrower and Guarantor covenant with Lender as follows:

(a) Compliance. The Property and the use and operation thereof will comply in all material respects with all Environmental Laws. All required governmental permits and licenses required under all Environmental Laws with respect to the Property will remain in effect, and Borrower and Guarantor will each comply in all material respects therewith;

(b) Absence of Hazardous Materials. Neither Borrower, Guarantor, nor any occupant of the Property will introduce, handle, use, generate, manufacture, produce, store, release, discharge, or dispose of any Hazardous Materials in violation of Environmental Laws at, on, about, under, or within the Property or transport any Hazardous Materials violative of Environmental Laws to or from the Property, except in accordance with applicable Environmental Laws;

(c) Proceedings and Actions. Borrower and Guarantor will each promptly, after receipt of actual notice of same, notify Lender of all complaints, claims, citations, demands, inquiries, reports or notices (collectively "Information") relating to the Property's compliance with Environmental Laws or loss or injury resulting from any Hazardous Materials, including, without limitation, Borrower's or Guarantor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of any part of the Property that could cause the Property or any part thereof to be subject to any restriction on the ownership, occupancy, transferability or use of any part of the Property under any Environmental Laws. If any Information is in writing, Borrower and/or Guarantor will promptly forward a copy to Lender;

(d) Liens. Borrower and Guarantor will keep the Property free of any liens imposed pursuant to any Environmental Laws;

(e) Environmental Audit. Upon Lender's reasonable suspicion of a violation of or non-compliance with Environmental Laws, Borrower and Guarantor will provide any

information and certifications that Lender reasonably requests from time to time, if appropriate under the circumstances, to ensure compliance by Borrower and Guarantor with this Agreement. Upon Lender's reasonable suspicion of a violation of or non-compliance with Environmental Laws, to investigate Borrower's and Guarantor's compliance with Environmental Laws and with this Agreement, Lender has the right, but not the obligation, upon reasonable, prior written notice to Borrower or Guarantor, to enter the Property (subject to the rights of tenants under their respective leases) during normal business hours, take samples, review Borrower's and Guarantor's books and records, interview Borrower's and Guarantor's employees and officers, and conduct similar activities pertaining to Hazardous Materials and the Property's compliance with Environmental Laws. Borrower and Guarantor will cooperate in the conduct of such an audit; provided, however that if no Event of Default (as defined in the Loan Agreement) has occurred and is continuing, Lender shall not interfere with any operations being conducted by Borrower and Guarantor on the Property.

(f) Remediation.

(1) If any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any nature whatsoever (the "Remedial Work") is reasonably necessary under any applicable local, state or federal law or regulation, or is required by any judicial order or by any governmental entity, because of, or in connection with, the presence, suspected presence, release or suspected release of any Hazardous Materials in or into the air, soil, ground water, surface water or soil vapor at, on, about, under or within the Property, or any portion thereof, then within thirty (30) business days or as soon thereafter as reasonably possible under the circumstances (or any earlier date required under any applicable law, regulation, order, or agreement) after, with respect only to demands by Lender, consultation with Borrower, Guarantor and their respective environmental consultant, and after Lender or any governmental entity or agency provides written demand for performance thereof to Borrower and Guarantor, Borrower and Guarantor must cause to be commenced, and thereafter diligently prosecuted to completion, all such Remedial Work. All Remedial Work must be performed by one or more contractors, which Lender has approved in advance in writing, which approval shall not be unreasonably withheld or delayed, and under the supervision of a consulting engineer that Lender has approved in advance in writing, which approval shall not be unreasonably withheld or delayed. Lender acknowledges that Borrower and Guarantor may pursue the least restrictive and/or comprehensive means to perform the Remedial Work provided that such Remedial Work is performed in accordance with all applicable laws. If Borrower and Guarantor fail to timely cause the Remedial Work to be commenced, or to diligently prosecute it to completion, Lender may, but need not, cause such Remedial Work to be performed and all costs and expenses that Lender reasonably incurs in connection therewith will become part of the Environmental Liability secured hereby.

(2) Without Lender's prior written consent, which Lender will not unreasonably withhold, condition or delay, Borrower and Guarantor may not take any remedial action in response to the presence of any Hazardous Materials at, on, about, under, or within the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials claims. Lender may withhold its consent, without limitation,

if Lender, in its reasonable judgment, determines that the remedial action, settlement, consent, or compromise might impair the value of Lender's security hereunder. However, Lender's prior consent is not necessary if the presence of Hazardous Materials at, on, about, under, or within the Property, or any portion thereof, poses an immediate threat to the health, safety, or welfare of any individual or is of such a nature that an immediate remedial response is necessary, and it is not possible to obtain Lender's consent before taking the action. If Borrower or Guarantor perform such emergency remedial action, Borrower and Guarantor must notify Lender as soon as practicable of any action taken. Lender will not withhold its consent, if its consent is required hereunder, if either (a) a court or government agency of competent jurisdiction orders a particular remedial action, or (b) Borrower or Guarantor establishes to Lender's reasonable satisfaction that no reasonable alternative to the remedial action exists that would result in materially less impairment of Lender's security hereunder.

7. Nature of Obligation. (a) Borrower's and Guarantor's obligations under this Agreement are independent of any other obligations that Borrower or Guarantor has to Lender in connection with the Loan Documents and payments by Borrower or Guarantor under this Agreement will not reduce Borrower's or Guarantor's obligations and liabilities under any other Loan Document. Lender's rights under this Agreement are in addition to any other rights and remedies Lender may have under any guaranty or other Loan Document, at law or in equity.

(b) If and to the extent that Lender is strictly liable under any Environmental Laws, Borrower's and Guarantor's obligations to Lender under this Agreement are likewise without regard to fault on Borrower's or Guarantor's part with respect to the violation or condition that results in Lender's liability unless any such liability, loss, costs or other Environmental Liability are incurred by Lender, its assignees or its Affiliates after Lender, its assignees or Affiliates acquire possession or title to the Property.

8. Joint and Several Liability; Release. All promises, agreements, covenants, waivers, consents, representations, warranties and other provisions in this Agreement are made by and are binding upon each and every such undersigned person, jointly and severally. Borrower, Guarantor or any other party liable upon or in respect of this Agreement, the Loan Agreement, or the Loan Documents, may be released without affecting the liability of any party not so released.

9. Notices. The parties must give all notices required by this Agreement in accordance with the Loan Agreement.

10. Expenses and Fees. If Lender employs counsel for advice or other representation with respect to (a) this Agreement, (b) the exercise or enforcement of any of Lender's rights under this Agreement, or (c) Borrower's or Guarantor's failure to perform or observe any of the provisions of this Agreement, then all of the reasonable attorneys' fees arising from such services, and any reasonable expenses, costs and charges relating thereto, will constitute an additional liability that Borrower and Guarantor owe to Lender, payable within five (5) days following written demand, with Interest as provided in, and secured by, the Loan Documents.

11. Waivers. (a) Lender may not by any act of omission or commission be deemed to waive any of its rights or remedies except to the extent expressly set forth in a waiver that one of Lender's authorized officers has signed. A waiver on one occasion will not constitute a continuing waiver, nor bar another waiver of that right or remedy on any other occasion, nor prevent Lender from requiring strict compliance and performance by Borrower and Guarantor of any part of this Agreement or any other Loan Document, including but not limited to, any provision not previously enforced by Lender. Lender's remedies are cumulative and not exclusive, and Lender may exercise its remedies concurrently or consecutively at its option.

(b) Borrower, Guarantor, and their respective successors and assigns, waive, release and agree not to make any claim or bring any cost recovery action against Lender under any Environmental Laws unless Lender takes possession or title to the Property through foreclosure or deed in lieu of foreclosure of the Mortgage or otherwise, and there are losses or costs or other Environmental Liability which are a direct result of the negligence or affirmative actions of Lender, its assignees or Affiliates as owner and operator of the Property after Lender, its assignees or Affiliates acquire possession or title to the Property if such negligence or actions are a direct cause of damage resulting from the introduction and release of Hazardous Materials at the Property by Lender, its assignees or Affiliates.

(c) Borrower and Guarantor waive any right or claim of right to cause a marshalling of Borrower's or Guarantor's assets or to cause Lender to proceed against any of the security for the Loan before proceeding under this Agreement; and Borrower and Guarantor expressly waive and relinquish all rights and remedies accorded by applicable law to borrowers or guarantors, including, without limitation, all rights of subrogation that Borrower or Guarantor may have.

(d) Borrower and Guarantor expressly and unconditionally waive, in connection with any suit, action or proceeding that Lender brings to enforce this Agreement, any and every right he, she or it may have (1) to injunctive relief; (2) to interpose any counterclaim therein unless under the applicable court rules, it must assert the counterclaim in that proceeding; and (3) to have any of Lender's claims consolidated with any other or separate suit, action or proceeding.

12. Survival.

(a) Borrower's and Guarantor's obligations under this Agreement will survive the termination, expiration or maturity of the Loan Agreement or Loan Documents, foreclosure of the Mortgage, any transfer of the Property to Lender by voluntary transfer, foreclosure or deed in lieu of foreclosure, and the Loan's satisfaction (through foreclosure, repayment or otherwise). If Lender takes possession or title to the Property through power of sale, foreclosure or deed in lieu of foreclosure of the Mortgage, or the exercise of any other remedies under the Loan Documents, this Agreement, and the indemnification obligations and liabilities of Borrower and Guarantor under this Agreement, will not apply to any loss or costs or other Environmental Liability that Lender, its assignees or its Affiliates incur resulting from, or arising out of, the negligence or affirmative actions of any or all of Lender, its assignees or Affiliates as owner and operator of

the Property. HOWEVER, this Agreement will otherwise remain in full force and effect, including, without limitation, (1) with respect to Hazardous Materials which are discovered or released at the Property after Lender acquires possession or title to the Property but which Lender, its assignees or Affiliates, or any third party providing services to any of the foregoing did not introduce to the Property or otherwise materially exacerbate; (2) with respect to the migration or release of Hazardous Materials previously introduced at, on, about, under, or within the Property, and (3) with respect to all substances which may be Hazardous Materials and which are situated at the Property prior to Lender, its assignees or Affiliates taking title, but which Lender later removes from the Property in accordance with all industry-standard procedures and a reasonable standard of care.

(b) Lender is deemed to have relied upon all representations, warranties, acknowledgements, covenants and agreements that Borrower and Guarantor make in this Agreement or in any Loan Document, notwithstanding any investigation made by Lender or on Lender's behalf (and Borrower and Guarantor acknowledge Lender's reliance in making the Loan and all disbursements thereof). Borrower and Guarantor will take reasonable actions to determine, and to remain aware of, the Property's environmental condition and has no right to rely upon any environmental investigations or findings made by Lender or its consultants.

(c) Borrower's and Guarantor's liability under this Agreement will not be limited or impaired by, and Borrower and Guarantor hereby consent to and agree to be bound by, any amendment or replacement of the Loan Agreement, Mortgage or any other Loan Documents to which Borrower or Guarantor are a party. In addition, Borrower's and Guarantor's liability under this Agreement will not be limited or impaired by:

(1) any extensions of time for performance required or permitted under any Loan Documents;

(2) any sale, assignment or foreclosure of the Mortgage or any sale or transfer of all or part of the Property;

(3) any exculpatory provision in any Loan Documents limiting Lender's recourse to property encumbered by the Mortgage or to any other security, or limiting Lender's rights to a deficiency judgment against Borrower or Guarantor;

(4) the accuracy or inaccuracy of any representations or warranties in the Loan Documents;

(5) the release of Borrower, Guarantor, any other guarantor or any other person from performance or observance of any of the agreements, covenants, terms or conditions contained in any Loan Documents by operation of law, Lender's voluntary act, or otherwise other than a waiver or release under this Agreement;

(6) the release or substitution in whole or in part of any security for the Loan Agreement or Loan Documents;

(7) Lender's failure to record the Mortgage or file any UCC financing statements (or Lender's improper recording or filing of any thereof) or to otherwise perfect, protect, secure or insure any security interest or lien given as security for the Loan Agreement or Loan Documents; or

(8) the invalidity, irregularity or unenforceability, in whole or in part, of the Mortgage, Loan Agreement or any other Loan Document;

and, in any case, whether with or without notice to Borrower or Guarantor and with or without consideration.

13. Amendment. No provision of this Agreement may be changed, waived, discharged or terminated orally, by telephone or by any other means except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

14. Assignment. Lender may assign, negotiate, pledge or otherwise hypothecate all or any portion of this Agreement or grant participations herein, or in any of its rights and security hereunder. Borrower and Guarantor will accord full recognition to any such assignment without relieving Borrower or Guarantor from their respective obligations to Lender with respect to any unassigned debt, obligation or liability. The assignee will be able to enforce all of Lender's rights and remedies in connection with the interest so assigned against Borrower and Guarantor with the same force and effect and to the same extent as Lender could have but for the assignment, except that the assignee's rights will be subordinate to Lender's rights as to any unassigned debt, obligation or liability.

15. Severability. If a court of competent jurisdiction declares or finds all or any portion of any provision of this Agreement to be unenforceable or null and void, such provision or portion thereof shall be deemed stricken and severed from this Agreement and the remaining provisions and portions hereof will continue in full force and effect.

16. Successors. This Agreement and all of its provisions, conditions, promises and covenants inure to the benefit of Lender, its successors and assigns, including, without limitation, any purchaser of the Property from Lender or any purchaser of the Property pursuant to a judicial order of sale and will be binding upon Borrower's and Guarantor's respective successors, assigns, executors, heirs and personal representatives. Neither Borrower nor Guarantor may assign its rights or delegate its duties under this Agreement without Lender's prior written consent, which Lender will not unreasonably withhold, condition or delay.

17. Relationship of Parties. The relationship between Lender, Borrower, and Guarantor is only that of creditor-debtor. This Agreement does not create any relationship of agency, partnership or joint or co-venturer.

18. Governing Law; Forum. The internal laws of the State of Indiana and not the law of conflicts will govern and control the form and essential validity of this Agreement. Borrower and Guarantor consent and submit to the jurisdiction of any local, state or federal court sitting

within the County of Marion, in the State of Indiana. Borrower and Guarantor waive any right either may have to transfer or change the venue of any litigation Lender brings against Borrower and/or Guarantor in accordance with this paragraph. Nothing in this Agreement affects Lender's right to serve process in any manner permitted by law or limits Lender's right to bring proceedings against Borrower and/or Guarantor in any other court or jurisdiction.

19. WAIVER OF TRIAL BY JURY. THE PARTIES IRREVOCABLY, KNOWINGLY, WILLINGLY AND VOLUNTARILY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, COUNTERCLAIM OR PROCEEDING (1) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH, OR (2) ARISING FROM ANY DISPUTE OR CONTROVERSY IN CONNECTION WITH OR RELATED TO THIS AGREEMENT OR ANY SUCH AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT. ANY SUCH ACTION, SUIT, COUNTERCLAIM OR PROCEEDING WILL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. NO INDIVIDUAL HAS MADE ANY REPRESENTATIONS OF FACT OR OPINION TO INDUCE BORROWER'S OR GUARANTOR'S WAIVER OF ITS RIGHT TO TRIAL BY JURY. BORROWER AND GUARANTOR HAVE BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL WHICH IT SELECTED, AND IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

(SIGNATURE PAGE TO FOLLOW)

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

**BORROWER:**

AQUABOUNTY FARMS INDIANA LLC  
a Delaware limited liability company

By: /s/ David A. Frank

Name: David A. Frank

Title: Treasurer and Chief Financial Officer

**GUARANTOR:**

AQUABOUNTY TECHNOLOGIES, INC.  
a Delaware corporation

By: /s/ David A. Frank

Name: David A. Frank

Title: Treasurer and Chief Financial Officer

Signature Page  
Environmental Indemnity  
FFBT/AQUABOUNTY

**EXHIBIT A**

**LEGAL DESCRIPTION**

THE FOLLOWING REAL ESTATE IS LOCATED IN DELAWARE COUNTY, INDIANA:

Part of Section 35, Township 22 North, Range 11 East, Niles Township, Delaware County, Indiana as described as follows:

Commencing at a monument found at the southwest corner of said Section 35; thence South 88 degrees 52 minutes 32 seconds East (assumed bearing) 753.23 feet along the south line of said Section 35 to a PK nail found in Gregory Road at the Point of beginning of this description; thence North 61 degrees 09 minutes 52 seconds West 8.97 feet to a point in Gregory Road; thence North 34 degrees 42 minutes 01 second West 269.24 feet to a PK nail found Gregory Road; thence North 32 degrees 04 minutes 43 seconds West 210.49 feet to a PK nail found in Gregory Road; thence North 57 degrees 58 minutes 47 seconds East 165.85 feet to an iron rod set; thence North 00 degrees 02 minutes 33 seconds West 455.09 feet to an iron rod found; thence North 83 degrees 34 minutes 06 seconds East 157.13 feet to an iron rod found; thence South 00 degrees 47 minutes 35 seconds West 956.90 feet to a point found; thence North 88 degrees 52 minutes 32 seconds West 13.88 feet to the Point of Beginning, containing 3.45 acres, in Section 35.

ALSO: A part of the Southwest Quarter of Section 35, Township 22 North, Range 11 East, more particularly described as follows, to-wit: Beginning at a point in the centerline of Granville & Albany Pike 1,276.0 feet West of the southeast corner of the Southwest Quarter of Section 35, Township 22 North, Range 11 East; thence North 01 degree 29 minutes 26 seconds East parallel with the east line of said Southwest quarter 2,660.27 feet to the north line of said Southwest Quarter also being the northwest corner of Deed Record 2000 page 8008 as recorded in the records of Delaware County, Indiana; thence North 89 degrees 14 minutes 04 seconds West and on the north line of said Southwest Quarter 632.62 feet; thence South 00 degrees 14 minutes 26 seconds West 580.95 feet to an existing fence; thence North 88 degrees 41 minutes 51 seconds West 126.23 feet to a concrete post; thence South 00 degrees 22 minutes 07 seconds West on an existing fence line 1,112.71 feet to its intersection with the north line of Deed Record 1998 Page 6312 as recorded in the records of Delaware County, Indiana; thence North 83 degrees 24 minutes 42 seconds East and on the north line of said Deed Record 1998 Page 6312, 157.13 feet to the northeast corner of said Deed Record 1998 Page 6312; thence South 00 degrees 27 minutes 29 seconds West on the east line of said Deed Record 1998 Page 6312, 984.53 feet to the Point in the center line of Granville & Albany Pike (being the southeast corner of said Deed Record 1998 Page 6312); thence South 88 degrees 53 minutes 41 seconds East 566.52 feet to the Point of Beginning. Estimated to contain 40.0 acres, more or less.

## Certification

I, Sylvia Wulf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AquaBounty Technologies, 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 controls over financial reporting, or caused such internal controls 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.

Date: August 6, 2020

/s/ Sylvia Wulf

Sylvia Wulf

Chief Executive Officer

(Principal Executive Officer)

## Certification

I, David A. Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AquaBounty Technologies, 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 controls over financial reporting, or caused such internal controls 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.

Date: August 6, 2020

/s/ David A. Frank

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David A. Frank  
*Chief Financial Officer*  
(Principal Financial Officer)

**The following certification is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350). This certification is not to be deemed a part of the Report, nor is it deemed to be “filed” for any purpose whatsoever.**

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC 1350), each of the undersigned hereby certifies, to his knowledge, that:

(i) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, which this statement accompanies, 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

(ii) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, fairly presents, in all material respects, the financial condition and results of operations of AquaBounty Technologies, Inc.

Dated as of this 6th day of August, 2020.

/s/ Sylvia Wulf

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Sylvia Wulf  
*Chief Executive Officer*  
(Principal Executive Officer)

/s/ David A. Frank

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David A. Frank  
*Chief Financial Officer*  
(Principal Financial Officer)