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

Form 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2013

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 0-23248

SIGMATRON INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2201 Landmeier Road
Elk Grove Village, Illinois
(Address of principal executive offices)

36-3918470
(I.R.S. Employer
Identification No.)

60007
(Zip Code)

Registrant's telephone number, including area code: (847) 956-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of December 13, 2013: 3,961,232

SigmaTron International, Inc.

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SigmaTron International, Inc.
Consolidated Balance Sheets

	October 31, 2013 (Unaudited)	April 30, 2013
Current assets:		
Cash	\$ 5,076,820	\$ 4,607,731
Accounts receivable, less allowance for doubtful accounts of \$150,000 at October 31, 2013 and April 30, 2013	18,880,069	19,421,252
Inventories, net	50,487,435	50,644,741
Prepaid expenses and other assets	1,821,846	1,882,680
Refundable income taxes	—	228,026
Deferred income taxes	1,667,838	1,630,809
Other receivables	390,305	524,268
Total current assets	78,324,313	78,939,507
Property, machinery and equipment, net	32,523,164	28,567,052
Intangible assets, net of amortization of \$3,136,290 and \$2,962,566 at October 31, 2013 and April 30, 2013	\$ 5,775,710	\$ 5,949,434
Goodwill	3,222,899	3,222,899
Other assets	758,907	910,025
Total other long-term assets	9,757,516	10,082,358
Total assets	\$120,604,993	\$117,588,917
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	\$ 27,502,540	\$ 31,347,354
Accrued expenses	2,315,950	2,486,819
Accrued wages	3,881,720	3,633,900
Income taxes payable	234,346	—
Current portion of long-term debt	150,996	99,996
Current portion of capital lease obligations	657,698	229,661
Current portion of contingent consideration	331,429	331,429
Total current liabilities	35,074,679	38,129,159
Long-term debt, less current portion	23,249,019	20,575,017
Capital lease obligations, less current portion	2,275,385	577,221
Contingent consideration, less current portion	1,663,571	1,793,571
Other long-term liabilities	484,859	487,236
Deferred rent	1,138,454	1,096,272
Deferred income taxes	2,920,339	2,946,710
Total long-term liabilities	31,731,627	27,476,027
Total liabilities	66,806,306	65,605,186
Commitments and contingencies:		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized, none issued or outstanding	—	—
Common stock, \$.01 par value; 12,000,000 shares authorized, 3,961,232 and 3,940,402 shares issued and outstanding at October 31, 2013 and April 30, 2013	39,779	39,779
Capital in excess of par value	20,423,846	20,361,012
Retained earnings	33,335,062	31,582,940
Total stockholders' equity	53,798,687	51,983,731
Total liabilities and stockholders' equity	\$120,604,993	\$117,588,917

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

SigmaTron International, Inc.
Consolidated Statements Of Operations

	Three Months Ended October 31, 2013 <u>(Unaudited)</u>	Three Months Ended October 31, 2012 <u>(Unaudited)</u>	Six Months Ended October 31, 2013 <u>(Unaudited)</u>	Six Months Ended October 31, 2012 <u>(Unaudited)</u>
Net sales	\$ 56,577,287	\$ 52,729,395	\$ 112,743,348	\$ 100,358,624
Cost of products sold	<u>50,581,151</u>	<u>47,326,225</u>	<u>100,458,804</u>	<u>90,249,556</u>
Gross profit	5,996,136	5,403,170	12,284,544	10,109,068
Selling and administrative expenses	<u>4,839,754</u>	<u>4,679,755</u>	<u>9,695,312</u>	<u>9,345,160</u>
Operating income	1,156,382	723,415	2,589,232	763,908
Other (expense) income	(29,523)	8,255	(50,973)	8,255
Interest expense	<u>236,094</u>	<u>208,615</u>	<u>450,054</u>	<u>396,952</u>
Income from operations before income tax expense	949,811	506,545	2,190,151	358,701
Income tax expense (benefit)	<u>165,157</u>	<u>23,711</u>	<u>438,030</u>	<u>(30,989)</u>
Net income	<u>\$ 784,654</u>	<u>\$ 482,834</u>	<u>\$ 1,752,121</u>	<u>\$ 389,690</u>
Earnings per share - basic	<u>\$ 0.20</u>	<u>\$ 0.12</u>	<u>\$ 0.44</u>	<u>\$ 0.10</u>
Earnings per share - diluted	<u>\$ 0.19</u>	<u>\$ 0.12</u>	<u>\$ 0.43</u>	<u>\$ 0.10</u>
Weighted average shares of common stock outstanding				
Basic	<u>3,961,232</u>	<u>3,930,402</u>	<u>3,961,232</u>	<u>3,926,440</u>
Weighted average shares of common stock outstanding				
Diluted	<u>4,037,627</u>	<u>4,002,264</u>	<u>4,028,681</u>	<u>3,989,180</u>

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

SigmaTron International, Inc.
Consolidated Statements of Cash Flows

	Six Months Ended October 31, 2013 (Unaudited)	Six Months Ended October 31, 2012 (Unaudited)
Operating activities:		
Net income	\$ 1,752,121	\$ 389,690
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,386,867	2,221,992
Stock-based compensation	54,236	135,838
Restricted stock expense	8,599	38,907
Deferred income taxes	(37,029)	(3,276)
Amortization of intangibles	173,724	133,415
Loss from disposal or sale of machinery and equipment	1,675	—
Tender offer - stock options	300,410	—
Changes in operating assets and liabilities, net of assets and liabilities acquired		
Accounts receivable	541,183	(4,560,840)
Inventories	157,306	(3,512,547)
Prepaid expenses and other assets	345,915	(213,848)
Refundable Income taxes	228,026	(149,751)
Trade accounts payable	(3,844,814)	4,968,907
Deferred rent	42,182	280,280
Accrued expenses and wages	178,920	280,657
Income taxes payable	(26,371)	—
Net cash provided by operating activities	<u>2,262,950</u>	<u>9,424</u>
Investing activities:		
Purchases of machinery and equipment	(6,344,654)	(2,044,055)
Cash received in conjunction with acquisition	—	1,142,597
Net cash used in investing activities	<u>(6,344,654)</u>	<u>(901,458)</u>
Financing activities:		
Payment of tendered stock options	(300,410)	—
Proceeds under sale lease back agreement	2,281,354	—
Payments under capital lease obligations	(155,153)	(108,482)
Payments under other notes payable	—	(26,832)
Net proceeds under lines of credit	1,500,000	4,000,000
Proceeds under building notes payable	1,275,000	—
Payments under building notes payable	(49,998)	(49,998)
Net cash provided by financing activities	<u>4,550,793</u>	<u>3,814,688</u>
Change in cash	469,089	2,922,654
Cash at beginning of period	<u>4,607,731</u>	<u>4,668,931</u>
Cash at end of period	<u>\$ 5,076,820</u>	<u>\$ 7,591,585</u>
Supplementary disclosures of cash flow information		
Cash paid for interest	\$ 211,843	\$ 385,336
Cash paid for income taxes	—	24,310
Cash refunded for income taxes	(52,437)	—
Non-Cash Transaction - Acquisition of Spitfire Control, Inc.		
SigmaTron International, Inc. A/R trade forgiven	—	\$15,312,904
SigmaTron International, Inc. foreign A/R trade forgiven	—	1,142,392
Contingent consideration	—	2,320,000
Issuance of restricted stock	—	169,011
Total Cost of Acquisition	<u>—</u>	<u>\$18,944,307</u>

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

SigmaTron International, Inc.
October 31, 2013

Notes to Consolidated Financial Statements

(Unaudited)

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements of SigmaTron International, Inc. (“SigmaTron”), SigmaTron’s wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd. and wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (“SigmaTron China”) and international procurement office SigmaTron Taiwan branch (collectively, the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Accordingly, the consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended October 31, 2013 are not necessarily indicative of the results that may be expected for the year ending April 30, 2014. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended April 30, 2013.

On May 31, 2012, SigmaTron acquired certain assets and assumed certain liabilities of Spitfire Control, Inc. (“Spitfire”). Spitfire was a privately held Illinois corporation headquartered in Carpentersville, Illinois with captive manufacturing sites in Chihuahua, Mexico and suburban Ho Chi Minh City, Vietnam. Both manufacturing sites were among the assets acquired by the Company.

Certain reclassifications have been made to the previously reported financial statements in order to conform to the current period presentation.

Note B - Inventories

The components of inventory consist of the following:

	<u>October 31,</u> <u>2013</u>	<u>April 30,</u> <u>2013</u>
Finished products	\$20,944,692	\$13,167,117
Work-in-process	2,734,099	2,959,144
Raw materials	<u>28,561,113</u>	<u>36,288,580</u>
	52,239,904	52,414,841
Less obsolescence reserve	<u>1,752,469</u>	<u>1,770,100</u>
	<u>\$50,487,435</u>	<u>\$50,644,741</u>

SigmaTron International, Inc.
October 31, 2013

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note C - Earnings Per Share

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2013	2012	2013	2012
Net income	\$ 784,654	\$ 482,834	\$1,752,121	\$ 389,690
Weighted-average shares				
Basic	3,961,232	3,930,402	3,961,232	3,926,440
Effect of dilutive stock options	76,395	71,862	67,449	62,740
Diluted	4,037,627	4,002,264	4,028,681	3,989,180
Basic earnings per share	\$ 0.20	\$ 0.12	\$ 0.44	\$ 0.10
Diluted earnings per share	\$ 0.19	\$ 0.12	\$ 0.43	\$ 0.10

Options to purchase 145,142 and 525,192 shares of common stock were outstanding at October 31, 2013 and 2012, respectively (see Note I). There were no options granted during the quarters ended October 31, 2013 and 2012. The Company recognized approximately \$18,185 and \$32,160 in stock option expense during the quarters ended October 31, 2013 and 2012, respectively. The Company recognized approximately \$47,500 and \$125,000 in stock option expense for the six months ended October 31, 2013 and 2012, respectively. The balance of unrecognized compensation cost related to the Company's stock options plans was approximately \$95,600 and \$134,000 at October 31, 2013 and 2012, respectively.

The Company issued 25,000 shares of restricted stock on June 1, 2012, of which 8,333 vested in June 2012 and 8,333 vested in June 2013. The Company recognized approximately \$3,400 and \$10,900 in compensation expense during the quarter ended October 31, 2013 and October 31, 2012, respectively. The Company recognized approximately \$8,600 and \$49,800 in compensation expense for the six months ended October 31, 2013 and 2012, respectively. The balance of unrecognized compensation expense related to the Company's restricted stock award was approximately \$8,500 and \$39,000 at October 31, 2013 and 2012, respectively.

During the quarter ended July 31, 2012, the Company issued 50,000 shares of restricted stock as additional consideration in conjunction with the May 31, 2012 Spitfire acquisition.

On October 1, 2013, the Company granted 1,500 shares to each non-employee director pursuant to the 2013 Non-Employee Director Restricted Stock Plan. A total of 7,500 restricted shares were granted and the shares vest in six months from the date of grant. The Company recognized approximately \$6,800 in compensation expense for the quarter ended October 31, 2013. The balance of unrecognized compensation expense related to the 7,500 shares of restricted stock was approximately \$32,900 at October 31, 2013.

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note D - Long-term Debt

The Company has a senior secured credit facility with Wells Fargo with a credit limit up to \$30,000,000 and an initial term through September 30, 2013. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants. During the quarter ended October 31, 2013, the Company renewed its senior secured credit facility. The facility was revised to extend the term of the agreement to October 31, 2015, amend its capital expenditure covenant, terminate the unused line fee and reduced its borrowing interest rates. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is prime rate (effective, 3.25% at October 31, 2013) or LIBOR plus two and a half percent (effectively, 2.75% at October 31, 2013), which is paid monthly. At October 31, 2013, the Company was in compliance with its amended financial covenants. As of October 31, 2013, there was a \$20,000,000 outstanding balance and \$10,000,000 of unused availability under the credit facility agreement.

Note E - Tijuana, MX Operation Move

During the first quarter of fiscal year 2013, the Company relocated its Tijuana, MX operation to a new facility within Tijuana, MX. The Company incurred a total of approximately \$424,000 in relocation expenses during the first quarter of fiscal 2013 as a result of the move. Approximately \$399,000 of the relocation expenses were included in cost of products sold and consist primarily of moving expenses related to equipment, the write-off of leasehold improvements and the restoration of the prior Tijuana facility. Of the total relocation expenses, approximately \$25,000 was recorded in selling and administrative expenses.

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note F - Acquisition

Spitfire Control, Inc.

The Purchase Agreement

SigmaTron signed a Purchase Agreement on May 31, 2012 with Spitfire Control, Inc., an Illinois corporation (“Seller”), regarding the acquisition of certain assets of the Seller by the Company (the “Transaction”). Prior to the date of the Purchase Agreement, the Seller and its affiliates were customers and strategic partners of the Company, with such relationships dating back to 1994.

Seller, on its own and through its subsidiaries Digital Appliance Controls de Mexico, S.A. de C.V., a Mexico corporation (“DAC”), and Spitfire Controls (Cayman) Co. Ltd., a Cayman Islands exempted company (“Cayman”), their subsidiaries and Seller’s affiliated entities, was engaged in the business of the design, manufacture, sale and distribution of electrical or electronic controls for appliances (the “Business”).

The acquired assets consisted of (i) all of the equity securities of DAC and Cayman and (ii) all of the assets used by or useful in the conduct of the Business. In addition, the Company also obtained from the Seller and the sole owner of Seller an agreement not to compete against the Business as it is operated by the Company after the closing of the Transaction.

In consideration, the Company agreed to pay a purchase price consisting of: (i) the satisfaction and release of the account payable of \$16,455,000 owed by Seller to the Company; (ii) future payments, which are based upon the annual post-closing performance of the Business during each of the Company’s fiscal years 2013 through 2019; and (iii) the issuance of 50,000 shares of restricted common stock of SigmaTron, 12,500 of which vested upon the closing of the Transaction and 12,500 of which will vest on each of the first, second and third anniversaries of the closing of the Transaction.

In addition to the foregoing, the Company agreed to assume (i) the Seller’s obligations under certain specified contracts and Governmental Authorizations (as defined in the Purchase Agreement), (ii) specified trade accounts payable and accrued expenses of the Seller as agreed upon by the parties and (iii) specified inter-company payables involving the Seller, DAC, Cayman and/or their subsidiaries and associated companies. Further, each of DAC and Cayman retained the liabilities associated with its respective operations, which is customary in transactions involving the purchase or sale of all of the equity securities of an entity. As a result, the Company indirectly acquired such liabilities through the Transaction.

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note F - Acquisition - Continued

Spitfire Control, Inc.

The Credit Amendment

Concurrent with the Transaction, the Company entered into amendments of its credit facility with Wells Fargo (“the Credit Amendment”). The Credit Amendment modified certain financial covenant thresholds applicable to the Company, added property acquired in the Transaction as collateral for the loan to the Company, permitted the Company to acquire certain inter-company payables involving the Seller, DAC, Cayman or the subsidiaries and associated companies and permitted the Company to discharge and release the account payable owed by the Seller to the Company in partial consideration for the Transaction.

Reasons for the Transaction

The Company believes its acquisition of the Business will allow a comprehensive approach to solving major appliance producers’ issues with integrating electronics into their platforms. The acquisition also added two manufacturing operations in locations that the Company believes will augment the Company’s international footprint. In addition, the acquisition of the Business will allow the Company to offer design services for the first time in specific markets. In conjunction with the acquisition, professional fees incurred during fiscal 2013 and 2012, were \$803,006 and \$530,565, respectively. The professional fees were recorded as selling and administrative expenses.

Accounting

The acquisition was recorded using the purchase method of accounting, and on the date of the acquisition, the Company assessed the fair value of the acquired assets and assumed liabilities (primarily using level 3 measurement inputs) and an allocated purchase price of \$18,944,307. The allocation of the purchase considerations was based upon estimates made by the Company with the assistance of independent valuation specialists. The revised purchase price allocation as of May 31, 2012, was as follows:

	<u>Estimated Fair Value</u>
Cash	\$ 1,142,597
Current assets	10,074,168
Property, machinery and equipment	1,400,250
Current liabilities	(3,037,607)
Customer relationships	4,690,000
Backlog	22,000
Trade names	980,000
Non-compete agreements	50,000
Patents	400,000
Goodwill	3,222,899
Total Net Assets	<u>\$ 18,944,307</u>

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note F - Acquisition - Continued

Spitfire Control, Inc.

Accounting - Continued

The amounts allocated to customer relationships, backlog, trade names, non-compete agreements and patents are estimated by the Company based on the analysis performed by independent valuation specialists, primarily through the use of discounted cash flow techniques. Appraisal assumptions utilized under these methods include a forecast of estimated future net cash flows, as well as discounting the future net cash flows to their present value. Acquired intangible assets are being amortized over the estimated useful lives as set forth in the following table:

	<u>Method</u>	<u>Life</u>
Customer relationships	Accelerated	15 Years
Backlog	Straight-line	1 Year
Trade names	Straight-line	20 Years
Non-compete agreements	Straight-line	7 Years
Patents	Straight-line	5 Years
Goodwill	N/A	Indefinite

The estimated asset lives are determined based on projected future economic benefits and expected life cycles of the acquired intangible assets. The amount assigned to goodwill is not being amortized, but will be tested for impairment annually or under circumstances that may indicate a potential impairment. Goodwill is deductible for federal income tax purposes over a period of 15 years.

The Company's estimate of the fair value of the contingent consideration (\$2,320,000 as of the acquisition date) was based on expected operating results of the Business through fiscal 2019 and the specific terms of when such consideration would be earned. Those terms provide for additional consideration to be paid to Seller or its owner based on a percentage of sales and pre-tax profits over those years in excess of certain minimums. The Company discounted expected payments by its weighted average cost of capital of 11.5%. Payments are to be made quarterly each year and adjusted after each year end audit. The Company made four quarterly payments of \$65,000 each in fiscal 2013 and one quarterly payment of \$65,000 in fiscal 2014. As of April 30, 2013, the Company had not changed its estimated aggregate consideration expected to be earned under this arrangement. Any changes in the Company's estimate will be reflected as a change in the contingent consideration liability and as an adjustment to selling and administrative expenses, as well as changes in the current fair value caused by the continual decrease in the discount period between the current balance sheet date and the estimated payout dates. Such fair value changes were not material during fiscal 2013 or during the first six months of fiscal 2014. The value of the 50,000 shares of restricted stock issued as part of the purchase price was \$169,011 based on the trading price of the Company's common stock on the acquisition date discounted by 15% to account for the restrictions associated with that issuance.

SigmaTron International, Inc.
October 31, 2013

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note F - Acquisition - Continued

Spitfire Control, Inc.

Accounting - Continued

Due to the acquisition of Spitfire, effective June 1, 2012, the Company discontinued selling to Spitfire and instead began selling directly to Spitfire's former customers.

Pro Forma Results

The results of the Business for the period June 1, 2012 through October 31, 2012 have been included in our consolidated financial statements for the six month period ended October 31, 2012, which included sales of \$11,278,681 and a net loss of \$1,456,117.

While the results of Spitfire have been included in the condensed consolidated financial statements of the Company for the period subsequent to the acquisition, the following unaudited pro forma condensed combined results of operations for the three and six month periods ended October 31, 2012 are based on the historical financial statements of the Company and Spitfire giving effect to the business combination as if it had occurred on May 1, 2012. Therefore, this pro forma data includes adjustments to sales, amortization, depreciation, compensation expense and tax expense. This data is not necessarily indicative of the results of operations that would have been generated if the transaction had occurred on May 1, 2012. Moreover, this data is not intended to be indicative of future results of operations.

	Six Months Ended October 31, 2012
Net sales	\$ 101,138,686
Net income	554,342
Income per share:	
Basic	\$ 0.14
Diluted	\$ 0.14

SigmaTron International, Inc.
October 31, 2013

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note G - Goodwill and Other Intangible Assets

Goodwill

The change in carrying amount of goodwill for the three months ended October 31, 2013, are as follows:

	Total
Balance at April 30, 2013	\$3,222,899
Changes in carrying amount	—
Balance at October 31, 2013	\$3,222,899

Other Intangible Assets

Intangible assets subject to amortization are summarized as of October 31, 2013 as follows:

	Weighted Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization
Other intangible assets – Able	—	\$ 375,000	\$ 375,000
Customer relationships – Able	—	2,395,000	2,395,000
Spitfire:			
Non-contractual customer relationships	13.5	4,690,000	151,425
Backlog	—	22,000	22,000
Trade names	18.5	980,000	69,411
Non-compete agreements	5.5	50,000	10,115
Patents	3.5	400,000	113,339
Total		\$8,912,000	\$3,136,290

Estimated aggregate amortization expense for our intangible assets, which become fully amortized in 2032, for the remaining periods is as follows:

For the remaining 6 months of the fiscal year ending April 30:	2014	\$ 172,956
For the fiscal year ended April 30:	2015	428,610
	2016	470,899
	2017	490,010
	2018	435,043
	Thereafter	3,778,192
		\$5,775,710

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note H - Critical Accounting Policies

Management Estimates and Uncertainties - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, reserves for inventory and valuation of long-lived assets. Actual results could materially differ from these estimates.

Revenue Recognition - Revenues from sales of the Company's electronic manufacturing services business are recognized when the finished good product is shipped to the customer. In general, and except for consignment inventory, it is the Company's policy to recognize revenue and related costs when the finished goods have been shipped from our facilities, which is also the same point that title passes under the terms of the purchase order. Finished goods inventory for certain customers is shipped from the Company to an independent warehouse for storage or shipped directly to the customer and stored in a segregated part of the customer's own facility. Upon the customer's request for finished goods inventory, the inventory is shipped to the customer if the inventory was stored off-site, or transferred from the segregated part of the customer's facility for consumption or use by the customer. The Company recognizes revenue upon such shipment or transfer. The Company does not earn a fee for such arrangements. The Company from time to time may ship finished goods from its facilities, which is also the same point that title passes under the terms of the purchase order, and invoice the customer at the end of the calendar month. This is done only in special circumstances to accommodate a specific customer. Further, from time to time customers request the Company hold finished goods after they have been invoiced to consolidate finished goods for shipping purposes. The Company generally provides a 90 day warranty for workmanship only and does not have any installation, acceptance or sales incentives (although the Company has negotiated longer warranty terms in certain instances). The Company assembles and tests assemblies based on customers' specifications. Historically, the amount of returns for workmanship issues has been de minimis under the Company's standard or extended warranties.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method. In the event of an inventory write-down, the Company records expense to state the inventory at lower of cost or market. The Company establishes inventory reserves for valuation, shrinkage, and excess and obsolete inventory. The Company records provisions for inventory shrinkage based on historical experience to account for unmeasured usage or loss. Actual results differing from these estimates could significantly affect the Company's inventories and cost of products sold. The Company records provisions for excess and obsolete inventories for the difference between the cost of inventory and its estimated realizable value based on assumptions about future product demand and market conditions. Actual product demand or market conditions could be different than that projected by management.

Notes to Consolidated Financial Statements - Continued
(Unaudited)

Note H - Critical Accounting Policies - Continued

Goodwill - Goodwill represents the purchase price in excess of the fair value of assets acquired in business combinations. The Company assesses goodwill for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. The Company is permitted the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of any reporting unit is less than its corresponding carrying value. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of any reporting unit is less than its corresponding carrying value then the Company is not required to take further action. However, if the Company concludes otherwise, then it is required to perform a quantitative impairment test, including computing the fair value of the reporting unit and comparing that value to its carrying value. If the fair value is less than its carrying value, a second step of the test is required to determine if recorded goodwill is impaired. The Company also has the option to bypass the qualitative assessment for goodwill in any period and proceed directly to performing the quantitative impairment test. The Company will be able to resume performing the qualitative assessment in any subsequent period. The Company performed its annual goodwill impairment test as of February 1, 2013 and determined that no impairment existed as of the date of the impairment test.

Impairment of Long-Lived Assets - The Company reviews long-lived assets, including amortizable intangible assets for impairment. Property, machinery and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the Company's impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of its assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews for idle and underutilized equipment, and review business plans for possible impairment. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows expected to be earned by the use of the asset group. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset or asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value.

Income Tax - Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred income tax assets to an amount more likely than not to be realized.

A tax benefit from an uncertain tax position may only be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

Notes to Consolidated Financial Statements - Continued

(Unaudited)

Note H - Critical Accounting Policies - Continued

The Company adjusts its tax liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from its current estimate of the tax liabilities. These differences will be reflected as increase or decreases to income tax expense in the period in which they are determined.

New Accounting Standards:

There are no recent accounting standards that had, or are expected to have, a significant effect on these consolidated financial statements.

Note I - Tender Offer

The Company offered to purchase 395,190 Eligible Options (as defined below) from Eligible Holders (as defined below) upon the terms stated in Schedule TO ("TO") filed with the SEC on October 1, 2013. The stock options subject to the TO are those options to purchase SGMA common stock which have not expired or terminated prior to the Expiration Time (as defined below) having the grant dates and exercise prices set forth in the TO (the "**Eligible Options**"). Eligible Options, all of which are fully vested, were granted under the following Company stock option plans: 1993 Stock Option Plan, 2004 Employee Stock Option Plan, 2000 Directors' Stock Option Plan and 2004 Directors' Stock Option Plan.

"**Eligible Holders**" were: (a) those current or former employees, including all officers, who hold Eligible Options as of the Expiration Time; and (b) all current or former directors of the Company who hold Eligible Options as of the Expiration Time. "**Expiration Time**" means 11:59 p.m., Eastern Time, on October 29, 2013.

The Company offered to pay a cash amount ranging from \$0.18 to \$1.35 per Eligible Option, totaling up to \$301,500, as specifically set forth in the TO. Each Eligible Holder who participated in the TO received cash payment (subject to tax and other withholding for employees) for each properly tendered Eligible Option promptly following the Expiration Time.

The Company made this offer subject to the terms and conditions stated in the TO and 394,200 Eligible Options were tendered and purchased for a total cash payment of \$300,410.

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

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc. ("SigmaTron"), its wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd. and wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (collectively, "SigmaTron China") and international procurement office SigmaTron Taiwan branch (collectively, the "Company") and other Items in this Quarterly Report on Form 10-Q contain forward-looking statements concerning the Company's business or results of operations. Words such as "continue," "anticipate," "will," "expect," "believe," "plan," and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company's plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company's business including, but not necessarily limited to, the Company's continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from our customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets and goodwill impairment testing; the variability of our customers' requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance, including conflict minerals; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese, Vietnamese or Taiwanese regulations affecting the Company's business; the turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese, Vietnamese and Taiwanese economic, labor and political systems and conditions; currency exchange fluctuations; and the ability of the Company to manage its growth, including its integration of the Spitfire operation acquired in May 2012. These and other factors which may affect the Company's future business and results of operations are identified throughout the Company's Annual Report on Form 10-K and as risk factors and may be detailed from time to time in the Company's filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview:

The Company operates in one business segment as an independent provider of electronic manufacturing services ("EMS"), which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including: (1) automated and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and shipment services; and (6) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan.

The Company relies on numerous third-party suppliers for components used in the Company's production process. Certain of these components are available only from single sources or a limited

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number of suppliers. In addition, a customer's specifications may require the Company to obtain components from a single source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company's results of operations. Further, the Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into long-term purchase agreements with major or single-source suppliers. The Company believes that short-term purchase orders with its suppliers provides flexibility, given that the Company's orders are based on the changing needs of its customers.

Sales can be a misleading indicator of the Company's financial performance. Sales levels can vary considerably among customers and products depending on the type of services (consignment versus turnkey) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales than consignment orders due to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company's revenue and gross margin levels. Consignment orders accounted for less than 5% of the Company's revenues for the three months ended October 31, 2013 and 2012.

In the past, the timing of production and delivery of orders has caused the Company to experience significant quarterly fluctuations in its revenues and earnings. The economy remains volatile, the cost of doing business is increasing and long-term planning is difficult. The Company believes there could be a shift in demand for product as customers try to manage their inventory for calendar 2013 year end. Pricing pressures continue from both customers and suppliers and the Company plans to continue managing its expenses conservatively. At the same time the Company continues to leverage the assets from the Spitfire transaction and believes it is well positioned to handle the challenges.

On May 31, 2012, the Company acquired certain assets and assumed certain liabilities of Spitfire. Spitfire was a privately held Illinois corporation with captive manufacturing sites in Chihuahua, Mexico and suburban Ho Chi Minh City, Vietnam. Both manufacturing sites were among the assets acquired by the Company. Spitfire was an original equipment manufacturer of electronic controls, with a focus on the major appliance (white goods) industry. Although North America was its primary market, Spitfire's applications can be used worldwide. The Company provided manufacturing solutions for Spitfire since 1994, and was a strategic partner to Spitfire as it developed its OEM electronic controls business.

The Company's Spitfire division provides cost effective designs as control solutions for its customers, primarily in high volume applications of domestic cooking ranges, dishwashers, refrigerators, and portable appliances. It is a member of the Association of Home Appliance Manufacturers ("AHAM"), as well as other industry related trade associations and is ISO 9001-2008 certified. The acquisition has enabled the Company to offer design services for the first time in specific markets.

Due to the acquisition of Spitfire, effective June 1, 2012, the Company discontinued selling to Spitfire. The Company instead began selling directly to Spitfire's former customers.

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During the first quarter of fiscal year 2013, the Company relocated its Tijuana, MX operation to a new facility within Tijuana, MX. The Company incurred a total of approximately \$424,000 in relocation expenses during the first quarter of fiscal 2013 as a result of the move. Approximately \$399,000 of the relocation expenses were included in cost of products sold and consist primarily of moving expenses related to equipment, the write-off of leasehold improvements and the restoration of the prior Tijuana facility. Of the total relocation expenses, approximately \$25,000 was recorded in selling and administrative expenses.

Results of Operations:

Net Sales

Net sales increased for the three month period ended October 31, 2013 to \$56,577,287 from \$52,729,395 for the three month period ended October 31, 2012. Net sales increased for the six month period ended October 31, 2013 to \$112,743,348 from \$100,358,624 for the same period in the prior fiscal year. Sales volume increased for the three and six month periods ended October 31, 2013 as compared to the same period in the prior fiscal year in the appliance, consumer electronics and medical/life sciences marketplaces. The increase in sales for these marketplaces was partially offset by a decrease in sales in the industrial electronics, fitness, semiconductor equipment, telecommunications and gaming marketplaces. The increase in revenue for the three and six month periods ended October 31, 2013 is a result of sales to new customers and new programs that had previously been delayed. The Company is hopeful the momentum will continue and it has several new opportunities that it believes will support growth in fiscal 2015. The Company is considering modest expansions at several of its offshore facilities during the balance of fiscal 2014.

In the past, the timing of production and delivery of orders has caused the Company to experience significant quarterly fluctuations in its revenues and earnings. The economy remains volatile, the cost of doing business is increasing and long-term planning is difficult. The Company believes there could be a shift in demand for product as customers try to manage their inventory for calendar 2013 year end. Pricing pressures continue from both customers and suppliers and the Company plans to continue managing its expenses conservatively. At the same time the Company continues to leverage the assets from the Spitfire transaction and believes it is well positioned to handle the challenges.

Gross Profit

Gross profit increased during the three month period ended October 31, 2013 to \$5,996,136 or 10.5% of net sales, compared to \$5,403,170 or 10.2% of net sales for the same period in the prior fiscal year. Gross profit increased for the six month period ended October 31, 2013 to \$12,284,544 or 10.9 % of net sales, compared to \$10,109,068 or 10.1% of net sales for the same period in the prior fiscal year. The increase in gross profit for the three and six month periods ended October 31, 2013 was primarily the result of sales to existing customers, new customers, new programs and product mix. The increase in gross profit for the six month period ended October 31, 2013 was partially offset by foreign currency loss of \$87,845.

Selling and Administrative Expenses

Selling and administrative expenses increased to \$4,839,754 or 8.6% of net sales for the three month period ended October 31, 2013, compared to \$4,679,755 or 8.9% of net sales for the same period in

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the prior fiscal year. The net increase for the three month period ended October 31, 2013 was approximately \$160,000. Bonus expense, legal fees and one-time expenses related to the Company's October 2013 Tender Offer (See Note I) accounted for approximately \$208,000 in additional selling and administrative expense for the quarter ended October 31, 2013. The increase in the foregoing selling and administrative expenses were partially offset by a decrease in sales salaries, commissions and other professional fees. Selling and administrative expenses increased to \$9,695,312 or 8.6% of net sales for the six month period ended October 31, 2013 compared to \$9,345,160, or 9.3% of net sales for the same period in the prior fiscal year. The increases for the six month period ended October 31, 2013 was primarily from salaries and other administrative expenses as a result of the Spitfire Transaction in the amount of \$515,245. Other increases in selling and administrative expenses for the six month period ended October 31, 2013, were due to bonus expense and accounting salaries. The increases in the foregoing selling and administrative expenses were partially offset by a decrease in legal and accounting fees.

Interest Expense

Interest expense increased to \$236,094 for the three month period ended October 31, 2013 compared to \$208,615 for the same period in the prior fiscal year. Interest expense for the six month period ended October 31, 2013 was \$450,054 compared to \$396,952 for the same period in the prior fiscal year. The increase in interest expense for the three and six month periods ended October 31, 2013 was due to increased borrowings under the Company's banking arrangements during the quarter ended October 31, 2013 and additional capital lease obligations. Interest expense for future quarters may increase if interest rates or borrowings, or both, were to increase.

Taxes

Income tax expense from operations was \$165,157 for the three month period ended October 31, 2013 compared to an income tax expense of \$23,711 for the same period in the prior fiscal year. The income tax expense from operations was \$438,030 for the six month period ended October 31, 2013 compared to income tax benefit of \$30,989 for the same period in the prior year. Income tax expense increased for the three and six month period ended October 31, 2013 compared to the same period in the prior year as a result of a pre-tax loss for the US operations in fiscal 2013 created by the Spitfire acquisition. The US statutory tax rate applied to the pre-tax US loss created a tax benefit in fiscal 2013, which was partially offset by income tax expense from the Company's foreign jurisdictions that have lower effective tax rates than in the US.

Net Income

Net income from operations increased to \$784,654 for the three month period ended October 31, 2013 compared to \$482,834 for the same period in the prior fiscal year. Net income from operations increased to \$1,752,121 for the six month period ended October 31, 2013 compared to \$389,690 for the same period in the prior fiscal year. Basic and diluted earnings per share for the second fiscal quarter of 2014 were \$0.20 and \$0.19 respectively, compared to basic and diluted earnings per share of \$0.12 for the same period in the prior fiscal year. Basic and diluted earnings per share for the six month period ended October 31, 2013 were each \$0.44 and \$0.43, respectively, compared to basic and diluted earnings per share of \$0.10 for the same period in the prior fiscal year.

Liquidity and Capital Resources:

Operating Activities.

Cash flow provided by operating activities was \$2,262,950 for the six months ended October 31, 2013, compared to cash flow provided by operating activities of \$9,424 for the same period in the prior fiscal year. During the first six months of fiscal year 2014, cash flow provided by operating activities was primarily the result of net income, exclusive of depreciation and amortization, stock-based compensation expense and a decrease of \$541,183 in accounts receivable. Net cash provided by operating activities was partially offset by a decrease in accounts payable. The decrease in accounts payable of \$3,844,814 was due to timing of payments to vendors in the ordinary course of business.

Cash flow provided by operating activities was \$9,424 for the six months ended October 31, 2012. During the first six months of fiscal year 2013, cash flow provided by operating activities was primarily due to net income exclusive of depreciation, amortization, stock-based compensation, and an increase in accounts payable and stock compensation related expenses. Net cash provided by operations was partially offset by an increase in accounts receivable and inventories. The increase in accounts receivable of \$4,560,840 and inventory of \$3,512,547 was primarily related to the Spitfire acquisition.

Investing Activities.

During the first six months of fiscal year 2014, the Company purchased approximately \$6,345,000 in machinery and equipment to be used in the ordinary course of business. The Company expects to make additional machinery and equipment purchases of approximately \$7,000,000 during the balance of fiscal year 2014. The Company anticipates the purchases will be funded by lease transactions and its bank line of credit. The purchases in fiscal year 2014 are to upgrade existing equipment capabilities and to add capacity.

During the first six months of fiscal year 2013, investing activities consisted of purchases of approximately \$2,045,000 in machinery and equipment to be used in the ordinary course of business. The Company received approximately \$1,142,600 in cash in conjunction with the Spitfire Transaction.

Financing Activities.

Cash provided by financing activities was \$4,550,793 for the six months ended October 31, 2013, compared to cash provided by financing activities of \$3,814,688 for the same period in the prior fiscal year. Cash provided by financing activities was primarily the result of increased borrowings under the credit facility, a sales leaseback transaction for machinery and equipment and obtaining a mortgage of the Company's facility in Elgin, Illinois.

Cash provided by financing activities was \$3,814,688 for the six months ended October 31, 2012. Cash provided by financing activities was primarily the result of increased borrowings of \$4,000,000 under the credit facility. The additional borrowings were required to support the increase in accounts receivable and inventory.

Financing Summary

The Company has a senior secured credit facility with Wells Fargo with a credit limit up to \$30,000,000 and an initial term through September 30, 2013. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants. During the quarter ended October 31, 2013, the Company renewed its senior secured credit facility. The facility was revised to extend the term of the agreement to October 31, 2015, amend its capital expenditure covenant, terminate the unused line fee and reduced its borrowing interest rates. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is prime rate (effective, 3.25% at October 31, 2013) or LIBOR plus two and a half percent (effectively, 2.75% at October 31, 2013), which is paid monthly. At October 31, 2013, the Company was in compliance with its amended financial covenants. As of October 31, 2013, there was a \$20,000,000 outstanding balance and \$10,000,000 of unused availability under the credit facility agreement.

The Company entered into a mortgage agreement on January 8, 2010, in the amount of \$2,500,000, with Wells Fargo to refinance the property that serves as the Company's corporate headquarters and its Illinois manufacturing facility. The Company repaid the prior Bank of America mortgage, which equaled \$2,565,413, as of January 8, 2010, using proceeds from the Wells Fargo mortgage and senior secured credit facility. The Wells Fargo note bears interest at a fixed rate of 6.42% per year and is amortized over a sixty month period. A final payment of approximately \$2,000,000 is due on or before January 8, 2015. The outstanding balance as of October 31, 2013 was \$2,125,000.

In August 20, 2010 and October 26, 2010, the Company entered into two capital leasing transactions (a lease finance agreement and a sale leaseback agreement) with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling \$1,150,582. The term of the lease finance agreement, with an initial principal amount of \$315,252, extends to September 2016 with monthly payments of \$4,973 and a fixed interest rate of 4.28%. The term of the sale leaseback agreement, with an initial principal payment amount of \$835,330, extends to August 2016 with monthly payments of \$13,207 and a fixed interest rate of 4.36%. At October 31, 2013, \$163,046 and \$409,273 was outstanding under the lease finance and sale leaseback agreements, respectively. The net book value at October 31, 2013 of the equipment under each of the lease finance agreement and sale leaseback agreement was \$234,249 and \$591,985, respectively.

In September 2010, the Company entered into a real estate lease agreement in Union City, CA, to rent 116,993 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through March 2021. The amount of the deferred rent income recorded in fiscal year 2014 was \$8,212. In addition, the landlord provided the Company tenant incentives of \$418,000, which are being amortized over the life of the lease.

In November 2010, the Company entered into a capital lease with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling \$226,216. The term of the lease agreement extends to October 2016 with monthly payments of \$3,627 and a fixed interest rate of 4.99%. At October 31, 2013, the balance outstanding under the capital lease agreement was \$121,037. The net book value of the equipment under this lease at October 31, 2013 was \$168,953.

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In May 2012, the Company entered into a lease agreement in Tijuana, MX, to rent 112,000 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through November 2018. The amount of the deferred rent expense recorded in fiscal year 2014 was \$50,394.

In May 2012, the Company completed the acquisition of Spitfire, an OEM of electronic controls, with a focus on the major appliance industry. The acquisition added two manufacturing operations in locations that augment the Company's footprint and add Spitfire's design capabilities which allow the Company to offer design service for the first time in specific markets. In conjunction with the Spitfire acquisition, the Company recorded goodwill and other intangible assets of \$3,222,899 and \$6,142,000, respectively.

On October 3, 2013, the Company entered into two sale leaseback agreements with Associated Bank, National Association to finance equipment purchased in June 2012 in the amount of \$2,281,355. The term of the first agreement, with an initial principal amount of \$2,201,638, extends to September 2018 with monthly payments of \$40,173 and a fixed interest rate of 3.75%. The term of the second agreement, with an initial principal payment amount of \$79,717, extends to September 2018 with monthly payments of \$1,455 and a fixed interest rate of 3.75%. At October 31, 2013, \$2,161,465 and \$78,262 was outstanding under the first and second agreements, respectively. The net book value at October 31, 2013 of the equipment under each of the two agreements was \$2,011,015 and \$71,413, respectively.

The Company entered into a mortgage agreement on October 24, 2013, in the amount of \$1,275,000, with Wells Fargo to finance the property that serves as the Company's engineering and design center in Elgin, Illinois. The Wells Fargo note requires the Company to pay monthly principal payments in the amount of \$4,250 and bears interest at a fixed rate of 4.5% per year and is amortized over a sixty month period. A final payment of approximately \$1,030,000 is due on or before October 2018. The outstanding balance as of October 31, 2013 was \$1,275,000.

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican, Vietnam and Chinese subsidiaries and the Taiwan international procurement office. The Company provides funding, as needed, in U.S. dollars, which are exchanged for Pesos, Dong, Renminbi, and New Taiwan dollars as applicable. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuation for the six month period ended October 31, 2013 resulted in a foreign currency loss of approximately \$88,000. During the first six months of fiscal year 2014, the Company's U.S. operations paid approximately \$28,195,000 to its foreign subsidiaries for services provided.

The Company has not recorded U.S. income taxes for a significant portion of undistributed earnings of the Company's foreign subsidiaries, since these earnings have been, and under current plans will continue to be, permanently reinvested in these foreign subsidiaries. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is approximately \$14,000,000.

The Company anticipates that its credit facilities, cash flow from operations and leasing resources will be adequate to meet its working capital requirements and capital expenditures for the next twelve

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months. There is no assurance that the Company will be able to retain or renew its credit agreements in the future, or that any retention or renewal will be on the same terms as currently exist. In the event the business grows rapidly, the current economic climate deteriorates, customers delay payments, or the Company considers an acquisition, additional financing resources could be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future.

The impact of inflation on the Company's net sales, revenues and incomes from continuing operations for the past two fiscal years has been minimal.

Off-balance Sheet Transactions:

The Company has no off-balance sheet transactions.

Contractual Obligations and Commercial Commitments:

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, we are not required to provide the information required by this item.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, we are not required to provide the information required by this item.

Item 4. Controls and Procedures.

Disclosure Controls:

Our management, including our President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 13a-15(e) and 15(d)-15(e)) as of October 31, 2013. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our President and Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

Internal Controls:

There has been no change in our internal control over financial reporting during the quarter ended October 31, 2013, that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting. Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As of October 31, 2013, the Company was not a party to any material legal proceedings.

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the description of the risk factors affecting our business as previously disclosed in Item 1A. to Part 1 of our Annual Report on Form 10-K for the fiscal year ended April 30, 2013.

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

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

- 10.18 Mortgage and Assignment of Rents and Leases executed as of October 24, 2013, by SigmaTron International, Inc., to Wells Fargo Bank, National Association.
- 10.19 Second Amended and Restated Credit Agreement entered into as of October 24, 2013, by and between SigmaTron International, Inc., and Wells Fargo Bank, National Association.
- 10.20 Master Lease Agreement # 2170 entered into between Associated Bank, National Association, a national banking association and SigmaTron International, Inc., dated October 3, 2013.
- 31.1 Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 31.2 Certification of Principal Financial Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

SigmaTron International, Inc.
October 31, 2013

- 32.1 Certification by the Principal Executive Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32.2 Certification by the Principal Financial Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Scheme Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SigmaTron International, Inc.
October 31, 2013

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.

SIGMATRON INTERNATIONAL, INC.

/s/ Gary R. Fairhead
Gary R. Fairhead
President and CEO (Principal Executive Officer)

December 13, 2013
Date

/s/ Linda K. Frauendorfer
Linda K. Frauendorfer
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

December 13, 2013
Date

Recording Requested By,
And After Recording, Return To:
WELLS FARGO BANK,
NATIONAL ASSOCIATION
1700 Lincoln Street, 3rd Floor
MAC C7300-033
Denver, CO 80203
Prepared by: Loan Documentation

MORTGAGE
AND ASSIGNMENT OF RENTS AND LEASES

THIS MORTGAGE AND ASSIGNMENT OF RENTS AND LEASES (this "Mortgage") is executed as of October 24, 2013, by SIGMATRON INTERNATIONAL, INC. ("Mortgagor"), to WELLS FARGO BANK, NATIONAL ASSOCIATION ("Mortgagee").

ARTICLE I. MORTGAGE

1.1 Grant. For the purposes and upon the terms and conditions in this Mortgage, Mortgagor irrevocably mortgages, grants, conveys, assigns, bargains, sells, releases, aliens, transfers and remises to Mortgagee and its successors and assigns forever and hereby represents and warrants to Mortgagee with the right of entry and possession, and grants to mortgagee and its successors and assigns forever a continuing security interest in and to, Mortgagor's interest in: (a) all real property located in Kane County, Illinois, and described on Exhibit A attached hereto; (b) all easements, rights-of-way and rights used in connection with or as a means of access to any portion of said 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 said real property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with said real property; (e) all buildings, improvements and landscaping now or hereafter erected or located on said real property; (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, said 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 said 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; and (h) all interest or estate which Mortgagor now has or may hereafter acquire in said real property and all additions and accretions thereto, and all awards or payments made for the taking of all or any portion of said real property by eminent domain or any proceeding or purchase in lieu thereof, or any damage to any portion of said real property (collectively, 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 unto Mortgagee, its successors and assigns forever, for the purposes and uses set forth in this Mortgage, and Mortgagor covenants with and warrants to Mortgagee that, at the execution and delivery of this Mortgage, Mortgagor holds fee simple title to, or if permitted in writing, a valid leasehold estate in, the Subject Property and has a good and marketable indefeasible estate therein and that the Subject Property is free from all encumbrances and claim of any other person. Mortgagor does under this Mortgage bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND the Subject Property against all claims and demands whatsoever, except as disclosed to Mortgagee prior to the date hereof in a writing that refers to this warranty.

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PROVIDED, HOWEVER, that if and when Mortgagor has paid all of the Secured Obligations (defined below) and performed and observed all of the agreements, terms, conditions, provisions, and warranties relating to the Secured Obligations, this Mortgage and the estate, right, and interest of Mortgagee in and to the Subject Property shall cease and be released at the cost of Mortgagor, but otherwise, shall remain in full force and effect. Mortgagee shall be entitled to charge a reasonable release fee.

1.2 Address. The address of the Subject Property (if known) is: 1901 South Street, Elgin, IL 60123. Neither the failure to designate an address nor any inaccuracy in the address designated shall affect the validity or priority of the lien of this Mortgage on the Subject Property as described on Exhibit A. In the event of any conflict between the provisions of Exhibit A and said address, Exhibit A shall control.

ARTICLE II. OBLIGATIONS SECURED

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

(a) payment to Mortgagee of all sums at any time owing and performance of all other obligations arising under or in connection with that certain promissory note ("Note") dated as of October 24, 2013, in the maximum principal amount of One Million Two Hundred and Seventy Five Thousand Dollars (\$1,275,000.00), with interest as provided therein, executed by SIGMATRON INTERNATIONAL, INC. and payable to Mortgagee or its order on or before October 24, 2018, together with the payment and performance of any other indebtedness or obligations incurred in connection with the credit accommodation evidenced by the Note, whether or not specifically referenced therein; and

(b) payment and performance of all obligations of Mortgagor under this Mortgage, together with all advances, payments or other expenditures made by Mortgagee as or for the payment or performance of any such obligations of Mortgagor; and

(c) payment and performance of all obligations, if any, and the contracts under which they arise, which any rider attached to and recorded with this Mortgage recites are secured hereby; and

(d) payment to Mortgagee of all liability, whether liquidated or unliquidated, defined, contingent, conditional or of any other nature whatsoever, and performance of all other obligations, arising under any swap, derivative, foreign exchange or hedge transaction or arrangement (or other similar transaction or arrangement howsoever described or defined) at any time entered into with Mortgagee in connection with any Secured Obligation; and

(e) payment and performance of all future advances (whether obligatory or to be made at the option of Mortgagee, or otherwise) made by Mortgagee, to the same extent as if such future advances were made on the date of execution of this Mortgage, and other obligations that the then record owner of the Subject Property may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Mortgagee, when any such advance or other obligation is evidenced by a writing which recites that it is secured by this Mortgage; and

(f) 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.

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2.2 Obligations. The term “obligations” is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities by Mortgagor to Mortgagee 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, relating to a Secured Obligation, 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 Incorporation. All terms of the Secured Obligations are incorporated herein by this reference. 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 Note 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.

2.4 Maximum Secured Amount. The maximum amount secured by this Mortgage may decrease or increase from time to time, but shall never exceed twice the aggregate amount of the Note and each other instrument, agreement or obligation specifically described herein or in any rider attached to and recorded with this Mortgage, or otherwise incorporated herein by reference, including any of the foregoing which is incorporated into this Mortgage by a modification or similar document recorded subsequent to the date hereof. The maximum amount secured by this Mortgage shall not in any way imply that Mortgagee shall be obligated to advance any amount at any time. Advances of disbursements made by Mortgagee to protect the security, under the terms hereof, shall not be deemed to be optional advances.

ARTICLE III. ASSIGNMENT OF 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 in, to and under all leases, licenses, rental agreements and other agreements of any kind relating to the use or occupancy of any of the Subject 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, issues and profits of the Subject Property (collectively, “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 or entity 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. 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 obligation to be performed by the lessee or tenant under each Lease; (ii) not to modify any Lease in any material respect, nor accept surrender under or terminate the term of any Lease; (iii) not to anticipate the Rents under any Lease; and (iv) not to waive or release any lessee or tenant of or from any Lease obligations. Mortgagor

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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, and any attempt on the part of Mortgagor to exercise any such rights or powers without Mortgagee's prior written consent shall be a breach of the terms hereof.

(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 notice to Mortgagor 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 costs and reasonable attorneys' fees incurred by Mortgagee, or its agents, in the exercise of the powers granted herein. Mortgagor shall give prompt notice to Mortgagee of any default by any lessee or tenant under any Lease, and of any notice of default on the part of Mortgagor under any Lease received from a lessee or tenant thereunder, together with an accurate and complete copy thereof.

(d) To pay to Mortgagee immediately upon demand all sums expended under the authority hereof, including reasonable attorneys' fees, together with interest thereon at the highest rate per annum payable under any Secured Obligation, and the same, at Mortgagee's option, may be added to any Secured Obligation and shall be secured hereby.

3.3 License. Mortgagee confers upon Mortgagor a license ("License") to collect and retain the Rents as, but not before, they come due and payable, until the occurrence of any Default. Upon the occurrence of any Default, the License shall be automatically revoked, and Mortgagee may, at Mortgagee's option and without 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; (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. 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 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.

ARTICLE IV. RIGHTS AND DUTIES OF THE PARTIES

4.1 Title. Mortgagor warrants that, except as disclosed to Mortgagee prior to the date hereof in a writing which refers to this warranty, Mortgagor lawfully possesses and holds fee simple title to, or if permitted by Mortgagee in writing, a leasehold 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.

4.2 Taxes and Assessments. Subject to the right, if any, of Mortgagor to contest payment of the following pursuant to any other agreement between Mortgagor and Mortgagee, Mortgagor shall pay prior to delinquency all taxes, assessments, levies and charges imposed: (a) by any public or quasi-public authority or utility company which are or which may become a lien upon or cause a loss in value of the Subject Property or any interest therein; or (b) by any public authority upon Mortgagee by reason of its

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interest in any Secured Obligation or in the Subject Property, or by reason of any payment made to Mortgagee pursuant to any Secured Obligation; provided however, that Mortgagor shall have no obligation to pay any income taxes of Mortgagee. Promptly upon request by Mortgagee, Mortgagor shall furnish to Mortgagee satisfactory evidence of the payment of all of the foregoing. Mortgagee is hereby authorized to request and receive from the responsible governmental and non-governmental personnel written statements with respect to the accrual and payment of any of the foregoing.

4.3 Performance of Secured Obligations. Mortgagor shall promptly pay and perform each Secured Obligation when due.

4.4 Liens, Encumbrances and Charges. Mortgagor shall immediately discharge any lien on the Subject Property not approved by Mortgagee in writing. Except as otherwise provided in any Secured Obligation or other agreement with Mortgagee, Mortgagor shall pay when due all obligations secured by or reducible to liens and encumbrances which shall now or hereafter encumber the Subject Property, whether senior or subordinate hereto, including without limitation, any mechanics' liens.

4.5 Insurance. Mortgagor shall insure the Subject Property against loss or damage by fire and such other risks as Mortgagee shall from time to time require. Mortgagor shall carry public liability insurance, flood insurance as required by applicable law and such other insurance as Mortgagee may reasonably require, including without limitation, business interruption insurance or loss of rental value insurance. Mortgagor shall maintain all required insurance at Mortgagor's expense, under policies issued by companies and in form and substance satisfactory to Mortgagee. Mortgagee, by reason of accepting, rejecting, approving or obtaining insurance, shall not incur any liability for: (a) the existence, nonexistence, form or legal sufficiency thereof; (b) the solvency of any insurer; or (c) the payment of losses. All policies and certificates of insurance shall name Mortgagee as loss payee, and shall provide that the insurance cannot be terminated as to Mortgagee except upon a minimum of ten (10) days' prior written notice to Mortgagee. Immediately upon any request by Mortgagee, Mortgagor shall deliver to Mortgagee the original of all such policies or certificates, with receipts evidencing annual prepayment of the premiums.

4.6 Reserved

4.7 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, may (so long as no Default shall have occurred and is continuing) be paid to Mortgagor to acquire replacement property subject to this Mortgage; otherwise such sums are all absolutely and irrevocably assigned to and shall be paid to Mortgagee. Upon the occurrence of a Default and during the continuation thereof, at the absolute discretion of Mortgagee, whether or not its security is or may be impaired, but subject to 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. In such case, 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 however, that in no event shall Mortgagee be responsible for any failure to collect any claim or award, regardless of the cause of the failure.

(b) If Mortgagor uses insurance or condemnation proceeds held by Mortgagee for repair or restoration, Mortgagee may impose any conditions on such use as Mortgagee deems necessary.

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4.8 Maintenance and Preservation of Subject Property. Subject to the provisions of any Secured Obligation, Mortgagor covenants:

(a) to keep the Subject Property in good condition and repair;

(b) except with Mortgagee's prior written consent, not to remove or demolish the Subject Property, nor alter, restore or add to the Subject Property, nor initiate or acquiesce in any change in any zoning or other land classification which affects the Subject Property;

(c) to restore promptly and in good workmanlike manner any portion of the Subject Property which may be damaged or destroyed, unless Mortgagee requires that all of the insurance proceeds be used to reduce the Secured Obligations as provided in the Section hereof entitled Damages; Insurance and Condemnation Proceeds;

(d) to comply with and not to suffer violation of any or all of the following which govern acts or conditions on, or otherwise affect the Subject Property: (i) laws, ordinances, regulations, standards and judicial and administrative rules and orders; (ii) covenants, conditions, restrictions and equitable servitudes, whether public or private; and (iii) requirements of insurance companies and any bureau or agency which establishes standards of insurability;

(e) not to commit or permit waste of the Subject Property; and

(f) to do all other acts which from the character or use of the Subject Property may be reasonably necessary to maintain and preserve its value.

4.9 Hazardous Substances; Environmental Provisions. Mortgagor represents and warrants to Mortgagee as follows:

(a) Except as disclosed to Mortgagee in writing prior to the date hereof, the Subject Property is not and has not been a site for the use, generation, manufacture, storage, treatment, disposal, release or threatened release, transportation or presence of any substances which are "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under the Hazardous Materials Laws, as defined below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "Hazardous Materials").

(b) The Subject Property is in compliance with all laws, ordinances and regulations relating to Hazardous Materials (collectively, the "Hazardous Materials Laws"), including without limitation, the Clean Air Act, the Federal Water Pollution Control Act, the Federal Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Toxic Substances Control Act and the Occupational Safety and Health Act, as any of the same may be amended, modified or supplemented from time to time, and any other applicable federal, state or local environmental laws, and any rules or regulations adopted pursuant to any of the foregoing.

(c) There are no claims or actions pending or threatened against Mortgagor or the Subject Property by any governmental entity or agency, or any other person or entity, relating to any Hazardous Materials or pursuant to any Hazardous Materials Laws.

(d) Mortgagor hereby agrees to defend, indemnify and hold harmless Mortgagee, its directors, officers, employees, agents, successors and assigns, from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including without limitation, attorneys' fees and expenses) which Mortgagee may incur as a direct or indirect consequence of the use,

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generation, manufacture, storage, treatment, disposal, release or threatened release, transportation or presence of Hazardous Materials in, on, under or about the Subject Property. Mortgagor shall pay to Mortgagee immediately upon demand any amounts owing under this indemnity, together with interest from the date of demand until paid in full at the highest rate of interest applicable to any Secured Obligation. MORTGAGOR'S DUTY AND OBLIGATION TO DEFEND, INDEMNIFY AND HOLD HARMLESS MORTGAGEE SHALL SURVIVE THE CANCELLATION OF THE SECURED OBLIGATIONS AND THE RELEASE OR PARTIAL RELEASE OF THIS MORTGAGE.

(e) Mortgagor shall immediately advise Mortgagee in writing upon Mortgagor's discovery of any occurrence or condition on the Subject Property, or on any real property adjoining or in the vicinity of the Subject Property, that does or could cause all or any part of the Subject Property to be contaminated with any Hazardous Materials or otherwise be in violation of any Hazardous Materials Laws, or cause the Subject Property to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Hazardous Materials Laws.

4.10 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; (b) if Mortgagor's interest in the Subject Property is a leasehold interest or estate, pay and perform in a timely manner all obligations to be paid and/or performed by the lessee or tenant under the lease or other agreement creating such leasehold interest or estate; and (c) 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 and, if Mortgagor's interest in the Subject Property is a leasehold interest or estate, of any notice of default or demand for performance under the lease or other agreement pursuant to which such leasehold interest or estate was created or exists.

4.11 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.

4.12 Compensation; Exculpation; Indemnification.

(a) Mortgagor shall pay Mortgagee reasonable compensation for services rendered concerning this Mortgage, including without limitation, the providing of any statement of amounts owing under any Secured Obligation. 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 after any Default or from any other act or omission of Mortgagee in managing the Subject Property after any Default unless such loss is caused by the willful misconduct or gross negligence of Mortgagee; and no such liability shall be asserted or enforced against Mortgagee, and all such liability is hereby expressly waived and released by Mortgagor.

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(b) Mortgagor shall indemnify Mortgagee against, and hold Mortgagee harmless from, any and all losses, damages, liabilities, claims, causes of action, judgments, court costs, attorneys' fees and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which Mortgagee may suffer or incur: (i) by reason of this Mortgage; (ii) by reason of 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. Mortgagor's duty to indemnify 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 of demand until paid in full at the highest rate per annum payable under any Secured Obligation. Mortgagee may, at its option, add any such indebtedness to any Secured Obligation.

4.13 Due on Sale or Encumbrance. Except as permitted by the provisions of any Secured Obligation or applicable law, if the Subject Property or any interest therein shall be sold, transferred (including without limitation, where applicable, through sale or transfer of a majority or controlling interest of the corporate stock, or any general partnership, limited liability company or other similar interests, of Mortgagor), mortgaged, assigned, encumbered or leased, whether voluntarily, involuntarily or by operation of law (each of which actions and events is called a "Transfer"), without Mortgagee's prior written consent, THEN Mortgagee may, at its sole option, declare all Secured Obligations immediately due and payable in full. Mortgagor shall notify Mortgagee in writing of each Transfer within ten (10) business days of the date thereof.

4.14 Releases, Extensions, Modifications and Additional Security. Without notice to or the consent, approval or agreement of any persons or entities 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, 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, nor release or impair the priority of the lien of this Mortgage upon the Subject Property.

4.15 Release of Mortgage. Upon satisfaction in full of the Secured Obligations, 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.

4.16 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.

4.17 Mortgagor Different From Obligor ("Third Party Mortgagor"). As used in this Section, the term "Obligor" shall mean each person or entity obligated in any manner under any of the Secured Obligations; and the term "Third Party Mortgagor" shall mean (1) each person or entity included in the definition of Mortgagor herein and which is not an Obligor under all of the Secured Obligations, and (2) each person or entity included in the definition of Mortgagor herein if any Obligor is not included in said definition.

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(a) Representations and Warranties. Each Third Party Mortgagor represents and warrants to Mortgagee that: (i) this Mortgage is executed at an Obligor's request; (ii) this Mortgage complies with all agreements between each Third Party Mortgagor and any Obligor regarding such Third Party Mortgagor's execution hereof; (iii) Mortgagee has made no representation to any Third Party Mortgagor as to the creditworthiness of any Obligor; and (iv) each Third Party Mortgagor has established adequate means of obtaining from each Obligor on a continuing basis financial and other information pertaining to such Obligor's financial condition. Each Third Party Mortgagor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect such Third Party Mortgagor's risks hereunder. Each Third Party Mortgagor further agrees that Mortgagee shall have no obligation to disclose to any Third Party Mortgagor any information or material about any Obligor which is acquired by Mortgagee in any manner. The liability of each Third Party Mortgagor hereunder shall be reinstated and revived, and the rights of Mortgagee shall continue if and to the extent that for any reason any amount at any time paid on account of any Secured Obligation is rescinded or must otherwise be restored by Mortgagee, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Mortgagee in its sole discretion; provided however, that if Mortgagee chooses to contest any such matter at the request of any Third Party Mortgagor, each Third Party Mortgagor agrees to indemnify and hold Mortgagee harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Mortgagee in connection therewith, including without limitation, in any litigation with respect thereto.

(b) Waivers.

(i) Each Third Party Mortgagor waives any right to require Mortgagee to: (A) proceed against any Obligor or any other person; (B) marshal assets or proceed against or exhaust any security held from any Obligor or any other person; (C) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from any Obligor or any other person; (D) take any other action or pursue any other remedy in Mortgagee's power; or (E) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Mortgagee as security for or which constitute in whole or in part the Secured Obligations, or in connection with the creation of new or additional obligations.

(ii) Each Third Party Mortgagor waives any defense to its obligations hereunder based upon or arising by reason of: (A) any disability or other defense of any Obligor or any other person; (B) the cessation or limitation from any cause whatsoever, other than payment in full, of any Secured Obligation; (C) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of any Obligor which is a corporation, partnership or other type of entity, or any defect in the formation of any such Obligor; (D) the application by any Obligor of the proceeds of any Secured Obligation for purposes other than the purposes represented by any Obligor to, or intended or understood by, Mortgagee or any Third Party Mortgagor; (E) any act or omission by Mortgagee which directly or indirectly results in or aids the discharge of any Obligor or any portion of any Secured Obligation by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Mortgagee against any Obligor; (F) any impairment of the value of any interest in any security for the Secured Obligations or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (G) any modification of any Secured Obligation, in any form whatsoever, including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, any Secured Obligation or any portion thereof, including increase or

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decrease of the rate of interest thereon; or (H) any requirement that Mortgagee give any notice of acceptance of this Mortgage. Until all Secured Obligations shall have been paid in full, no Third Party Mortgagor shall have any right of subrogation, and each Third Party Mortgagor waives any right to enforce any remedy which Mortgagee now has or may hereafter have against any Obligor or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Mortgagee. Each Third Party Mortgagor further waives all rights and defenses it may have arising out of: (1) any election of remedies by Mortgagee, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Secured Obligations, destroys such Third Party Mortgagor's rights of subrogation or such Third Party Mortgagor's rights to proceed against any Obligor for reimbursement; or (2) any loss of rights any Third Party Mortgagor may suffer by reason of any rights, powers or remedies of any Obligor in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging any Obligor's obligations.

(iii) If any of said waivers is determined to be contrary to any applicable law or public policy, such waiver shall be effective to the extent permitted by applicable law or public policy.

ARTICLE V. DEFAULT PROVISIONS

5.1 Default. The occurrence of any of the following shall constitute a "Default" under this Mortgage: (a) Mortgagor shall fail to observe or perform any obligation or agreement contained herein for a period of twenty (20) days after notice from Mortgagee; (b) any representation or warranty of Mortgagor herein shall prove to be incorrect, false or misleading in any material respect when made; or (c) any default in the payment or performance of any obligation, or any defined event of default, under any provisions of the Note or any other contract, instrument or document executed in connection with, or with respect to, any Secured Obligation.

5.2 Rights and Remedies. Upon the occurrence of any Default, and at any time thereafter, Mortgagee shall have all the following rights and remedies:

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

(b) With or without notice, without releasing Mortgagor from any Secured Obligation and without becoming a mortgagee in possession, to cure any Default of Mortgagor 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; (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, 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 an action or actions in any court of competent jurisdiction to foreclose this Mortgage 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; (ii) the existence of a declaration that the Secured Obligations are immediately due and payable; or (iii) the filing of a notice of default; and Mortgagor consents to such appointment.

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(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, and to apply the proceeds received in accordance with the Section hereof entitled Application of Foreclosure Sale Proceeds, all in such order and manner as Mortgagee shall determine in its sole discretion.

(g) Upon sale of the Subject Property at any 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: (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) Mortgagor acknowledges that the transaction of which this Mortgage is a part is a transaction that does not include either agricultural real estate (as defined in 735 ILCS 5/15-1201), or residential real estate, and to the fullest extent permitted by law, Mortgagor hereby voluntarily and knowingly waives its rights to reinstatement and redemption as allowed under 735 ILCS 5/15-1601 (b) and the benefits of all present and future valuation, appraisal, homestead, exemption, stay, redemption and moratorium law under any state or federal law.

(i) Notwithstanding the provisions of this Section, any foreclosure of all or any portion of the lien of this Mortgage shall be in accordance with the Illinois Mortgage Foreclosure Act, 735 ILCS 5/15-1101 et seq., as from time to time amended.

5.3 Application of Foreclosure Sale Proceeds. After deducting all reasonable out-of-pocket 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 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 highest rate per annum payable under any Secured Obligation), 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.

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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 reasonable attorneys' fees, shall be applied to payment of the Secured Obligations in such order as Mortgagee shall determine in its sole discretion; provided however, 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, Default or notice of default under this Mortgage, or nullify the effect of any notice of default or sale (unless all Secured Obligations and any other sums then due hereunder have been paid in full and Mortgagor has cured all other Defaults), 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 reasonable out-of-pocket payments, advances, charges, costs and expenses, including court costs and reasonable attorneys' fees (to include outside counsel fees), expended or incurred by Mortgagee pursuant to this Article V, whether incurred at the trial or appellate level, in an arbitration proceeding that may be awarded in favor of the Mortgagee 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. All of the foregoing shall be paid by Mortgagor with interest from the date of demand until paid in full at the highest rate per annum payable under any Secured Obligation.

5.7 Power to File Notices and Cure Defaults. Mortgagor hereby irrevocably appoints Mortgagee and its successors and assigns as Mortgagor's true attorney-in-fact to perform any of the following powers, which agency is coupled with an interest: (a) to execute and/or record any notices of completion, cessation of labor, or any other notices that Mortgagee deems appropriate to protect Mortgagee's interest; and (b) upon the occurrence of any event, act or omission which with the giving of notice or the passage of time, or both, would constitute a Default, to perform any obligation of Mortgagor hereunder; provided however, 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 or entity 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 agreements between Mortgagor and Mortgagee. 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.

5.9 Mortgagee's Right to Procure Insurance. Mortgagor acknowledges receipt of the following notice: "Unless you Mortgagor provide evidence of the insurance coverage required by your agreement with us Mortgagee, we may purchase insurance at your expense to protect our interests in your collateral. This insurance may, but need not, protect your interests. The coverage that we purchase may not pay

Mortgage and Assignment of Rents and Leases

any claim that you make or any claim that is made against you in connection with the collateral. You may later cancel any insurance purchased by us, but only after providing evidence that you have obtained insurance as required by our agreement. If we purchase insurance for the collateral, you will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges we may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to your total outstanding balance or obligation. The costs of the insurance may be more than the cost of insurance you may be able to obtain on your own.”

If Mortgagor fails to maintain any insurance required hereunder, Mortgagee may after notice to Mortgagor, but shall not be obligated to, purchase such required insurance at Mortgagor’s expense to protect Mortgagee’s interests in the Subject Property. This insurance may, but need not, protect Mortgagor’s interests in the Subject Property. The coverage that Mortgagee purchases shall not be required to pay any claim that the Mortgagor makes or any claim that is made against Mortgagor in connection with the Subject Property. Mortgagor may later cancel any insurance purchased by Mortgagee, but only after providing evidence that Mortgagor has obtained the insurance required hereunder. If Mortgagee purchases insurance for the Subject Property, Mortgagor will be responsible for the costs of the insurance, including the insurance premium, interest thereon from the date of each such payment or expenditure at the then applicable rate under the Note and any other charges Mortgagee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance obtained by Mortgagee may be more than the cost of insurance Mortgagor may be able to obtain on its own. Unless Mortgagee otherwise agrees in writing, Mortgagor shall pay to Mortgagee the full costs of such insurance, together with the accrued interest thereon and the other charges in connection therewith, within thirty (30) days after “Notice of Placement of Insurance” as required by applicable law.

ARTICLE VI. MISCELLANEOUS PROVISIONS

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

6.2 Execution of Documents. Mortgagor agrees, upon demand by Mortgagee, to execute any and all documents and instruments required to effectuate the provisions hereof.

6.3 Right of Inspection. Mortgagee or its agents or employees may enter onto the Subject Property at any reasonable time, during regular business hours, with reasonable prior notice for the purpose of inspecting the Subject Property and ascertaining Mortgagor’s compliance with the terms hereof.

6.4 Notices. 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 to Mortgagee at the following address:

WELLS FARGO BANK, NATIONAL ASSOCIATION
10 South Wacker Drive, 17th Floor
Chicago, IL 60606

and to Mortgagor at the following address:

SIGMATRON INTERNATIONAL, INC.
2201 Landmeier Road
Elk Grove Village, IL 60007
Attn: Linda K. Frauendorfer, CFO

Mortgage and Assignment of Rents and Leases

With a copy to: Henry J. Underwood
Howard and Howard Attorneys PLLC
200 South Michigan Avenue
Suite 1100
Chicago, IL 60604

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 heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto; provided however, that this Section does not waive the provisions of the Section hereof entitled Due on Sale or Encumbrance. Mortgagee reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Mortgagee's rights and benefits under the Note, any and all other Secured Obligations and this Mortgage. In connection therewith, Mortgagee may disclose all documents and information which Mortgagee now has or hereafter acquires relating to the Subject Property, all or any of the Secured Obligations and/or Mortgagor and, as applicable, any partners, joint venturers or members of Mortgagor, whether furnished by any Mortgagor or otherwise; provided that any information provided to the Mortgagee by the Mortgagor and identified by the Mortgagor as material non-public information shall not be disclosed to the prospective assignee or participant unless and until the prospective assignee or participant has agreed in writing for the benefit of the Mortgagor to maintain the confidentiality of such non-public information.

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" means 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; (d) if more than one person or entity has executed this Mortgage as "Mortgagor," the obligations of all such Mortgagors hereunder shall be joint and several; and (e) 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 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.

6.8 Governing Law. This Mortgage shall be governed by and construed in accordance with the laws of the State of Illinois, but giving effect to federal laws applicable to national banks.

6.9 Arbitration.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to this Mortgage and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Chicago, Illinois selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the

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documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Illinois or a neutral retired judge of the state or federal judiciary of Illinois, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Illinois and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Illinois Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed this Mortgage or any other contract, instrument or document relating to any Secured Obligation, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

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(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the documents between the parties or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the documents or any relationship between the parties.

[Signature Page Follows]

Mortgage and Assignment of Rents and Leases

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

Mortgagor(s)

Address(es)

SIGMATRON INTERNATIONAL, INC.

1901 South Street
Elgin, IL 60123

By: /s/ Gary R. Fairhead

Name: Gary R. Fairhead

Title: President / CEO

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On October, 2013 before me, Nancy B. Geiser, a Notary Public in and for the State of Illinois, appeared Gary R. Fairhead, personally known to me to be the duly elected President / CEO of SigmaTron International, Inc. and the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her indicated capacity.

/s/ Nancy B. Geiser

NOTARY PUBLIC

My commission expires: 4-30-17

[SEAL]

Mortgage and Assignment of Rents and Leases

EXHIBIT A
(Description of Property)

Exhibit A to Mortgage and Assignment of Rents and Leases executed by SIGMATRON INTERNATIONAL, INC., as Mortgagor, to WELLS FARGO BANK, NATIONAL ASSOCIATION, as Mortgagee, dated as of October 24, 2013.

LOTS 1 AND 2 OF BURNIDGE BROS INDUSTRIAL PARK, UNIT NO. 4; IN THE CITY OF ELGIN, KANE COUNTY, ILLINOIS.

Commonly known as: 1901 South Street, Elgin, IL 60123

P.I.N.: 06-21-277-001 & 06-21-277-002

Mortgage and Assignment of Rents and Leases

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this “Agreement”) is entered into as of October 24, 2013, by and between SIGMATRON INTERNATIONAL, INC., a Delaware corporation (“Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”).

RECITALS

Borrower and Bank entered into that certain Credit Agreement dated January 8, 2010 (the “Original Credit Agreement”) pursuant to which Bank extended credit to Borrower.

Borrower and Bank entered into that certain Amended and Restated Credit Agreement dated January 31, 2011 (as further amended from time to time, the “Amended and Restated Credit Agreement”) amending and restating the Original Credit Agreement and pursuant to which Bank continued to extend credit to Borrower.

Borrower has requested that Bank extend or continue credit to Borrower, and Borrower and Bank have agreed to further amend and restate the Amended and Restated Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including October 31, 2015, not to exceed at any time the aggregate principal amount of Thirty Million Dollars (\$30,000,000.00) (“Line of Credit”), the proceeds of which shall be used to finance Borrower’s working capital requirements. Borrower’s obligation to repay advances under the Line of Credit shall be evidenced by an amended and restated promissory note dated as of October 24, 2013 (as may be further amended, amended and restated, or otherwise modified from time to time, the “Line of Credit Note”), all terms of which are incorporated herein by this reference.

(b) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby and sight commercial letters of credit for the account of Borrower (“Subfeature LCs”); provided however, that the aggregate undrawn amount of all outstanding Subfeature LCs shall not at any time exceed Two Million Dollars (\$2,000,000.00). The form and substance of each Subfeature LC shall be subject to approval by Bank, in its sole discretion. Each standby letter of credit shall be issued for a term not to exceed three hundred sixty five

Second Amended and Restated Credit Agreement

(365) days and each sight commercial letter of credit shall be issued for a term not to exceed ninety (90) days, as designated by Borrower. The undrawn amount of all Subfeature LCs shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Subfeature LC shall be subject to the additional terms and conditions of Bank's standard Standby Letter of Credit agreement or Commercial Letter of Credit agreement as applicable, and all applications and related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Subfeature LC shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit.

(c) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note or any other document or instrument required hereby; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above.

SECTION 1.2. TERM LOANS.

(a) Term Loan A. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make a loan to Borrower in the principal amount as calculated below ("Term Loan A"), the proceeds of which shall be used to refinance Borrower's outstanding credit accommodations and finance office and warehouse facilities in Elk Grove Village, Illinois. Borrower's obligation to repay the Term Loan A shall be evidenced by a promissory note dated as of January 31, 2011 (as may be amended, amended and restated, or otherwise modified from time to time, "Term Note A"), all terms of which are incorporated herein by this reference. The Term Loan A shall be in an amount equal to \$2,500,000.00.

(b) Term Loan B. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make a loan to Borrower in the principal amount as calculated below ("Term Loan B" and together with Term Loan A, collectively referred to as "Term Loan"), the proceeds of which shall be used to refinance Borrower's outstanding credit accommodations and finance office and warehouse facilities in Elgin, Illinois (the "Elgin Property"). Borrower's obligation to repay the Term Loan B shall be evidenced by a promissory note dated as of October 24, 2013 (as may be amended, amended and restated, or otherwise modified from time to time, the "Term Note B" and, together with Term Note A, collectively referred to as the "Term Note"), all terms of which are incorporated herein by this reference. The Term Loan B shall be in an amount equal to \$1,275,000.00.

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(c) Repayment. The principal amount of each of Term Loan A and Term Loan B shall be repaid in accordance with the provisions of Term Note A and Term Note B respectively.

(d) Prepayment. Borrower may prepay principal on Term Loan A or Term Loan B in whole or in part, and solely in accordance with the provisions of Term Note A and Term Note B respectively.

SECTION 1.3. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Arrangement Fee. Bank has acknowledged that Borrower has paid to Bank a \$10,000.00 non-refundable arrangement fee.

(d) Letter of Credit Fees. Borrower shall pay to Bank (i) fees upon the issuance of each standby or commercial letter of credit issued under any credit subject hereto equal to LIBOR per annum (computed on the basis of a 360-day year, actual days elapsed) of the face amount thereof, and (ii) fees upon the payment or negotiation of each drawing under any such letter of credit and fees upon the occurrence of any other activity with respect to any such letter of credit (including without limitation, the transfer, amendment or cancellation of any such letter of credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

SECTION 1.4. COLLECTION OF PAYMENTS. Except to the extent expressly specified otherwise in any Loan Document (as defined in Section 2.2 hereof) other than this Agreement, Borrower authorizes Bank to collect all amounts due to Bank from Borrower under this Agreement or any other Loan Document (whether for principal, interest or fees, or as reimbursement of drafts paid or other payments made by Bank under any credit subject to this Agreement) by charging any deposit account maintained by Borrower with Bank for the full amount thereof. Should there be insufficient funds in Borrower's deposit accounts with Bank to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.5. COLLATERAL.

(a) As security for all indebtedness and other obligations of Borrower to Bank subject hereto under the Loan Documents (as herein defined), Borrower hereby grants to Bank security interests of first priority in all Borrower's accounts receivable and other rights to payment, general intangibles, inventory located in the United States, equipment and fixtures.

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(b) (i) As security for all indebtedness and other obligations of Borrower to Bank subject hereto, under Term Loan A, Borrower hereby grants to Bank a lien of not less than first priority on that certain real property located at 2201 Landmeier Road, Elk Grove Village, IL 60007 pursuant to the Mortgage and Assignment of Rents and Leases, dated January 8, 2010, as amended and otherwise modified from time to time (the “Elk Grove Mortgage”) and (ii) as security for all indebtedness and other obligations of Borrower to Bank subject hereto, under Term Loan B, Borrower hereby grants to Bank a lien of not less than first priority on that certain real property located at 1901 South Street, Elgin, IL 60123 pursuant to the Mortgage and Assignment of Rents and Leases, dated October 24, 2013, as modified from time to time (the “Elgin Mortgage” and together with the Elk Grove Mortgage, collectively referred to as the “Mortgage”).

(c) All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds or mortgages, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank.

(d) Borrower shall pay to Bank immediately upon demand the full amount of all reasonable out-of-pocket charges, costs and expenses (to include reasonable out-of-pocket fees paid to third parties), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and costs of appraisals, audits and title insurance.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of Delaware, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the “Loan Documents”) have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

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SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated April 30, 2013, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its domestic assets or properties except in favor of Bank, equipment leases with Wells Fargo Equipment Finance, Inc., and Associated Bank in each case as set forth in Schedule 5.3 hereto or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

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SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any material purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in Schedule 2.11 hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. REAL PROPERTY COLLATERAL. Except as disclosed by Borrower to Bank in writing prior to the date hereof, with respect to any real property collateral required hereby:

(a) All taxes, governmental assessments, insurance premiums, and water, sewer and municipal charges, and rents (if any) which previously became due and owing in respect thereof have been paid as of the date hereof.

(b) There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such lien) which affect all or any interest in any such real property and which are or may be prior to or equal to the lien thereon in favor of Bank.

(c) None of the improvements which were included for purpose of determining the appraised value of any such real property lies outside of the boundaries and/or building restriction lines thereof, and no improvements on adjoining properties materially encroach upon any such real property.

(d) There is no pending, or to the best of Borrower's knowledge threatened, proceeding for the total or partial condemnation of all or any portion of any such real property, and all such real property is in good repair and free and clear of any damage that would materially and adversely affect the value thereof as security and/or the intended use thereof.

SECTION 2.13. OFAC. Neither Borrower nor any of its subsidiaries (i) is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States (50 U.S.C. App. §§ 1 et seq.), as amended, (ii) is in violation of (A) the Trading with the Enemy Act, as amended, (B) any of the foreign assets

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control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (C) the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended (the "PATRIOT Act"), (iii) is (a) a Person named on the list of "Specially Designated Nationals and Blocked Persons" maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, or as otherwise published from time to time, or (b) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a country subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>, or as otherwise published from time to time (any such country, a "Sanctioned Country"), or (iii) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by the U.S. Department of the Treasury's Office of Foreign Assets Control (a "Sanctioned Person"), (ii) has more than 10% of its assets in Sanctioned Countries, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries. No part of the proceeds of any Extension of Credit hereunder will be used directly or indirectly to fund any operations in, finance any investments or activities in or make any payments to, a Sanctioned Person or a Sanctioned Country that would result in a material violation of OFAC regulations.

ARTICLE III CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

- (a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.
- (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:
 - (i) This Agreement.
 - (ii) The Line of Credit Note.
 - (iii) The Term Note A.
 - (iv) The Term Note B.
 - (v) Corporate Resolution: Borrowing.
 - (vi) Certificate of Incumbency.
 - (vii) Continuing Security Agreement: Rights to Payment and Inventory.

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- (viii) Security Agreement: Equipment and Fixtures.
- (ix) Mortgage and Assignment of Rents and Leases for the Elk Grove Property.
- (x) Mortgage and Assignment of Rents and Leases for the Elgin Property.
- (xi) First Modification of Mortgage and Assignment of Rents and Leases for the Elk Grove Property.
- (xii) Second Modification of Mortgage and Assignment of Rents and Leases for the Elk Grove Property.
- (xiii) Third Modification of Mortgage and Assignment of Rents and Leases for the Elk Grove Property.
- (xiv) Fax Transmission and Acceptance of Requests, Instructions, Documents and Information.
- (xv) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank, including without limitation, policies of marine cargo insurance, accounts receivable insurance and business personal property insurance, and policies of fire and extended coverage insurance covering all real property collateral required hereby, with replacement cost and mortgagee loss payable endorsements, and such policies of insurance against specific hazards affecting any such real property, as may be required by governmental regulation or Bank.

(e) Real Property Appraisals. Bank shall have obtained, at Borrower's cost, an appraisal of all real property collateral required hereby, and all improvements thereon, issued by an appraiser acceptable to Bank and in form, substance and reflecting values satisfactory to Bank, in its discretion.

(f) Title Insurance. Bank shall have received an ALTA Policy of Title Insurance, with such endorsements as Bank may require, issued by a company and in form and substance satisfactory to Bank, in such amount as Bank shall require, insuring Bank's lien on the real property collateral required hereby to be of first priority, subject only to such exceptions as Bank shall approve in its discretion, with all costs thereof to be paid by Borrower.

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(g) Phase I Environmental Survey. A Phase I environmental survey of each of the Elk Grove Property and the Elgin Property, each in form and substance satisfactory to the Bank; and

(h) Field Audit. A completed field audit of Borrower covering areas customarily examined by the Bank in form and substance satisfactory to the Bank.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit, including without limitation, the following:

- (i) For the issuance of a commercial letter of credit under any credit subject to this Agreement, Bank's standard Application for Commercial Letter of Credit.
- (ii) For the issuance of a standby letter of credit under any credit subject to this Agreement, Bank's standard Application for Standby Letter of Credit.

(c) Payment of Fees. Bank shall have received payment in full of any fee required by any of the Loan Documents to be paid at the time such credit extension is made.

ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

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SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, during regular business hours, with a reasonable prior notice, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 120 days after and as of the end of each fiscal year, an unqualified audited consolidated and consolidating financial statement of Borrower, prepared by a certified public accountant acceptable to Bank in accordance with generally accepted accounting principles, to include balance sheet, income statement, and statement of cash flow;

(b) not later than 30 days after and as of the end of month, a financial statement of Borrower, prepared by Borrower, to include balance sheet and income statement and statement of cash flow;

(c) not later than 45 days after the end of each fiscal quarter, consolidated and consolidating financial statements of the Borrower prepared by the Borrower, to include balance sheet, income statement and statement of cash flow;

(d) not later than 25 days after and as of the end of each month, an inventory report showing the types, locations and unit or dollar values of all the inventory collateral, an aged listing of accounts receivable to include both factored and unfactored accounts, an aged listing of account payable, a reconciliation of accounts and a signed statement from an officer of Borrower confirming that AbleMex, S.A. de C.V. (“Ablemex”) is not in default under its lease with Vesta Baja California, S. de R.L. de C.V (“Vesta”);

(e) contemporaneously with each annual and fiscal quarter end financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(f) from time to time such other information as Bank may reasonably request.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower’s continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

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SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any material litigation pending or threatened against Borrower.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein), with compliance determined commencing with Borrower's consolidated financial statements for the period ending January 31, 2013:

(a) Minimum Tangible Net Worth not less than \$41,000,000.00 plus 50% of quarterly net profit after taxes plus 100% of any increases in equity or subordinated debt at each fiscal quarter end. "Tangible Net Worth" defined as the aggregate of total stockholders' equity plus subordinated debt less any intangible assets.

(b) Total Liabilities divided by Tangible Net Worth not greater than 1.75 to 1.0 at each fiscal quarter end, with "Total Liabilities" defined as the aggregate of current liabilities and noncurrent liabilities, and with "Tangible Net Worth" as defined above.

(c) Fixed Charge Coverage Ratio not less than 2.0 to 1.0 as of each fiscal quarter end, determined on a rolling 4-quarter basis, with "Fixed Charge Coverage Ratio" defined as the aggregate of net profit after taxes plus depreciation expense, amortization expense, cash capital contributions minus dividends and distributions, divided by the aggregate of the current maturity of long-term debt, capitalized lease payments, and contingent consideration.

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(d) Minimum Asset Coverage Ratio of 1.10x to 1.00 at each fiscal quarter end with “Asset Coverage Ratio” defined as a ratio of the numerator, consisting of the sum of 80% of gross accounts receivable (“Margined A/R”) and 41.3% of Eligible Inventory (as such term is defined below) (“Margined Inventory”); provided, however, that the amount of Margined Inventory shall not be greater than the amount of Margined A/R, divided by the denominator, consisting of the outstanding aggregate principal balance of the advances made under this Agreement. “Eligible Inventory” shall mean, at any time, all inventory of Borrower in which Bank has a first priority continuing perfected security interest, except inventory which is: (1) not owned by it free and clear of all security interests, encumbrances and liens, except in favor of Bank, and claims of persons or entities other than Bank, except to the extent any such claim has been waived in writing by the claimant in favor of Bank; (2) slow moving, obsolete, unsalable, damaged, defective, perishable or unfit for further processing; (3) work in process; (4) subject to consignment or otherwise in the possession of another person or entity, unless otherwise agreed to by the Bank in writing; (5) in transit or located outside of the United States; (6) identified to be purchased under a contract under which it has received, or is entitled to receive, an advance payment; (7) determined by Bank to be ineligible due to licensing, intellectual property, or any applicable laws or regulations that would make it difficult to sell, lease or use such inventory; (8) comprised of samples, returns, rejected items, re-work items, non-standard items, odd-lots, or repossessed goods; (9) produced in violation of applicable laws or regulations, including the Fair Labor Standards Act of 1938, as amended, and the regulations and orders of the Department of Labor; and (10) otherwise determined ineligible by Bank; provided, however, that transportation and storage charges shall be excluded from amounts otherwise included in Eligible Inventory.

(e) Net profit after taxes of not less than \$1.00 as of each fiscal quarter end on a rolling 4-quarter basis.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than ten (10) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or the occurrence of any loss through liability or property damage, or through fire, theft or any other cause affecting Borrower’s domestic property that is reasonably estimated to involve a loss of more than \$25,000.00 that is not covered by insurance.

SECTION 4.11. COLLATERAL AUDITS. Permit Bank to audit all Borrower’s collateral required hereunder, with such audits to be performed from time to time at Bank’s option by collateral examiners acceptable to Bank and in scope and content satisfactory to Bank, and with all Bank’s costs and expenses of each audit to be reimbursed in full by Borrower. Bank shall not be required to share the results of the audit(s) with Borrower or any third party.

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SECTION 4.12. STOCK PLEDGES. On or before October 1, 2013, Borrower shall have delivered to Bank documentation in form and substance satisfactory to Bank, including amendments or acknowledgments to existing pledge agreements, evidencing Borrower's pledge of 65% of its equity ownership interests in each of Standard Components de Mexico SA de C.V., Ablemex, and Digital Appliance Controls de Mexico, S.A. de C.V. ("DAC") in Mexico, Wujiang SigmaTron Electronics Co., Ltd. in The People's Republic of China, and Spitfire Controls (Cayman) Co. Ltd. in the Cayman Islands ("Cayman"). To the extent applicable, Borrower shall also provide evidence satisfactory to Bank that the necessary approvals have been obtained and registration of such documentation has occurred in each jurisdiction. After the date hereof, upon Bank's request, in its sole discretion, Borrower shall promptly deliver to Bank any and all confirmations, affirmations, re-affirmations, acknowledgments and such other documents, as appropriate, evidencing and/or affirming the pledge agreements delivered pursuant to this Section 4.12 and the pledge of the equity ownership interests thereunder.

SECTION 4.13. REAL PROPERTY TAX COMPLIANCE. Borrower shall provide evidence of payment of real property taxes on the Elk Grove Property within fifteen (15) days of the due date for each installment thereof.

SECTION 4.14. KNOW YOUR CUSTOMER. Borrower shall promptly upon the request thereof, deliver to Bank such other information and documentation required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations (including, without limitation, the PATRIOT Act), as from time to time reasonably requested by Bank.

ARTICLE V NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof. Notwithstanding the foregoing, Borrower may make a tender offer to purchase and consummate the purchase of 396,000 outstanding options from employees and directors of the Borrower at an aggregate purchase price not exceeding \$400,000 and may use the proceeds of the Line of Credit to pay for part or all of such aggregate purchase price.

SECTION 5.2. CAPITAL EXPENDITURES. Make any additional investment in fixed assets in any fiscal year in excess of an aggregate of \$13,000,000.00.

SECTION 5.3. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans, guaranties, or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, Wells Fargo Equipment Finance, Inc., and Associated Bank, in each case as set forth in Schedule 5.3 hereto, and up

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to \$7,000,000.00 at any time outstanding to GE Capital for capitalized lease obligation(s) (as determined in accordance with generally accepted accounting principles consistently applied, except as may be modified by the Financial Accounting Standards Board only with respect to capitalized leases (each such obligation, a “Capital Lease”)) incurred after the date hereof, entered into during Borrower’s fiscal years ending April 30, 2015, (b) the liabilities of Borrower to Vesta pursuant to a lease guaranty on behalf of Ablemex, provided that the lease guaranty shall be in form and substance satisfactory to Bank and shall contain a subordination clause and third-party reliance language in favor of Bank, provided further that Borrower shall not amend or modify the lease guaranty without the written consent of Bank, such consent not to be unreasonably withheld or delayed, provided further that the lease guaranty shall be limited to a maximum aggregate amount of \$3,200,000.00 at all times, and (c) any other liabilities of Borrower existing as of, and disclosed Bank prior to, the date hereof.

SECTION 5.4. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower’s business as a worldwide seller of electronic products and services; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower’s assets except in the ordinary course of its business. (a) Notwithstanding the foregoing, Borrower may sell Electrolux Home Products, Inc. accounts receivable to Deutsche Bank AG, New York Branch in accordance with the terms of the DB-Supplier Finance Agreement (defined below), as acknowledged pursuant to that certain Acknowledgement, Consent and Release Agreement dated as of December 1, 2011 executed by Bank, Borrower and Deutsche Bank AG, New York Branch, as the same may be amended, supplemented or otherwise modified from time to time. When used herein, the term “DB-Supplier Finance Agreement” shall mean that certain agreement (including all annexes, reference guides referred to therein, and the special terms and conditions related to the furnishing of Supplier Financing Services) pursuant to which Borrower will sell to Deutsche Bank AG, New York Branch certain accounts receivable owed to Borrower by Electrolux Home Products, Inc., as the same may be amended, supplemented or otherwise modified from time to time. (b) Further notwithstanding the foregoing, Borrower may discharge and release the account receivable of Spitfire Control, Inc., an Illinois corporation (“Spitfire”), in connection with the consummation of the transactions contemplated by that certain Purchase Agreement dated May 31, 2012 (the “Spitfire Acquisition Agreement”), of Borrower, as buyer, and Spitfire, as seller, a true, complete and executed copy of which agreement, including all schedules and exhibits thereto, has been delivered to Bank. (c) Further notwithstanding the foregoing, Borrower may sell certain accounts receivable owed to Borrower by Whirlpool Corporation to Bank in accordance with the terms of the Accounts Receivable Purchase Agreement dated as of October 11, 2012 between Bank, as Financial Institution, and Borrower, as Supplier, the Supplier Agreement dated as of October 11, 2012 between Borrower, as Supplier, and PrimeRevenue, Inc., as PrimeRevenue, and all related agreements (including all annexes, exhibits, schedules and reference guides referred to in any of the foregoing), as any of the same may be amended, supplemented or otherwise modified from time to time. (d) Further notwithstanding the foregoing, Borrower may sell certain accounts receivable owed to Borrower by Electrolux Home Products, Inc. to UBI in accordance with the terms of an accounts receivable purchase agreement and all related agreements (including all annexes, exhibits, schedules and reference guides referred to in any of the foregoing), as any of the same may be amended, supplemented or otherwise modified from time to time.

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SECTION 5.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except any of the foregoing (a) existing as of, and disclosed to Bank prior to, the date hereof or (b) in an amount not to exceed \$100,000.00 in the aggregate. Further notwithstanding the foregoing, as a consequence of the consummation of the transactions contemplated under the Spitfire Acquisition Agreement, Borrower may acquire the equity and certain inter-company indebtedness of and otherwise make loans to or investments in DAC, Cayman and Cayman's wholly owned subsidiary, Spitfire Controls Vietnam Co., Ltd., a Vietnam corporation, and thereafter, revise the terms of such acquired indebtedness or convert to equity a portion or all of such acquired indebtedness, or both.

SECTION 5.6. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrower's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding, and Borrower shall provide to Bank, upon request, any documentation required by Bank to substantiate the appropriateness of amounts paid or to be paid.

SECTION 5.7. PLEDGE OF ASSETS. (a) Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank, Wells Fargo Equipment Finance, Inc., GE Capital, Associated Bank, any lessor party to a Capital Lease secured solely by property financed under such Capital Lease, or which is existing as of, and disclosed to Bank in writing prior to, the date hereof, or (b) agree with any other person or entity not to mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof. Notwithstanding the foregoing, in connection with the sale of the receivables permitted in Section 5.4 above, Borrower is authorized to permit Deutsche Bank AG, New York Branch to file precautionary financing statements against Borrower in accordance with the terms of that certain Acknowledgment, Consent and Release Agreement dated as of December 1, 2011 executed by Bank, Borrower and Deutsche Bank AG, New York Branch and to permit the purchasers party to the agreements referenced in Sections 5.4(c) and 5.4(d) above to file UCC financing statements against Borrower reflecting the interests of such purchasers in the corresponding receivables.

ARTICLE VI EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

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(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this section 6.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of twenty (20) days after notice from Bank of its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any material contract, instrument or document (other than any of the Loan Documents) binding on Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including to Bank.

(e) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(f) The filing of a notice of judgment lien in excess of \$50,000.00 against Borrower or any Third Party Obligor; or the recording of any abstract of judgment in excess of \$50,000.00 against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, in excess of \$50,000.00 against the assets of Borrower or any Third Party Obligor; or the entry of a judgment in excess of \$50,000.00 against Borrower or any Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor and is not vacated or dismissed within 60 days after the filing thereof.

(g) There shall exist or occur any event or condition that Bank in good faith believes impairs the prospect of payment or performance by Borrower, any Third Party Obligor, or the general partner of either if such entity is a partnership, of its obligations under any of the Loan Documents.

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(h) The death or incapacity of Borrower or any Third Party Obligor if an individual. The dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor and such action is not dismissed within 60 days after the commencement thereof.

(i) The withdrawal, resignation or expulsion of anyone or more of the general partners in Borrower; or any change in control of Borrower or any entity or combination of entities that directly or indirectly control Borrower, with "control" defined as ownership of an aggregate of twenty-five percent (25%) or more of the common stock, members' equity or other ownership interest (other than a limited partnership interest) of Borrower.

(j) The sale, transfer, hypothecation, assignment or encumbrance, whether voluntary, involuntary or by operation of law, without Bank's prior written consent, of all or any part of or interest in any real property collateral required hereby.

(k) Any default or event of default, however defined, shall occur under the lease between Ablemex and Vesta.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents 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. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

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SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: SIGMATRON INTERNATIONAL, INC.
2201 Landmeier Road
Elk Grove Village, IL 60007
Attn: Linda K. Frauendorfer, CFO

With a copy to: Henry J. Underwood
Howard and Howard Attorneys PLLC
200 South Michigan Avenue
Suite 1100
Chicago, IL 60604

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
10 South Wacker Drive, 17th Floor
Chicago, IL 60606

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) business days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all reasonable out-of-pocket payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include reasonable outside counsel fees), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding that may be awarded in favor of Bank 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 Bank or any other person) relating to Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent.

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Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business or any collateral required hereunder; provided that any information provided to the Bank by the Borrower and identified by the Borrower as material non-public information shall not be disclosed to the prospective assignee or participant unless and until the prospective assignee or participant has agreed in writing for the benefit of Borrower to maintain the confidentiality of such non-public information.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall 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 Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, but giving effect to federal laws applicable to national banks.

SECTION 7.11. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

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(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Chicago, Illinois selected by the American Arbitration Association (“AAA”); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA’s commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA’s optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the “Rules”). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession to the extent permitted under applicable law; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Illinois or a neutral retired judge of the state or federal judiciary of Illinois, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator’s discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Illinois and may grant any remedy or relief that a court of such

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state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Illinois Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties

SECTION 7.12. USA PATRIOT. Bank hereby notifies Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies Borrower and any subsidiary guarantor, which information includes the name and address of Borrower and each subsidiary guarantor and other information that will allow Bank to identify Borrower or such subsidiary guarantor in accordance with the PATRIOT Act.

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SECTION 7.13. AMENDMENT AND RESTATEMENT. This Agreement amends and restates and supersedes and replaces any prior Agreement between the parties hereto with respect to the subject matter hereof. Borrower hereby acknowledges and agrees that this amendment and restatement of the Original Credit Agreement does not effectuate a novation or extinguishment of the obligations under the Original Credit Agreement, but rather an amendment and restatement of all the obligations under the Original Credit Agreement.

[Signature page follows.]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

SIGMATRON INTERNATIONAL, INC.

By: /s/ Gary R. Fairhead

Title: President / CEO

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: /s/ Matthew P. Soper

Title: Vice President

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2870 Holmgren Way, PO Box 11361
Green Bay WI 54307
800-657-4639

MASTER LEASE AGREEMENT # 2170

This Master Lease Agreement ("Lease") is entered into between Associated Bank, National Association, a national banking association, (herein called "Lessor"), and **SigmaTron International, Inc** (herein called "Lessee") located at 2201 Landmeir Road; Elk Grove Village, IL 60007[Lessee Address].

1. LEASING.

Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor, the equipment described on any schedule(s) (herein called "Schedule") attached to this Lease and made a part hereof from time to time following execution by the Lessee and Lessor, (herein with all replacement parts, repairs, additions, and accessories called "Equipment"), on the terms and conditions of the Lease and as set forth on any Schedule. Lessee agrees that, at the option of Lessor, any Schedule shall be a separately enforceable Lease, the terms and conditions of which shall be those set forth herein.

2. ORDERING EQUIPMENT.

Lessee hereby requests Lessor to order the Equipment from a supplier (herein called "Supplier"), and to arrange for delivery to Lessee, at Lessee's sole cost and expense.

3. DISCLAIMER OF WARRANTIES AND WAIVER OF DEFENSES.

LESSOR, NEITHER BEING THE MANUFACTURER NOR A SUPPLIER, NOR A DEALER IN THE EQUIPMENT, NOR AN AGENT OF THE MANUFACTURER, SUPPLIER OR DEALER, MAKES NO WARRANTY, DIRECT OR INDIRECT, EXPRESS OR IMPLIED, AS TO FITNESS, DESIGN, CONDITION, CAPACITY, PERFORMANCE, SUITABILITY OR ANY OTHER ASPECT OF THE EQUIPMENT OR ITS MATERIAL OR WORKMANSHIP, LESSOR DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE OR PURPOSE WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE. LESSOR FURTHER DISCLAIMS ANY LIABILITY FOR LOSS, DAMAGE OR INJURY TO LESSEE OR THIRD PARTIES AS A RESULT OF ANY DEFECTS, LATENT OR OTHERWISE, IN THE EQUIPMENT WHETHER ARISING FROM THE APPLICATION OF THE LAWS OF STRICT LIABILITY OR OTHERWISE. LESSEE LEASES THE EQUIPMENT FROM LESSOR "AS-IS" AND THEREFORE ALL OF THE RISKS ASSOCIATED

THEIR ORDER OR ANY PART OF THE ORDER, OR THE SUPPLIER'S FAILURE TO INSTALL, MAINTAIN, ERECT, TEST, ADJUST OR SERVICE THE EQUIPMENT ALL OF WHICH ARE, AS BETWEEN LESSOR AND LESSEE, TO BE BORNE SOLELY BY LESSEE. REGARDLESS OF CAUSE, LESSEE WILL NOT ASSERT ANY CLAIM WHATSOEVER AGAINST LESSOR FOR LOSS OF ANTICIPATED PROFITS OR ANY OTHER INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ALL OF WHICH ARE, AS BETWEEN LESSOR AND LESSEE, TO BE BORNE SOLELY BY LESSEE. LESSOR SHALL NOT BE RESPONSIBLE FOR ANY DAMAGES OR COSTS WHICH MAY BE ASSESSED AGAINST LESSEE IN ANY ACTION FOR INFRINGEMENT OR UNDER ANY UNITED STATES LETTERS PATENT ALL OF WHICH ARE, AS BETWEEN LESSOR AND LESSEE, TO BE BORNE SOLELY BY LESSEE. LESSOR MAKES NO WARRANTY AS TO THE TREATMENT OF THIS LEASE FOR TAX OR ACCOUNTING PURPOSES.

4. RIGHTS AGAINST SUPPLIER.

By signing this Lease below, Lessee acknowledges: (a) that Lessee selected Supplier and directed Lessor to acquire the Equipment from Supplier; (b) that Lessee is entitled under Wisconsin law to the promises and warranties, including those of a third party, provided to Lessor by Supplier in connection with or as part of the agreement by which Lessor acquired the Equipment; and (c) that Lessee may communicate with Supplier and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitation of them or of remedies.

If the Equipment is unsatisfactory for any reason, Lessee shall make claim on account thereof solely against Supplier, and any of Supplier's vendors, and as of the Commencement Date shall nevertheless pay Lessor all rent and other amounts payable under the Lease. Lessor shall have no liability for Supplier's failure to meet specifications, or failure to fulfill any warranty. Lessor acknowledges that all manufacturer and/or Supplier

WITH LEASING THE EQUIPMENT ARE, AS BETWEEN LESSOR AND LESSEE, TO BE BORNE BY LESSEE AT ITS SOLE COST AND EXPENSE.

LESSEE HAS SELECTED THE EQUIPMENT AND THE SUPPLIER OF THE EQUIPMENT AND ACKNOWLEDGES THAT LESSOR HAS NOT RECOMMENDED THE EQUIPMENT OR THE SUPPLIER OF THE EQUIPMENT. LESSOR SHALL HAVE NO LIABILITY FOR SPECIFIC PERFORMANCE BY THE SUPPLIER OR FOR ANY LOSS OR DAMAGE DUE TO DELAYS IN DELIVERY OR SUPPLIER'S FAILURE TO FULFILL

warranties are for the benefit of Lessor and Lessee. So long as Lessee is not in default hereunder and Lessor has not terminated this Lease, Lessee shall have and Lessor hereby assigns to Lessee all of the rights which Lessor may have against Supplier and Supplier's vendors for breach of warranty or other representations relating to the Equipment. Lessee understands and agrees that neither Supplier nor any agent of Supplier is an agent of Lessor or is authorized to waive or alter any term or condition of this Lease.

5. TERM AND RENT.

The Lease term shall commence as of the date that any of the Equipment is delivered to Lessee or Lessee's agent (the "Commencement Date") and shall continue until the obligations of Lessee under this Lease are fully performed. Advance rentals are not refundable if the Lease term for any reason does not commence or if this Lease is duly terminated by Lessor. The sum of all periodic installments of rent indicated on any attached Schedule shall constitute the aggregate rent reserved under this Lease. The aggregate rent reserved under this Lease shall be payable periodically in advance as indicated on the Schedule at the Lessor's address on the Schedule. Lessee's obligation to pay the rent as of the Commencement Date is absolute and unconditional and not subject to any abatement, set-off, defense, counterclaim or interruption for any reason whatsoever. Lessee agrees to accept delivery of the Equipment and that the validity of this lease and Lessee's obligations under this Lease shall not be affected by any delay in shipment by the Supplier.

Notwithstanding the above, in the event Lessee fails to accept any Equipment, Lessee may terminate this Lease with respect to such Equipment and shall be entitled to a refund of any advance rent paid to Lessor on account of such Equipment, and Lessee shall have no further obligations under this Lease with respect to such Equipment.

6. NON-CANCELABLE LEASE.

THIS LEASE CANNOT BE CANCELLED BY LESSEE DURING THE TERM HEREOF OR PRIOR TO ALL RENT AND ALL OTHER OBLIGATIONS HAVING BEEN PAID BY LESSEE.

7. LESSOR TERMINATION BEFORE EQUIPMENT ACCEPTANCE.

If within ninety (90) days from the date Lessor orders the Equipment, it has not been delivered, installed and accepted by Lessee (in form satisfactory to Lessor) for all purposes of this Lease, Lessor or Lessee may, on ten (10) days written notice to Lessee or Lessor, as applicable, terminate this Lease and all of their obligations hereunder.

8. TITLE: PERSONAL PROPERTY.

The Equipment is and shall at all times remain, the property of Lessor or its assignees, and title to the Equipment shall at all times remain with Lessor, and Lessee shall have no right, title or interest therein except as set forth in this Lease. If Lessor supplies Lessee with labels or other markings indicating that the Equipment is owned by Lessor, Lessee shall affix such labels to and keep them in a prominent place on the Equipment. Lessee hereby authorizes Lessor to insert in this Lease or Schedule the serial numbers, and any other identification data of Equipment when determined by Lessor.

pocket expenses relating to any searches undertaken by Lessor or any filings, records, stamp fees or taxes arising from the filing or recording or any such instrument or statement. Except with respect to any liens arising by, through or under Lessor, Lessee shall at its sole expense protect and defend Lessor's title to the Equipment against all persons, at all times keeping the Equipment free from any legal process, lien or encumbrance whatsoever including but not limited to liens, attachments, levies and executions, and shall give Lessor immediate written notice thereof and shall indemnify Lessor from any loss caused thereby. Lessee shall execute or obtain from third parties and deliver to Lessor, upon Lessor's request, such further instruments and assurances as Lessor deems necessary or advisable for the confirmation or perfection of Lessor's rights hereunder.

The Equipment is and shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may now be or hereafter become in any manner affixed or attached to real property or any improvements thereon.

9. CARE, USE, LOCATION AND ALTERATION.

Lessee at its sole cost and expenses shall maintain and keep the Equipment in good repair, condition and working order, shall use the Equipment in compliance with all laws and regulations (including, without limitation, all OSHA requirements) and shall keep the Equipment free and clear of all liens and encumbrances, claims and/or legal processes of creditors or others and shall make no alterations, modifications, additions, subtractions or improvements to the Equipment, without the prior written consent of Lessor, except as the otherwise required by this paragraph. All additions and improvements of whatever kind and nature to the Equipment shall be deemed accessions thereto and shall belong to and become the property of the Lessor and shall be a part of the Equipment under this Lease. Lessee represents that the Equipment shall be used by Lessee solely in the normal course of its business and in the manner for which it was designed. If the Supplier has provided Lessee with a standard maintenance schedule, such schedule will constitute minimum maintenance compliance and Lessee, upon request, shall supply Lessor with evidence of such compliance. The Equipment shall not be removed from the Equipment location shown on the Schedule, without Lessor's prior written consent. Lessor shall have the right to inspect the Equipment at any reasonable time.

10. REDELIVERY.

Upon expiration or earlier termination of this Lease or any Schedule hereto as to any Equipment, Lessee shall return the Equipment freight prepaid to Lessor in good repair, condition and working order, ordinary wear and tear resulting from proper use and damage covered by insurance alone excepted in a manner and to a location

This Lease is intended by the parties to be a lease and not a security agreement subject to Article 9 of the Uniform Commercial Code. However, in the event this Lease is determined to be a security agreement, Lessee hereby grants Lessor a security interest in the Equipment and authorizes Lessor, at Lessee's expense, to cause this Lease, or any statement or other instrument showing the interest of Lessor in the Equipment, including Uniform Commercial Code Financing Statements to be filed or recorded and re-filed and re-recorded and grants Lessor the right to execute Lessee's name on any such instrument. Lessee agrees to pay or reimburse Lessor for its administrative costs and out of

designated by Lessor within the continental United States. If upon such expiration or termination the Lessee does not immediately return the Equipment to Lessor, the Equipment shall continue to be held and leased hereunder, and this Lease shall thereupon be extended for successive thirty (30) day periods for its fair market rental value not to exceed the monthly equivalent of the periodic installment of rent with respect to such Equipment, as determined by Lessor, subject to the right of either the Lessee or the Lessor to terminate this Lease upon thirty (30) days' written notice, whereupon Lessee shall immediately deliver the Equipment to the Lessor as set forth in this paragraph. Lessee shall have been deemed to return the Equipment when the Equipment is

placed on board with the common carrier. Any obligations to return the Equipment at Lease expiration do not apply to any Equipment subject to a \$1.00 purchase option.

11. RISK OF LOSS.

From the Commencement Date, Lessee shall bear all risk of loss, theft, damage or destruction to the Equipment from any cause and the occurrence of such loss, theft, damage or destruction shall not relieve Lessee of Lessee's rent or any other obligation hereunder. Lessee assumes all risks and liability for the Equipment and for the use, possession, operation, maintenance, storage and condition thereof. In the event of loss, theft damage or destruction, Lessee shall: (a) return the damaged Equipment to good repair, condition and working order that is substantially the same as immediately before the damage; or (b) replace lost or damaged Equipment with like Equipment in good repair, condition and working order that is substantially the same as immediately before the loss, damage or destruction with documentation creating clear title thereto in Lessor; or (c) pay to the Lessor as liquidated damages and not as penalty, (i) the unpaid purchase price of the Equipment at termination as shown on the amortization schedule attached as Exhibit B to the affected Lease Schedule; multiplied by (ii) the difference, if positive, of the implicit lease rate for such Lease Schedule as shown on such Lease Schedule; minus (iii) the effective US Treasury rate for the period equal to the remaining term of the Lease. . The parties agree that this amount is the fair value of the Equipment on the day of such loss, theft, damage or destruction. Upon Lessor's receipt of such payment, this Lease, as to such damaged Equipment, shall terminate, and Lessee and/or Lessee's insurer shall be entitled to Lessor's interest in such Equipment for salvage purposes, in its then condition and location, as is, without warranty, express or implied except that Lessor shall expressly warrant its title to such Equipment, free and clear of all liens, claims or encumbrances arising by, through or under Lessor.

12. INSURANCE.

During the term of this Lease and any renewal term, Lessee shall maintain the minimum insurance set forth below. The insurance requirements set forth below shall be maintained by Lessee and will not limit, in any manner, the liabilities and obligations of Lessee.

Lessee shall pay the premiums for all required insurance set forth below, and shall provide a Certificate of Insurance or a copy of the insurance policies to Lessor in accordance with requirements of Section 19 (Notices) herein. Failure of Lessor to demand a Certificate of Insurance evidencing full compliance with these insurance requirements as set forth below, or failure of Lessor to identify a deficiency in the Certificate of Insurance that is provided shall not be construed as a waiver of Lessee's obligation to maintain such

Physical Damage Requirement

Lessee agrees to keep the Equipment insured for its estimated full replacement value against all perils of loss or damage, with no less than the covered perils available through the "Special Form" on a Commercial Property Insurance policy and shall have the policy endorsed to name Lessor as Loss Payee.

Liability Requirement

Lessee shall maintain Commercial General Liability as appropriate for the Equipment being leased of not less than \$1,000,000 per occurrence (combined single limit) and shall have the policy endorsed to name the Lessor as an Additional Insured.

The following Physical Damage Requirement and Liability Requirement shall be applicable only to Equipment that is a road- use vehicle:

Physical Damage Requirement

Lessee agrees to keep the Equipment insured for actual cash value against all perils or loss available under Commercial Auto insurance policy and shall have the policy endorsed to name Lessor as Loss Payee.

Liability Requirement

Lessee agrees to maintain Commercial Auto Liability coverage with a limit of no less than \$1,000,000 per accident or occurrence and shall have the policy endorsed to name the Lessor as an Additional Insured.

13. NET LEASE: TAXES.

This Lease is a net lease. Lessee intends the rental payments hereunder to be net to Lessor, and Lessee shall pay all sales, use, excise, stamp, documentary and property taxes, license and registration fees, assessments, fines, penalties and similar charges and any other charges or taxes imposed on the ownership, possession or use of the Equipment during the term of this Lease. Lessee shall pay all taxes (except Lessor's federal or state net income or equivalent taxes) imposed on Lessor or Lessee with respect to the rental payments hereunder. If under local law or for any other reason Lessee may not make such payments directly; Lessee will promptly notify Lessor and reimburse Lessor on demand for all payments made by Lessor. If any license, assessment or tax is, by law, to be assessed or billed to Lessor, Lessee at its expense will do any and all things required to be done by Lessor in connection with the levy, assessment, billing or payment thereof and is hereby authorized by Lessor to act for and on behalf of Lessor in any and all such respects if required to act by Lessor including, but not limited to, the contest or protest, in good faith, of the validity or the amount thereof. To the extent not prohibited by law, Lessee will cause all billings of such governmental obligations of Lessor to be made to it in care of Lessee and will from time to time, on the request of Lessor, submit written evidence of the payment of all such governmental obligations.

insurance. If Lessee fails to maintain the insurance as set forth herein, then, Lessor shall have the right, but not the obligation, to purchase said insurance at Lessee's expense.

The proceeds of such insurance, at the Lessee's, with Lessor's consent, which shall not be unreasonably withheld, shall be applied (i) toward the replacement, restoration or repair of the Equipment or (ii) toward payment of the obligations of Lessee hereunder.

The following Physical Damage Requirement and Liability Requirement shall be applicable only to Equipment that is not a road-use vehicle:

14. INDEMNITY.

Lessee shall hold Lessor harmless from and indemnify and defend Lessor against, any and all claims, actions, suits, losses, proceedings, costs, expenses, damages, obligations, disbursements and liabilities, including attorneys' fees and court costs arising out of, connected with or resulting from the Equipment or this Lease, including without limitation, the manufacture, selection, delivery, possession, use, operation, storage or return of the Equipment, but excluding any claims, actions, suits, losses, proceedings, costs, expenses, damages, obligations, disbursement and liabilities,

including attorneys' fees and court costs, arising, connected or resulting from Lessor's own negligence or willful misconduct. This Paragraph 14 shall survive the termination or expiration of the Lease.

15. LIMITATION OF ACTION BY LESSEE.

Any action by Lessee under this Lease shall be commenced within one (1) year after the cause of action accrues; provided, however, Lessee agrees to provide written notice to Lessor of any event that it knows will give rise to a cause of action, within sixty (60) days of the occurrence of the event.

16. DEFAULT AND REMEDIES.

Any of the following events or conditions shall constitute a default under this Lease (an "Event of Default"): (a) Lessee's failure to make any payment required under this Lease or under any other lease agreement between Lessor and Lessee and such failure continues for fifteen (15) days after Lessee's receipt of notice thereof; (b) the filing of a petition in bankruptcy, arrangement, insolvency or reorganization by or against Lessee or any guarantor of Lessee's obligations under this Lease (each such guarantor, a "Guarantor"); (c) Lessee or any Guarantor makes an assignment for the benefit of its creditors, or a receiver, guardian, custodian or trustee is appointed for Lessee or Lessee's assets or for any Guarantor or for such Guarantor's assets; (d) failure to perform by Lessee or any Guarantor, in the manner and at the time specified, of any other term or condition in this Lease or any other lease or agreement between Lessor and Lessee, or Lessor and Guarantor, as applicable and such failure continues for thirty (30) days after Lessee's receipt of notice thereof; (e) Lessee sells all or a substantial part of Lessee's assets; or (f) any representation or warranty made under this Lease or information provided by Lessee or any Guarantor in connection with this Lease is or was false or fraudulent in any material respect; (g) a material adverse change occurs in Lessee's financial condition or in the financial condition of any Guarantor; (h) any individual Lessee, Guarantor or partner of Lessee dies; or (i) a default or event of default occurs under any other loan agreement, instrument, document, promissory note or any other agreement between Lessee and Lessor or Guarantor and Lessor. In the event of the occurrence of an Event or Default, Lessor may, to the extent not prohibited by law, exercise any one or more of the following remedies: (a) proceed by court action to enforce performance by Lessee of Lessee's obligations under the Lease; (b) terminate the Lease; (c) declare the entire balance of rent for the full term hereof immediately due and payable as to any or all Schedules covered hereby and to similarly accelerate the balances under any other leases or agreements between Lessor and Lessee present valued to the date of default computed at 7% per annum; (d) recover all rents, and other monies due and/or to become due under any or all Schedule(s) hereunder plus

removal of the Equipment from the place where the Equipment is located and take possession of any or all items of Equipment, without demand or notice, wherever same may be located, disconnecting and separating all such Equipment from any other property, with or without any court order or pre-taking hearing or other process of law, it being fully understood that facility of repossession in the event of default is a basis for the financial accommodation reflected by this Lease. Lessee hereby waives any and all damages occasioned by such retaking. Lessor may, at its option, use, ship, store, and repair or lease all Equipment so removed, and sell or otherwise dispose of any such Equipment at a private or public sale. Lessor may expose and resell the Equipment at Lessee's premises at reasonable business hours without being required to remove the Equipment. In the event Lessor takes possession of the Equipment, Lessor shall give Lessee credit for any sums received by Lessor from the sale or for the present value of the rents from a rental of the Equipment computed at the implicit rate of such lease, after deduction of the expenses of sale or rental. Lessor shall be entitled to any surplus and Lessee shall remain liable for any deficiency. Lessee shall also be liable for and shall pay to Lessor (a) all expenses incurred by the Lessor in connection with the enforcement of any of Lessor's remedies, including all expenses of repossession, storing, shipping, repairing and selling the Equipment, including any attorneys' fees, and (b) interest on all sums due Lessor from the date of such sums becoming payable at the rate of one-half percent (0.5%) per month, but only to the extent not prohibited by law.

Lessor and Lessee acknowledge the difficulty in establishing a value for the unexpired lease term and owing to such difficulty agree that the provisions of this paragraph represent an agreed measure of damages and are not to be deemed a forfeiture or penalty. Lessee grants Lessor a security interest and lien in any and all deposit accounts of Lessee and any other monies now or hereafter owed the Lessee to secure Lessee's obligations under the Lease. As an additional remedy, upon default or Event of Default, Lessor may setoff any amounts owed hereunder against such deposit accounts and monies owed Lessee. In addition, it is expressly agreed and understood that Lessee's obligations under the Lease are secured by all existing and future security agreements, assignments, and mortgages from Lessee to Lessor, from any Guarantor to Lessor, and from any other person providing collateral security for Lessee's obligations, and a default under any of them shall constitute a default under the Lease.

Whenever any payment is not made by Lessee when due hereunder, Lessee agrees to pay to Lessor, not later than one (1) month thereafter, an amount calculated at the rate of ten cents (10¢) per one dollar (\$1.00) for each such delayed payment as an administrative fee to off-set Lessor's collection costs, but only to the extent not prohibited by law. Such amount shall be payable in addition to all amounts payable by Lessee as a result of

the residual value of the Equipment, present valued to the date of default computed at seven percent (7%) per annum as liquidated damages and not as a penalty; (e) recover any loss or damage suffered by Lessor as a direct result of such default; (f) require Lessee at Lessee's expense, to assemble all Equipment at a place reasonably designated by Lessor; (g) remove any physical obstructions for

exercise of any of the remedies herein provided.

All remedies of Lessor for any default or Event of Default by Lessee hereunder are cumulative, are in addition to any other remedies provided for by law,

including, without limitation, remedies provided in Wis. Stats. (411.523, and may to the extent not prohibited by law, be exercised concurrently or separately. The exercise of any one remedy shall not be deemed to be an election of such remedy or to preclude the exercise of any other remedy. No failure on the part of the Lessor to exercise and no delay in exercising any right or remedy shall operate as a waiver thereof or modify the terms of this Lease. A waiver of default or Event of Default by Lessor on any one occasion shall not be deemed a waiver of any other or subsequent default or Event of Default.

17. PERFORMANCE BY LESSOR OF LESSEE'S OBLIGATIONS.

In the event Lessee fails to comply with any provision of this Lease, Lessor shall have the right, but shall not be obligated, to effect such compliance on behalf of Lessee upon twenty (20) days prior written notice to Lessee. In such event, all monies advanced or expended by Lessor, and all expenses of Lessor in effecting such compliance, shall be deemed to be addition rent, and shall be paid by Lessee to Lessor at the time of the next periodic payment of rent.

18. ASSIGNMENT: QUIET ENJOYMENT.

Lessor may, without notice to Lessee, assign this Lease and/or the rentals due hereunder. Lessee agrees that no assignee of Lessor shall be bound to perform any duty, covenant, condition or warranty (express or implied) attributable to Lessor, and Lessee further agrees not to raise any claim or defense arising out of this Lease or otherwise against Lessor as a defense, counterclaim or off-set to any action against Lessee by any assignee hereunder. Lessee agrees upon notification of assignment to recognize such assignment; to accept the directions, demands, or consents of such assignee in place of those of Lessor; to pay all rent hereunder as directed by such assignee; and not to terminate this Lease, notwithstanding any default on the part of Lessor or any other liability or obligation on the part of Lessor to Lessee whether or not arising under this Lease. Notwithstanding any assignment by Lessor, providing Lessee is not in default hereunder, Lessee shall quietly enjoy use of the Equipment, subject to the terms and conditions of the Lease, including warranty disclaimers.

WITHOUT LESSOR'S PRIOR WRITTEN CONSENT IN EACH INSTANCE, LESSEE SHALL NOT ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THE EQUIPMENT OR ANY INTEREST THEREIN, SUBLET OR LEND THE EQUIPMENT OR ANY PART OF IT OR PERMIT IT TO BE USED BY ANYONE OTHER THAN LESSEE OR LESSEE'S EMPLOYEES, OR ASSIGN OR DELEGATE ANY OF ITS RIGHTS OR DUTIES UNDER THIS LEASE, ANY SCHEDULE OR ANY OTHER AGREEMENT BETWEEN LESSOR AND LESSEE.

Express or equivalent courier service, addressed to such other party at the address of such other party set forth below; (c) by sending a copy thereof by facsimile to such other party at the facsimile number, of such other party set forth below, confirmed in writing of the receipt of such facsimile transmission by the recipient during the recipient's business hours and if not during business hours, then deemed accepted the following business day; or (d) by sending an email to a valid email address of an authorized representative of a party, confirmed in writing of the receipt of such email by the recipient during the recipient's business hours and if not during business hours then deemed accepted the following business day. Such service shall be deemed complete upon reasonable evidence of actual receipt. The addresses and facsimile numbers to which, and persons to whose attention, notices and demands shall be delivered or sent may be changed from time to time by notice served, as hereinabove provided, by any party upon the other parties.

20. REPRESENTATIONS & COVENANTS OF LESSEE.

1. Lessee represents and warrants to Lessor that:
(a) Lessee is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and it is duly qualified and authorized to do business and is in good standing as a foreign entity in the jurisdictions where the character of its property or its business activities makes such qualification necessary.
(b) Lessee has the right and power and is duly authorized to execute and deliver each agreement, document and instrument related to this Lease and each Schedule (collectively, the "Lease Documents") to which it is a party and to perform and observe the provisions of the Lease Documents to which it is a party. The execution, delivery and performance by each Lessee of each Lease Document to which it is a party do not and will not (i) require any consent or approval of any governmental authority or agency, or third party (other than any consent or approval that has been obtained and is in full force and effect), (ii) conflict with, violate, result in any breach of any of the provisions of, or constitute a default under, [a] any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award that is applicable to or binding on Lessee, [b] the charter and other organizational documents of Lessee or [c] any agreement, indenture, instrument or other document, or any judgment, order or decree, that is binding upon Lessee or any of its properties or (iii) require, or result in, the creation or imposition of any lien on any of its assets.

(c) This Lease, each Schedule and each other Lease Document to which Lessee is a party is the legal, valid and binding obligation of Lessee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

ANY PURPORTED ASSIGNMENT OF RIGHTS BY LESSEE OR DELEGATION OF DUTIES BY LESSEE IN VIOLATION HEREOF IS NULL AND VOID.

19. NOTICES.

All notices and demands of any kind which any party hereto may be required or desires to serve upon another party under the terms of this Agreement shall be in writing and shall be served upon such other party: (a) by personal service upon such other party at such other party's address set forth above, (b) by sending a copy thereof by Federal

(d) Lessee (i) holds all material permits, certificates, licenses, orders, registrations, franchises, authorizations, and other approvals from any governmental authority necessary for the conduct of its business; (ii) is in material compliance with all applicable federal and state laws; and (iii) is not in violation of or in default under any material agreement to which it is a party or by which any material portion of its assets is subject or bound.

(e) The financial statements of Lessee, delivered to Lessor, are true and complete in all material respects, were prepared in accordance with generally accepted accounting principles ("GAAP") and present fairly the financial

condition of Lessee as of the date of such financial statements and the results of their operations for the period then ending.

(f) Since the date of last financial statements delivered to Lessor, there has been no material adverse change in the financial condition, operations, assets, business, properties or prospects of Lessee.

(g) No litigation (including derivative actions), arbitration proceeding or governmental investigation or proceeding is pending or, to the knowledge of Lessee, threatened against it that might reasonably be expected to have a material adverse effect

(h) Lessee has timely filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges due and payable with respect to each such return, except any such taxes or charges that are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside on its books. Lessee has made adequate reserves on their books and records in accordance with GAAP for all taxes that have accrued but that are not yet due and payable.

(i) Lessee warrants that neither it nor any of its directors, officers, partners (if a partnership), managers or members (if a limited liability company), has, directly or indirectly, a substantial financial interest in the manufacturer or vendor of any Equipment.

(j) All information heretofore or contemporaneously herewith furnished in writing by Lessee to Lessor for purposes of or in connection with this Lease and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of Lessee to Lessor pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which it was given (it being recognized by Lessor that any projections and forecasts provided by Lessee are based on good faith estimates and assumptions believed by Lessee to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

2. Lessee covenants and agrees that so long this Master Lease and any Schedule is in effect:

(a) Lessee shall maintain and preserve, (i) its existence and good standing in the jurisdiction of its organization and (ii) its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary. Lessee shall comply, in all material respects with all applicable laws, rules, regulations, decrees, orders, judgments, licenses

(d) Lessee shall pay, prior to delinquency, all taxes and other governmental charges against it, as well as claims of any kind that, if unpaid, could become a lien on any of its property; such taxes or charges are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside on Lessee's books.

(e) Lessee shall promptly notify Lessor upon receiving notice of any pending litigation or governmental proceeding against Lessee, which, if adversely determined result in a material adverse effect.

(f) Lessee shall furnish to Lessor promptly when available and in any event within one hundred twenty (120) days after the close of each fiscal year a copy of balance sheet, income statement and statement of cash flows of Lessee as at the end of such fiscal year, certified by an officer of Lessee. Lessee shall furnish to Lessor, promptly upon request, such other financial statements and other information (financial or otherwise) as described on any schedule to this Lease, which information shall be submitted in form and detail reasonably satisfactory Lessor and, if requested, shall be certified by an officer of Lessee.

21. GOVERNING LAW: JURISDICTION: VENUE: SERVICE OF PROCESS.

THIS LEASE SHALL BE BINDING WHEN ACCEPTED IN WRITING BY THE LESSOR IN THE STATE OF WISCONSIN AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES. LESSEE CONSENTS TO THE JURISDICTION OF COURT IN THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, WITH RESPECT TO ANY LEGAL ACTION COMMENCED HEREUNDER. NOTHING CONTAINED HEREIN IS INTENDED TO PRECLUDE LESSOR FROM COMMENCING ANY ACTION HEREUNDER IN ANY COURT HAVING JURISDICTION. LESSEE HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURT IN THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LEGAL ACTION SET FORTH ABOVE. LESSEE HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE ON ANY SUCH LEGAL ACTION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

22. WAIVER OF JURY TRIAL.

and permits.

(b) Lessee shall not be a party to any merger or consolidation in which it is not the surviving entity.

(c) Lessee shall notify Lessor in writing of any change in Lessee's name, type of organization, organizational identification number or jurisdiction of organization at least twenty (20) days prior to the effective date thereof. Lessee shall execute and deliver to Lessor any and all financing statements and other documents requested by Lessor in connection with any of the foregoing and as a condition to making effective any of the foregoing.

EACH OF LESSEE AND LESSOR HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY LEASING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING,

AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

or different nature. The paragraph headings in this lease are for convenience only and shall not alter or affect the meaning of any provisions of this lease.

23. MISCELLANEOUS.

This Lease inures to the benefit of and is binding upon the heirs, legatees, personal representatives, successors and assigns of the parties hereto, subject to the provisions of this Lease regarding same. Time is of the essence of this Lease. This Lease and all Schedules attached hereto contain the entire agreement between Lessor and Lessee, and no modification of this Lease shall be effective unless in writing and executed by an executive officer of Lessor. If there is a conflict between one of the positions of this Lease and a Schedule, the provisions of the Schedule shall prevail. If more than one Lessee is named in this Lease, the liability of each shall be joint and several. In the event any provision of this Lease shall be unenforceable, then such provision shall be deemed deleted, however, no other provision hereof shall be affected thereby and this Lease shall be construed as if such provision had never been contained herein. Any condition to a party's obligation to perform may be waived by such party but only if the waiver is in writing. The failure of either party to exercise any right under this lease, or take any action permitted on a breach by the other party, shall not be deemed a waiver thereof or of other or future rights or breaches of the same

24. OTHER DEFAULTS; THIRD PARTIES

In addition to the Defaults referenced in paragraph sixteen (16) above, Lessee shall be in Default of this Lease if Lessee fails to pay upon the acceleration or demand for payment after default or maturity of any other third party agreement or instrument to which Lessee is a party and under which there is then outstanding, owing, or committed an aggregate amount greater than **\$100,000.00**.

25. MISCELLANEOUS.

Upon early termination of this Lease, by reason of Default, early payment or otherwise, Lessor shall be entitled to charge Lessee, and Lessee shall be obligated to pay a Break Funding Charge resulting from such early termination. For purposes of this paragraph, the term "Break Funding Charge" shall be an amount equal to the product of: (i) the unpaid purchase price of the Equipment at termination as shown on the amortization schedule attached as Exhibit B to the affected Lease Schedule; multiplied by (ii) the difference, if positive, of the implicit lease rate for such Lease Schedule as shown on such Lease Schedule; minus (iii) the effective US Treasury rate for the period equal to the remaining term of the Lease.

ACCEPTED BY:

ASSOCIATED BANK NATIONAL ASSOCIATION
"LESSOR"

SIGMATRON INTERNATIONAL, INC
"LESSEE"

By: /s/ Douglas D. Jansen
(Signature)

By: /s/ Linda K. Frauendorfer
(Signature)

Name: Douglas D. Jansen
Title: Vice President – Commercial Loans
Date: 10/3/13

Name: Linda Frauendorfer
Title: CFO
Date: 10/3/13



LEASE SCHEDULE NO. 001

This Lease Schedule No. 001 ("Lease Schedule") is an attachment to Master Lease Agreement No. 2170 dated 10/03/13 by and between the undersigned (The Master Lease is defined as the "Lease;" the Master Lease Agreement, together with the Lease Schedule and any other lease schedule by and between the undersigned is referred to as the "Lease"). All capitalized terms used in this Lease Schedule shall have the meaning set forth in the Lease.

LESSOR:
Associated Bank, National Association,
a federally chartered banking associaton
2870 Holmgren Way, PO Box 11361
Green Bay, WI 54307

LESSEE:
SigmaTron International, Inc
2201 Landmeier Road
Elk Grove Village, IL 60007

Equipment Leased: See Attached Exhibit A

Table with 3 columns: Initial Lease Term, Advance Rentals, Rental Payment Due Date, Rental Payment, and End-of-Lease Options. Includes values like 60 Months, \$40,173.06, \$40,173.06 per month, and \$1.00 Buyout.

ADDITIONAL PROVISIONS:

LEASE DEPOSIT. The Lease Deposit referenced above may be returned to Lessee at the end of the Term of this Lease so long as no Event of Default has occurred under the terms of the Lease. In the case of an Event of Default under the Lease, the Lease Deposit may be applied by Lessor to satisfy any outstanding monetary obligation of Lessee to Lessor under this Lease or under any other agreement between Lessor and Lessee. The Lease Deposit shall be held by Lessor and shall not accrue interest.

ADDITIONAL FINANCIAL STATEMENT MONITORING REQUIREMENTS:

Lessee shall provide to Lessor the following documents, in a form acceptable to Lessor:

- 1. Quarterly financial statements of SigmaTron International, Inc including balance sheet, income statement and cash flow statement of year-to-date periods within 45 days of the end of each fiscal quarter.

Lessor hereby agrees to lease to the Lessee named below, and Lessee hereby agrees to lease and rent from Lessor the Equipment listed above or on any exhibit attached hereto, for the term and at the rental payments specified, all subject to the terms and conditions set forth in such Lease. Lessee further agrees that, at the option of Lessor, this Schedule shall be a separately enforceable Lease, the terms and conditions of which shall be those set forth in the Equipment Lease. The residual value of the Equipment subject to the lease is \$0.00.

Accepted By: Associated Bank, National Association "LESSOR"

Accepted By: SigmaTron International, Inc "LESSEE"

By: /s/ Douglas D. Jansen (Signature)

By: /s/ Linda K. Frauendorfer (Signature)

Name: Douglas D. Jansen

Name: Linda K. Frauendorfer

Title: Vice President, Commercial Loans

Title: CFO

Date: 10/3/2013

Date: 10/3/2013



LEASE SCHEDULE NO. 002

This Lease Schedule No. 002 ("Lease Schedule") is an attachment to Master Lease Agreement No. 2170 dated 10/03/13 by and between the undersigned (The Master Lease is defined as the "Lease;" the Master Lease Agreement, together with the Lease Schedule and any other lease schedule by and between the undersigned is referred to as the "Lease"). All capitalized terms used in this Lease Schedule shall have the meaning set forth in the Lease.

LESSOR:
Associated Bank, National Association,
a federally chartered banking associaton
2870 Holmgren Way, PO Box 11361
Green Bay, WI 54307

LESSEE:
SigmaTron International, Inc
2201 Landmeier Road
Elk Grove Village, IL 60007

Equipment Leased: See Attached Exhibit A

Table with 3 columns: Initial Lease Term, Advance Rentals, Rental Payment Due Date, Rental Payment, End-of-Lease Options. Includes values like 60 Months, \$1,454.59, \$1,454.59 per month, and \$1.00 Buyout.

ADDITIONAL PROVISIONS:

LEASE DEPOSIT. The Lease Deposit referenced above may be returned to Lessee at the end of the Term of this Lease so long as no Event of Default has occurred under the terms of the Lease. In the case of an Event of Default under the Lease, the Lease Deposit may be applied by Lessor to satisfy any outstanding monetary obligation of Lessee to Lessor under this Lease or under any other agreement between Lessor and Lessee. The Lease Deposit shall be held by Lessor and shall not accrue interest.

ADDITIONAL FINANCIAL STATEMENT MONITORING REQUIREMENTS:

Lessee shall provide to Lessor the following documents, in a form acceptable to Lessor:

- 1. Quarterly financial statements of SigmaTron International, Inc including balance sheet, income statement and cash flow statement of year-to-date periods within 45 days of the end of each fiscal quarter.

Lessor hereby agrees to lease to the Lessee named below, and Lessee hereby agrees to lease and rent from Lessor the Equipment listed above or on any exhibit attached hereto, for the term and at the rental payments specified, all subject to the terms and conditions set forth in such Lease. Lessee further agrees that, at the option of Lessor, this Schedule shall be a separately enforceable Lease, the terms and conditions of which shall be those set forth in the Equipment Lease. The residual value of the Equipment subject to the Lease is \$0.00.

Accepted By: Associated Bank, National Association "LESSOR"

Accepted By: SigmaTron International, Inc "LESSEE"

By: /s/ Douglas D. Jansen (Signature)

By: /s/ Linda K. Frauendorfer (Signature)

Name: Douglas D. Jansen

Name: Linda K. Frauendorfer

Title: Vice President, Commercial Loans

Title: CFO

Date: 10/3/2013

Date: 10/3/2013

**Certification of Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gary R. Fairhead, President and Chief Executive Officer of SigmaTron International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SigmaTron International, 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in 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

SigmaTron International, Inc.
October 31, 2013

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: December 13, 2013

/s/ Gary R. Fairhead
Gary R. Fairhead
President and Chief Executive Officer of SigmaTron
International, Inc.

**Certification of Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Linda K. Frauendorfer, Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SigmaTron International, 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in 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

SigmaTron International, Inc.
October 31, 2013

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: December 13, 2013

/s/ Linda K. Frauendorfer

Linda K. Frauendorfer
Chief Financial Officer, Secretary and Treasurer of
SigmaTron International, Inc.

SigmaTron International, Inc.
October 31, 2013

EXHIBIT 32.1

**Certification by the Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

I, Gary R. Fairhead, am President and Chief Executive Officer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2013 (the "Report").

I hereby certify that to the best of my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o (d)); and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 13, 2013

/s/ Gary R. Fairhead
Gary R. Fairhead
President and Chief Executive Officer of SigmaTron
International, Inc.

SigmaTron International, Inc.
October 31, 2013

EXHIBIT 32.2

**Certification by the Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

I, Linda K. Frauendorfer, am Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2013 (the "Report").

I hereby certify that to the best of my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 13, 2013

/s/ Linda K. Frauendorfer
Linda K. Frauendorfer
Chief Financial Officer, Secretary and Treasurer of
SigmaTron International, Inc.