

CREDIT AGREEMENT

dated as of June 15, 2022

between

HARBOR RETAIL GROUP, LLC
(as Borrower)

and

COMMERCE BANK & TRUST
(as Administrative Agent and Lender)

SENIOR SECURED CREDIT FACILITY
\$35,000,000

1 DEFINITIONS

"Borrower" means Harbor Retail Group, LLC, a California limited liability company operating retail stores throughout the Western United States.

"Commitment Amount" means Thirty-Five Million Dollars (\$35,000,000).

"EBITDA" means Net Income plus Interest Expense, taxes, depreciation, amortization, and non-cash charges, minus non-cash gains.

"EBITDAR" means EBITDA plus Rent Expense.

"Fixed Charge Coverage Ratio" means (EBITDA minus Capital Expenditures minus Taxes Paid) divided by (Interest Expense plus Scheduled Principal Payments).

"Interest Coverage Ratio" means EBITDA divided by Interest Expense.

"Leverage Ratio" means Total Debt divided by EBITDA.

"Maturity Date" means June 15, 2027.

2 THE CREDIT FACILITY

2.1 Term Loan and Revolver

- Term Loan: \$25,000,000
- Revolving Credit Facility: \$10,000,000

2.2 Interest Rate

SOFR plus 4.00% (increased from 3.50% following Q2 2025 covenant breach waiver).

2.3 Collateral

All assets of the Borrower, including inventory, accounts receivable, equipment, and real property.

3 FINANCIAL COVENANTS

3.1 Maximum Leverage Ratio

The Borrower shall maintain a Leverage Ratio not exceeding **4.50:1.00**.

3.2 Minimum Interest Coverage Ratio

The Borrower shall maintain an Interest Coverage Ratio of not less than **2.00:1.00**.

3.3 Minimum Fixed Charge Coverage Ratio

The Borrower shall maintain a Fixed Charge Coverage Ratio of not less than **1.10:1.00**.

3.4 Maximum Capital Expenditures

Capital Expenditures shall not exceed **\$3,000,000** in any fiscal year without Lender approval.

4 REPORTING REQUIREMENTS

The Borrower shall deliver:

- Monthly financial statements within 30 days of month-end
- Quarterly Compliance Certificate within 45 days of quarter-end
- 13-week cash flow forecast, updated bi-weekly
- Annual audited financials within 90 days of fiscal year-end

5 EVENTS OF DEFAULT

Events of Default include:

1. Non-payment of principal or interest
2. Breach of any financial covenant
3. Material adverse change in business condition
4. Cross-default on other indebtedness
5. Change of control without consent

6 REMEDIES

Upon an Event of Default, Lender may:

- Accelerate all outstanding obligations
- Increase interest rate by 2.00%
- Exercise remedies against collateral
- Require immediate repayment

7 SIGNATURES

BORROWER:

HARBOR RETAIL GROUP, LLC

By: _____

Name: James Mitchell

Title: Chief Executive Officer

Date: June 15, 2022

LENDER:

COMMERCE BANK & TRUST

By: _____

Name: Elizabeth Warren

Title: Senior Vice President, Commercial Lending

Date: June 15, 2022