

EXHIBIT 10.1

CREDIT AGREEMENT

between

PRO-DEX, INC.

and

MINNESOTA BANK & TRUST

dated as of

September 6, 2018

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CREDIT AGREEMENT

This Credit Agreement (this “**Agreement**”), dated as of September 6, 2018, is entered into between **Pro-Dex, Inc.**, a Colorado corporation (together with its successors and assigns, the “**Borrower**”), and **Minnesota Bank & Trust**, a Minnesota state banking corporation (together with its successors and assigns, the “**Lender**”).

RECITALS

The Lender has agreed to make available to the Borrower a term loan and a revolving credit facility upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

“**Affiliate**” as to any Person, means any other Person that, directly or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person, or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise. For the purpose of this Agreement, Air T Inc. is not considered an affiliate.

“**Anti-terrorism Law**” means any Requirement of Law related to money laundering or financing terrorism including the PATRIOT Act, The Currency and Foreign Transactions Reporting Act (31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959) (also known as the “**Bank Secrecy Act**”), the Trading With the Enemy Act (50 U.S.C. § 1 et seq.) and Executive Order 13224 (effective September 24, 2001).

“**Asset Coverage Ratio**” means, at any Measurement Date, the ratio, calculated on a consolidated basis in accordance with GAAP for the Borrower and the other Loan Parties, of: (a) the sum of (i) Total Assets minus (ii) Intangible Assets; minus (iii) Current Liabilities (other than the Revolving Credit Loan and current maturities of long term debt); divided by (b) the sum of (i) the outstanding principal balance of the Loans; plus (ii) Letter of Credit Obligations.

“Asset Sale” means any Disposition of Property or series of related Dispositions of Property (excluding any such Disposition permitted by Section 7.05 that yields gross proceeds to any Loan Party (valued at the principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$500,000.00.

“Banking Services” means each and any of the following bank services provided to Borrower by Lender or any of its Affiliates: (a) commercial credit cards, (b) stored value cards, and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

“Banking Services Liabilities” means any and all obligations of the Borrower, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

“Bankruptcy Code” means Title 11 of the United States Code, as amended from time to time, or any similar federal or state law for the relief of debtors.

“Blocked Person” means any Person that (a) is publicly identified on the most current list of “Specially Designated Nationals and Blocked Persons” published by the Office of Foreign Assets Control of the US Department of the Treasury (“OFAC”) or resides, is organized or chartered, or has a place of business in a country or territory subject to OFAC sanctions or embargo programs, or (b) is publicly identified as prohibited from doing business with the United States under the International Emergency Economic Powers Act, the Trading With the Enemy Act, or any other Requirement of Law.

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor thereto).

“Borrower” has the meaning set forth in the preamble.

“Borrowing Base” means, at any date of determination, the sum of: (a) 75% of Eligible Accounts; plus (b) 50% of Eligible Inventory; plus (c) 85% of the market value of Eligible Investment Securities; provided, however, that the Lender reserves the right, in its sole discretion, to adjust such borrowing base percentages and components based on its periodic evaluation of the Collateral. The amount of the Borrowing Base shall be determined periodically from the most recent Borrowing Base Certificate and supporting reports delivered to the Lender.

“Borrowing Date” means any Business Day specified by the Borrower in a Borrowing Notice as a date on which the Borrower requests the Lender to make a Loan hereunder.

“Borrowing Notice” means any request for a borrowing of Loans hereunder by Borrower, which may be submitted in writing or in electronic form.

“Business Day” means, a day other than a Saturday, Sunday or other day on which commercial banks in Minneapolis, Minnesota are authorized or required by law to close.

“Capital Expenditures” with respect to any Person, means the aggregate of all expenditures by such Person for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets, software or additions to Equipment (including replacements, capitalized repairs and improvements) which are required to be capitalized under GAAP on the balance sheet of such Person.

“Capital Lease Obligations” with respect to any Person, means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases under GAAP on the balance sheet of such Person and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Cash Equivalents” as to any Person, means (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than one year from the date of acquisition by such Person, (b) time deposits and certificates of deposit of any commercial bank having, or which is the principal banking subsidiary of a bank holding company organized under the laws of the United States or any State thereof, having maturities of not more than one year from the date of acquisition by such Person, (c) repurchase obligations with a term of not more than 90 days for underlying securities of the types described in clause (a) above entered into with any bank meeting the qualifications specified in clause (b) above, (d) commercial paper issued by any issuer rated at least A-1 by Standard & Poor’s Ratings Services, or at least P-1 by Moody’s Investors Service, Inc. (or carrying an equivalent rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally), and in each case maturing not more than one year after the date of acquisition by such Person or (e) investments in money market funds substantially all of whose assets are comprised of securities of the types described in clauses (a) through (d) above.

“Change in Law” means the occurrence after the date of this Agreement of (a) the adoption or effectiveness of any law, rule, regulation, judicial ruling, judgment or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application by any Governmental Authority of any law, rule, regulation or treaty, or (c) the making or issuance by any Governmental Authority of any request, rule, guideline or directive, whether or not having the force of law; *provided*

that, notwithstanding anything herein to the contrary (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives concerning capital adequacy promulgated by the Lender for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities shall, in each case, be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“**Change of Control**” means (a) any Person or group of persons within the meaning of §13(d)(3) of the Securities Exchange Act of 1934 (other than one or more Continuing Directors or Affiliates of Continuing Directors) becomes the beneficial owner, directly or indirectly, of 50% or more of the outstanding Equity Interests of the Borrower, or (b) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the board of directors of the Borrower.

“**Closing Date**” means the date on which the conditions precedent set forth in Section 4.01 are satisfied or waived.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Collateral**” has the meaning for such term set forth in the Security Agreement.

“**Commitment(s)**” means individually or collectively, as the case may be, the Revolving Credit Commitment and the Term Loan A Commitment.

“**Continuing Directors**” means the directors of the Borrower on the Closing Date, and each other director, if in each case, such other director’s nomination for election to the board of directors of the Borrower is recommended by at least a majority of the Continuing Directors.

“**Contractual Obligation**” of any Person, means any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound, other than the Obligations.

“**Control Agreement**” The Control Agreement dated as of even date herewith executed by the Securities Intermediary providing Lender with control over the Pledged Account, as originally executed and as it may be amended, modified, supplemented, restated or replaced from time to time.

“**Current Liabilities**” means, at any date of determination, the aggregate amount of all liabilities of the Borrower and its Subsidiaries, on a consolidated basis, that are classified as current liabilities in accordance with GAAP.

“Debt” of any Person at any date, without duplication, means (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person for the deferred purchase price of property or services (other than (i) trade payables and accrued expenses incurred in the ordinary course of business and not past due for more than 61 days after the date on which each such trade payable or account payable was created and (ii) any earn-out, purchase price adjustment or similar obligation until such obligation appears in the liabilities section of the balance sheet of such Person; (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (e) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person or any warrants, rights or options to acquire such Equity Interests, valued, in the case of redeemable preferred interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities in respect of obligations of the kind referred to in subsections (a) through (e) of this definition; (g) all Guaranty Obligations of such Person in respect of obligations of the kind referred to in subsections (a) through (f) above; and (h) all obligations of the kind referred to in subsections (a) through (g) above secured by (or which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation.

“Debtor Relief Law” means the Bankruptcy Code and all other liquidation, bankruptcy, assignment for the benefit of creditors, conservatorship, moratorium, receivership, insolvency, rearrangement, reorganization or similar debtor relief laws of the US or other applicable jurisdictions in effect from time to time.

“Debt Service Coverage Ratio” means, at any Measurement Date, the ratio, calculated on a consolidated basis for the Borrower and the other Loan Parties for the Measurement Period ending on such Measurement Date, of: (a) the sum of (i) EBITDA, minus (ii) dividends and other distributions paid in cash to shareholders of the Borrower; divided by (b) the aggregate amount of scheduled annual principal payments and interest expense on the Loans and other Debt for borrowed money.

“Default” means any of the events specified in Section 8.01 which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to Section 8.01 would, unless cured or waived, become an Event of Default.

“Disposition” or **“Dispose”** means the sale, transfer, license, lease or other disposition (whether in one transaction or in a series of transactions, and including any

sale and leaseback transaction) of any property (including, without limitation, any Equity Interests) by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Dollars” means the lawful currency of the United States.

“Domestic Subsidiary” means a Subsidiary of the Borrower incorporated or organized under the laws of the United States of America, any state thereof or the District of Columbia.

“EBITDA” means, for any Measurement Period, the sum, calculated on a consolidated basis in accordance with GAAP for the Borrower and the other Loan Parties, of: (a) net income for such Measurement Period determined in accordance with GAAP (but excluding therefrom all non-operating income (including, without limitation, extra-ordinary, non-recurring or unusual gains) and all non-operating losses (including, without limitation, extra-ordinary, non-recurring or unusual losses)); plus (b) the sum of the following amounts deducted in arriving at net income (but without duplication for any item): (i) interest expense; (ii) depreciation, amortization and other non-cash charges; and (iii) federal, state, and local income taxes.

“Eligible Accounts” means, at any date of determination, the United States dollar value (net of deposits, finance charges and/or service charges) of only such accounts of the Borrower arising from the rendering of services in the ordinary course of business in which the Lender holds a first priority security interest and as to which the Lender, in its reasonable business judgment, shall from time to time determine to be collectible in a timely manner in the ordinary course of business without dispute or set-off. Without limiting the Lender’s right, in its reasonable business judgment, to consider any account not to be an Eligible Account, and by way of example only of types of accounts that the Lender will consider not to be Eligible Accounts, the Lender, notwithstanding any earlier classification of eligibility, may consider any account not to be an Eligible Account if:

(a) any warranty is breached as to the account or the account debtor disputes liability or makes any claim with respect to the account;

(b) the account is not paid by the account debtor within 120 days after the date of the original invoice relating thereto; or (ii) the account is owed by any account debtor who has not paid 10% or more of such account debtor’s accounts within the relevant time period specified in subsection (b)(i) above;

(c) a petition in bankruptcy or other application for relief under any insolvency law is filed with respect to the account debtor owing the account, or the account debtor owing the account assigns for the benefit of creditors, becomes insolvent, fails, suspends, or goes out of business, or the Lender, in its reasonable

business judgment, shall become dissatisfied with the creditworthiness of an account debtor owing an account;

(d) the account arises from a sale to an account debtor that is outside the United States unless the sale is on letter of credit, acceptance or other terms acceptable to the Lender;

(e) the account debtor is an Affiliate, supplier or creditor of a Loan Party;

(f) the account debtor with respect thereto is the United States of America or any department, agency or instrumentality thereof (a "Federal Governmental Authority"), or any state, county or local governmental authority, or any department, agency or instrumentality thereof, unless the Borrower has assigned its right to payment of such account to the Lender pursuant to the Assignment of Claims Act of 1940 as amended in the case of the a Federal Governmental Authority, or pursuant to applicable state law, if any, in all other instances, and such assignment has been accepted and acknowledged by the appropriate government officers;

(g) if the Lender, in its reasonable business judgment, has established a credit limit for the account debtor with respect thereto, the aggregate dollar amount of accounts due from such account debtor, including such account, exceeds such credit limit;

(h) such Account is evidenced by chattel paper or instruments unless the original of such chattel paper or instruments is delivered to the Lender;

(i) such account arises from a transaction for which surety or performance bonds are posted; or

(j) any account for a customer deposit.

The amount of Eligible Accounts shall be computed from the Borrowing Base Certificate and other information required to be delivered by the Borrower to the Lender pursuant to Section 6.02.

"Eligible Assignee" has the meaning set forth in Section 9.04.

"Eligible Inventory" shall mean the book United States dollar value of the Borrower's raw materials and finished goods inventory, in which only the Lender holds a first priority security interest and as to which the Lender, in its reasonable business judgment, shall elect from time to time to constitute Eligible Inventory. Without limiting the Lender's right, in its reasonable business judgment, to consider any inventory not to be Eligible Inventory, and by way of example only of types of inventory that the Lender will consider not to be Eligible Inventory, the Lender, notwithstanding any earlier classification of eligibility, may consider any inventory not to be Eligible Inventory if: (a) such inventory is discontinued inventory; (b) such inventory (i) is not either located

on premises owned, leased or rented by Borrower or (ii) stored with a bailee or warehouseman, unless a fully-executed landlord waiver has been delivered to the Lender in form reasonably satisfactory to the Lender, (c) such inventory is consigned to a Loan Party, or (d) such inventory is consigned by a Loan Party, unless such Loan Party has complied with all of the Consigned Inventory Eligibility Requirements. The value of Eligible Inventory shall be the lower of the cost or net realizable value of the Eligible Inventory computed in accordance with GAAP.

“Eligible Investment Securities” means the following categories of Pledged Securities held in the Pledged Account: Commercial Paper, Government Securities, Municipal Bonds, Listed Corporate Bonds and/or any other securities regularly traded on the NASDAQ or the New York Stock Exchange which the Lender, in its sole discretion, determines to be of sufficient quality to accept as Collateral and in which only the Lender has a Lien.

“Environmental Action” means any action, suit, demand, demand letter, claim, notice of violation or non-compliance, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any permit issued under any Environmental Law, or any Hazardous Material, or arising from alleged injury or threat to health, safety or the environment including (a) by any Governmental Authority for enforcement, clean-up, removal, response, remedial or other actions or damages and (b) any Governmental Authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

“Environmental Law” means any and all Federal, state, foreign, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) as now or may at any time hereafter be in effect, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or, to the extent relating to exposure to substances that are harmful or detrimental to the environment, or human health or safety.

“Equipment” has the meaning for such term set forth in the Security Agreement.

“Equity Interests” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership (or profit) interests in a Person (other than a corporation), securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person, and any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and whether or not such shares,