

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Flux Power Holdings, Inc.

Form: 8-K

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 10, 2019

FLUX POWER HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or Other Jurisdiction of Incorporation)

000-25909

(Commission File Number)

86-0931332

(IRS Employer Identification No.)

2685 S. Melrose Drive, Vista, California

(Address of Principal Executive Offices)

92081

(Zip Code)

877-505-3589

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 1.01 Entry into a Material Definitive Agreement.

On October 10, 2019, Flux Power, Inc. ("Flux"), a wholly owned subsidiary of Flux Power Holdings, Inc. (the "Registrant"), entered into (i) that certain Second Amended and Restated Credit Facility Agreement ("Second Amended Credit Facility") with Esenjay Investments, LLC ("Esenjay"), Cleveland Capital, L.P. ("Cleveland"), Otto Candies, Jr., Paul Candies, Brett Candies, Winn Interest, Ltd., David A. Modesett, and Helen M. Tabone (the "Lenders" or the "Lender") to amend and restate the terms of that certain Amended and Restated Credit Facility Agreement dated March 28, 2019 to increase the line of credit under such agreement from \$7,000,000 to \$10,000,000 ("LOC Increase"), and (ii) that certain Amendment No. 1 to the Amended and Restated Security Agreement to amend the Amended and Restated Security Agreement dated March 28, 2019 to reflect the Second Amended Credit Facility. In connection therewith, each Lender and Flux entered into an amendment to amend their respective secured promissory note to reflect the LOC Increase.

Esenjay is a major stockholder of the Registrant (owning approximately 61.4% of the outstanding common stock of the Registrant as of September 12, 2019). Michael Johnson, a current member of the Registrant's board of directors, is a director and beneficial owner of Esenjay. Cleveland is a minority stockholder of the Registrant, and also a lender pursuant to that certain Loan Agreement dated July 3, 2019, by and among Flux, the Registrant and Cleveland, as amended on September 1, 2019 (the "Loan Agreement"). Pursuant to the Loan Agreement, Cleveland provided a loan to Flux for \$1,000,000 ("Cleveland Loan"). The obligations owed to Cleveland under the Loan Agreement is evidenced by that certain Unsecured Promissory Note originally issued July 3, 2019 and amended on September 1, 2019. In connection with the Cleveland Loan, the Registrant issued Cleveland a three-year warrant to purchase shares of its common stock.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information disclosed in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Exhibit Description
10.1	Second Amended and Restated Credit Facility Agreement
10.2	Amendment No. 1 to the Amended and Restated Security Agreement

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 hereunto duly authorized.

Flux Power Holdings, Inc.

a Nevada corporation

Dated: October 16, 2019

By: /s/ Ronald F. Dutt

Ronald F. Dutt, Chief Executive Officer

SECOND AMENDED AND RESTATED CREDIT FACILITY AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT FACILITY AGREEMENT (this "Agreement"), dated as of October 10, 2019, by and among Flux Power, Inc., a California corporation ("Borrower"), Esenjay Investments, LLC ("Esenjay"), Cleveland Capital, L.P., Otto Candies, Jr., Paul Candies, Brett Candies, Winn Interest, Ltd., David A. Modesett, and Helen M. Tabone (the "Other Lenders"), and additional parties who may subsequently become a party to this Agreement as a lender pursuant to Section 14 hereof ("Additional Lenders", and together with Esenjay and Other Lenders, the "Lenders").

WHEREAS, Borrower and Esenjay entered into that certain Credit Facility Agreement ("Original Agreement"), dated as of March 22, 2018 ("Effective Date"), and as amended and restated on March 28, 2019 ("First Restated Agreement"), to provide Borrower with a line of credit (the "LOC") in a maximum principal amount at any time outstanding of up to Seven Million Dollars (\$7,000,000); and

WHEREAS, the parties hereto desire to amend and restate the First Restated Agreement in its entirety to increase the LOC from Seven Million Dollars (\$7,000,000) to Ten Million Dollars (\$10,000,000).

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Borrower and Lenders hereby amend and restate the First Restated Agreement in its entirety and agree as follows:

1. Credit Facility.

(a) Subject to the sole discretion of each individual Lender, and subject to the terms and conditions of this Agreement, each of the Lenders severally agrees to extend a LOC, in the aggregate, of up to Ten Million Dollars (\$10,000,000) (the "Advances") to Borrower from time to time from the Effective Date until December 31, 2019. The Advances shall be made pro rata in accordance with each Lender's percentage as set forth in **Schedule A**, subject to any pro rata adjustments made for Additional Lenders, provided, however, to the extent such Lender elects not to make an Advance or the full amount of its right to make an Advance (each event, a "Shortfall"), the other Lenders may elect to make up the Shortfall, if any.

(b) The Advances shall be evidenced by separate promissory notes of the Borrower in substantially the form of **Exhibits A-1 and A-2**, attached hereto dated of even date with this Agreement (except for the Note evidencing Borrower's prior Advances to date, which shall be amended to reflect the increase to the amount of the Advances per this Agreement)(collectively, the "Notes"), and completed with appropriate insertions. One Note shall be payable to the order of each Lender in the principal amount equal to the LOC commitment or, if less, the outstanding amount of all Advances made by such Lender, plus interest accrued thereon, as set forth below. All Advances shall be made pursuant the terms and obligations set forth in the Note.

(c) For the purposes of the Advances, subject to the limitations, terms and conditions set forth in the Notes, Borrower may, from time to time, prior to the Due Date (as defined in the Note), draw down, repay, and re-borrow on the Note, by giving notice to Lenders of the amount to be requested to be drawn down.

(d) In order to secure Borrower's performance under the Note, the Borrower and the Lenders entered into an Amended and Restated Security Agreement, dated March 28, 2019 (the "Security Agreement"), the terms of which are incorporated herein by this reference. The Borrower and Lender with enter into an agreement to amend to the Security Agreement to reflect the increase to the amount of the Advances per this Agreement.

(e) All Advances shall be used by Borrower for the purchase of inventory and related operational support expenses.

(f) The Note and the Security Agreement, together with all of the other agreements, documents, and instruments heretofore or hereafter executed in connection therewith or with the Loan to be made under this Agreement, as the same may be amended, supplemented or modified from time to time, shall collectively be referred to herein as the "Loan Documents."

2. Interest Rate and Fees. Interest and fees shall accrue and be payable on the Loan as set forth in the Note.

3. Representations and Warranties of Borrower. Borrower represents and warrants to Lender that:

(a) Corporate Existence and Power.

(i) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of California.

(ii) Borrower has the power and authority to own its properties and assets and to carry out its business as now being conducted.

(iii) Borrower has the power and authority to execute, deliver and perform the Loan Documents to which it is a party, to borrow and guaranty money in accordance with the terms thereof, to execute, deliver and perform its obligations under the Note and the other Loan Documents to which it is a party and any other documents made by it as contemplated hereby, and to grant to Lender liens and security interests in the Collateral (as defined in the Security Agreement) as hereby contemplated.

(b) Authorization and Approvals. All corporate action on the part of Borrower, its board of directors, and shareholders necessary for the (a) authorization, execution, delivery and performance by it of the Loan Documents to which it is a party, and (b) the performance of its obligations under the Loan Documents, has been taken or will be taken prior to this Agreement. This Agreement and the other Loan Documents, when executed and delivered by Borrower, shall constitute the valid and binding obligations of Borrower, enforceable in accordance with their respective terms.

(c) Pre-existing business relationship; Experience. Borrower has a pre-existing business relationship with Lenders and has such knowledge and experience in financial and business matters: (a) to be capable of evaluating the merits and risks of the LOC, (b) to make an informed decision relating thereto, and (c) to protect its own interests in connection with the transaction contemplated by this Agreement.

(d) Compliance with Laws, Etc. The execution and delivery of this Agreement and the Note hereunder does not and will not violate any requirement of law or any contractual obligation of Borrower.

(e) Defaults. Borrower is not currently in default of any contractual obligation that would have a material adverse effect on Borrower's business, assets or financial condition.

(f) Litigation. There is no litigation, arbitration or other proceedings taking place, pending or to the knowledge of Borrower threatened against Borrower or any of its assets which questions the validity of this Agreement or the right of Borrower to enter into it or to consummate the transactions contemplated hereby.

4. Representations and Warranties of Each of the Lenders. Each of the Lenders severally represents and warrants to Borrower that:

(a) Requisite Power and Authority. Lender has all of the requisite power, authority, and capacity to execute, deliver, and comply with the terms of this Agreement, and such execution, delivery, and compliance does not conflict with, or constitute a default under, any instruments governing Lender, any law, regulation or order, or any agreement to which Lender is a party or by which Lender may be bound. All action on Lender's part necessary for the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the performance of all obligations of Lender hereunder has been taken. This Agreement has been duly executed and delivered by Lender.

(b) Pre-existing business relationship: Experience. Lender has a pre-existing business relationship with Borrower and has such knowledge and experience in financial and business matters: (a) to be capable of evaluating the merits and risks of the loan to Borrower, (b) to make an informed decision relating thereto, and (c) to protect its own interests in connection with the transaction contemplated by this Agreement.

5. Notices. Any notice, request, instruction, or other document to be given hereunder by any party hereto to any other party will be in writing and will be given by delivery in person, by facsimile transmission, by email or other electronic communication, by overnight courier or by registered or certified mail, postage prepaid (and will be deemed given when delivered if delivered by hand, when transmission confirmation is received if delivered by facsimile, three (3) days after mailing if mailed by United States mail, and one (1) business day after deposited with an overnight courier service if delivered by overnight courier), as follows:

If to Borrower: Flux Power, Inc.

Attn: President
2685 S. Melrose Drive
Vista, CA 92081
rdutt@fluxpwr.com

If to Lender:

Esenjay Investments, LLC
Attn: Howard Williams
500 N. Water, Suite 1100S
Corpus Christi, TX 78471
Williams@epc-cc.com

Cleveland Capital, L.P.
Attn: Wade Massad
1250 Linda Street, Suite 304
Rocky River, OH 44116

or at such other address of which any party may, from time to time, advise the other party by notice in writing given in accordance with the foregoing. The date of receipt of any such notice shall be deemed to be the date of delivery or facsimile (with confirmation) thereof.

6. Entire Agreement. This Agreement, the Loan Documents, and the other agreements entered into in connection herewith supersede all prior negotiations and agreements (whether written or oral) and constitute the entire understanding among the parties hereto.

7. Successors. This Agreement shall inure to the benefit of and be binding upon the parties named herein and their respective successors and assigns.

8. Headings. The section headings contained in this Agreement are for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

9. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California without reference to principles of conflict of law and, in the event of any litigation or other dispute in connection with this Agreement or any of the exhibits attached hereto, the venue and jurisdiction of which shall be in Los Angeles County, California.

10. Delay, Etc. No delay or omission to exercise any right, power or remedy accruing to any party hereto shall impair any such right, power or remedy of such party nor be construed to be a waiver of any such right, power or remedy, nor constitute any course of dealing or performance hereunder.

11. Costs and Attorneys' Fees. If any action, suit, arbitration proceeding or other proceeding is instituted arising out of this Agreement, the prevailing party shall recover all of such party's costs, including, without limitation, the court costs and reasonable attorneys' fees incurred therein, including any and all appeals or petitions therefrom.

12. Waiver and Amendment. Any of the terms and provisions of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but only by a written instrument executed by such party. This Agreement may be amended only by an agreement in writing executed by the parties hereto, provided however, the admission of an "Additional Lender" shall not require any consent or approval from the Lenders, and Schedule A may be amended by the Company from time to time to provide for Additional Lenders who join as a party to this Agreement with no consent or approval required from the Lenders. Upon the admission of a new Additional Lender, the Company shall provide the existing Lenders with notice of new Additional Lender and updated Schedule A with the new adjusted Lender Percentages.

13. Consent to Amendment and Restatement; Effect of Amendment and Restatement. The Lenders, as of the date of this Agreement, hereby consents to the amendment and restatement of the First Restated Agreement pursuant to the terms of this Agreement and the amendment or amendment and restatement of the other Loan Documents. Upon the execution by all parties to this Agreement, the First Restated Agreement shall be amended and restated in its entirety by this Agreement, and the First Restated Agreement shall thereafter be of no further force and effect and shall be deemed replaced and superseded in all respects by this Agreement.

14. Additional Lenders. Notwithstanding anything to the contrary contained herein, a party may become a Lender under this Agreement by executing and delivering an additional counterpart signature page to this Agreement and thereafter shall be deemed an "Lender" for all purposes hereunder.

15. Counterparts: Electronic Transmission. This Agreement may be executed in one or more counterparts (any of which may be delivered by fax or electronic mail transmission), each of which will for all purposes be deemed to be an original and all of which will constitute the same instrument.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement effective as of the date first above written.

BORROWER:

Flux Power, Inc.,
a California corporation

By: _____
Ronald F. Dutt, Chief Executive Officer

LENDERS:

Esenjay Investments, LLC

By: _____

Name

Title

Cleveland Capital, L.P.

By: _____

Name

Title

Otto Candies, Jr.

Paul Candies

Brett Candies

Winn Interest, Ltd.

By: _____

Name

Title

David A. Modesett

Helen M. Tabone

ADDITIONAL LENDER*

Print Name

By: _____

Name: _____

Title: _____

Address: _____

Date: _____

*Pursuant to Section 14 of the Second Amended and Restated Credit Facility Agreement dated October __, 2019.

SCHEDULE A

LENDER PERCENTAGES

Lenders	Funded Amount	Percentages
Esenjay Investments, LLC	\$2,405,000	34%*
Cleveland Capital, L.P.	\$2,000,000	29%*
Otto Candies Jr.	\$700,000	10%*
Paul Candies	\$250,000	4%*
Brett Candies	\$250,000	4%*
Winn Interest, Ltd.	\$1,000,000	14%*
David A. Modesett	\$200,000	3%*
Helen M. Tabone	\$195,000	3%*

*Subject to adjustments based on admission of Additional Lenders from time to time by the Company.

EXHIBIT A-1

FORM OF SECURED PROMISSORY NOTE

EXHIBIT A-2

AMENDED AND RESTATED PROMISSORY NOTE

Esenjay Investments, LLC

**AMENDMENT NO. 1 TO THE AMENDED AND RESTATED
SECURITY AGREEMENT**

THIS **AMENDMENT NO. 1 TO AMENDED AND RESTATED SECURITY AGREEMENT** (the "Amendment"), dated as of October 10, 2019, is entered by and among Flux Power, Inc., a California corporation (the "Company"), Esenjay Investments, LLC, Cleveland Capital, L.P., Otto Candies, Jr., Paul Candies, Brett Candies, Winn Interest, Ltd., David A. Modesett, Helen M. Tabone and additional parties that join this Amendment as a secured party (each a "Secured Party," and collectively, the "Secured Parties"), and Esenjay Investments, LLC ("Esenjay"), in its capacity as the collateral agent.

WHEREAS, the Company, Esenjay, and the Secured Parties are the parties to that certain Amended and Restated Security Agreement dated March 28, 2019 ("Security Agreement"); and

WHEREAS, the Company and the Secured Parties desire to amend the Security Agreement pursuant to the Second Amended and Restated Credit Facility Agreement, dated October 10, 2019, by and among the Company and the Secured Parties (the "Restated Credit Facility Agreement"), to increase the maximum amount of the Advances (as defined in the Restated Credit Facility Agreement) from Seven Million Dollars (\$7,000,000) to Ten Million Dollars (\$10,000,000).

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed by each party hereto as follows:

1. Reference to the Credit Facility Agreement. From and after the date of this Agreement, each reference in the Security Agreement to the "Credit Facility Agreement" shall mean and be a reference to the Restated Credit Facility Agreement.

2. Miscellaneous.

2.1 The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Secured Parties under the Security Agreement nor constitute a waiver of any provision of the Security Agreement.

2.2 Except as expressly amended and modified by this Amendment, the Security Agreement is and shall continue to be in full force and effect in accordance with the terms thereof.

2.2 This Amendment may be executed by the parties hereto in counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

2.3 The Amendment shall be construed in accordance and governed by the internal laws of the state of California.

2.4 The headings contained in this Amendment are for ease of reference only and shall not be considered in construing this Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to the Amended and Restated Security Agreement to duly executed as of the day and year first written above.

THE COMPANY

Flux Power, Inc.,
a California corporation

Ronald Dutt, Chief Executive Officer

SECURED PARTIES

Esenjay Investments, LLC

Name: _____
Title: _____

Cleveland Capital, L.P.

Name: _____
Title: _____

Otto Candies, Jr.

Paul Candies

Brett Candies

Winn Interest, Ltd.

Name: _____
Title: _____

David A. Modesett

Helen M. Tabone

Collateral Agent

Esenjay Investments, LLC

Name: _____
Title: _____

AMENDMENT TO THE SECURED PROMISSORY NOTE

THIS **AMENDMENT TO THE SECURED PROMISSORY NOTE** (the "Amendment"), dated as of October __, 2019, is entered into by Flux Power, Inc., a California corporation ("Borrower") and ("Holder").

WHEREAS, Borrower and Holder are parties to that certain Secured Promissory Note, dated as of _____, 2019 (the "Promissory Note"); and

WHEREAS, Borrower and Holder desire to amend the Promissory Note pursuant to the Second Amended and Restated Credit Facility Agreement, dated October __, 2019, by and between Borrower, Holder and certain other lenders (the "Credit Facility Agreement"), to increase the maximum amount of the Advances (as defined in the Credit Facility Agreement) from Seven Million Dollars (\$7,000,000) to Ten Million Dollars (\$10,000,000).

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed by each party hereto as follows:

1. Amendment to the Promissory Note. It is hereby agreed and understood that the Promissory Note shall be amended as follows:

1.1 Advances. Paragraph No. 1 of the Promissory Note entitled "Advances" is hereby amended and restated in its entirety to read as follows:

"1. Advances. So long as there is no Event of Default (as defined below in Section 4), Holder shall at its sole discretion provide Advances hereunder so long as the total of all unpaid Advances at the time of such request does not exceed Ten Million Dollars (\$10,000,000) (the "Maximum Amount"). If, at any time or for any reason, the amount of Advances pursuant to the Notes owed by Borrower to Lenders exceeds the Maximum Amount, Borrower shall immediately pay to Lenders, based on the Lender's Pro Rata Percentage, in cash, the amount of such excess. For the purpose of this Note, "Pro Rata Percentage" shall mean such Lender's interest in the LOC equal to the amount of all Advances made by such Lender divided by the aggregate amount of all Advances made by the Lenders."

1.2 Security Agreement. The third paragraph of the Promissory Note shall be amended and restated in its entirety to read as follows:

"THE OBLIGATIONS DUE UNDER THIS NOTE ARE SECURED BY AN AMENDED AND RESTATED SECURITY AGREEMENT (AS AMENDED FROM TIME TO TIME, THE "SECURITY AGREEMENT") EXECUTED BY THE BORROWER FOR THE BENEFIT OF HOLDER AND THE OTHER LENDERS. ADDITIONAL RIGHTS OF THE HOLDER AND THE OTHER LENDERS ARE SET FORTH IN THE SECURITY AGREEMENT."

2. Miscellaneous.

2.1 Except as expressly amended and modified by this Amendment, the Promissory Note is and shall continue to be in full force and effect in accordance with the terms thereof.

2.2 This Amendment may be executed by the parties hereto in counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

2.3 The Amendment shall be construed in accordance and governed by the internal laws of the state of California.

2.4 The headings contained in this Amendment are for ease of reference only and shall not be considered in construing this Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Secured Promissory Note to be duly executed as of the day and year first written above.

BORROWER

Flux Power, Inc.,
a California corporation

Ronald Dutt, Chief Executive Officer

HOLDER

Name: _____

**AMENDMENT TO THE AMENDED AND RESTATED
SECURED PROMISSORY NOTE**

THIS **AMENDMENT TO AMENDED AND RESTATED SECURED PROMISSORY NOTE** (the "Amendment"), dated as of October 10, 2019, is entered into by Flux Power, Inc., a California corporation ("Borrower") and Esenjay Investments, LLC ("Holder").

WHEREAS, Borrower and Holder are parties to that certain Amended and Restated Secured Promissory Note, dated as of March 28, 2019 (the "Promissory Note"); and

WHEREAS, Borrower and Holder desire to amend the Promissory Note pursuant to the Second Amended and Restated Credit Facility Agreement, dated October 10, 2019, by and between Borrower, Holder and certain other lenders (the "Credit Facility Agreement"), to increase the maximum amount of the Advances (as defined in the Credit Facility Agreement) from Seven Million Dollars (\$7,000,000) to Ten Million Dollars (\$10,000,000).

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed by each party hereto as follows:

1. Amendment to the Promissory Note. It is hereby agreed and understood that the Promissory Note shall be amended as follows:

1.1 Advances. Paragraph No. 1 of the Promissory Note entitled "Advances" is hereby amended and restated in its entirety to read as follows:

"1. Advances. So long as there is no Event of Default (as defined below in Section 4), Holder shall at its sole discretion provide Advances hereunder so long as the total of all unpaid Advances at the time of such request does not exceed Ten Million Dollars (\$10,000,000) (the "Maximum Amount"). If, at any time or for any reason, the amount of Advances pursuant to the Notes owed by Borrower to Lenders exceeds the Maximum Amount, Borrower shall immediately pay to Lenders, based on the Lender's Pro Rata Percentage, in cash, the amount of such excess. For the purpose of this Note, "Pro Rata Percentage" shall mean such Lender's interest in the LOC equal to the amount of all Advances made by such Lender divided by the aggregate amount of all Advances made by the Lenders."

1.2 Security Agreement. The third paragraph of the Promissory Note shall be amended and restated in its entirety to read as follows:

"THE OBLIGATIONS DUE UNDER THIS NOTE ARE SECURED BY AN AMENDED AND RESTATED SECURITY AGREEMENT (AS AMENDED FROM TIME TO TIME, THE "SECURITY AGREEMENT") EXECUTED BY THE BORROWER FOR THE BENEFIT OF HOLDER AND THE OTHER LENDERS. ADDITIONAL RIGHTS OF THE HOLDER AND THE OTHER LENDERS ARE SET FORTH IN THE SECURITY AGREEMENT."

2. Miscellaneous.

2.1 Except as expressly amended and modified by this Amendment, the Promissory Note is and shall continue to be in full force and effect in accordance with the terms thereof.

2.2 This Amendment may be executed by the parties hereto in counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

2.3 The Amendment shall be construed in accordance and governed by the internal laws of the state of California.

2.4 The headings contained in this Amendment are for ease of reference only and shall not be considered in construing this Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Amended and Restated Secured Promissory Note to be duly executed as of the day and year first written above.

BORROWER

Flux Power, Inc.,
a California corporation

Ronald Dutt, Chief Executive Officer

HOLDER

Esenjay Investments, LLC

Name: _____
Title: _____