

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 001-41761

Cheetah Net Supply Chain Service Inc.

(Exact name of registrant as specified in its charter)

North Carolina

81-3509120

(State or other jurisdiction of
incorporation or organization)

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

6201 Fairview Road, Suite 225
Charlotte, North Carolina 28210

(Address of principal executive offices) (Zip Code)

(704) 826-7280

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001 per share	CTNT	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of August 12, 2024, there were 30,627,992 shares of Class A common stock, par value \$0.0001 per share, outstanding.

Cheetah Net Supply Chain Service Inc.
Form 10-Q
For the Quarterly Period Ended June 30, 2024

Contents

Part I	Financial Information	1
Item 1	Financial Statements	1
	Condensed Consolidated Balance Sheets as of June 30, 2024 (Unaudited) and December 31, 2023	1
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)	2
	Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)	3
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2024 and 2023 (Unaudited)	4
	Notes to Unaudited Condensed Consolidated Financial Statements	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4	Controls and Procedures	34
Part II	Other Information	36
Item 1	Legal Proceedings	36
Item 1A	Risk Factors	36
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3	Defaults Upon Senior Securities	37
Item 4	Mine Safety Disclosures	37
Item 5	Other Information	37
Item 6	Exhibits	38
Signatures		39

CHEETAH NET SUPPLY CHAIN SERVICE INC.
PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CHEETAH NET SUPPLY CHAIN SERVICE INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,292,901	\$ 432,998
Accounts receivable	5,128,119	6,494,695
Loans receivable	1,000,000	672,500
Inventory	—	1,515,270
Other receivables	911,497	410,920
Prepaid expenses and other current assets	289,200	294,154
TOTAL CURRENT ASSETS	13,621,717	9,820,537
OTHER NONCURRENT ASSETS:		
Property, plant, and equipment, net	418,159	—
Operating lease right-of-use assets	758,647	190,823
Deferred tax assets, net	414,630	47,905
Intangibles, net	494,214	—
Goodwill	568,532	—
TOTAL ASSETS	\$ 16,275,899	\$ 10,059,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,366	\$ 40,430
Current portion of long-term debt	33,721	32,887
Loans payable from letter of credit financing	—	1,004,565
Loans payable from line of credit	584,541	688,711
Loans payable from premium finance	—	148,621
Due to a related party	—	13,423
Operating lease liabilities, current	156,460	39,703
Accrued liabilities and other current liabilities	461,879	390,451
TOTAL CURRENT LIABILITIES	1,240,967	2,358,791
NONCURRENT LIABILITIES:		
Long-term debt, net of current portion	628,215	644,725
Operating lease liabilities, net of current portion	592,904	151,121
TOTAL LIABILITIES	2,462,086	3,154,637
COMMITMENTS AND CONTINGENCIES (Note 17)	—	—
STOCKHOLDERS' EQUITY		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 32,398,329 and 17,916,000 shares issued and outstanding, including:		
Class A common stock, \$0.0001 par value, 91,750,000 shares authorized, 24,148,329 and 9,666,000 shares issued and outstanding	2,415	967
Class B common stock, \$0.0001 par value, 8,250,000 shares authorized, 8,250,000 shares issued and outstanding	825	825
Additional paid-in capital	15,124,142	6,994,595
Subscription receivable	(600,000)	(600,000)
Retained earnings (Accumulated deficit)	(713,569)	508,241
TOTAL STOCKHOLDERS' EQUITY	13,813,813	6,904,628
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,275,899	\$ 10,059,265

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CHEETAH NET SUPPLY CHAIN SERVICE INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
REVENUES				
Parallel-import Vehicles	\$ 200,297	12,223,026	\$ 1,631,248	22,437,468
Logistics and Warehousing	93,563	—	170,397	—
Total Revenues	293,860	12,223,026	1,801,645	22,437,468
COST OF REVENUES				
Cost of vehicles	200,297	10,319,991	1,515,270	18,824,494
Fulfillment expenses	15,537	650,666	140,798	1,217,548
Ocean freight service cost	45,598	—	88,098	—
Total cost of revenues	261,432	10,970,657	1,744,166	20,042,042
GROSS PROFIT	32,428	1,252,369	57,479	2,395,426
OPERATING EXPENSES				
Selling expenses	19,422	141,340	98,262	419,123
General and administrative expenses	865,354	565,400	1,632,996	1,146,470
Total operating expenses	884,776	706,740	1,731,258	1,565,593
(LOSS) INCOME FROM OPERATIONS	(852,348)	545,629	(1,673,779)	829,833
OTHER (EXPENSE) INCOME				
Interest expense, net	(36,200)	(334,855)	(98,965)	(771,914)
Other income, net	28,393	1,968	57,945	3,902
Total other expense, net	(7,807)	(332,887)	(41,020)	(768,012)
(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES	(860,155)	212,742	(1,714,799)	61,821
Income tax (benefit) provision	(247,275)	56,997	(492,989)	14,009
NET (LOSS) INCOME	\$ (612,880)	\$ 155,745	\$ (1,221,810)	\$ 47,812
(Loss) Earnings per share - basic and diluted	\$ (0.03)	\$ 0.01	\$ (0.05)	\$ 0.00
Weighted average shares - basic and diluted	22,375,996	16,666,000	22,375,996	16,666,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CHEETAH NET SUPPLY CHAIN SERVICE INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock				Additional paid-in capital	Subscription Receivable	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Class A Common stock	Amount	Class B Common stock	Amount				
Balance, December 31, 2023	9,666,000	\$ 967	8,250,000	\$ 825	\$ 6,994,595	\$ (600,000)	\$ 508,241	\$ 6,904,628
Termination of equity-classified warrant	—	—	—	—	(78,125)	—	—	(78,125)
Issuance of common stock for acquisition	1,272,329	127	—	—	899,873	—	—	900,000
Net loss for the period	—	—	—	—	—	—	(608,930)	(608,930)
Balance, March 31, 2024	10,938,329	\$ 1,094	8,250,000	\$ 825	\$ 7,816,343	\$ (600,000)	\$ (100,689)	\$ 7,117,573
Issuance of follow-on public offering	13,210,000	1,321	—	—	7,307,799	—	—	7,309,120
Net loss for the period	—	—	—	—	—	—	(612,880)	(612,880)
Balance, June 30, 2024	<u>24,148,329</u>	<u>\$ 2,415</u>	<u>8,250,000</u>	<u>\$ 825</u>	<u>\$ 15,124,142</u>	<u>\$ (600,000)</u>	<u>\$ (713,569)</u>	<u>\$ 13,813,813</u>

	Common Stock				Additional paid-in capital	Subscription Receivable	Retained Earnings	Total Stockholders' Equity
	Class A Common stock	Amount	Class B Common stock	Amount				
Balance, December 31, 2022	8,416,000	\$ 842	8,250,000	\$ 825	\$ 3,269,317	\$ (1,800,000)	\$ 374,371	\$ 1,845,355
Stock issuance	—	—	—	—	—	700,000	—	700,000
Net loss for the period	—	—	—	—	—	—	(107,933)	(107,933)
Balance, March 31, 2023	8,416,000	\$ 842	8,250,000	\$ 825	\$ 3,269,317	\$ (1,100,000)	\$ 266,438	\$ 2,437,422
Net income for the period	—	—	—	—	—	—	155,745	155,745
Balance, June 30, 2023	<u>8,416,000</u>	<u>\$ 842</u>	<u>8,250,000</u>	<u>\$ 825</u>	<u>\$ 3,269,317</u>	<u>\$ (1,100,000)</u>	<u>\$ 422,183</u>	<u>\$ 2,593,167</u>

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

CHEETAH NET SUPPLY CHAIN SERVICE INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net (loss) income	\$ (1,221,810)	\$ 47,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of operating lease right-of-use assets	77,801	95,718
Amortization of Intangible Assets	21,786	—
Depreciation	7,636	—
Deferred tax provision	(497,874)	11,389
Changes in operating assets and liabilities:		
Accounts receivable	1,413,931	4,939,770
Inventory	1,515,269	(996,990)
Other receivables	(457,892)	87,375
Prepaid expenses and other current assets	31,955	162,515
Deferred revenue	—	—
Other payables and other current liabilities	(20,258)	(101,508)
Operating lease liabilities	(42,564)	(100,718)
Net cash provided by operating activities	827,980	4,145,363
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(220,117)	—
Purchase of property, plant, and equipment	(365,000)	—
Loans made to third parties	(1,000,000)	—
Loans repayments from third parties	672,500	—
Net cash used in investing activities	(912,617)	—
Cash flows from financing activities:		
Proceeds from follow-on public offering, net of expenses	7,309,120	—
Cash paid for warrant termination	(78,125)	—
Proceeds from issuance of common stock under private placement transaction	—	700,000
Repayments of inventory financing	—	(4,164,100)
Proceeds from letter of credit financing	25,971	12,705,140
Repayments of letter of credit financing	(1,030,536)	(14,865,396)
Proceeds from loans from dealer finance	—	340,729
Repayments of loans from dealers finance	—	(211,745)
Proceeds from Line of Credit	—	2,536,154
Repayment of Line of Credit	(104,170)	(665,000)
Repayments of premium finance	(148,621)	—
Repayments of long-term borrowings	(15,676)	(16,275)
Borrowing from a related party	—	28,875
Repayments made to a related party	(13,423)	—
Net cash provided by (used in) financing activities	5,944,540	(3,611,618)
Net increase in cash	5,859,903	533,745
Cash, beginning of period	432,998	58,381
Cash, end of period	\$ 6,292,901	\$ 592,126
Supplemental cash flow information		
Cash paid for interest	\$ 15,563	\$ 205,042
Noncash Financing and investing activities:		
Fair value of common stock issued for acquisition	\$ 900,000	\$ —

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CHEETAH NET SUPPLY CHAIN SERVICE INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION

Cheetah Net Supply Chain Service Inc. (“Cheetah Net” or the “Company”), formerly known as Yuan Qiu Business Group LLC, was established under the laws of the State of North Carolina on August 9, 2016 as a limited liability company (“LLC”). On March 1, 2022, the Company filed articles of incorporation including articles of conversion with the Secretary of State of the State of North Carolina to convert from an LLC to a corporation, and changed its name to Cheetah Net Supply Chain Service Inc. The Company holds 100% of the equity interests in the following entities:

- (i) Allen-Boy International LLC (“Allen-Boy”), an LLC organized on August 31, 2016 under the laws of the State of Delaware, which was acquired by Cheetah Net from Yingchang Yuan, the previous owner of Allen-Boy who beneficially owns 1,200,000 shares of Class A common stock of Cheetah Net, for a total consideration of \$100 on January 1, 2017. Allen-Boy did not have any business activities until acquired by Cheetah Net. Currently, Allen-Boy is engaged in parallel-import vehicle dealership business.
- (ii) Pacific Consulting LLC (“Pacific”), an LLC organized on January 17, 2019 under the laws of the State of New York, which was acquired by Cheetah Net from Yingchang Yuan, the previous owner of Pacific who beneficially owns 1,200,000 shares of Class A common stock of Cheetah Net, for a total consideration of \$100 on February 15, 2019. Pacific did not have any business activities until acquired by Cheetah Net. Currently, Pacific is engaged in parallel-import vehicle dealership business.
- (iii) Entour Solutions LLC (“Entour”), an LLC organized on April 8, 2021 under the laws of the State of New York, which was acquired by Cheetah Net from Daihan Ding, the previous owner of Entour, for a total consideration of \$100 on April 9, 2021. Entour did not have any business activities until acquired by Cheetah Net. Currently, Entour is engaged in parallel-import vehicle dealership business.
- (iv) Cheetah Net Logistics LLC (“Logistics”), an LLC organized on October 12, 2022 under the laws of the State of New York, whose previous sole member and owner, Hanzhang Li, the previous owner of Logistics, for a total consideration of \$100, assigned all his membership interests in Logistics to Cheetah Net on October 19, 2022. Currently, Logistics is engaged in parallel-import vehicle dealership business.
- (v) Edward Transit Express Group Inc. (“Edward”), a corporation incorporated on July 14, 2010 under the laws of the State of California, whose previous sole shareholder and owner, Juguang Zhang, transferred all his right, title, and interest in and to all of the issued and outstanding shares of Edward to Cheetah Net for a total consideration of \$1,500,000 in cash and Cheetah Net’s Class A common stock through a stock purchase agreement dated January 24, 2024, as amended. Currently, Edward is engaged in ocean and air transportation services.

On May 23, 2024, the Company dissolved two wholly owned subsidiaries, Canaan International LLC, an LLC organized on December 5, 2018 under the laws of the State of North Carolina, and Canaan Limousine LLC, an LLC organized on February 10, 2021 under the laws of the State of South Carolina.

The Company and its wholly owned subsidiaries are engaged in two primary sectors: the parallel-import vehicle dealership business and comprehensive logistics and warehousing business.

Parallel-import Vehicles

In the People’s Republic of China (the “PRC”), parallel-import vehicles refer to vehicles purchased by dealers directly from overseas markets and imported for sale through channels other than brand manufacturers’ official distribution systems. The Company purchases automobiles from the U.S. market through its team of professional purchasing agents and resells the automobiles to parallel-import vehicle dealers in the U.S. and the PRC.

Logistics and Warehousing

The Company's subsidiary, Edward, operates as a licensed Non-Vessel Operating Common Carrier. It manages freight forwarding, including shipment consolidation and carrier selection, aimed at optimizing shipping operations. Edward also provides warehousing services encompassing fulfillment, storage, and inventory management, crucial for supporting both the Company's operations and its clients' logistics needs.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These statements should be read in conjunction with the Company's audited consolidated financial statements and noted thereto for the year ended December 31, 2023, included in the Company's annual report on Form 10-K (File No. 001-41761), filed with the SEC on March 18, 2024 (the "Annual Report"). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to make the unaudited condensed consolidated financial statements not misleading have been included. Operating results for the interim period ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. The accompanying unaudited condensed consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All inter-company balances and transactions are eliminated upon consolidation.

Uses of estimates

In preparing the unaudited condensed consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information as of the date of the unaudited condensed consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the valuation of accounts receivables, the valuation of inventory, the revenue recognition, and the realization of deferred tax assets. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and interest-bearing certificates of deposit with an initial term of three months when purchased.

	June 30, 2024	December 31, 2023
	(Unaudited)	
Cash held in Current Accounts	\$ 5,292,901	\$ 432,998
Certificate of Deposit	1,000,000	—
Total cash and cash equivalents shown in the statements of cash flows	<u>\$ 6,292,901</u>	<u>\$ 432,998</u>

Accounts receivable

Accounts receivable represent the amounts that the Company has an unconditional right to consideration, which are stated at the original amount less an allowance for doubtful accounts. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. The Company usually determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trends. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management's best estimates of specific losses on individual exposures, as well as a provision on historical trends of collections. The provision is recorded against accounts receivable balances, with a corresponding charge recorded in the unaudited condensed consolidated statements of operations. Delinquent account balances are written off against the allowance for doubtful accounts after management has determined that the likelihood of collection is remote. In circumstances in which the Company

[Table of Contents](#)

receives payments for accounts receivable that have previously been written off, the Company reverses the allowance and bad debt expenses. As of June 30, 2024 and December 31, 2023, there was no allowance for doubtful accounts recorded as the Company considers all of the outstanding accounts receivable fully collectible.

Loans receivable

The Company's loans receivable are recognized at the point of loan disbursement, initially measured at fair value, primarily reflecting the disbursed amount and associated transaction costs. Both secured and unsecured lending are encompassed in these receivables, with terms including varying interest rates and maturity dates. Subsequently, these receivables are measured at amortized cost using the effective interest method, which ensures the accurate recognition of interest income over the loan period. The interest rates for these loans may be subject to change based on the terms of loan agreements. Periodic reviews of the loan portfolio are conducted to assess for impairment, utilizing the expected credit loss model. This approach considers historical credit loss experience, current conditions, and reasonable forecasts in estimating potential credit losses. As of the end of the reporting periods, no impairment allowance was recorded for these loans receivable.

Inventory

Inventory consists of new vehicles held for sale and are stated at the lower of cost or net realizable value using the specific identification method. The value of inventory mainly includes the cost of auto vehicles purchased from U.S. automobile dealers, non-refundable sales tax, and dealership service fees. The Company reviews its inventory periodically if any reserves are necessary for potential shrinkage. The Company recorded no inventory reserve as of June 30, 2024 and December 31, 2023. Additionally, the Company did not hold any inventory within the logistics and warehousing business segment as of June 30, 2024.

Property, plant, and equipment, net

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment charges. Depreciation is calculated primarily based on the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets:

Property, plant, and equipment	Estimated useful life
Motor vehicles	10 years
Leasehold improvements	3-6 years

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized.

Intangible assets, net

The Company's intangible assets consist of developed technology, customer relationships, and trade names, which are amortized on a straight-line basis or over their respective useful lives using patterns that reflect the economic benefits the assets are expected to realize. The Company reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Amortization of intangible assets is computed using the straight-line method over the estimated useful lives as below:

Intangible assets	Estimated useful life
Developed Technology	7 years
Customer relationships	12 years
Trade names	7 years

The estimated useful lives of intangible assets with finite lives are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

The Company did not recognize any indefinite-lived intangible assets for the six months ended June 30, 2024.

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable and inputs derived from or corroborated by observable market data.
- Level 3 — inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company's financial instruments, including cash, accounts receivable, loans receivable, loans payable, deferred revenue, and other payables and other current liabilities, approximated the fair value of the respective assets and liabilities as of June 30, 2024 and December 31, 2023 based upon the short-term nature of the assets and liabilities.

The Company believes that the carrying amount of long-term loans approximated fair value as of June 30, 2024 and December 31, 2023 based on the terms of the borrowings and current market rates as the rates of the borrowings are reflective of the current market rates.

Leases

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 842, Leases ("Topic 842"). The Company leases office space, which is classified as operating leases in accordance with Topic 842. Under Topic 842, lessees are required to recognize the following for all leases (with the exception of short-term leases, usually with an initial term of 12 months or less) on the commencement date: (i) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

At the commencement date, the Company recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for the same term as the underlying lease. The ROU asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All ROU assets are reviewed for impairment annually. There was no impairment for ROU lease assets as of June 30, 2024 and December 31, 2023.

Goodwill

The Company records goodwill as the excess of the consideration transferred over the fair value of net assets acquired in business combinations. Goodwill is tested for impairment at the reporting unit level, which is an operating segment, or one level below. The Company has one reporting unit. The Company measures goodwill impairment, if any, as the amount by which the carrying amount of the reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill.

The review of goodwill impairment consists of either using a qualitative approach to determine whether it is more likely than not that the fair value of the assets is less than their respective carrying values or a one-step quantitative impairment test. In performing the qualitative assessment, the Company considers many factors in evaluating whether the carrying value of goodwill may not be recoverable, including declines in the Company's stock price and market capitalization of the Company and macroeconomic conditions. If, based on the results of the qualitative assessment, it is concluded that it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, additional quantitative impairment testing is performed. The quantitative test requires that the carrying value of each reporting unit be compared with its estimated fair value. If the carrying value of a reporting unit is greater than its fair value, a goodwill impairment charge will be recorded for the difference (up to the carrying value of goodwill). The Company uses the income approach and/or a market-based approach to determine the reporting units' fair values, which are based on discounted cash flows. The determination of discounted cash flows of the reporting units and assets and liabilities within the reporting units requires

significant estimates and assumptions. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates.

Impairment of Long-lived assets

The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If an impairment indicator is present, the Company evaluates recoverability by comparing the carrying amount of the asset group to the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group. If the assets are impaired, an impairment loss is measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. The Company estimates fair value using the expected future cash flows discounted at a rate consistent with the risks associated with the recovery of the asset.

Revenue recognition

ASC 606 establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. ASC 606 requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. Under the new guidance, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company operates in two business segments: parallel-import vehicle dealership and logistics and warehousing services. Revenue from the parallel-import vehicle dealership business is generated from the sales of parallel-import vehicles to both domestic and overseas parallel-import car dealers. It purchases automobiles from the U.S. market through its team of professional purchasing agents, and mainly resells them to parallel-import car dealers in the U.S. and the PRC. In accordance with ASC 606, the Company recognizes revenue at the point in time when the performance obligation has been satisfied and control of the vehicles has been transferred to the dealers. For sales to U.S. domestic parallel-import car dealers, revenue is recognized when a vehicle is delivered, and its title has been transferred to the dealers. For overseas sales, the Company sells vehicles under Cost and Freight ("CFR") shipping point terms, and revenue is recognized when a vehicle is loaded on a cargo ship and its title has been transferred to the dealers. The Company accounts for the revenue generated from sales of vehicles on a gross basis as the Company is acting as a principal in these transactions, is subject to inventory risk, has latitude in establishing prices, and is responsible for fulfilling the promise to provide customers the specified goods, which the Company has control of the goods and has the ability to direct the use of goods to obtain substantially all the benefits. All of the Company's contracts have one single performance obligation as the promise is to transfer the individual vehicle to parallel-import vehicle dealers, and there is no separately identifiable other promise in the contracts. The Company's vehicles are sold with no right of return and the Company does not provide other credits or sales incentives to parallel-import car dealers. Historically, no customer returns have occurred. Therefore, the Company did not provide any sales return allowances for the three months ended June 30, 2024 and 2023.

In the logistics and warehousing services segment, revenue from freight forwarding services, both export and import, is recognized when the services are provided, based on the relative transit time. The Company's role as the principal in these services involves managing the entire shipping process from origin to destination, allowing revenue recognition on a gross basis throughout the transit period. For warehousing services, revenue is primarily derived from storage fees, which are recognized based on the actual number of days the goods are stored in the warehouse while awaiting further transportation. Across all operations, the Company maintains a principal position, controlling the goods and services, bearing inventory and pricing risks, and fulfilling performance obligations directly. Each contract is typically structured with a single performance obligation without allowances for returns or sales incentives, ensuring straightforward revenue recognition with no provisions for sales return allowances based on historical experiences of no returns.

[Table of Contents](#)*Contract balances and remaining performance obligations*

The Company did not have any contract assets or liabilities as of June 30, 2024 and December 31, 2023.

Disaggregation of Revenue

The Company disaggregates its revenue by type and geographic areas, as the Company believes it best depicts how the nature, amount, timing, and uncertainty of the revenue and cash flows are affected by economic factors. The Company's disaggregation of revenue for the three and six months ended June 30, 2024 and 2023 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Revenue from Parallel-Import Vehicles				
U.S. domestic market	\$ 200,297	\$ 5,257,545	\$ 200,297	\$ 6,915,780
Overseas market	—	6,965,481	1,430,951	15,521,688
Revenue from Logistics and Warehousing				
U.S. domestic market	50,236	—	99,715	—
Overseas market	43,327	—	70,682	—
Total revenue	\$ 293,860	\$ 12,223,026	\$ 1,801,645	\$ 22,437,468

Geographic information

The Company's total revenue by geographic area for the three and six months ended June 30, 2024 and 2023 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
U.S. domestic market	\$ 250,533	\$ 5,257,545	\$ 300,012	\$ 6,915,780
Overseas market	43,327	6,965,481	1,501,633	15,521,688
Total revenue	\$ 293,860	\$ 12,223,026	\$ 1,801,645	\$ 22,437,468

*Cost of revenues**Parallel-import Vehicles Segment*

Cost of parallel import vehicle revenue mainly includes the cost of vehicles purchased from U.S. automobile dealers, non-refundable sales tax, dealership service fees, and other expenses. It also includes fulfillment expenses, which consist primarily of (i) vehicle warehousing and towing fees, (ii) vehicle insurance expenses, (iii) commissions paid to purchasing agents incurred in vehicle pick-up and the vehicle title transfer process, (iv) broker consulting fees incurred to acquire new vehicles, and (v) purchase department labor costs.

Logistics and Warehousing Segment

Cost of logistics and warehousing service revenue mainly includes the cost of freight and fulfillment expenses.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company has not assessed a valuation allowance as it determines it is more likely than not that all deferred tax assets will be realized before expiration.

The Company records uncertain tax positions in accordance with ASC 740, Income Taxes, on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company records interest and penalties related to an uncertain tax position, is and when required, as part of income tax expenses in the unaudited condensed consolidated statements of operations. The Company does not believe that there were any uncertain tax positions as of June 30, 2024 and December 31, 2023.

The Company and its U.S. operating subsidiaries are subject to the U.S. tax laws. The Company elected to file income taxes as a corporation instead of an LLC for the tax years ended December 31, 2020 through December 31, 2021. As of June 30, 2024, the Company's consolidated income tax returns for the tax years ended December 31, 2020 through December 31, 2023 remained open for statutory examination by U.S. tax authorities.

(Loss) Earnings per share

The Company computes (loss) earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share" ("ASC 260"). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. For the six months ended June 30, 2024 and 2023, there were no dilutive shares outstanding.

Related parties and transactions

The Company identifies related parties, and accounts for and discloses related party transactions in accordance with ASC 850, "Related Party Disclosures" and other relevant ASC standards.

Parties, which can be a corporation or individual, are considered related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Corporations are also considered to be related if they are subject to common control or common significant influence.

Transactions between related parties commonly occurring in the normal course of business are considered to be related party transactions. Transactions between related parties are also considered to be related party transactions even though they may not be given accounting recognition.

Shipping and handling costs

Shipping and handling costs, which are associated with shipping and delivery of vehicles to automobile dealers, are expensed as incurred and are included in selling expenses in the unaudited condensed consolidated statements of operations. Total shipping and handling expenses were nil and \$20,610 for the three and six months ended June 30, 2024, respectively, and \$78,252 and \$291,712 for the three and six months ended June 30, 2023, respectively.

Segment reporting

The Company uses the management approach in determining reportable operating segments. The management approach considers the internal reporting used by the Company's chief operating decision maker for making operating decisions about the allocation of resources of the segment and the assessment of its performance in determining the Company's reportable operating segments. Management has determined that the Company has two operating segments—the parallel-import vehicle segment and the logistics and warehousing segment.

Recent accounting pronouncements

In November 2023, the FASB issued Accounting Standards Update No. 2023-07 (the "Update"), which applies to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. Currently, Topic 280 requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the chief operating decision maker uses to assess segment performance and make decisions about allocating resources. Topic 280 also requires other specified segment items and amounts, such as depreciation, amortization, and depletion expense, to be disclosed under certain circumstances. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company will adopt this Update within its annual reporting period beginning on January 1, 2024 and is evaluating the impact of the adoption on the Company's consolidated financial statements.

NOTE 3 — ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	June 30, 2024	December 31, 2023
Accounts receivable		
Parallel-import Vehicles	\$ 5,099,841	\$ 6,494,695
Logistics and Warehousing	28,278	—
Less: allowance for doubtful accounts	—	—
Total accounts receivable	<u>\$ 5,128,119</u>	<u>\$ 6,494,695</u>

The Company's accounts receivable primarily include balances generated from (i) selling parallel-import vehicles to both domestic and overseas parallel-import car dealers and (ii) providing logistics and warehousing services to both domestic and overseas customers, which have not been collected as of the balance sheet dates.

Parallel-import Vehicles Segment

The Company identified four accounts with deferred payments overdue for over 150 days, totaling approximately \$3.9 million of the \$4.8 million total deferred payment balances as of June 30, 2024, which were backed by third-party guarantees. During the first half of 2024, the Company successfully collected approximately \$1.8 million of the December 31, 2023 overdue balance. After a thorough assessment, these accounts were classified as fully collectible despite the delay. As of June 30, 2024, the following table summarizes the Company's accounts receivable aging:

	June 30, 2024
Accounts receivable aging:	
Less than 150 days	\$ 262,905
151-180 days	104,307
181-210 days	193,578
Over 210 days	4,539,051
Less: allowance for doubtful accounts	—
Total accounts receivable	<u>\$ 5,099,841</u>

[Table of Contents](#)

The accounts receivable transactions in connection with letters of credit with book value of \$1,084,775 were pledged as collateral to guarantee the Company's borrowings from two third-party lending companies as of December 31, 2023 (see Note 9). There were none pledged as collateral as of June 30, 2024. As of the date of this report, the Company has collected approximately \$0.5 million in accounts receivable. The Company continuously monitors the collection of accounts receivable and will make adjustments as necessary based on the ongoing assessment of credit risk and payment performance.

NOTE 4 — LOANS RECEIVABLE

Loans receivable consisted of the following:

	June 30, 2024	December 31, 2023
Vehicle pledge loan receivable	\$ —	\$ 172,500
Short-term loan	\$ 1,000,000	500,000
Total loans receivable	<u>\$ 1,000,000</u>	<u>\$ 672,500</u>

On December 6, 2023, the Company entered into two vehicle pledge loan agreements with a customer, securing the loans with the customer's vehicle inventory. The aggregate principal for these loans was set at \$172,500, determined as 90% of each pledged vehicles' manufacturer's suggested retail price. The initial term of each agreement was 90 days. The loans had an annual interest rate of 14.4% for the first 90 days and 18.0% for any duration beyond that. As of June 30, 2024, both vehicle pledge loans were repaid.

On December 11, 2023, the Company provided an unsecured short-term loan to one of its customers. The principal amount of the loan was \$500,000. This loan carried an annual interest rate of 12.0% and was originally set to mature on February 12, 2024. However, on the maturity date, the Company and the borrower agreed to amend the terms of the loan to extend the maturity date to June 12, 2024, and increase the annual interest rate to 18.0% for the extension period. No impairment is required as the loan had been assessed as collectible. Interest accrued through February 12, 2024, remained at the original rate of 12.0% per annum, and any interest accruing after this date was subject to the new rate of 18.0% per annum. As of June 30, 2024, the customer had fully repaid the principal of the loan.

On June 20, 2024, the Company entered into an unsecured short-term loan agreement with Hongkong Sanyou Petroleum Co Limited. The principal amount of the loan was \$1,000,000. This loan carried an annual interest rate of 12.0% and was set to mature in 12 months.

Interest income for the three and six months ended June 30, 2024 was \$22,326 and \$49,072, respectively. These amounts were accrued and recognized as interest receivable. The balance as of June 30, 2024 has been fully collected as of the date of this quarterly report.

NOTE 5 — OTHER RECEIVABLES

Other receivables consisted of the following:

	<u>June 30, 2024</u> (Unaudited)	<u>December 31, 2023</u>
Parallel-import Vehicles:		
Vehicle Deposit ⁽¹⁾	\$ 100,800	\$ 162,159
Rent Deposit	17,375	22,095
Sales Tax Refundable ⁽²⁾	42,835	217,892
Interest Receivable	49,080	5,423
Others ⁽³⁾	673,991	3,351
Logistics and Warehousing		
Custom Duties Receivable ⁽⁴⁾	4,019	—
Others	23,397	—
Subtotal	911,497	410,920
Less: Allowance for doubtful accounts	—	—
Total Other Receivables	<u>\$ 911,497</u>	<u>\$ 410,920</u>

(1) Vehicle deposits represent security deposits paid to U.S. automobile dealers to reserve vehicles.

(2) Sales tax refundable represents vehicle sales tax exempted in some states and to be refunded by the tax authorities.

(3) Includes \$672,984 in accounts receivable collected through a third party on behalf of the Company.

(4) Custom Duties receivable represent fees paid to U.S. customs on behalf of customers.

NOTE 6 — PROPERTY, PLANT, AND EQUIPMENT, NET

Property consisted of the following:

	<u>Estimated Useful Life</u> <u>in Years</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Motor Vehicles	10	\$ 365,000	—
Leasehold improvements	3-6	60,795	—
Sub total		425,795	—
Less accumulated depreciation		(7,636)	—
Property, plant, and equipment, net		<u>\$ 418,159</u>	<u>\$ —</u>

NOTE 7 — LEASES

The Company leases office spaces from various third parties under non-cancelable operating leases, with terms ranging from 12 to 55 months. The Company considers the renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of ROU assets and lease liabilities. Lease expenses are recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The Company determines whether a contract is or contains a lease at the inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company discounts lease payments based on an estimate of its incremental borrowing rate.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

On April 28, 2023, the Company entered a First Amendment to Lease Agreement (the "Amended Lease") with one of its landlords, which amended a previous lease agreement between the two parties, whereby the Company leases office space from the landlord with an initial lease term from December 1, 2020 to December 31, 2023. Pursuant to the Amended Lease, the initial lease term was extended for a period commencing January 1, 2024 and expiring February 28, 2027, unless sooner terminated as provided in the Amended Lease.

[Table of Contents](#)

The Company was also granted the option to extend the lease term for another three years starting from March 1, 2027 and ending February 28, 2030.

The Company's subsidiary, Edward, entered into a Second Amendment to Lease Agreement with its landlord on May 22, 2023, which amended a previous lease agreement and the first amendment between the parties, whereby Edward leases a warehouse from the landlord with an initial lease term from June 1, 2013 to July 31, 2018. The lease term was extended to July 31, 2023 by the first amendment. The second amendment further extended the lease to August 31, 2028.

The short-term lease runs month-to-month from January 1, 2024 to August 31, 2024. Both operating lease expense and short-term lease expense are recognized in general and administrative expenses. The components of lease expense for the six months ended June 30, 2024 and 2023 were as follows:

	For the Six Months Ended	
	June 30,	
	2024	2023
Leases expense		
Operating lease expense	\$ 119,703	\$ 130,280
Short-term lease expense	47,849	—
Total leases expense	\$ 167,552	\$ 130,280

	June 30, 2024	December 31, 2023
Right-of-use assets	\$ 758,647	\$ 190,823
Operating lease liabilities – current	\$ 156,460	\$ 39,703
Operating lease liabilities – non-current	592,904	151,121
Total operating lease liabilities	\$ 749,364	\$ 190,824

The weighted average remaining lease terms and discount rates for all operating leases were as follows as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Remaining lease term and discount rate:		
Weighted average remaining lease term (years)	3.84	3.17
Weighted average discount rate *	12.2 %	17.8 %

* The Company used weighted average incremental borrowing rate of 12.2% per annum for its lease contracts based on the Company's current borrowings from various financial institutions.

During the three months ended June 30, 2024 and 2023, the Company incurred total operating lease expenses of \$81,347 and \$74,675, respectively. During the six months ended June 30, 2024 and 2023, the Company incurred total operating lease expenses of \$167,552 and \$130,280, respectively.

As of June 30, 2024, future maturities of lease liabilities were as follows:

Fiscal Years	Amount
2024 (excluding the six months ended June 30, 2024)	\$ 123,534
2025	253,349
2026	262,664
2027	199,776
Thereafter	126,976
Total lease payments	966,299
Less: imputed interest	(216,935)
Present value of lease liabilities	\$ 749,364

NOTE 8 — Intangible Asset and Goodwill

On January 24, 2024, Cheetah Net entered into a Stock Purchase Agreement to acquire 100% of Edward. The transaction closed on February 2, 2024. The gross purchase price was \$1.5 million. Consideration paid consisted of \$0.3 million of cash and the issuance of 1,272,329 shares of Cheetah Net’s Class A common stock with a market value of \$1.2 million. In accordance with ASC 805, Business Combinations (“ASC 805”), the fair value of the stock consideration was \$0.9 million at the time of the transaction, reflecting a 25% discount to the market value as determined by a third-party appraisal firm after performing a comprehensive evaluation of the impact of the lock up period on the stock’s market ability and liquidity.

The purchase price was initially recorded on a preliminary basis as of February 2, 2024. The assets acquired and liabilities assumed were estimated based on management’s estimates, available information, and supportable assumptions that management considered reasonable. During the second quarter, the Company finalized the purchase price allocation. As a result, adjustments were made, particularly concerning the deferred tax liability related to intangible assets, which led to a corresponding adjustment in the value of goodwill. The final valuation of assets acquired and liabilities assumed was reflected in the financial statements as of June 30, 2024 and shown below.

	<u>As of June 30, 2024</u>	<u>As of March 31, 2024</u>	<u>Change</u>
	<u>Finalized value</u>	<u>Preliminary value</u>	<u>Amount</u>
Acquired assets acquired and (liabilities):			
Cash	\$ 79,883	\$ 79,883	\$ —
Accounts Receivable	47,354	47,354	—
Other Current Assets	42,685	42,685	—
Right-of-use Lease Asset	645,625	645,625	—
Fixed Assets	60,795	60,795	—
Developed Technology	120,000	120,000	—
Customer Relationships	360,000	360,000	—
Trade Names	36,000	36,000	—
Goodwill	568,532	437,382	131,150
Other Noncurrent Assets	27,000	27,000	—
Accounts Payable	(34,686)	(34,686)	—
Accrued Expenses Payable	(20,933)	(20,933)	—
Deferred Tax Liability	(131,150)	—	(131,150)
Operating Lease Liability, Current	(94,548)	(94,548)	—
Operating Lease Liability, Long Term	(506,557)	(506,557)	—
Total Purchase Consideration	\$ 1,200,000	\$ 1,200,000	\$ —

The fair value of the accounts receivable, other assets, and liabilities assumed approximates their gross contractual amounts. The fair value of the fixed assets approximates its net carrying value as of the acquisition date. The fair values of intangible assets, including developed technology, customer relationships, and trade names were determined using assumptions that are representative of those a market participant would use in estimating fair value.

Amortization of intangible assets with finite lives are computed using the straight-line method over the estimated useful lives as below:

<u>Intangible Assets</u>	<u>Estimated Useful Lives (month)</u>
Developed Technology	84
Customer Relationships	144
Trade Names	84

During the three months ended June 30, 2024 and 2023, the Company incurred accumulated amortization expenses of \$13,071 and nil, respectively. During the six months ended June 30, 2024 and 2023, the Company incurred accumulated amortization expenses of \$21,786 and nil, respectively.

NOTE 9 — LETTER OF CREDIT FINANCING (“LC FINANCING”)

The Company entered into a series of loan agreements with three third-party companies for working capital funding purposes during the six months ended June 30, 2024 and 2023. Pursuant to the agreements, loans payable from LC financing were collateralized by letters of credit from overseas sales of parallel-import vehicles. Interest expense is calculated based on the actual number of days elapsed at an interest rate of 18.0% per annum.

The LC financing amounted to \$1,004,565 as of December 31, 2023. There was no balance as of June 30, 2024. Interest expense for LC financing was nil and \$23,123 for the three and six months ended June 30, 2024, respectively, and \$251,031 and \$581,456 for the three and six months ended June 30, 2023, respectively. The accounts receivable transactions in connection with letters of credit having book values of \$1,084,775 were pledged as collateral to guarantee the Company’s borrowings from these two third-party lending companies as of December 31, 2023. There were no accounts receivable pledged as collateral as of June 30, 2024. (see Note 3).

NOTE 10 — REVOLVING LINE OF CREDIT

On October 5, 2022, the Company entered into two Revolving Line of Credit Agreements (the “Revolving Line of Credit Agreements”) with two third-party companies that have been providing financial support to the Company since 2021. Pursuant to the Revolving Line of Credit Agreements, the Company can borrow under revolving lines of credit of up to \$10.0 million and \$5.0 million, respectively, from these two third-party companies with a total of \$15.0 million for a period of 12 months at a fixed interest rate of 1.5% per month. On December 12, 2022, the Company amended the Revolving Line of Credit Agreements to extend the maturity date to April 2024. The Company has not entered into any new agreements to modify the terms or extend the duration of these facilities.

During the three and six months ended June 30, 2024, the Company did not borrow under the revolving lines of credit. The Company repaid \$104,170 during the three months ended June 30, 2024. As of June 30, 2024 and December 31, 2023, the revolving lines of credit balance was \$584,541 and \$688,711. Interest expense incurred under the revolving lines of credit was \$27,899 and \$59,235 for the three and six months ended June 30, 2024, respectively, and \$57,398 for the three and six months ended June 30, 2023, respectively.

NOTE 11 — PREMIUM FINANCE

On July 31, 2023, the Company entered into a Premium Finance Agreement (the “Premium Finance Agreement”) with National Partners PFco, LLC. Pursuant to the Premium Finance Agreement, the Company borrowed \$221,139 for the purchase of its directors and officers insurance, at an annual interest rate of 7.75%.

The premium finance amounted to nil and \$148,621 as of June 30, 2024 and December 31, 2023, respectively. Interest expense incurred related to the Premium Finance Agreement was \$996 for the three and six months ended June 30, 2024, respectively. No interest expense was incurred related to the Premium Finance Agreement during the three and six months ended June 30, 2023.

NOTE 12 — LONG-TERM BORROWINGS

Long-term borrowings consisted of the following:

	June 30, 2024	December 31, 2023
Small Business Administration ⁽¹⁾	\$ 474,576	\$ 479,124
Thread Capital Inc. ⁽²⁾	187,360	198,488
Total long-term borrowings	<u>\$ 661,936</u>	<u>\$ 677,612</u>
Current portion of long-term borrowings	\$ 33,721	\$ 32,887
Non-current portion of long-term borrowings	\$ 628,215	\$ 644,725

(1) On May 24, 2020, the Company entered into a loan agreement with the U.S. Small Business Administration (the “SBA”), an agency of the U.S. Government, to borrow \$150,000 for 30 years, with a maturity date of May 23, 2050. Under the terms of the SBA loan, the loan proceeds are used as working capital to alleviate economic injury caused by the COVID-19 pandemic. The loan bears a

[Table of Contents](#)

fixed interest rate of 3.75% per annum. Beginning 12 months from the date of this loan agreement, the Company is required to make a monthly installment payment of \$731 within the term of loan, with the last installment to be paid in May 2050.

On March 16, 2022, the Company entered into an amended agreement with SBA to borrow an additional \$350,000 for 30 years as working capital to alleviate economic injury caused by the COVID-19 pandemic. In the aggregate, the Company's borrowings amounted to \$500,000 with a maturity date of May 23, 2050. The amended loan bears a fixed interest rate of 3.75% per annum. Beginning from March 2022, 24 months from the date of the original loan agreement, the Company is required to make a new monthly installment payment of \$2,485 within the remaining term of loan, with the last installment to be paid in May 2050.

The future maturities of the SBA loan as of June 30, 2024 were as follows:

Fiscal Years	Future repayment
2024 (excluding the six months ended June 30, 2024)	\$ 6,044
2025	11,024
2026	11,474
2027	11,942
2028	12,429
Thereafter	421,663
Total	\$ 474,576

- (2) On May 15, 2020, the Company entered into a loan agreement with Thread Capital Inc. ("Thread Capital") to borrow \$50,000 as working capital with a maturity date of November 1, 2024. The loan bore a fixed interest rate of 5.50% per annum. This loan agreement was subsequently terminated on May 17, 2021, at which time the Company entered into a new loan agreement with Thread Capital to borrow an additional \$171,300 as working capital. In the aggregate, the Company's borrowings from Thread Capital amounted to \$221,300 with a maturity date of May 1, 2031. Interest is payable at a fixed annual interest rate of 0.25% between June 1, 2021 and November 30, 2022. Beginning from December 1, 2022, the loan bears a fixed annual interest rate of 5.5%, and the Company is required to make a monthly installment payment of \$2,721 within the remaining term of loan, with the last installment to be paid in May 2031.

The future maturities of the loan from Thread Capital as of June 30, 2024 were as follows:

Fiscal Years	Future repayment
2024 (excluding the six months ended June 30, 2024)	\$ 11,167
2025	23,553
2026	24,881
2027	26,285
2028	27,768
Thereafter	73,706
Total	\$ 187,360

For the above-mentioned long-term borrowings, the Company recorded interest expense of \$8,011 and \$15,563 for the three and six months ended June 30, 2024, respectively, and \$7,849 and \$15,794 for the three and six months ended June 30, 2023, respectively.

NOTE 13 — RELATED PARTY TRANSACTIONS

a. Nature of relationship with a related party

Name	Relationship with Our Company
Mr. Huan Liu	Chief Executive Officer ("CEO") and Chairman of the Board of Directors

b. Due to a related party

Amount due to a related party represents amounts due to the Company's CEO and Chairman of the Board of Directors, Mr. Huan Liu, for funds borrowed for working capital purposes during the Company's normal course of business. These payables are unsecured, non-interest bearing, and due on demand.

[Table of Contents](#)

During the three and six months ended June 30, 2024, the Company did not borrow any amounts from Mr. Huan Liu. Repayments made to Mr. Huan Liu totaled \$13,423 for the six months ended June 30, 2024, all of which occurred in the first quarter. No payments were made to Mr. Huan Liu during the three and six months ended June 30, 2023. There was no balance due to Mr. Huan Liu as of June 30, 2024.

NOTE 14 — INCOME TAXES

The Company and its operating subsidiaries in the United States are subject to federal and various state income taxes. The Company elected to file income taxes as a corporation instead of an LLC for the tax years ended December 31, 2020 through December 31, 2023.

(i) *The components of the income tax provision were as follows:*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Current:				
Federal	\$ —	\$ (9,517)	\$ (128)	\$ 2,400
State	(700)	(1,283)	4,456	220
Total current income tax provision	(700)	(10,800)	4,328	2,620
Deferred:				
Federal	(171,087)	50,633	(337,235)	16,466
State	(75,488)	17,164	(160,082)	(5,077)
Total deferred income tax expenses (benefits)	(246,575)	67,797	(497,317)	11,389
Total income tax benefit	\$ (247,275)	\$ 56,997	\$ (492,989)	\$ 14,009

(ii) *Reconciliations of the statutory income tax rate to the effective income tax rate were as follows:*

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Federal statutory tax rate	\$ 21.0 %	\$ 21.0 %	\$ 21.0 %	\$ 21.0 %
State statutory tax rate	6.9 %	5.8 %	7.5 %	(6.2) %
Non-deductible expenses	0.0 %	0.0 %	0.0 %	0.2 %
Non-taxable income	0.6 %	0.0 %	0.3 %	7.7 %
Effective tax rate	\$ 28.5 %	\$ 26.8 %	\$ 28.8 %	\$ 22.7 %

(iii) *Deferred tax assets, net were composed of the following:*

	June 30, 2024 (Unaudited)	December 31, 2023
Deferred tax assets:		
Net operating loss carry forwards	532,906	47,905
Lease Liability	175,067	—
Total deferred tax assets	707,973	47,905
Deferred tax liabilities:		
Intangible assets	(115,459)	—
Fixed assets	(1,283)	—
Right of use assets	(177,236)	—
Others	635	—
Total deferred tax liabilities	(293,343)	—
Total deferred tax assets, net	414,630	47,905

As of December 31, 2023, the Company had a cumulative U.S. federal net operating loss (“NOL”) of \$47,905, which may reduce future federal taxable income. During the six months ended June 30, 2024, the Company’s operations accumulated a NOL of \$1,666,246, resulting in a cumulative U.S. federal NOL of \$1,877,582, as of June 30, 2024, which is carried forward indefinitely. As of June 30, 2024, the Company also had a cumulative State NOL of \$1,984,852, which may reduce future State taxable income, and the State NOL balance as of June 30, 2024 will expire beginning in 2041.

The Company was not previously subject to the interest expense limitation under §163(j) of the U.S. Internal Revenue Code, due to the small business exemption. Its average annual gross receipts for the three tax years preceding 2022 do not exceed the relevant threshold amount (\$27 million for 2022). The Company will no longer meet the small business exception in 2024, but it meets one of the other exceptions to the §163(j) limitation, “floor plan financing indebtedness” (indebtedness used to finance the acquisition of motor vehicles held for sale or lease or secured by such inventory) and will therefore continue to be exempt from the §163(j) interest expenses limitation in 2024.

The Company periodically evaluates the likelihood of the realization of deferred tax assets and reduces the carrying amount of the deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. Management considers new evidence, both positive and negative, that could affect the Company’s future realization of deferred tax assets including its recent cumulative earnings experience, expectation of future income, the carry forward periods available for tax reporting purposes and other relevant factors. The Company believes that it is more likely than not that its deferred tax assets will be realized before expiration.

NOTE 15 — CONCENTRATIONS

Political and economic risk

The operations of the Company are in the U.S. and the Company’s primary market is in the PRC. Accordingly, the Company’s business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the U.S. and the PRC, as well as by the general states of the U.S. and the PRC economy. The Company’s results may be adversely affected by changes in the political, regulatory, and social conditions in the U.S. and the PRC. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations, including its organization and structure disclosed in Note 1, such experience may not be indicative of future results.

Credit risk

As of June 30, 2024 and December 31, 2023, all of the Company’s cash was on deposit at financial institutions in the U.S., which are insured by the Federal Deposit Insurance Corporation subject to certain limitations. The Company has not experienced any losses in such accounts.

Accounts receivable in our parallel - import vehicle business are typically unsecured and derived from revenue earned from parallel-import car dealers, thereby exposing the Company to credit risk. This risk is mitigated by the Company’s assessment of its parallel-import car dealers’ creditworthiness and its ongoing monitoring of outstanding balances.

Concentrations

The Company’s major customers are parallel-import automobile dealers. For the six months ended June 30, 2024, two parallel-import car dealer accounted for 100% (87.7% and 12.3%, respectively) of the Company’s revenue from parallel-import vehicles. For the six months ended June 30, 2023, three parallel-import car dealers accounted for 100% (41.5%, 30.8%, and 27.7%, respectively) of the Company’s total revenue.

As of June 30, 2024, three parallel-import car dealers in our parallel-import vehicles segment accounted for 93.5% (52.4%, 26.2%, and 14.9%, respectively) of the accounts receivable balance.

As of December 31, 2023, three parallel-import car dealers accounted for approximately 98.0% (58.1%, 28.2%, and 11.7%, respectively) of the accounts receivable balance.

During the three and six months ended June 30, 2024, the Company did not purchase any vehicles. During the three and six months ended June 30, 2023, one U.S.-based automobile dealership accounted for approximately 5.5% and 9.9%, respectively, of the Company's total purchases.

NOTE 16 — STOCKHOLDERS' EQUITY

Common Stock

Cheetah Net was established under the laws of the State of North Carolina on August 9, 2016. Under the Company's amended and restated articles of incorporation on July 11, 2022, the total authorized number of shares of common stock is 100,000,000 with par value of \$0.0001, which consists of 91,750,000 shares of Class A common stock and 8,250,000 shares of Class B common stock. Holders of Class A common stock and Class B common stock have the same rights except for voting and conversion rights. In respect of matters requiring the votes of stockholders, each share of Class A common stock is entitled to one vote, and each share of Class B common stock is entitled to 15 votes. Class B common stock is convertible into Class A common stock at any time after issuance at the option of the holder on a one-to-one basis. Class A common stock is not convertible into shares of any other class. The numbers of authorized and outstanding common stock were retroactively applied as if the transaction occurred at the beginning of the period presented.

On June 27, 2022, the Company entered into a subscription agreement with a group of investors (the "Investors") whereby the Company agreed to sell, and the Investors agreed to purchase, up to 1,666,000 shares of Class A common stock at a purchase price of \$1.80 per share. These Investors are unrelated parties to the Company. The gross proceeds were approximately \$3.0 million, before deducting offering expenses of approximately \$0.3 million. The net proceeds were approximately \$2.7 million, of which approximately \$1.2 million was received in 2022 and \$1.2 million in 2023, for a total receipt of approximately \$2.4 million. After negotiations between Rapid Proceed Limited ("Rapid"), one of the Investors, and the Company regarding the fund's release terms, an agreement was reached on November 2, 2023, stipulating that the outstanding \$0.6 million would be paid by Rapid within six months following the Company's initial public offering ("IPO"). On March 13, 2024, considering the impact of market volatility and the long-term benefits of continued cooperation, Rapid requested and the Company agreed to extend the payment due date of the outstanding \$0.6 million to September 30, 2024.

On August 3, 2023, the Company closed its IPO of 1,250,000 shares of Class A common stock at a public offering price of \$4.00 per share, for aggregate gross proceeds of \$5.0 million before deducting underwriting discounts and other offering expenses, including the issuance to the underwriter of warrants to purchase 62,500 shares of common stock (the "Warrants"), with an exercise price of \$5.00 per share. The Company's Class A common stock began trading on the Nasdaq Capital Market under the ticker symbol "CTNT" on August 1, 2023.

On January 24, 2024, the Company entered into a stock purchase agreement with Edward and Juguang Zhang, Edward's sole stockholder (the "Seller"). Pursuant to the Agreement, the Company agreed to acquire 100% of the shares in Edward from the Seller (the "Acquisition"). On February 2, 2024, the Company closed the Acquisition for a total purchase price that included a cash payment of \$300,000 and the issuance of 1,272,329 shares of the Company's unregistered Class A common stock, initially valued at \$1,200,000. Subsequent valuation determined the fair value of these shares to be \$9 million. Please see Note 8 for further details. As of March 31, 2024, there were 10,938,329 shares of Class A common stock issued and outstanding.

On May 14, 2024, the Company entered into a placement agency agreement with AC Sunshine Securities LLC on a best efforts basis, relating to the Company's public offering (the "May Offering") of 13,210,000 shares of Class A common stock for a price of \$0.62 per share, less certain placement agent fees. On the same day, the Company entered into a securities purchase agreement with purchasers identified therein. On May 15, 2024, the Company closed the May Offering pursuant to the prospectus included in its registration statement on Form S - 1, as amended (File No. 333 - 276300), which was initially filed with the SEC on December 28, 2023, and declared effective by the SEC on April 26, 2024, and a registration statement on Form S - 1 (File No. 333 - 279388) filed on May 13, 2024, pursuant to Rule 462 (b) of the Securities Act of 1933, as amended. The May Offering resulted in gross proceeds to the Company of approximately \$8.19 million, before deducting placement agent fees and other offering expenses and fees.

As of June 30, 2024, there were 24,148,329 shares of Class A common stock and 8,250,000 shares of Class B common stock issued and outstanding.

Warrants

The Company accounts for stock warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreement. The Warrants are equity-classified as a result of being indexed to the Company's Class A common stock and meeting certain equity classification criteria, and the instruments will not be remeasured in subsequent periods as long as the instruments continue to meet these accounting criteria. The fair value of the Warrants was recorded to additional paid-in capital within stockholders' equity.

Title of Warrant	Date Issued	Expiry Date	Exercise Price	Total Common Shares Issuable as of March 31, 2024
Equity-classified warrants				
August 2023 – underwriter warrants	8/3/2023	07/31/2026	\$ 5.00	62,500

Termination of Warrants

On March 4, 2024, the Company and Maxim Group LLC signed an agreement to terminate 62,500 outstanding warrants that had previously been granted to Maxim Group LLC. On March 27, 2024, the Company completed the payment of termination fees totaling \$78,125, which was recorded as an offset to additional paid in capital within stockholders' equity.

NOTE 17 — COMMITMENTS AND CONTINGENCIES

On February 23, 2023, the Company filed a complaint in the Supreme Court of the State of New York County against Stefanie A. Rehfeld (the "Defendant"), alleging breach of contract as the Defendant had misappropriated an automobile belonging to the assets of the Company. Pursuant to an independent contractor agreement dated June 30, 2022 between the Company and the Defendant, the Company hired the Defendant to locate and acquire certain new model luxury vehicles. The Company was obligated to fully fund the purchase of each vehicle, and the Defendant was required to locate and acquire the vehicle and turn over title and possession to the Company in exchange for a commission fee. In February 2023, after the Company fully funded the purchase of a 2023 Mercedes Benz GLS 450 (the "Mercedes") for a total amount of \$102,593.50, the Defendant obtained the possession of the Mercedes from a Mercedes Benz dealership and signed a bill of sale with the Company, whereby she agreed to sell, transfer, and convey the title of the Mercedes to the Company. However, the Defendant drove the Mercedes away and failed to transfer the title of the Mercedes to the Company as scheduled. Therefore, the Company is seeking to require the Defendant to transfer title and deliver possession of the Mercedes to the Company and recover the costs incurred in retrieving the car, or alternatively, the monetary damages resulting from the Defendant's misappropriation of the Mercedes, including the court costs and attorneys' fees and expenses reasonably incurred. On April 25, 2023, the Supreme Court of the State of New York County granted the Company's motion for summary judgment on its second and fourth causes of action, ruling in favor of the Company. On August 7, 2024, an inquest was conducted to determine the precise amount owed to the Company. Based on the outcome of the current motion and the Company's overall assessment of the case, the Company believes it will be successful in this litigation. As of the date of this quarterly report, the Mercedes has been found by the police and returned to the Company.

NOTE 18 — SUBSEQUENT EVENTS

On July 2, 2024, the Company's stockholders approved its third amended and restated articles of incorporation, which specifies that the Company is authorized to issue 891,750,000 shares of Class A common stock, par value \$0.0001 per share, and 108,250,000 shares of Class B common stock, par value \$0.0001 per share. The Company also has the authority to issue 500,000 shares of preferred stock as deemed necessary with a par value per share equal to the par value per share of the Class A common stock.

On July 11, 2024, the Company received a letter from the Listing Qualifications Department of The Nasdaq Stock Market LLC, notifying the Company that, for the last 30 consecutive business days, the closing bid price for the Company's Class A common stock was below \$1.00 per share, which is the minimum closing bid price required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also specifies that the Company is provided a compliance period of 180 calendar days (under certain circumstances, an additional 180 calendar days period may be provided) to regain compliance with the minimum closing bid price requirement. If the Company fails to regain compliance during the specified compliance period(s), the Class A common stock will be subject to delisting.

[Table of Contents](#)

On July 19, 2024, the Company entered into a lease agreement (the “Lease”) with Zina Development, LLC, a California LLC (the “Lessor”), for office space of approximately 15,000 square feet located at 8707 Research Drive, Irvine, CA 92618 (the “Property”). The Company plans to use the Property for general office purposes. The Lease commenced on July 23, 2024 and will expire on July 31, 2027. The monthly base rent ranges from \$42,000 to \$45,427, adjusted gradually over the Lease’s term. The Company posted a security deposit of \$100,000, which is subject to use by the Lessor under certain circumstances, per the terms of the Lease. The Lease also contains customary termination, renewal, and expense arrangement provisions.

On July 22, 2024, the Company entered into a short-term loan agreement with Hongkong Sanyou Petroleum Co Limited. The principal amount of the loan was \$1,500,000. This loan carried an annual interest rate of 12.0% and was set to mature in 12 months.

On July 25, 2024, the Company entered into a securities purchase agreement with certain institutional investors for a follow-on offering of 6,479,663 shares of its Class A common stock, par value \$0.0001 per share, at a price of \$0.23 per share. On the same day, the Company entered into a placement agency with FT Global Capital, Inc., who acted as the exclusive placement agent on a best efforts basis in connection with such offering. Pursuant to the placement agency agreement, the Company agreed to pay the FT Global Capital, Inc. a cash fee of 7.25% of the aggregate purchase price for the shares of Class A common stock sold in the offering, and to reimburse FT Global Capital, Inc. for its expenses up to \$90,000 in the aggregate. The Company closed the offering on July 26, 2024. The Company intends to use the net proceeds received from the offering for working capital and general corporate purposes.

On August 1, 2024, the Company entered into a premium finance agreement (the “Premium Finance Agreement”) with ETI Financial Corporation to finance the purchase of its directors and officers’ insurance. Pursuant to the Premium Finance Agreement, the Company borrowed \$205,774.80 at an annual interest rate of 8.51%. The loan is structured to be repaid in 10 monthly installments, starting with the first payment on September 1, 2024.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this quarterly report on Form 10-Q.

Forward-Looking Statements

This quarterly report on Form 10-Q contains “forward-looking statements.” All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to: any projections of earnings, revenue, or other financial items; any statements regarding the adequacy, availability, and sources of capital, any statements of the plans, strategies, and objectives of management for future operations; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words “may,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “plan,” “project,” or “anticipate,” and other similar words. In addition to any assumptions and other factors and matters referred to specifically in connection with such forward-looking statements, factors that could cause actual results or outcomes to differ materially from those contained in the forward-looking statements include those factors set forth in the “Risk Factors” section included in our registration statement on Form S-1 (File No. 333-280743), as amended, which was initially filed with the SEC on July 10, 2024 and declared effective by the SEC on July 15, 2024.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this quarterly report. We do not intend, and undertake no obligation, to update any forward-looking statement, except as required by law.

The information included in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes included in this quarterly report on Form 10-Q, and the audited consolidated financial statements and notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report.

Business Overview and Recent Developing Trends

We are a provider of warehousing and logistics services, historically in connection with the sale of parallel-import vehicles sourced in the U.S. to be sold in the PRC market, and more recently for the transportation of other goods between the U.S. and the PRC. We began our operations in 2016 exclusively as a parallel-import vehicle dealer for luxury brand automobiles but have now focused on facilitating non-vehicle trade in view of the continued weakness for imported automobiles in the PRC.

From 2016 to the first half of 2022, we experienced significant growth in sales volume, revenue, and gross profit due to our core strengths and a favorable economic climate. Since the second half of 2023, the market for new luxury vehicles in the PRC has been negatively impacted by weak economic conditions and a shift in consumer demand towards electric vehicles (“EVs”), mainly those produced domestically by PRC manufacturers. Luxury import brand dealers have responded to these threats by discounting the sale price of their vehicles, which has lately prevented us from generating a profit from the sale of parallel import vehicles. These adverse market conditions have continued in the first half of 2024 and we are unable to predict the point at which a positive spread between the price of vehicles sourced from brand manufacturers' official distribution systems compared with those sourced via the parallel-import market will return.

To diversify our revenue and further leverage our in-depth expertise in the parallel-import vehicle industry, we have embarked on a plan to acquire logistics and warehousing businesses with the goals to reduce costs and increase efficiency in managing the transaction cycle. In February 2024, we successfully completed the acquisition of Edward Transit Express Group Inc. (“Edward”) and started providing our own logistics and warehousing services. For the six months ended June 30, 2024, we generated revenues of approximately \$0.2 million from logistics and warehousing services, representing approximately 31.8% of our total revenues for the period.

We are committed to streamlining operations to reduce costs, enhance efficiency, and attract new clients. Management believes these strategic initiatives will position the Company for sustainable growth and increased market share.

Results of Operations

Revenues

The Company operates in two business segments: parallel-import vehicle sales and logistics and warehousing services. Revenue from the parallel-import vehicle dealership business is generated from the sale of parallel-import vehicles to both domestic and overseas parallel-import car dealers. We purchase automobiles from the U.S. market through our team of professional purchasing agents, and resell them mainly to parallel-import car dealers in the U.S. and the PRC. In accordance with ASC 606, we recognize revenue when the performance obligation has been satisfied and control of the vehicles has been transferred to the dealers. For sales to U.S. domestic parallel-import car dealers, revenue is recognized when a vehicle is delivered, and its title has been transferred to the dealers. For overseas sales, the Company sells vehicles under CFR shipping terms, and revenue is recognized when a vehicle is loaded on a cargo ship and its title has been transferred to the dealers. We account for the revenue generated from sales of vehicles on a gross basis as we are acting as a principal in these transactions, are subject to inventory risk, have latitude in establishing prices, and are responsible for fulfilling customer orders.

In the logistics and warehousing services segment, revenue from freight forwarding services, both export and import, is recognized when the services are provided, based on the relative transit time. Our role as the principal in these services involves managing the entire shipping process from origin to destination, allowing revenue recognition on a gross basis throughout the transit period. For warehousing services, revenue is primarily derived from storage fees, which are recognized based on the actual number of days the goods are stored in the warehouse while awaiting further transportation.

Cost of Revenues

Our cost of revenue from parallel-import vehicles sold mainly comprises (i) the purchase cost of vehicles, including dealership service fees and non-refundable taxes incurred during procurement, and (ii) fulfillment expenses, mainly including (a) compensation and bonuses for staff in the purchasing department, (b) commission paid to purchasing agents, (c) transportation and storage costs for vehicles, and (d) consulting fees paid to dealer experts to assist us in making the best purchase decisions. Allowance for slow-moving inventories is also included in the cost of revenue when our cost of inventory is higher than net realizable value.

Our cost of revenue from logistics and warehousing service mainly includes the associated costs of freight and fulfillment expenses. We act as a principal, controlling the goods and services, bearing inventory and pricing risks, and fulfill performance obligations directly.

Interest Expense, Net

In the past, to improve our cash flow and support parallel-import vehicles business, we obtained loans from finance companies through (i) LC financing by using letters of credit from our international customers in overseas sales of parallel-import vehicles as collateral, and (ii) accessing revolving lines of credit to further support our operations and strategic initiatives. Accrued interest is recorded as interest expense.

Risks and Uncertainties

Our operations are in the U.S. and our primary market is in the PRC. Accordingly, our business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the U.S. and the PRC, as well as by the general state of the U.S. and the PRC economies. Our results may be adversely affected by changes in the political, regulatory, and social conditions in the U.S. and the PRC.

Risks and uncertainties related to our business include, but are not limited to, the following:

- Changes in consumer demand in the Chinese market towards fuel-efficient vehicles and EVs, or a general declining purchasing power of PRC consumers, may adversely affect our vehicle sales volumes and results of operations;
- The PRC government policies on the purchase and ownership of automobiles and stricter emissions standards may reduce the market demand for the automobiles we sell and thus negatively affect our business and growth prospects;

[Table of Contents](#)

- Any adverse change in political relations between the PRC and the U.S. or any other country where those brands originate, including the ongoing trade conflicts between the U.S. and the PRC, may negatively affect our business;
- The ongoing military conflicts between Russia and Ukraine and between Israel and several of its regional adversaries could materially and adversely affect the global economy and capital markets, including significant volatility in commodity prices, especially energy prices, credit and capital markets, as well as supply chain interruptions; and
- Inflation in the economy may result in higher interest rates and capital costs, shipping costs, supply shortages, and increased costs of labor, and may adversely affect our liquidity, business, financial condition, and results of operations, particularly if we are unable to achieve commensurate increases in the prices we charge our customers.

Our business, financial condition, and results of operations may also be negatively impacted by risks related to natural disasters, extreme weather conditions, health epidemics, and other catastrophic incidents, which could significantly disrupt our operations.

Comparison of Results of Operations for the periods presented:

	Three months ended June 30,				Change		Six Months Ended June 30,				Change	
	2024		2023		Amount	%	2024		2023		Amount	%
	USD	%	USD	%			USD	%	USD	%		
Revenues												
Parallel-import Vehicles	\$ 200,297	68.2 %	\$ 12,223,026	100.0 %	\$ (12,022,729)	(98.4)%	\$ 1,631,248	90.5 %	\$ 22,437,468	100.0 %	\$ (20,806,220)	(92.7)%
Logistics and Warehousing	93,563	31.8 %	—	— %	93,563	100.0 %	170,397	9.5 %	—	— %	170,397	100.0 %
Total Revenues	293,860	100.0 %	12,223,026	100.0 %	(11,929,167)	(97.6)%	1,801,645	100.0 %	22,437,468	100.0 %	(20,635,823)	(92.0)%
Cost of Revenues												
Cost of vehicles	200,297	68.3 %	10,319,991	84.4 %	(10,119,694)	(98.1)%	1,515,270	84.2 %	18,824,494	83.9 %	(17,309,224)	(92.0)%
Fulfillment expenses	15,537	5.3 %	650,666	5.3 %	(635,129)	(97.6)%	140,798	7.8 %	1,217,548	5.4 %	(1,076,750)	(88.4)%
Ocean Freight Costs	45,598	15.5 %	—	— %	45,598	100.0 %	88,098	4.9 %	—	— %	88,098	100.0 %
Total cost of revenues	261,432	89.1 %	10,970,657	89.7 %	(10,709,225)	(97.6)%	1,744,166	96.9 %	20,042,042	89.3 %	(18,297,876)	(91.3)%
Gross Profit (Loss)	32,428	11.0 %	1,252,369	10.3 %	(1,219,941)	(97.4)%	57,479	3.2 %	2,395,426	10.7 %	(2,337,947)	(97.6)%
Selling expenses	19,422	6.6 %	141,340	1.2 %	(121,918)	(86.3)%	98,262	5.5 %	419,123	1.9 %	(320,861)	(76.6)%
General and administrative expenses	865,354	294.5 %	565,400	4.6 %	299,954	53.1 %	1,632,996	90.6 %	1,146,470	5.1 %	486,526	42.4 %
Total operating expenses	884,776	301.1 %	706,740	5.8 %	178,036	25.2 %	1,731,258	96.1 %	1,565,593	7.0 %	165,665	10.6 %
(Loss) Income From Operations	(852,348)	(290.1)%	545,629	4.5 %	(1,397,977)	(256.2)%	(1,673,779)	(92.9)%	829,833	3.7 %	(2,503,612)	(301.7)%
Other (Expense) Income												
Interest expense, net	(36,200)	(12.3)%	(334,855)	(2.7)%	298,655	(89.2)%	(98,965)	(5.5)%	(771,914)	(3.4)%	672,949	(87.2)%
Other income, net	28,393	9.7 %	1,968	— %	26,425	1,342.7 %	57,945	3.2 %	3,902	— %	54,043	1,385.0 %
Total other expense, net	(7,807)	(2.6)%	(332,887)	(2.7)%	325,080	(97.7)%	(41,020)	(2.3)%	(768,012)	(3.4)%	726,992	(94.7)%
(Loss) Income before Income Tax Provision	(860,155)	(292.7)%	212,742	1.8 %	(1,072,897)	(504.3)%	(1,714,799)	(95.2)%	61,821	0.3 %	(1,776,620)	(2,873.8)%
Income tax (benefit) provision	(247,275)	(84.1)%	56,997	0.5 %	(304,272)	(533.8)%	(492,989)	(27.4)%	14,009	0.1 %	(506,998)	(3,619.1)%
Net (Loss) Income	\$ (612,880)	(208.6)%	\$ 155,745	1.3 %	\$ (768,625)	(493.5)%	\$ (1,221,810)	(67.8)%	\$ 47,812	0.2 %	\$ (1,269,622)	(2,655.4)%

Comparison of the Three Months Ended June 30, 2024 and 2023

Revenues

For the three months ended June 30, 2024 and 2023, revenue decreased by \$11.9 million, or 97.6%, from approximately \$12.2 million to \$0.3 million. This substantial decrease was primarily due to the continued decline in our parallel-import vehicles business. The newly established logistics and warehousing segment, operational since the acquisition of Edward in February 2024, generated revenue of \$0.1 million, representing about 31.8% to our total revenues for the three months ended June 30, 2024.

Parallel-import Vehicles Segment

We continue to face significant challenges in the parallel-import vehicle market. Revenue from vehicle sales decreased by \$12.0 million, or 98.4%, from approximately \$12.2 million for the three months ended June 30, 2023 to \$0.2 million for the three months ended June 30, 2024. The decrease was primarily due to the ongoing economic weakness in the PRC and a sustained shift in consumer preferences towards domestically produced EVs. Additionally, more aggressive pricing strategies adopted by luxury import brand manufacturers have further compressed our margins in this segment. These evolving market dynamics have led to a reduction in our vehicle sales volume and associated revenues. For the three months ended June 30, 2024, we sold one vehicle, compared with 93 for the three months ended June 30, 2023.

	<u>Three Months Ended June 30,</u>		<u>Change Amount</u>	<u>Change %</u>
	<u>2024</u>	<u>2023</u>		
Revenue from parallel-import vehicles:				
U.S. domestic market	\$ 200,297	\$ 5,257,545	\$ (5,057,248)	(96.2)%
Overseas market	—	6,695,481	(6,695,481)	(100.0)%
Total	<u>\$ 200,297</u>	<u>\$ 12,223,026</u>	<u>\$ (12,022,729)</u>	<u>(98.4)%</u>

Cost of Revenue from Parallel-import Vehicles

	<u>Three Months Ended June 30,</u>		<u>Change Amount</u>	<u>Change %</u>
	<u>2024</u>	<u>2023</u>		
Cost of Revenue from parallel-import vehicles sold				
Cost of Vehicles sold	\$ 200,297	\$ 10,319,991	\$ (10,119,694)	(98.1)%
Fulfillment Expenses	15,537	650,666	(635,129)	(97.6)%
Total Cost of Revenue from parallel-import vehicles sold	<u>\$ 215,834</u>	<u>\$ 10,970,657</u>	<u>\$ (10,754,823)</u>	<u>(98.0)%</u>

Our total cost of revenue from parallel-import vehicles sold decreased by approximately \$10.8 million, or 98.0%, to \$0.2 million for the three months ended June 30, 2024 from \$11.0 million for the same period of 2023. For the three months ended June 30, 2024 and 2023, total cost as a percentage of revenue was 107.8% and 89.8%, respectively. Our total cost of revenue from parallel-import vehicles sold decreased in line with the reduced revenue.

Cost of Vehicles

Total cost of vehicles sold decreased by \$10.1 million, or 98.1%, to \$0.2 million for the three months ended June 30, 2024 from \$10.3 million for the three months ended June 30, 2023. We sold one vehicle during the three months ended June 30, 2024, and 93 vehicles during the three months ended June 30, 2023.

The cost of vehicles sold was 100.0% and approximately 84.4% of revenue from parallel-import vehicles for the three months ended June 30, 2024 and 2023, respectively. We expedited the sale of the remaining inventory in response to weak market conditions in order to optimize asset turnover and manage inventory risk.

Fulfillment Expenses

Fulfillment expenses decreased by approximately \$0.6 million, or 97.6%, to \$15,537 for the three months ended June 30, 2024 from \$0.6 million for the three months ended June 30, 2023. This substantial reduction in fulfillment expenses resulted from the continued effect of our strategic decision in the fourth quarter of 2023 to halt new vehicle procurement. As a consequence, during the second quarter of 2024, we sold only one vehicle, significantly reducing associated costs such as buyer commissions, vehicle storage and towing fees, insurance, and consulting fees.

Logistics and Warehousing Segment

For the three months ended June 30, 2024, we reported total revenue of \$93,563 generated from logistics and warehousing services, of which \$20,160 was derived from vehicle-related services. The remaining service revenue amounting to \$73,403 was generated from services for goods other than vehicles. We began recording logistics and warehousing revenue as of the date of the Edward acquisition on February 2, 2024. As of June 30, 2024, our logistics and warehousing services catered to 21 customers from various regions, including the PRC, Hong Kong, Vietnam, and the United States.

Gross Profit

Gross profit from the combined business segments during the second quarter of 2024 decreased by approximately \$1.2 million, or 97.4%, compared with the second quarter of 2023. As a percentage of revenue, the gross margin increased from 10.2% for the three months ended June 30, 2023, to 11.0% for the three months ended June 30, 2024.

Operating Expenses

General and Administrative Expenses

	Three Months Ended June 30,		Amount	%
	2024	2023		
General and Administrative Expenses				
Payroll and Benefits	\$ 335,867	\$ 179,739	\$ 156,128	86.9 %
Rental and Leases	81,348	74,675	6,673	8.9 %
Travel and Entertainment	7,962	17,305	(9,343)	(54.0)%
Legal and Accounting Fees	196,147	227,672	(31,525)	(13.8)%
Recruiting Fees	81,598	3,112	78,486	2,521.8 %
Bank charges and fees	1,545	17,840	(16,295)	(91.3)%
Insurance Expenses	86,467	3,118	83,349	2,673.1 %
Depreciation and Amortization Expenses	18,537	—	18,537	100.0 %
Others	55,884	41,939	13,945	33.3 %
Total General and Administrative Expenses	\$ 865,354	\$ 565,400	\$ 299,954	53.1 %

General and administrative expenses increased by \$0.3 million, or 53.1%, to \$0.9 million for the three months ended June 30, 2024 from \$0.6 million for the three months ended June 30, 2023, primarily due to increases in (i) personnel-related expenses to support the newly launched logistics and warehousing segment, (ii) recurring expenses associated with new business lines, aligning with our strategic shift towards logistics and warehousing, (iii) depreciation and amortization expenses, primarily due to the acquisition of new fixed assets and additional intangible assets from the Edward acquisition, as detailed in Notes 6 and 8; and (iv) insurance expenses due to higher costs associated with directors and officers insurance.

Selling expenses decreased significantly during the second quarter of 2024 to approximately \$20,000, from \$0.1 million for the second quarter of 2023. This decrease was the result of the contraction in vehicle sales volume, reflecting the current market demand dynamics. Selling expense as a percentage of revenue was 6.6% and 1.2% for the three months ended June 30, 2024 and 2023, respectively.

Other (Expense) Income

Interest Expense, net

	For the Three Months Ended June 30,		Amount	%
	2024	2023		
Inventory Financing	\$ —	\$ 14,246	\$ (14,246)	(100.0)%
LC Financing	—	251,031	(251,031)	(100.0)%
Dealers Finance Charges	—	2,850	(2,850)	(100.0)%
Other Loan Interest	8,011	7,849	162	2.1 %
Line of Credit Interest	27,899	57,398	(29,499)	(51.4)%
Credit Card Interest	290	1,481	(1,191)	(80.4)%
Total Interest Expense	\$ 36,200	\$ 334,855	\$ (298,655)	(89.2)%

Interest expense decreased significantly by approximately \$0.3 million, or 89.2%, to approximately \$40,000 for the three months ended June 30, 2024, from \$0.3 million for the three months ended June 30, 2023, primarily due to (i) no new inventory or LC financing activities, and (ii) cash generated from the completion of our IPO in the third quarter of 2023, followed by follow-on offerings in May and July 2024, which collectively resulted in a substantial capital infusion that was partially used to pay down debt.

Provision for Income Taxes

Our provision for income tax benefit was \$0.2 million for the three months ended June 30, 2024, compared with a provision for income taxes of approximately \$60,000 for the same period in 2023, respectively.

Comparison of the Six Months Ended June 30, 2024 and 2023

Revenues

For the six months ended June 30, 2024 and 2023, revenue decreased by \$20.6 million, or 92.0%, from approximately \$22.4 million to \$1.8 million. This significant decrease was primarily due to a continued decline in our parallel-import vehicles business. The newly established logistics and warehousing segment, operational since the acquisition of Edward in February 2024, generated revenue of \$170,397, representing about 9.5% of our total revenues for the six months ended June 30, 2024.

Parallel-import Vehicles Segment

We continue to face significant challenges in the parallel-import vehicle market. Revenue from vehicle sales decreased by \$20.8 million, or 92.7%, from approximately \$22.4 million for the six months ended June 30, 2023 to \$1.6 million for the six months ended June 30, 2024. The decrease was primarily due to the ongoing economic weakness in the PRC and a shift in consumer preferences towards domestically produced EVs.

	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023			Average Selling Price Changes	
	No.	Sales Amount	Ave Selling Price	No.	Sales Amount	Ave Selling Price	Amount	%
BMW X7	—	\$ —	\$ —	5	\$ 480,120	\$ 96,042	\$ —	—%
Mercedes G63	1	200,297	\$ 200,297	—	—	—	—	—%
Mercedes GLS 450	11	1,175,116	106,829	83	9,172,404	110,511	(3,622)	(3.3)%
Mercedes Benz GLS600	—	—	—	12	2,877,516	239,793	—	—%
RAM Trucks	—	—	—	14	1,698,061	121,290	—	—%
Land Rover Range Rover	—	—	—	10	1,614,422	161,412	—	—%
Toyota Sequoia	—	—	—	24	2,433,859	101,411	—	—%
LEXUS LX600	2	255,835	127,917	27	4,160,996	154,111	(26,194)	(17.0)%
Total	14	\$ 1,631,248	\$ 116,518	175	\$ 22,437,468	\$ 128,214	\$ (11,696)	(9.1)%

[Table of Contents](#)

For the six months ended June 30, 2024, we sold 14 vehicles, compared with 175 for the six months ended June 30, 2023. The significant decrease in vehicle sales can be attributed to the ongoing market volatility in the PRC, especially price fluctuations that ultimately led to a halt in our vehicle procurement starting in the fourth quarter of 2023. This pause has continued into the first half of 2024 and is directly impacting our sales volume.

	<u>Six Months Ended June 30,</u>		<u>Change Amount</u>	<u>Change %</u>
	<u>2024</u>	<u>2023</u>		
Revenue from parallel-import vehicles:				
U.S. domestic market	\$ 200,297	\$ 6,915,780	\$ (6,715,483)	(97.1)%
Overseas market	1,430,951	15,521,688	(14,090,737)	(90.8)%
Total	<u>\$ 1,631,248</u>	<u>\$ 22,437,468</u>	<u>\$ (20,806,220)</u>	<u>(92.7)%</u>

During the six months ended June 30, 2024, our direct sales to the PRC market accounted for 87.7% of our total revenue from parallel-import vehicles, while for the six months ended June 30, 2023, 69.2% of our total revenue from parallel-import vehicles was generated from overseas sales.

Cost of Revenue from Parallel-import Vehicles

	<u>Six Months Ended June 30,</u>		<u>Change Amount</u>	<u>Change %</u>
	<u>2024</u>	<u>2023</u>		
Cost of Revenue from parallel-import vehicles sold				
Cost of Vehicles sold	\$ 1,515,270	\$ 18,824,494	\$ (17,309,224)	(92.0)%
Fulfillment Expenses	140,798	1,217,548	(1,076,750)	(88.4)%
Total Cost of Revenue from parallel-import vehicles sold	<u>\$ 1,656,068</u>	<u>\$ 20,042,042</u>	<u>\$ (18,385,974)</u>	<u>(91.7)%</u>

Our total cost of revenue from parallel-import vehicles sold decreased by \$18.4 million, or 91.7%, to \$1.6 million for the six months ended June 30, 2024 from \$20.0 million for the same period of 2023. For the six months ended June 30, 2024 and 2023, total cost as a percentage of revenue was 101.5% and 89.3%, respectively. Our total cost of revenue from parallel-import vehicles sold decreased in line with the reduced revenue.

Cost of Vehicles

Total cost of vehicles sold decreased by \$17.3 million, or 92.0%, to \$1.5 million for the six months ended June 30, 2024 from \$18.8 million for the six months ended June 30, 2023. We sold 14 vehicles during the six months ended June 30, 2024, and 175 vehicles during the six months ended June 30, 2023.

The cost of vehicles sold was approximately 92.9% and 83.9% of revenue from parallel-import vehicles for the six months ended June 30, 2024 and 2023, respectively. This unfavorable change can be attributed to our strategic decision to adjust pricing in response to continued market volatility and competitive pressures.

Fulfillment Expenses

	<u>Six Months Ended June 30,</u>		<u>Change Amount</u>	<u>Change %</u>
	<u>2024</u>	<u>2023</u>		
Fulfillment expenses				
Payroll and Benefits	\$ 83,855	\$ 681,499	\$ (597,644)	(87.7)%
Buyer Commission	750	194,353	(193,603)	(99.6)%
Vehicle Storage and Towing	—	226,900	(226,900)	(100.0)%
Vehicle Insurance Expenses	42	57,677	(57,635)	(99.9)%
Consulting Fee	—	30,530	(30,530)	(100.0)%
Others	56,151	26,589	29,562	111.2 %
Total Fulfillment Expenses	<u>\$ 140,798</u>	<u>\$ 1,217,548</u>	<u>\$ (1,076,750)</u>	<u>(88.4)%</u>

[Table of Contents](#)

Fulfillment expenses decreased by approximately \$1.1 million, or 88.4%, to \$0.1 million for the six months ended June 30, 2024 from \$1.2 million for the six months ended June 30, 2023. This substantial reduction stems from our strategic decision initiated in the fourth quarter of 2023 to halt new vehicle procurements. This pause has continued to significantly reduce related costs such as buyer commission, vehicle storage and towing costs, vehicle insurance, and consulting fees.

Logistics and Warehousing Segment

For the six months ended June 30, 2024, the Company reported total revenue of \$170,397 generated from logistics and warehousing services, of which \$33,835 was derived from vehicle-related services. The rest \$136,562 was generated from services for goods other than vehicles. We began recording logistics and warehousing revenue as of the date of the Edward acquisition on February 2, 2024.

Gross Profit

Gross profit from the combined business segments during the six months ended June 30, 2024 decreased by approximately \$2.3 million, or 97.6%, compared with the same period of 2023. As a percentage of revenue, the gross margin decreased from 10.7% for the six months ended June 30, 2023, to 3.2% for the six months ended June 30, 2024.

Operating Expenses*Selling Expenses*

	Six Months Ended June 30,		Amount	%
	2024	2023		
Selling Expenses				
Payroll and benefits	\$ 77,652	\$ 117,676	\$ (40,024)	(34.0)%
Ocean Freight	20,610	291,712	(271,102)	(92.9)%
Others	—	9,735	(9,735)	(100.0)%
Total Selling expenses	<u>\$ 98,262</u>	<u>\$ 419,123</u>	<u>\$ (320,861)</u>	<u>(76.6)%</u>

Selling expenses decreased significantly for the six months ended June 30, 2024 to approximately \$0.1 million, from \$0.4 million for the six months ended June 30, 2023. This decrease was the result of the contraction in vehicle sales volume that naturally led to a reduction in associated selling activities, reflecting current market demand dynamics; Selling expenses as a percentage of revenue was 5.5% and 1.9% for the six months ended June 30, 2024 and 2023, respectively.

General and Administrative Expenses

	Six Months Ended June 30,		Amount	%
	2024	2023		
General and Administrative Expenses				
Payroll and Benefits	\$ 532,290	\$ 329,851	\$ 202,439	61.4 %
Rental and Leases	167,552	130,280	37,272	28.6 %
Travel and Entertainment	27,445	20,188	7,257	35.9 %
Legal and Accounting Fees	506,062	548,857	(42,795)	(7.8)%
Recruiting Fees	85,084	4,444	80,640	1,814.6 %
Bank charges and fees	5,740	33,863	(28,123)	(83.0)%
Insurance Expenses	174,439	7,985	166,454	2,084.7 %
Depreciation and Amortization Expenses	29,422	—	29,422	100.0 %
Others	104,962	71,002	33,960	47.8 %
Total General and Administrative Expenses	<u>\$ 1,632,996</u>	<u>\$ 1,146,470</u>	<u>\$ 486,526</u>	<u>42.4 %</u>

General and administrative expenses increased by \$0.5 million, or 42.4%, to \$1.6 million for the six months ended June 30, 2024 from \$1.1 million for the six months ended June 30, 2023, primarily due to (i) an increase in personnel-related expenses by approximately \$0.2 million, or 61.4%, which was attributed to the hiring of additional staff to support the newly launched logistics and warehousing segment, (ii) the acquisition of Edward, which resulted in the addition of a new office workspace in California, increasing our rental and lease expenses, (iii) an increase in recruiting expenses associated with the development of new business lines, aligning with the

[Table of Contents](#)

company's strategic shift towards logistics and warehousing, (iv) an increase in depreciation and amortization expenses, primarily due to the acquisition of new fixed assets and additional intangible assets, as detailed in Notes 6 & 8; and (v) an increase in insurance expenses due to higher costs associated with directors and officers insurance.

Other (Expense) Income*Interest Expense, net*

	For the Six Months Ended June 30,		Amount	%
	2024	2023		
Inventory Financing	\$ —	\$ 112,769	\$ (112,769)	(100.0)%
LC Financing	23,123	581,456	(558,333)	(96.0)%
Dealers Finance Charges	—	3,016	(3,016)	(100.0)%
Other Loan Interest	15,563	15,794	(231)	(1.5)%
Line of Credit Interest	59,235	57,398	1,837	3.2 %
Credit Card Interest	48	1,481	(1,433)	(96.8)%
Premium Finance Interest	996	—	996	100.0 %
Total Interest Expense	\$ 98,965	\$ 771,914	\$ (672,949)	(87.2)%

Interest expense decreased by approximately \$0.7 million, or 87.2%, to approximately \$0.1 million for the six months ended June 30, 2024, from \$0.8 million for the six months ended June 30, 2023, primarily due to (i) no new inventory or LC financing activities and (ii) cash generated from the completion of our IPO in the third quarter of 2023, followed by follow-on offerings in May and July 2024, which collectively resulted in a substantial capital infusion that was partially used to pay down debt.

To improve our liquidity and retain more cash to acquire new vehicles, we previously borrowed money on a short-term basis, pledging our inventory as collateral before the vehicles are delivered to our customers. These loans accrued interest at rates ranging from 1.35% to 1.8% per month. For the six months ended June 30, 2024, no funds for inventory financing were borrowed, resulting in no related interest expense. For the six months ended June 30, 2023, interest expense incurred was \$0.1 million, and the weighted average annual interest rate was 17.6%.

In addition to inventory financing, we previously financed our operations from time to time through short-term loans using letters of credit as collateral, which were typically received from our international customers in overseas sales of parallel-import vehicles. Generally, these loans allowed us to borrow approximately 90% or more of the letter of credit amount with a monthly interest rate of 1.5%. However, due to the significant reduction in vehicle sales and the resulting decline in the need for such financing, we did not utilize LC financing during the six months ended June 30, 2024. The total weighted average balance of funds we obtained through LC financing decreased to \$0.2 million, interest expense incurred was approximately \$20,000 for the six-month period, and the weighted average annual interest rate was 18.8%. For the six months ended June 30, 2023, the total weighted average balance of funds we obtained through LC financing was \$6.0 million, interest expense incurred was \$0.6 million, and the weighted average annual interest rate was 19.5%.

Starting from 2024, we ceased utilizing our revolving lines of credit, as the proceeds from our IPO and follow-on offerings provided sufficient liquidity. There were no new borrowings under these credit lines during the six months ended June 30, 2024, reflecting a strategic decision to reduce reliance on external debt. As of June 30, 2024, the total weighted average balance of funds we obtained through revolving lines of credit was \$0.7 million, interest expense incurred was approximately \$60,000 for the six months ended June 30, 2024, and the weighted average annual interest rate was 18.0%. For the six months ended June 30, 2023, the total weighted average balance of funds we obtained through revolving lines of credit was \$0.6 million, interest expense incurred was approximately \$60,000, and the weighted average annual interest rate was 18.0%.

Provision for Income Taxes

Our provision for income tax benefit was \$0.5 million for the six months ended June 30, 2024 compared with income tax expense of approximately \$14,000 for the same period in 2023.

Liquidity and Capital Resources

Cash Flows and Working Capital

In assessing our liquidity, we monitor and analyze our cash on-hand, our ability to generate sufficient revenue, the collection of our accounts receivable, our ability to obtain additional financial support in the future, and our operating and capital expenditure commitments. We reported cash and cash equivalents of \$6.3 million as of June 30, 2024. As of June 30, 2024, our working capital amounted to approximately \$12.4 million.

As reflected in the accompanying unaudited condensed consolidated financial statements, we reported a net loss of \$1.2 million for the six months ended June 30, 2024. We also reported cash provided by operating activities of \$0.8 million, and total stockholders' equity of \$13.8 million.

Historically, our primary uses of cash have been to finance working capital needs. We believe that we will be able to fund current operations and other commitments for at least the next 12 months from operating cash flow and our cash and cash equivalents.

Additional sources of cash may be needed due to unanticipated changes in business conditions or other future developments. If additional resources are required, we may sell additional equity or debt securities. The sale of additional equity or equity-linked securities could result in additional dilution to stockholders. The incurrence of indebtedness would result in increased debt service obligations and could include operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, or at all.

Cash Flows for the Six Months Ended June 30, 2024 and 2023

The following table summarizes our cash flows for the six months ended June 30, 2024 and 2023:

	Six Months ended June 30,	
	2024	2023
Net cash provided by operating activities	\$ 827,980	\$ 4,145,363
Net cash used in investing activities	(912,617)	—
Net cash provided by (used in) financing activities	5,944,540	(3,611,618)
Net increase in cash	<u>\$ 5,859,903</u>	<u>\$ 533,745</u>

Operating Activities

Net cash provided by operating activities was \$0.8 million for the six months ended June 30, 2024. This was primarily attributable to a collection of \$1.4 million in accounts receivable, a \$1.5 million decrease in inventory, a \$0.5 million increase in other receivables, and other less significant factors.

Net cash provided by operating activities was \$4.1 million for the six months ended June 30, 2023. This was primarily attributable to a collection of \$4.9 million in accounts receivable and partially offset by a \$1.0 million increase in inventory and other factors of less significance.

Investing Activities

Net cash used in investing activities was approximately \$0.9 million for the six months ended June 30, 2024. The increase in investing activities consisted of (i) approximately \$0.2 million in cash paid for the Edward acquisition, net of cash acquired, (ii) \$1.0 million in short-term loans lent to third parties, (iii) collection of vehicle pledge loans extended to third parties of approximately 0.2 million, (iv) collection of short-term loans extended to a third party of \$0.5 million, and (v) acquired new fixed assets of \$0.4 million.

Financing Activities

Net cash provided by financing activities was \$5.9 million for the six months ended June 30, 2024, which consisted of (i) net proceeds from the May 2024 follow-on public offering of approximately \$7.3 million, (ii) net repayments of LC financing of \$1.0 million; (iii) net repayments of premium finance of approximately \$150,000; (iv) payment for the equity warrant termination of approximately \$80,000; and (v) repayments to a line of credit of approximately \$0.1 million.

Net cash used in financing activities of \$3.6 million for the six months ended June 30, 2023, consisted of (i) net repayments of LC financing of \$14.9 million; (ii) net repayments of inventory financing of \$4.1 million; (iii) net repayments of revolving lines of credit of \$0.7 million; and (iv) repayments of dealers financing of \$0.2 million; partially offset by (v) proceeds from LC financing of \$12.7 million; (vi) proceeds from revolving lines of credit of \$2.5 million; (vi) proceeds from dealers financing of \$0.3 million; and (vii) issuance of common stock of \$0.7 million.

Off-Balance Sheet Arrangements

We did not have during the period presented, and we do not currently have, any off-balance sheet financing arrangements as defined under the rules and regulations of the SEC, or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 2, "Summary of Significant Accounting Policies" of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2023 Form 10-K describe the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. There have been no material changes to the Company's critical accounting estimates since the 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide this information.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives.

In accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act, management, under the supervision and with the participation of our CEO and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2024 and determined that the disclosure controls and procedures were effective at a reasonable assurance level as of that date.

Changes in Internal Control Over Financial Reporting

No change occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d -15(f) of the Exchange Act) during the quarter ended June 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CHEETAH NET SUPPLY CHAIN SERVICE INC.
PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently involved in any material legal proceedings. From time-to-time we are, and we anticipate that we will be, involved in legal proceedings, claims, and litigation arising in the ordinary course of our business and otherwise. The ultimate costs to resolve any such matters could have a material adverse effect on our financial statements. We could be forced to incur material expenses with respect to these legal proceedings, and in the event that there is an outcome in any that is adverse to us, our financial position and prospects could be harmed.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information required by this item.

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

Our public offering on best efforts basis closed on July 26, 2024 (the "July Offering")

The following "Use of Proceeds" information relates to the registration statement on Form S-1 (File Number 333-280743) for the July Offering, which was declared effective by the SEC on July 15, 2024. We issued and sold an aggregate of 6,479,663 shares of Class A common stock, at a price of \$0.23 per share for gross proceeds of \$1.49 million before deducting offering related expenses. FT Global Capital, Inc. was the exclusive placement agent of such offering.

We incurred approximately \$395,000 in expenses in connection with the July Offering, which included approximately \$110,000 in placement agent fees, approximately \$35,000 in expenses paid to or for the placement agent, and approximately \$250,000 in other expenses. None of the transaction expenses included payments to directors or officers of our Company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds we received from the July Offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

The net proceeds raised from the July Offering were approximately \$1.1 million after offering expenses payable by us. As of the date of this quarterly report, we have not used the proceeds raised from the July Offering. We intend to use the proceeds raised from the July Offering in the manner disclosed in our registration statement on Form S-1 (File Number 333-280743).

The May Offering

The following "Use of Proceeds" information relates to the registration statement on Form S-1, as amended (File Number 333-276300) for the May Offering, which was declared effective by the SEC on April 26, 2024 and a registration statement on Form S-1 (File No. 333-279388) filed on May 13, 2024, pursuant to Rule 462(b) of the Securities Act of 1933, as amended. We issued and sold an aggregate of 13,210,000 shares of Class A common stock, at a price of \$0.62 per share for gross proceeds of \$8.19 million before deducting offering related expenses. AC Sunshine Securities LLC was the exclusive placement agent of such offering.

We incurred approximately \$876,000 in expenses in connection with the May Offering, which included approximately \$290,000 in placement agent fees, approximately \$66,000 in expenses paid to or for the placement agent, and approximately \$520,000 in other expenses. None of the transaction expenses included payments to directors or officers of our Company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds we received from the May Offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

The net proceeds raised from the May Offering were approximately \$7.4 million after offering expenses payable by us. As of the date of this quarterly report, we have used approximately \$2.5 million for working capital and other general corporate purposes in support of our current business. We intend to use the remaining proceeds from the May Offering in the manner disclosed in our registration statement on Form S-1, as amended (File Number 333-276300).

IPO

The following “Use of Proceeds” information relates to the registration statement on Form S-1, as amended (File Number 333-271185) for our IPO, which was declared effective by the SEC on July 31, 2023. In August 2023, we completed our IPO, in which we issued and sold an aggregate of 1,250,000 shares of Class A common stock, at a price of \$4.00 per share for \$5,000,000. Maxim Group LLC was the representative of the underwriters of our IPO.

We incurred approximately \$870,000 in expenses in connection with our IPO, which included approximately \$350,000 in underwriting discounts, approximately \$100,000 in expenses paid to or for underwriters, and approximately \$320,000 in other expenses. None of the transaction expenses included payments to directors or officers of our Company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds we received from the IPO were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

The net proceeds raised from the IPO were \$4,230,000 after deducting underwriting discounts and the offering expenses payable by us. As of the date of this quarterly report, we have used approximately \$3,930,000 for working capital and other general corporate purposes in support of our current business, and \$300,000 as cash consideration for the acquisition of Edward Transit Express Group Inc. We intend to use the remaining proceeds from our IPO in the manner disclosed in our registration statement on Form S-1, as amended (File Number 333-271185).

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

[Table of Contents](#)

Item 6. [Exhibits](#)

The exhibits listed below are filed as part of this quarterly report on Form 10-Q.

Index to Exhibits

Exhibit Number	Exhibit Title	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File	Exhibit	Filing Date
3.1	Third Amended and Restated Article of Incorporation	8-K	0001-41761	3.1	July 2, 2024
3.2	Bylaws	S-1	001-271185	3.2	April 7, 2023
4.1	Specimen Stock Certificate	S-1	333-280743	4.1	July 10, 2024
10.1	Placement Agency Agreement dated May 14, 2024 by and between the Company and AC Sunshine Securities LLC, as the Company's placement agent	8-K	0001-41761	10.1	May 14, 2024
10.2	Form of the Securities Purchase Agreement dated May 14, 2024 by and between the Company and the Purchasers identified therein	8-K	0001-41761	10.2	May 14, 2024
10.3	Director Offer Letter dated July 2, 2024 between Huibo Deng and the Company	8-K	0001-41761	10.1	July 8, 2024
10.4	Indemnification Agreement dated July 2, 2024 between Huibo Deng and the Company	8-K	0001-41761	10.2	July 8, 2024
10.5	Placement Agency Agreement dated July 25, 2024 by and between the Company and FT Global Capital, Inc. as the Company's placement agent	8-K	0001-41761	10.1	July 26, 2024
10.6	Form of the Securities Purchase Agreement dated July 25, 2024 by and between the Company and the Purchasers identified therein	8-K	0001-41761	10.2	July 26, 2024
10.7	Lease Agreement dated July 19, 2024 between the Company and Zina Development, LLC, as amended	—	—	—	Filed herewith
10.8	Loan Agreement dated June 20, 2024 between the Company and Hongkong Sanyou Petroleum Co Limited	—	—	—	Filed herewith
10.9	Loan Agreement dated July 22, 2024 between the Company and Hongkong Sanyou Petroleum Co Limited	—	—	—	Filed herewith
10.10	Premium Finance Agreement dated August 1, 2024 between the Company and ETI Financial Corporation	—	—	—	Filed herewith
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	Filed herewith
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	Filed herewith
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	Furnished herewith
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	Furnished herewith
101.INS	Inline XBRL Instance Document	—	—	—	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	—	—	—	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	—	—	—	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	—	—	—	Filed herewith

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 herewith are deemed to accompany this Form 10-Q and will not be deemed filed for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act.

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.

Date: August 13, 2024

Cheetah Net Supply Chain Service Inc.

By: /s/ Huan Liu

Huan Liu

Chief Executive Officer, Director, and Chairman of the Board of Directors



STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE - GROSS (DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").

1.1 **Parties.** This Lease ("Lease"), dated for reference purposes only July 19, 2024 ("Effective Date"), is made by and between Zina Development, LLC, a California limited liability company ("Lessor") and Cheetah Net Supply Chain Service Inc., a North Carolina corporation ("Lessee"), (collectively the "Parties," or individually a "Party").

1.2 **Premises:** That certain ~~building real property~~, including all improvements therein ~~or to be provided by Lessor under the terms of this Lease~~, commonly known as (street address, city, state, zip): 8707 Research Drive, Irvine, CA 92618 ("Premises"). The Premises are located in the County of Orange, and are generally described as (describe briefly the nature of the property and, if applicable, the "Project," if the property is located within a Project): a single-tenant office building consisting of 15,000 rentable square feet. (See also Paragraph 2 and Addendum paragraph 1.2))

1.3 **Term:** Three (3) years and Nine (9) days months ("Original Term") commencing July 23, 2024 ("Commencement Date") and ending July 31, 2027 ("Expiration Date"). (See also Paragraph 3)

1.4 **Early Possession:** ~~If the Premises are available Lessee may have non-exclusive possession of the Premises commencing~~ _____ ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** See Addendum per month ("Base Rent"), payable on the _____ day of each month commencing _____. (See also Paragraph 4)

If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 1.5 of the Addendum.

1.6 Base Rent and Other Monies Paid Upon Execution:

(a) **Base Rent:** \$222,194.00 ("Prepaid Rent") for the period _____. See Addendum.

(b) **Security Deposit:** \$100,000.00 ("Security Deposit"). (See also Paragraph 5)

(c) **Association Fees:** _____ for the period _____. See Addendum.

(d) **Other:** _____ for _____.

(e) **Total Due Upon Execution of this Lease:** \$322,194.00.

1.7 **Agreed Use:** general office use and uses ancillary to such use and not inconsistent with the character of the Premises. (See also Paragraph 6)

1.8 **Insuring Party.** Lessor is the "Insuring Party". The annual "Base Premium" is _____. (See also Paragraph 8)

1.9 **Real Estate Brokers.** (See also Paragraph 15 and 25)

(a) **Representation:** Each Party acknowledges receiving a Disclosure Regarding Real Estate Agency Relationship, confirms and consents to the following agency relationships in this Lease with the following real estate brokers ("Broker(s)") and/or their agents ("Agent(s)"):

Lessor's Brokerage Firm Lee & Associates, Inc. - Irvine License No. 0144791 Is the broker of (check one): the Lessor; or both the Lessee and Lessor (dual agent).

Lessor's Agent Allen Basso/Eric Darnell/Kvlee King License No. 01298152/01888743/02101275 is (check one): the Lessor's Agent (salesperson or broker associate); or both the Lessee's Agent and the Lessor's Agent (dual agent).

Lessee's Brokerage Firm Universal Elite Realty License No. _____ Is the broker of (check one): the Lessee; or both the Lessee and Lessor (dual agent).

Lessee's Agent Jing Gan License No. 02132915 is (check one): the Lessee's Agent (salesperson or broker associate); or both the Lessee's Agent and the Lessor's Agent (dual agent).

(b) **Payment to Brokers.** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of _____ or _____ % of the total Base Rent) for the brokerage services rendered by the Brokers.

1.10 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by Canaan International LLC, a North Carolina limited liability company ("Canaan") and West Buy Media Inc., a North Carolina corporation ("West Buy" and together with Canaan ("Guarantor"). (See also Paragraph 37)

1.11 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

an Addendum consisting of Paragraphs 1.2 through 56 ;

a plot plan depicting the Premises;

a current set of the Rules and Regulations;

a Work Letter;

other (specify): Exhibits A and B and Schedules 1 and 2 .

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **NOTE: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date ~~or the Early Possession Date, whichever first occurs~~ ("Start Date"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days

INITIALS

INITIALS

following the **Commencement Date/Start Date**, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date, that the surface and structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "Building") shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the **Commencement Date/Start Date**, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 36 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense, except for the roof, foundations, and bearing walls which are handled as provided in paragraph 7. Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.

2.3 Compliance. Lessor warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the **Commencement Date/Start Date**, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 Acknowledgements. Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. ~~In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. See Addendum.~~

~~**2.5 Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.~~

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

~~**3.2 Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.~~

3.3 Delay In Possession. Lessor agrees to use commercially reasonable efforts to deliver exclusive possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor

INITIALS 

INITIALS 

delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. ~~If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.~~

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the ~~Commencement Date~~**Start Date**, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the ~~Commencement Date~~**Start Date**, the ~~Commencement Date~~**Start Date** shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor ~~via direct deposit to such account at its address stated herein or to such other persons or place~~ as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent, Insurance and Real Property Taxes, and any remaining amount to any other outstanding charges or costs.

4.3 **Association Fees.** ~~In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.~~

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. Lessor shall upon written request provide Lessee with an accounting showing how that portion of the Security Deposit that was not returned was applied. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. THE SECURITY DEPOSIT SHALL NOT BE USED BY LESSEE IN LIEU OF PAYMENT OF THE LAST MONTH'S RENT. **See Addendum.**

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or ~~subject to Lessor's approval, which may be withheld in Lessor's sole and absolute discretion, any other legal use which is reasonably comparable thereto provided such use does not involve the presence or handling of Hazardous Substances (as defined below), and for no other purpose.~~ Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. ~~Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises.~~ If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use. **See Addendum.**

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, byproducts or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public,

INITIALS 

INITIALS 

the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended by Lessor's environmental consultant, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. **No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.**

(e) **Lessor Indemnification.** Except as otherwise provided in paragraph 8.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 Lessee's Compliance with Applicable Requirements. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in effect or become effective after the **Commencement Date/Start Date**. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises. In addition, Lessee shall provide Lessor with copies of its business license, certificate of occupancy and/or any similar document within 10 days of the receipt of a written request therefor. **See Addendum.**

6.4 Inspection; Compliance. Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants authorized by Lessor shall have the right to enter into Premises at any time in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting and/or testing the condition of the Premises and/or for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see Paragraph 9.1(e)) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of a written request therefor. Lessee acknowledges that any failure on its part to allow such inspections or testing will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to allow such inspections and/or testing in a timely fashion the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for the remainder to the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to allow such inspection and/or testing. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to such failure nor prevent the exercise of any of the other rights and remedies granted hereunder.

7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.

7.1 Lessee's Obligations.

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for

INITIALS 

INITIALS 

Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, stairs, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee is also responsible for keeping the roof and roof drainage clean and free of debris. Lessor shall keep the surface and structural elements of the roof, foundations, and bearing walls in good repair (see paragraph 7.2). Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building. See Addendum.

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, and (v) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (i.e. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee, except for the surface and structural elements of the roof, foundations and bearing walls, the repair of which shall be the responsibility of Lessor upon receipt of written notice that such a repair is necessary. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises. See Addendum.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor. See Addendum.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary

INITIALS 

INITIALS 

wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing and the provisions of Paragraph 7.1(a), if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Commencement Date Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment of Premium Increases.

(a) Lessee shall pay to Lessor any insurance cost increase ("Insurance Cost Increase") occurring during the term of this Lease. Insurance Cost Increase is defined as any increase in the actual cost of the insurance required under Paragraph 8.2(b), 8.3(a) and 8.3(b), over and above the Base Premium as hereinafter defined calculated on an annual basis. Insurance Cost Increase shall include but not be limited to increases resulting from the nature of Lessee's occupancy, any act or omission of Lessee, requirements of the holder of mortgage or deed of trust covering the Premises, increased valuation of the Premises and/or a premium rate increase. The parties are encouraged to fill in the Base Premium in Paragraph 1.8 with a reasonable premium for the Required Insurance based on the Agreed Use of the Premises. If the parties fail to insert a dollar amount in Paragraph 1.8, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the commencement of the Original Term for the Agreed Use of the Premises. In no event, however, shall Lessee be responsible for any portion of the increase in the premium cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence.

(b) Lessee shall pay any such Insurance Cost Increase to Lessor within 30 days after receipt by Lessee of a copy of the premium statement or other reasonable evidence of the amount due. If the insurance policies maintained hereunder cover other property besides the Premises, Lessor shall also deliver to Lessee a statement of the amount of such Insurance Cost Increase attributable only to the Premises showing in reasonable detail the manner in which such amount was computed. Premiums for policy periods commencing prior to, or extending beyond the term of this Lease, shall be prorated to correspond to the term of this Lease.

8.2 Liability Insurance.

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. See Addendum.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) **Building and Improvements.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender or included in the Base Premium), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) **Rental Value.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a 'Waiver of Subrogation' endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

INITIALS 

INITIALS 

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the **Commencement Date/Start Date**, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase his liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same. **See Addendum.**

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby. **See Addendum.**

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, a Breach of the Lease by Lessee and/or the use and/or occupancy of the Premises and/or Project by Lessee and/or by Lessee's employees, contractors or invitees. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8. **See Addendum.**

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease. **See Addendum.**

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance

INITIALS 

INITIALS 

coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor. **See Addendum.**

10. **Real Property Taxes.**

10.1 **Definition.** As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Premises provided, however, that Lessee shall pay to Lessor the amount, if any, by which Real Property Taxes applicable to the Premises increase over the fiscal tax year during which the Commencement Date Occurs ("Tax Increase"). Payment of any such Tax Increase shall be made by Lessee to Lessor within 30 days after receipt of Lessor's written statement setting forth the amount due and computation thereof. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that the Tax Increase be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payment shall be an amount equal to the amount of the estimated installment of the Tax Increase divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable Tax Increase is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable Tax Increase. If the amount collected by Lessor is insufficient to pay the Tax Increase when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

10.3 **Additional Improvements.** Notwithstanding anything to the contrary in this Paragraph 10.2, Lessee shall pay to Lessor upon demand therefor the entirety of any increase in Real Property Taxes assessed by reason of Alterations or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Tax Increase for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.5 **Personal Property Taxes.** Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

INITIALS 

INITIALS 

11. Utilities and Services.

11.1 Lessee shall pay for all water, gas, heat, light, power, telephone, internet, fire and life safety monitoring, janitorial services, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Lessee shall enter into service contracts directly with the companies providing such services. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair, maintenance, replacements, improvements, alterations, changes of service, inability to obtain services, fuel, stream, water, or supplies or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions. See Addendum.

11.2 Within fifteen days of Lessor's written request, Lessee agrees to deliver to Lessor such information, documents and/or authorization as Lessor needs in order for Lessor to comply with new or existing Applicable Requirements relating to commercial building energy usage, ratings, and/or the reporting thereof.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(d), or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a non-curable Breach, Lessor may either:

(i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i.e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2 and Addendum)

12.3 Additional Terms and Conditions Applicable to Subletting.

The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

INITIALS 

INITIALS 

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee. See Addendum.

13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; the vacating of the Premises prior to the expiration or termination of this Lease without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism; or failure to deliver to Lessor exclusive possession of the entire Premises in accordance herewith prior to the expiration or termination of this Lease.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease. See Addendum.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

INITIALS 

INITIALS 

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises. See Addendum.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, the cost of tenant improvements for Lessee paid for or performed by Lessor, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon the occurrence of any Default under Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Default Breach by Lessee. The acceptance by Lessor of rent or the cure of the Default Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent in any twelve (12) month period, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option increase by an amount equal to ten percent (10%) of the then existing Base Rent, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor. See Addendum.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

~~15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.9 above, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed. The provisions of this paragraph are intended to supersede the provisions of any earlier agreement to the contrary.~~

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker, agent or finder (other than the Brokers and Agents, if any, and Maha Katbi) in connection with this Lease, and that no one other than said named Brokers and Agents is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and

INITIALS 

INITIALS 

deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by AIR CRE, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) ~~If Lessor desires to finance, refinance, or sell the Premises, or any part thereof,~~ Lessee and all Guarantors shall, within 10 days after the Effective Date and thereafter, within ten (10) days after written notice from Lessor, deliver to Lessor and any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by Lessor or such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth. Any such financial statements shall be prepared in accordance with generally accepted accounting principles and certified by a CPA firm licensed to do business in the state of California.

17. Definition of Lessor. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; Broker Disclaimer. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. Notices.

23.1 Notice Requirements. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, or by email, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

23.3 Options. Notwithstanding the foregoing, in order to exercise any Options (see paragraph 39), the Notice must be sent by Certified Mail (return receipt requested), Express Mail (signature required), courier (signature required) or some other methodology that provides a receipt establishing the date the notice was received by the Lessor.

24. Waivers.

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. Disclosures Regarding the Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand

INITIALS 

INITIALS 

what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) **Lessor's Agent.** A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: **To the Lessor:** A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. **To the Lessee and the Lessor:** (a) Diligent exercise of reasonable skills and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith. (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) **Lessee's Agent.** An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. **To the Lessee:** A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. **To the Lessee and the Lessor:** (a) Diligent exercise of reasonable skills and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith. (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) **Agent Representing Both Lessor and Lessee.** A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. (b) Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not, without the express permission of the respective Party, disclose to the other Party confidential information, including, but not limited to, facts relating to either Lessee's or Lessor's financial position, motivations, bargaining position, or other personal information that may impact rent, including Lessor's willingness to accept a rent less than the listing rent or Lessee's willingness to pay rent greater than the rent offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional. Both Lessor and Lessee should strongly consider obtaining tax advice from a competent professional because the federal and state tax consequences of a transaction can be complex and subject to change.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the **Commencement Date-Start Date** and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. At or prior to the expiration or termination of this Lease Lessee shall deliver exclusive possession of the Premises to Lessor. For purposes of this provision and Paragraph 13.1(a), exclusive possession shall mean that Lessee shall have vacated the Premises, removed all of its personal property therefrom and that the Premises have been returned in the condition specified in this Lease. In the event that Lessee does not deliver exclusive possession to Lessor as specified above, then Lessor's damages during any holdover period shall be computed at the amount of the Rent (as defined in Paragraph 4.1) due during the last full month before the expiration or termination of this Lease (disregarding any temporary abatement of Rent that may have been in effect), but with Base Rent being 150% of the Base Rent payable during such last full month. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee. **See Addendum.**

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located. Signatures to this Lease accomplished by means of electronic signature or similar technology shall be legal and binding.

30. Subordination; Attachment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attachment. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

INITIALS 

INITIALS 

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements. **See Addendum.**

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** All requests for consent shall be in writing. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form **attached as Exhibit A most recently published by AIR CRE.**

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted any Option, as defined below, then the following provisions shall apply.

39.1 **Definition.** "**Option**" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.** **See Addendum.**

~~(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of~~

INITIALS 

INITIALS 

~~this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.~~

~~(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).~~

~~(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.~~

40. Multiple Buildings. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. See Addendum.

42. Reservations. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recording of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

44. Authority; Multiple Parties; Execution.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Offer. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS LEASE.

49. Arbitration of Disputes. An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. Accessibility; Americans with Disabilities Act.

(a) The Premises:

have not undergone an inspection by a Certified Access Specialist (CASp). Note: A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.

have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. Lessee acknowledges that it received a copy of the inspection report at least 48 hours prior to executing this Lease and agrees to keep such report confidential.

have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. Lessee acknowledges that it received a copy of the inspection report at least 48 hours prior to executing this Lease and agrees to keep such report confidential except as necessary to complete repairs and corrections of violations of construction related accessibility standards.

INITIALS 

INITIALS 

In the event that the Premises have been issued an inspection report by a CASp the Lessor shall provide a copy of the disability access inspection certificate to Lessee within 7 days of the execution of this Lease.

(b) Since compliance with the Americans with Disabilities Act (ADA) and other state and local accessibility statutes are dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in compliance with ADA or other accessibility statutes, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY AIR CRE OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: _____
On: _____

Executed at: _____
On: _____

By LESSOR:
Zina Development, LLC, a California limited liability company

By LESSEE:
Cheetah Net Supply Chain Service Inc., a North Carolina corporation

By: _____
Name Printed: Abdullah Arbikatbi
Title: Managing Member
Phone: _____
Fax: _____
Email: skatbi@ftrnv.com

By: _____
Name Printed: Huan Liu
Title: CEO
Phone: _____
Fax: _____
Email: tony@west-buy.com

By: _____
Name Printed: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

By: _____
Name Printed: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

Address: 73 Legacy Way, Irvine, California 92602
Federal ID No.: _____

Address: 6201 Fairview Rd, Ste 225, Charlotte, NC 28210
Federal ID No.: _____

BROKER

Lee & Associates, Inc. - Irvine
Attn: Allen Basso/Eric Darnell/Kylee King
Title: _____
Address: 9838 Research Dirve, Irvine, CA 92618
Phone: _____
Fax: _____
Email: edarnnell@leeirvine.com
Federal ID No.: _____
Broker DRE License #: 0144791
Agent DRE License #: 01298152/01888743/02101275

BROKER

Universal Elite Realty
Attn: Jing Gan
Title: _____
Address: 7700 Irvine Center Dr, Ste 680, Irvine, CA 92618
Phone: _____
Fax: _____
Email: ganjingteamus@gmail.com
Federal ID No.: _____
Broker DRE License #: _____
Agent DRE License #: 02132915

AIR CRE * <https://www.aircre.com> * 213-687-8777 * contracts@aircre.com
NOTICE: No part of these works may be reproduced in any form without permission in writing.

INITIALS 

INITIALS 



ARBITRATION AGREEMENT STANDARD LEASE ADDENDUM

Dated: July 19, 2024 ("Effective Date")

By and Between

Lessor: Zina Development, LLC, a California limited liability company

Lessee: Cheetah Net Supply Chain Service Inc., a North Carolina corporation

Property Address: 8707 Research Drive, Irvine, CA 92618
(street address, city, state, zip)

Paragraph: 49

A. ARBITRATION OF DISPUTES:

Except as provided in Paragraph B below, the Parties agree to resolve any and all claims, disputes or disagreements arising under this Lease, including, but not limited to any matter relating to Lessor's failure to approve an assignment, sublease or other transfer of Lessee's interest in the Lease under Paragraph 12 of this Lease, any other defaults by Lessor, or any defaults by Lessee by and through arbitration as provided below and irrevocably waive any and all rights to the contrary. The Parties agree to at all times conduct themselves in strict, full, complete and timely accordance with the terms hereof and that any attempt to circumvent the terms of this Arbitration Agreement shall be absolutely null and void and of no force or effect whatsoever.

B. DISPUTES EXCLUDED FROM ARBITRATION:

The following claims, disputes or disagreements under this Lease are expressly excluded from the arbitration procedures set forth herein: 1. Disputes for which a different resolution determination is specifically set forth in this Lease, 2. All claims by either party which (a) seek anything other than enforcement or determination of rights under this Lease, or (b) are primarily founded upon matters of fraud, willful misconduct, bad faith or any other allegations of tortious action, and seek the award of punitive or exemplary damages, 3. Claims relating to (a) Lessor's exercise of any unlawful detainer rights pursuant to applicable law or (b) rights or remedies used by Lessor to gain possession of the Premises or terminate Lessee's right of possession to the Premises, all of which disputes shall be resolved by suit filed in the applicable court of jurisdiction, the decision of which court shall be subject to appeal pursuant to applicable law 4. Any claim or dispute that is within the jurisdiction of the Small Claims Court and 5. All claims arising under Paragraph 39 of this Lease.

C. APPOINTMENT OF AN ARBITRATOR:

All disputes subject to this Arbitration Agreement, shall be determined by binding arbitration before: a retired judge of the applicable court of jurisdiction (e.g., the Superior Court of the State of California) affiliated with Judicial Arbitration & Mediation Services, Inc. ("JAMS"), the American Arbitration Association ("AAA") under its commercial arbitration rules, _____, or as may be otherwise mutually agreed by Lessor and Lessee (the "Arbitrator"). In the event that the parties elect to use an arbitrator other than one affiliated with JAMS or AAA then such arbitrator shall be obligated to comply with the Code of Ethics for Arbitrators in Commercial Disputes (see: http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG_003867). Such arbitration shall be initiated by the Parties, or either of them, within ten (10) days after either party sends written notice (the "Arbitration Notice") of a demand to arbitrate by registered or certified mail to the other party and to the Arbitrator. The Arbitration Notice shall contain a description of the subject matter of the arbitration, the dispute with respect thereto, the amount involved, if any, and the remedy or determination sought. If the Parties have agreed to use JAMS they may agree on a retired judge from the JAMS panel. If they are unable to agree within ten days, JAMS will provide a list of three available judges and each party may strike one. The remaining judge (or if there are two, the one selected by JAMS) will serve as the Arbitrator. If the Parties have elected to utilize AAA or some other organization, the Arbitrator shall be selected in accordance with said organization's rules. In the event the Arbitrator is not selected as provided for above for any reason, the party initiating arbitration shall apply to the appropriate Court for the appointment of a qualified retired judge to act as the Arbitrator.

D. ARBITRATION PROCEDURE:

1. **PRE-HEARING ACTIONS.** The Arbitrator shall schedule a pre-hearing conference to resolve procedural matters, arrange for the exchange of information, obtain stipulations, and narrow the issues. The Parties will submit proposed discovery schedules to the Arbitrator at the pre-hearing conference. The scope and duration of discovery will be within the sole discretion of the Arbitrator. The Arbitrator shall have the discretion to order a pre-hearing exchange of information by the Parties, including, without limitation, production of requested documents, exchange of summaries of testimony of proposed witnesses, and examination by deposition of parties and third-party witnesses. This discretion shall be exercised in favor of discovery reasonable under the circumstances. The Arbitrator shall issue subpoenas and subpoenas duces tecum as provided for in the applicable statutory or case law (e.g., in California Code of Civil Procedure Section 1282.6).

2. **THE DECISION.** The arbitration shall be conducted in the city or county within which the Premises are located at a reasonably convenient site. Any Party may be represented by counsel or other authorized representative. In rendering a decision(s), the Arbitrator shall determine the rights and obligations of the Parties according to the substantive laws and the terms and provisions of this Lease. The Arbitrator's decision shall be based on the evidence introduced at the hearing, including all logical and reasonable inferences therefrom. The Arbitrator may make any determination and/or grant any remedy or relief that is just and equitable. The decision must be based on, and accompanied by, a written statement of decision explaining the factual and legal basis for the decision as to each of the principal controverted issues. The decision shall be conclusive and binding, and it may thereafter be confirmed as a judgment by the court of applicable jurisdiction, subject only to challenge on the grounds set forth in the applicable statutory or case law (e.g., in California Code of Civil Procedure Section 1286.2). The validity and enforceability of the Arbitrator's decision is to be determined exclusively by the court of appropriate jurisdiction pursuant to the provisions of this Lease. The Arbitrator may award costs, including without limitation, Arbitrator's fees and costs, attorneys' fees, and expert and witness costs, to the prevailing party, if any, as

INITIALS 

INITIALS 

determined by the Arbitrator in his discretion.

Whenever a matter which has been submitted to arbitration involves a dispute as to whether or not a particular act or omission (other than a failure to pay money) constitutes a Default, the time to commence or cease such action shall be tolled from the date that the Notice of Arbitration is served through and until the date the Arbitrator renders his or her decision. Provided, however, that this provision shall NOT apply in the event that the Arbitrator determines that the Arbitration Notice was prepared in bad faith.

Whenever a dispute arises between the Parties concerning whether or not the failure to make a payment of money constitutes a default, the service of an Arbitration Notice shall NOT toll the time period in which to pay the money. The Party allegedly obligated to pay the money may, however, elect to pay the money "under protest" by accompanying said payment with a written statement setting forth the reasons for such protest. If thereafter, the Arbitrator determines that the Party who received said money was not entitled to such payment, said money shall be promptly returned to the Party who paid such money under protest together with interest thereon as defined in Paragraph 13.5. If a Party makes a payment "under protest" but no Notice of Arbitration is filed within thirty days, then such protest shall be deemed waived. (See also Paragraph 42 or 43)

AIR CRE * <https://www.aircre.com> * 213-687-8777 * contracts@aircre.com
NOTICE: No part of these works may be reproduced in any form without permission in writing.

INITIALS 

© 2017 AIR CRE. All Rights Reserved.
ARB-3.03, Revised 10-22-2020

INITIALS 

Last Edited: 7/22/2024 1:05 PM
Page 2 of 2

**ADDENDUM TO THE STANDARD INDUSTRIAL/COMMERCIAL
SINGLE-TENANT LEASE - GROSS
DATED JULY 19, 2024
BETWEEN ZINA DEVELOPMENT, LLC, AS LESSOR,
AND CHEETAH NET SUPPLY CHAIN SERVICE INC., AS LESSEE**

The following provisions are added to the Lease; where applicable, Paragraph numbers below correspond to Paragraph numbers in the Lease, and all defined terms are as defined in the Lease:

1.2 **Premises.** As used herein, the term "Project" shall include all property subject to the CC&Rs (as defined below).

1.5 **Base Rent.**

(a) Base Rent shall be payable on the first day of each month as follows:

Period	Monthly Base Rent
Months 1 through 12	\$42,000.00
Months 13 through 24	\$43,680.00
Months 25 through 36	\$45,427.20

(b) The term "Rent" as used in this Lease shall include Base Rent and all other sums owing to Lessor under the terms of this Lease.

1.6(a) **Prepaid Rent.** Commencing on the first day of the fourth (4th) full calendar month of the Original Term, the Prepaid Rent shall be applied to fifty percent (50%) of the Base Rent due for that month and for each month thereafter until the Prepaid Rent has been exhausted (i.e., Lessee shall continue to deliver payment of fifty percent (50%) of the Base Rent in accordance with Section 4.2 of the Lease and the Prepaid Rent will be applied to the other fifty percent (50%)).

2.4 **Acknowledgements.** Lessee is leasing the Premises "AS IS", "WHERE IS", and with all faults and defects, and acknowledges that neither Lessor nor Lessor's agents have made any oral or written representations or warranties with respect to the condition of the Premises except as expressly set forth in the Lease. In addition, Lessee acknowledges that Lessor will not be providing any improvements, improvement allowance, alterations or furniture in the Premises.

5. **Security Deposit.** Lessee acknowledges and agrees that the Security Deposit may be applied towards any rent or other sum in default or otherwise owing to Lessor by Lessee following the expiration or earlier termination of this Lease as allowed under Section 1951.2 of the California Civil Code. In connection therewith, Lessee hereby expressly waives the benefits of any statute now or hereafter in effect which would prevent Lessor from applying all or any portion of the Security Deposit to offset any future rent owing to Lessor at the termination of the Lease prior to the expiration of the Original Term, as the same may be extended, including, without limitation, California Civil Code Section 1950.7. If Lessor sells its interest in the Premises to a purchaser other than Lessee during the Original Term, as the same may be extended, and if Lessor deposits with the purchaser of the Premises the then unappropriated portion of the Security Deposit, Lessor shall be discharged from any further liability with respect to the Security Deposit.

6.1 **Permitted Use.** Lessee shall comply with all present and future covenants, conditions, and restrictions or other restrictive covenants and obligations, whether or not of record, which affect the use and operation of the Premises, including, without limitation, that certain Declaration of Conditions, Covenants and Restrictions and Grant of Easements for Vantage Business Center dated September 28th, 1998 between Abundant Capital Group LLC, a California limited liability company, and California Counties Title Company, a California corporation, recorded in the Official Records of Orange County as Instrument No. 19980701248 (as amended, the "CC&Rs"). Lessee shall strictly comply with, and shall cause its agents, employees, business licensees and invitees to strictly comply with, all Applicable Requirements.

6.3 **Lessee's Energy Use Reporting Requirements.** Lessee shall promptly deliver to Lessor (a) upon receipt by Lessee, copies of all invoices evidencing Lessee's energy consumption at the Premises; (b) such other information as Lessor may reasonably request from time to time in order to comply with California energy laws, ordinances, orders or regulations, now or hereinafter enacted (collectively, the "Energy Laws"); and (c) such consents, approvals, authorizations or other documents or instruments as may be necessary to cause the applicable utility providers to release such information regarding the energy consumption of the Premises as may be required pursuant to the Energy Laws. The items to be delivered pursuant to clauses (a), (b) and (c) above are collectively referred to as the "Energy Use Compliance Information". Lessee's failure to deliver any of the Energy Use Compliance Information to Lessor within ten (10) business days of a second request from Lessor shall constitute a material default under the Lease and Lessor may, at Lessor's option, terminate the Lease, provided written notice of such termination is received by Lessee prior to Lessor's receipt of the Energy Use Compliance Information. Additionally, Lessee acknowledges that Lessor may be required to disclose certain information concerning the energy performance of the Premises pursuant to the Energy Laws (collectively the "Energy Disclosure Requirements"), to the extent applicable to the Project. To the maximum extent permitted by law, Lessee hereby waives any rights under the Energy Disclosure Requirements and further waives any right to receive the Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist, and Facility Summary, all as defined in the Energy Disclosure Requirements (collectively, the "Energy Disclosure Information"). Lessee hereby forever releases Lessor of any liability under the Energy Disclosure Requirements, including, without limitation, any liability of Lessor arising as a result of Lessor's failure to provide to Lessee the Energy Disclosure Information.

7.1 **Lessee's Obligations.**

(a) Lessee shall, at Lessee's sole cost and expense, at all times during the Original Term, as the same may be extended (i) maintain, operate, repair, and use the Premises as appropriate to prevent or minimize, as appropriate, the accumulation of (x) levels of carbon dioxide in the Premises in excess of levels permitted under applicable law, and (y) stagnant water and moisture in planters, kitchen appliances and vessels, carpeting, insulation, water coolers and any other locations where

stagnant water and moisture could accumulate, and (ii) otherwise maintain, operate, repair, and use the Premises to prevent the generation, growth, deposit, release or circulation of any mold, mildew, bacillus, virus, pollen or other micro-organism and the deposit, release or circulation of any indoor contaminants, including emissions from paint, carpet and drapery treatments, cleaning, maintenance and construction materials and supplies, pesticides, pressed wood products, insulation, and other materials and products. Lessee's obligations shall include providing janitorial services to the Premises. Lessee's expenses incurred to provide janitorial services to the Premises shall be payable in their entirety by Lessee directly to the provider of janitorial services. Lessee shall only utilize such janitorial service providers as are designated by Lessor. Lessee shall cause its janitorial service provider to provide service to any commercially reasonable minimal standard promulgated by Lessor.

7.2 **Lessor's Obligations.** Notwithstanding anything to the contrary set forth in the Lease, to the extent any maintenance, repair or replacement not covered by insurance is due to the negligent acts or intentional misconduct of Lessee or any of Lessee's agents, employees, contractors, representatives, licensees or business invitees, the costs for such maintenance, repair or replacement shall be borne exclusively by Lessee.

7.3(b) **Utility Installations, Trade Fixtures, Alterations; Consent.** Lessor's consent to any proposed Alterations or Utility Installations that affect the exterior of the Premises or that affect the structural components or mechanical systems of the Premises may be withheld in Lessor's sole and absolute discretion. Lessor's consent to any other proposed Alterations or Utility Installations shall not be unreasonably withheld. In addition to the conditions to approval set forth in clauses (i), (ii), and (iii) of this Paragraph 7.3(b), Lessor may also condition its consent on (a) Lessee causing its contractor to comply with construction rules and regulations as may be issued by Lessor from time to time, and (b) Lessee depositing an amount equal to one hundred twenty-five percent (125%) of the estimated cost necessary to restore the Premises to the condition in which they existed prior to the Alteration or Utility Installation, as determined by Lessor in its reasonable discretion.

8.2(a) **Additional Coverage.** If the use and occupancy of the Premises include any activity or matter that is or may be excluded from coverage under a commercial general liability policy, Lessee shall obtain such endorsements to the commercial general liability policy or otherwise obtain insurance to insure all liability arising from such activity or matter in such amounts as Lessor may reasonably require, insuring Lessee (and naming as additional insureds Lessor and, if requested by Lessor, Lessor's Lender), against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises.

8.5 **Insurance Policies.** The form and content of all insurance certificates and binders shall be subject to the reasonable approval of Lessor, provided that it shall be unreasonable for Lessor to disapprove any certificates or policies that, either separately or together, reflect full compliance with Lessee's obligations to maintain insurance under this Lease.

8.6 **Waiver of Subrogation.** Paragraph 8.6 of the Lease is supplemented to provide that (i) nothing contained in such Paragraph shall absolve Lessee of its obligations of maintenance and repair and payment of insurance deductibles under the Lease, and (ii) in the event that any loss is due to the act, omission or negligence or willful misconduct of Lessee or any of its agents, employees, contractors, guests, invitees, assignees or sublessees, Lessee's liability insurance shall be primary and shall cover all losses and damages prior to any other insurance.

8.8 **Exemption of Lessor from Liability.** In consideration of the benefits accruing under this Lease, Lessee and all successors and assigns agree that, in the event of any actual or alleged failure, breach or default under this Lease by Lessor: (a) the sole and exclusive remedy shall be against Lessor's interest in the Premises; (b) no partner or member of Lessor shall be named as a party in any suit or proceeding (except as may be necessary to secure jurisdiction of the partnership, if applicable); (c) no partner or member of Lessor shall be required to answer or otherwise plead to any service of process; (d) no judgment will be taken against any partner or member of Lessor; (e) no writ of execution will ever be levied against the assets of any partner or member of Lessor; and (f) the obligations of Lessor under this Lease do not constitute personal obligations of the individual partners, members, directors, officers or shareholders of Lessor, and Lessee shall not seek recourse against the individual partners, members, directors, officers or shareholders of Lessor or any of their personal assets for satisfaction of any liability in respect to this Lease.

8.9 **Failure to Provide Insurance.** In addition to the foregoing, in the event of any failure by Lessee to obtain or maintain the insurance required under the Lease, Lessor may obtain, on Lessee's behalf and at Lessee's expense, such insurance policies as are required to be maintained by Lessee under the Lease. Lessee shall, within ten (10) days after demand, reimburse Lessor for the cost of any such policies.

9.8 **Damage and Destruction; Limited Obligation to Repair; Effect of Termination.** Notwithstanding anything contained in this Paragraph 9 to the contrary, Lessor shall not be obligated to repair or replace, and Lessee shall, at its expense, replace or fully repair all Lessee's personal property, Trade Fixtures, Utility Installations, and Lessee-Owned Alterations existing at the time of such damage. Lessee shall fully cooperate with Lessor in removing Lessee's personal property, Trade Fixtures, and any debris from the Premises to facilitate the making of repairs. If the Lease is terminated pursuant to this Paragraph 9, Lessor shall, subject to the rights of any Lenders, be entitled to receive and retain all insurance proceeds resulting from or attributable to such damage or destruction, except for proceeds payable under policies obtained by Lessee which specifically insure Lessee's personal property and Trade Fixtures.

11. **Utilities.** Lessee's use of electric current shall never exceed the capacity of the feeders to the Premises, or the risers or wiring installation. Lessee shall keep the meter and installation equipment in good working order and repair at Lessee's sole cost and expense, in default of which Lessor may cause such meter and equipment to be replaced or repaired and collect the cost thereof from Lessee. Lessee acknowledges that Lessor shall charge Lessee on an annual basis for usage of HVAC service in excess of forty-eight (48) hours per week (i.e., 2,496 hours per year) ("**Excess HVAC Hours**") at a rate of One Hundred Twenty-Five and No/100 Dollars (\$125.00) per hour of excess usage ("**Excess HVAC Hourly Charge**"). Upon each anniversary of the Commencement Date, Lessee agrees to pay Lessor, within five (5) days after Lessee's receipt of an invoice therefor, for any Excess HVAC Hourly Charges. In the event Lessee remains in possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease, Lessee shall pay for the Excess HVAC Hourly Charge on a weekly basis for any HVAC usage exceeding forty-eight (48) hours.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.** Lessor may refuse to consent to any assignment or subletting on any commercially reasonable grounds. Without limiting the foregoing, Lessor may withhold its consent, and such withholding shall be deemed reasonable, if:



(A) The assignment or subletting is not on the same terms and conditions set forth in Lessee's notice given to Lessor or if such proposed terms or conditions violate any terms of this Lease;

(B) The transferee fails to demonstrate to Lessor, in Lessor's subjective, good faith discretion, that the transferee has the financial capability to perform the obligations on transferee's part to be performed under the Lease, including having a net worth at least equal to the net worth of Lessee as of the Commencement Date, as evidenced by financial statements which have been audited, if such is the customary practice of the proposed transferee, or reviewed and certified by a certified public accountant;

(C) There then exists any default by Lessee pursuant to the Lease or any non-payment or non-performance by Lessee under the Lease which, with the passage of time or the giving of notice, would constitute a default under the Lease;

(D) The business reputation, character, history and nature of the business of the proposed assignee or subtenant is not satisfactory to Lessor; or

(E) The proposed assignee or subtenant is a governmental entity or agency.

12.3 Additional Terms and Conditions Applicable to Subletting. Whether or not Lessor shall consent to an assignment or sublease under the provisions of this Paragraph 12.3, (i) in addition to the fee payable under Paragraph 12.2(e), Lessee shall pay Lessor's processing costs and attorneys' fees incurred in determining whether or not to so consent, and (ii) Lessee shall not be relieved of any responsibility under this Lease without Lessor's express written release, which Lessor may grant or withhold in its sole, subjective discretion. Absent such an express written release, Lessee shall remain primarily liable for the Lessee's obligations under this Lease. If Lessor shall consent to any assignment, Lessee shall pay to Lessor, as additional rent, seventy-five percent (75%) of all net sums or other consideration payable to and for the benefit of Lessee by the transferee on account of the assignment, as and when such sums and other consideration are due and payable to or for the benefit of Lessee (or, if Lessor so requires, and without any release of Lessee's liability for the same, Lessee shall instruct the transferee to pay such sums and other consideration directly to Lessor). If in connection with any proposed sublease Lessee receives net sums or other consideration, either initially or over the term of the sublease, in excess of the rent called for under this Lease or, in case of the sublease of a portion of the Premises, in excess of such rent fairly allocable to such portion, after appropriate adjustments to assure that all other payments called for under this Lease are taken into account, Lessee shall pay to Lessor as additional rent seventy-five percent (75%) of the net sums or other consideration received by Lessee promptly after its receipt. As used in this paragraph, "**net sums or other consideration**" shall include without limitation the then fair value of any non-cash consideration and shall be calculated after first deducting reasonable costs incurred by Lessee in connection with the assignment or sublease, including without limitation commissions payable to a broker not affiliated with Lessee, space modification costs in connection with the assignment or sublease, reasonable legal costs, free rent concessions to the transferee or sublessee, and lease takeover costs. Lessor's waiver of or consent to any assignment or subletting shall not relieve Lessee or any assignee or sublessee from any obligation under this Lease whether or not accrued.

12.4 Recapture. In the event that Lessee contemplates an assignment or a subletting ("**Contemplated Transfer**"), then Lessee shall give Lessor notice ("**Intention to Transfer Notice**") of such Contemplated Transfer. The Intention to Transfer Notice shall specify the portion and amount of rentable square feet of the Premises which Lessee intends to transfer ("**Contemplated Transfer Space**"), the contemplated date of the commencement of the Contemplated Transfer ("**Contemplated Effective Date**"), and the contemplated length of the term of such Contemplated Transfer, and shall specify that such Intention to Transfer Notice is delivered to Lessor pursuant to this Paragraph 12.5 in order to allow Lessor to elect to recapture the Contemplated Transfer Space. Thereafter, Lessor shall have the option, by giving notice to Lessee within thirty (30) days after receipt of such Intention to Transfer Notice, to recapture such Contemplated Transfer Space, or the entire floor on which the Contemplated Transfer Space is located, or the entire Premises, effective as of the Contemplated Effective Date stated in the Intention to Transfer Notice. In the event of a recapture by Lessor, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Lessee in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon the request of either party, the parties shall execute written confirmation of the same. Notwithstanding the foregoing, however, should Lessor so elect to terminate this Lease with respect to the Contemplated Transfer Space as provided herein, Lessee may, by notice to Lessor within five (5) business days thereafter, elect to rescind its transfer request, in which event Lessor's termination election shall be null and void and Lessee will not consummate its proposed transfer.

13.1 Default; Breach.

(i) If Lessee has failed to timely pay Base Rent more than two (2) times in the immediately preceding twelve (12) month period, then the occurrence of a material adverse change in Lessee's financial condition, as evidenced by any financial statements delivered pursuant to Paragraph 52 below, such that Lessor reasonably believes that Lessee will be unable to continue making the payments required under the Lease.

13.2 Remedies. Any written notice given under Paragraph 13.2 of the Lease shall be in lieu of, and not in addition to, the notice requirements of California Code of Civil Procedure Section 1161 et. seq.

13.6 Breach by Lessor.

(c) Lessee and all successors and assigns agree that, in the event of any actual or alleged failure, breach or default under this Lease by Lessor, any claim, defense, or other right of Lessee arising in connection with this Lease or negotiations before this Lease was signed, shall be barred unless Lessee files an action or interposes a defense based thereon within one hundred eighty (180) days after the date of the alleged event on which Lessee is basing its claim, defense or right.

(d) Lessee's remedies in the event of a default by Lessor shall be limited to the remedies provided under the Lease, damages and/or injunctive relief, and, under no circumstances shall Lessee have the right to terminate this Lease due to a default of Lessor.

26. No Right to Holdover. Lessee shall indemnify Lessor from all loss or liability arising from any holding over by Lessee without Lessor's express written consent or failure of Lessee to surrender the Premises in accordance with Paragraph 7.4(c), including, without limitation, claims made by succeeding lessees or losses due to lost opportunities to lease to succeeding lessees.

34. **Signs.** Lessee shall have the right to install signage on the Building subject to (i) approval by all governmental agencies having jurisdiction over the Building, (ii) Lessor's consent as to materials, location and size, which shall be given or withheld in Lessor's sole, subjective judgment, and (iii) Lessee's compliance with the requirements of this Paragraph. Such signage is referred to herein as the "**Signage**". The Signage and all appurtenant electrical and mechanical installation required in connection with the Signage shall (a) be installed at Lessee's sole cost and expense, (b) comply with all Applicable Requirements, (c) be of a size, design, construction, color and material acceptable to Lessor in its sole discretion, (d) be illuminated (if any illumination is approved or required by Lessor in its sole discretion) in a manner acceptable to Lessor in its sole discretion, and (e) contain only such text and logos as are reasonably acceptable to Lessor. Lessee shall obtain all governmental permits and approvals required in connection with the Signage at Lessee's sole cost and expense. Before beginning installation of the Signage, Lessee shall obtain Lessor's written approval in Lessor's reasonable discretion of Lessee's signage contractor and installer and of all plans and specifications for the Signage. At Lessor's option, Lessee shall, at Lessee's sole cost, remove the Signage upon expiration or earlier termination of the Original Term, as the same may be extended, and repair all damage to the Premises caused by installation and removal of the Signage.

39.4 **Options to Renew.**

39.4.1 **Grant of Option.** Lessee shall have the right to extend the Original Term (each, a "**Renewal Option**") with respect to the entire Premises for up to two (2) additional periods of three (3) years each (each, a "**Renewal Term**"), with the Renewal Term commencing on the day following the Expiration Date of the Original Term or the first Renewal Term, as applicable, subject to the following conditions:

- (a) Lessor must receive notice of exercise for the applicable Renewal Option ("**Renewal Notice**") not more than fourteen (14) months and not less than six (6) months prior to the Expiration Date of the Original Term or the first Renewal Term, as applicable;
- (b) Lessee may not be in Default under the Lease beyond any applicable notice and cure periods at the time Lessee delivers any Renewal Notice or at the time Lessee delivers any Binding Notice (as defined below);
- (c) All Rent that is due and payable must be paid at the time that Lessee delivers any Renewal Notice or at the time Lessee delivers any Binding Notice;
- (d) Lessee shall not have been given three (3) or more notices of separate Default, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the applicable Renewal Option;
- (e) No part of the Premises may be sublet at the time that Lessee delivers any Renewal Notice or at the time Lessee delivers any Binding Notice;
- (f) The Lease may not have been assigned by Lessee prior to the date that Lessee delivers any Renewal Notice or at the time Lessee delivers any Binding Notice;
- (g) The deadline to exercise a Renewal Option shall not be extended or enlarged by reason of Lessee's inability to exercise a Renewal Option because of the provisions of Paragraphs 39.4.1(a) through (d) above; and
- (h) All Renewal Options shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the applicable Renewal Option, if, after such exercise and prior to the commencement of the Renewal Term, (A) Lessee fails to timely pay Rent when such Rent becomes due (without necessity of Lessor to give notice thereof), or (B) if Lessee commits a Breach of this Lease.

39.4.2 **Terms Applicable to Premises During Renewal Terms.** The Base Rent for the Premises during each Renewal Term shall be calculated using the Prevailing Market rate per rentable square foot for the Premises as of the commencement of the applicable Renewal Term (calculated in accordance with Paragraph 39.4.3 below), but shall be no less than the Rent under this Lease immediately prior to the applicable Renewal Term. Base Rent during each Renewal Term will be subject to annual four percent (4%) increases. In addition to Base Rent, Lessee shall pay, during the Renewal Term, the additional rent and all other charges required to be paid by Lessee under the terms of the Lease.

39.4.3 **Procedure for Determining Prevailing Market.** Within 30 days after receipt of the applicable Renewal Notice for the applicable Renewal Term, Lessor shall advise Lessee of the Base Rent for the Premises for the applicable Renewal Term. Lessee, within fifteen (15) days after the date on which Lessor advises Lessee of the Base Rent for the applicable Renewal Term, shall either (i) give Lessor final binding written notice ("**Binding Notice**") of Lessee's exercise of the applicable Renewal Option, or (ii) if Lessee disagrees with Lessor's determination, provide Lessor with written notice of rejection (the "**Rejection Notice**"). If Lessee fails to provide Lessor with either a Binding Notice or Rejection Notice within such fifteen (15) day period, Lessee will be deemed to have delivered a Binding Notice. If Lessee provides Lessor with a Binding Notice, Lessor and Lessee shall enter into a Renewal Amendment (as defined below) upon the terms and conditions set forth herein. If Lessee provides Lessor with a Rejection Notice, Lessor and Lessee shall work together in good faith to agree upon the Prevailing Market rate for the Premises during the applicable Renewal Term. When Lessor and Lessee have agreed upon the Prevailing Market rate for the Premises, such agreement shall be reflected in a written agreement between Lessor and Lessee, whether in a letter or otherwise, and Lessor and Lessee shall enter into the Renewal Amendment in accordance with the terms and conditions hereof. Notwithstanding the foregoing, if Lessor and Lessee are unable to agree upon the Prevailing Market rate for the Premises within thirty (30) days after the date Lessee provides Lessor with a Rejection Notice (the "**Renewal Outside Date**"), the Prevailing Market rate shall be determined by the appraisal method set forth in Paragraph 39.4.4.

39.4.4 **Determination By Appraisal.** If Lessor and Lessee are not able to agree upon the Prevailing Market rate pursuant to Paragraph 39.4.3 above within the time period proscribed, then Lessor and Lessee shall work together to agree in good faith upon a single appraiser not later than fifteen (15) days after the applicable Renewal Outside Date. If Lessor and Lessee are unable to agree upon a single appraiser within such fifteen (15) day period, then Lessor and Lessee shall each appoint one appraiser not later than fifteen (15) days thereafter and Lessor and Lessee shall each give written notice to the other of such appointment at the time of such appointment. Within ten (10) days thereafter, the two appointed appraisers shall appoint a third appraiser. If either Lessor or Lessee fails to appoint its appraiser and to give written notice thereof to the other party within the prescribed time period, the single appraiser appointed shall determine the Prevailing Market rate for the Premises. If both parties fail to appoint appraisers within the prescribed time periods, then the first appraiser thereafter selected by a party (such selection to be by written notice thereof to such appraiser and the other party) shall determine the Prevailing Market rate for the Premises. Each party shall bear the cost of its own appraiser and the parties shall share equally the cost of the single or third appraiser if applicable.

All appraisers shall have at least ten (10) years' experience in the appraisal of commercial real property in the area in which the Premises are located and shall be members of professional organizations such as MAI or its equivalent.

For the purposes of such appraisal, the term "Prevailing Market" shall mean the per square foot fair market monthly rental rate that a ready and willing tenant would accept, as of the start of the applicable Renewal Term, for the calculation of monthly base rent, from a ready and willing landlord of property comparable to the Premises (with comparable tenant and other improvements), if such property were exposed for lease in a Comparable Market (as defined below) for a reasonable period of time and taking into account all of the purposes for which the Premises may be used and all of the benefits that the Premises may enjoy. "**Comparable Market**" means the area commonly referred to as the "Irvine Spectrum Market".

If a single appraiser is chosen, then such appraiser shall determine the Prevailing Market rate for the Premises. Otherwise, the Prevailing Market rate for the Premises shall be the arithmetic average of the two (2) of the three (3) appraisals which are closest in amount, and the third appraisal shall be disregarded. Lessor and Lessee shall instruct the appraiser(s) to complete their determination of the Prevailing Market rate not later than thirty (30) days after they have been engaged. If the Prevailing Market rate is not determined prior to the commencement of the applicable Renewal Term, then Lessee shall continue to pay to Lessor the Base Rent applicable to the Premises immediately prior to the applicable Renewal Term until the Prevailing Market rate is determined. When the Prevailing Market rate for the Premises is determined, Lessor shall deliver notice thereof to Lessee, and Lessee shall pay to Lessor, within ten (10) days after receipt of such notice, the difference between the Base Rent actually paid by Lessee to Lessor for the period after the commencement of the applicable Renewal Term and the new Base Rent determined hereunder effective as of the commencement of the applicable Renewal Term. In no event shall the Base Rent be reduced below the Base Rent applicable to the Premises immediately prior to the commencement of the applicable Renewal Term.

39.4.5 Renewal Amendment. If Lessee is entitled to and properly exercises the applicable Renewal Option, Lessor shall prepare an amendment (the "**Renewal Amendment**") to reflect the changes in the Base Rent, Original Term or Renewal Term, as applicable, and other appropriate terms. The Renewal Amendment shall be sent to Lessee within a reasonable time after Lessor's receipt of the applicable Renewal Notice and Lessee shall execute and return the Renewal Amendment to Lessor within fifteen (15) days after Lessee's receipt of same. At Lessor's sole option, Lessee's Renewal Option shall be void if Lessee fails to timely return the Renewal Amendment duly executed by Lessee.

41. Security Measures. Lessee assumes all responsibility for the protection of Lessee and its agents, employees, business invitees and licensees and their property from the criminal acts of third parties and shall provide adequate security protection for the Premises. Nothing herein contained shall prevent Lessor, at Lessor's sole option, from providing security protection for the Building, the Project, or the Premises, and the costs thereof shall be paid by Lessee upon demand.

51. Inconsistencies. If there is any inconsistency between the provisions of the Lease and of this Addendum, the provisions of this Addendum shall control.

52. Financial Statements. Lessee shall deliver to Lessor, not less than once per year during the Original Term, as the same may be extended, and otherwise upon request by Lessor, copies of Lessee's financial statements which have been audited, if such is the customary practice of Lessee, or reviewed and certified by a certified public accountant.

53. Parking. Lessee shall have the exclusive right to use the forty-one (41) parking stalls designated for use by tenants or occupants of the Premises. In addition to the foregoing, to the extent consistent with and permitted under the CC&Rs, Lessee may use any of the unmarked parking spaces located within the Project on a non-exclusive first come, first served basis.

54. Furniture and IT Equipment.

(a) Lessee shall have the exclusive right during the Original Term, as the same may be extended, to use all furniture located in the Premises as of the Commencement Date (collectively, "**FF&E**"). A list of all FF&E located in the Premises as of the Effective Date is attached hereto as Schedule 1; provided, however, that Lessee agrees that (a) the list of FF&E on Schedule 1 may be inaccurate and Lessee's obligations under this Lease relating to FF&E includes any similar or dissimilar items located in the Premises even if they are not included on Schedule 1, and (b) Lessor makes no representation or warranty that all items listed on Schedule 1 are actually located in the Premises and Lessee shall not be entitled to any right or remedy if any items listed on Schedule 1 are not actually located in the Premises. Additionally, Lessee agrees that Lessor makes no representation or warranty as to its condition or fitness for any particular purpose of the FF&E. In no event shall Lessee remove any FF&E during the Original Term, as the same may be extended, or at the expiration thereof unless the FF&E is purchased by Lessee pursuant to the Purchase Agreement (as defined below).

(b) Lessor shall remove the IT equipment identified on attached Schedule 2 from the Premises within two (2) weeks of the Commencement Date.

55. Purchase Option.

a. Lessor hereby grants to Lessee the exclusive right to purchase the Premises upon all of the terms, covenants and conditions hereinafter set forth (the "**Option**").

b. The purchase price (the "**Purchase Price**") shall be Nine Million Seven Hundred Fifty Thousand and 00/100 Dollars (\$9,750,000.00) as of January 19, 2025, subject to adjustment as hereinafter set forth. Effective as of July 19, 2025, the Purchase Price shall be automatically decreased to Nine Million Five Hundred Thousand and 00/100 Dollars (\$9,500,000.00).

c. The Option shall begin on January 19, 2025 and shall continue and expire on July 19, 2026 in accordance with the terms hereof (the "**Option Term**").

d. If Lessee fails to timely and duly exercise the Option before the end of the Option Term, the Option shall automatically be deemed terminated without any further action by any party and Lessee shall have no further right to purchase the Premises. If Lessee exercises the Option and fails to close due to a default by Lessee, the Option shall automatically be deemed terminated without any further action by any party and Lessee shall have no further right to purchase the Premises, but the Lease shall remain in full force and effect in accordance with its terms.

e. Lessee may exercise the Option only by doing the following before the Option Term expires: (a) at least ten (10) business days before the end of the Option Term, notifying Lessor in writing of its election to do so ("**Exercise Notice**") and (b) depositing with DeFrenza Lee LLP two (2) Lessee executed copies of the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate and Addendum to Standard Offer, Agreement and Escrow Instructions for Real Estate collectively attached hereto as Exhibit "B" (collectively, the "**Purchase Agreement**"), which Purchase Agreement shall govern the terms of Lessee's purchase of the Premises. Within three (3) business days after Lessee exercises the Option, Lessor shall deliver to an

escrow company acceptable to Lessor and Lessee ("**Escrow Holder**") a counterpart of the Purchase Agreement duly executed by Lessor. If the Option is exercised by Lessee as provided herein, Lessor shall sell the Premises to Lessee and Lessee shall purchase the Premises from Lessor on the terms and conditions set forth in this Agreement and the Purchase Agreement. The Exercise Notice shall include a closing date which shall be no later than thirty (30) days after the date of delivery of the Exercise Notice to Seller ("**Closing Date**", "**Close of Escrow**", "**Close**", and/or "**Closing**").

f. Lessor shall, within ninety (90) days after Commencement Date, deliver to Lessee, the following property documents to the extent in Lessor's actual possession:

1. Copies of any leases, subleases and rental arrangements affecting the Premises;
2. A copy of the CC&Rs;
3. Copies of all other material agreements known to Lessor that are not recorded in the county recorder's office or otherwise publicly available from a public agency and that will affect the Premises after Closing; and
4. Copies of any notes, deeds of trust and related agreements to which the Premises will remain subject after the Closing.

56. **No Offer.** Preparation of this Lease by Lessor or Lessor's agent and submission of this Lease to Lessee shall not be deemed an offer to Lessee to lease or create an obligation of either party to negotiate to lease. This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

[Signatures Appear On Following Page]

THEREFORE, the parties have executed this Lease as of the date first written above.

LESSOR:

ZINA DEVELOPMENT, LLC,
a California limited liability company

By: Abdullah Arbikatbi
Name: Abdullah Arbikatbi
Its: Managing Member

LESSEE:

CHEETAH NET SUPPLY CHAIN SERVICE INC., a North Carolina
corporation

By: Huan Liu
Name: HUAN LIU
Its: Chief Executive Officer

By: _____
Name: _____
Its: _____

[If Lessee is a corporation, Signatories for Lessee shall be (1) any of the chairman of the board, the president or any vice-president and (2) any of the secretary, any assistant secretary, the chief financial officer or any assistant treasurer.]

EXHIBIT "A"

Form of Guaranty

EXHIBIT "B"

Form of Purchase Agreement

FIRST AMENDMENT TO STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE - GROSS

THIS FIRST AMENDMENT TO STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE - GROSS (this "Agreement") is made as of the 6th day of August, 2024, between **ZINA DEVELOPMENT, LLC**, a California limited liability company ("Landlord"), and **CHEETAH NET SUPPLY CHAIN SERVICE INC.**, a North Carolina corporation ("Tenant").

WITNESSETH:

Landlord and Tenant are, respectively, the current landlord and the current tenant under that certain Standard Industrial/Commercial Single-Tenant Lease - Gross dated as of July 19, 2024 (the "Lease"), as covering that certain building commonly known as 8707 Research Drive, Irvine, CA, as more particularly described in the Lease (the "Premises").

Landlord and Tenant desire to modify the Lease in accordance with the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions.** Capitalized terms used but not otherwise defined in this Agreement shall have the meanings ascribed to them in the Lease.

2. **Guarantor.** Section 1.10 is hereby deleted in its entirety and replaced with the following: Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by West Buy Media Inc., a North Carolina corporation ("Guarantor"). (See also Paragraph 37)

3. **Signature Block.** In the signature block for Lessee, the email address listed is hereby deleted and replaced with the following: tony@cheetah-net.com.

4. **Lease in Effect.** Except as otherwise modified by this Agreement, all of the terms and provisions of the Lease are hereby ratified and confirmed and shall continue in full force and effect.

5. **Counterparts; Captions.** This Agreement may be executed in counterparts and shall constitute an agreement binding on all parties notwithstanding that all parties are not signatories to the original or the same counterpart provided that all parties are furnished a copy or copies thereof reflecting the signature of all parties. Transmission of a facsimile, DocuSign or by email of a pdf copy of the signed counterpart of this Agreement shall be deemed the equivalent of the delivery of the original. The paragraph headings set forth in this Agreement are for convenience of reference only, and do not define, limit or construe the contents of such paragraphs.

6. **Prior Negotiations.** This Agreement supersedes all prior negotiations, representations, understandings and agreements of, by or between Landlord and Tenant with respect to the subject matter hereof, all of which shall be deemed fully merged herein.

7. **Entire Agreement.** This Agreement, together with the Lease and Guaranty, as amended, constitutes the entire Agreement of the parties hereto with respect to the matters stated herein, and may not be amended or modified unless such amendment or modification shall be in writing and shall have been signed by the party against whom enforcement is sought.

8. **Invalidity.** If any provision of this Agreement shall be invalid or unenforceable, the remainder of this Agreement or the application of such provision other than to the extent that it is invalid or unenforceable shall not be affected, and each provision of this Agreement shall remain in full force and effect notwithstanding the invalidity or unenforceability of such provision, but only to the extent that application and/or enforcement, as the case may be, would be equitable and consistent with the intent of the parties in entering into this Agreement.

[BALANCE OF PAGE INTENTIONALLY BLANK; SIGNATURE PAGE FOLLOWS]

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

LANDLORD:

ZINA DEVELOPMENT, LLC, a California limited liability company

By: /s/ Abdullah Arbikatbi
Abdullah Arbikatbi, Managing Member

TENANT:

CHEETAH NET SUPPLY CHAIN SERVICE INC., a North Carolina corporation

By: /s/ Huan Liu
Huan Liu, Chief Executive Officer

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is entered into as of June 20, 2024, by and between Cheetah Net Supply Chain Service Inc., a North Carolina corporation ("Lender"), and Hongkong Sanyou Petroleum Co Limited. ("Borrower").

RECITALS

Borrower desires to borrow from Lender, and Lender agrees to loan to Borrower, the Loan amounts described below.

NOW, THEREFORE, Lender and Borrower agree as follows:

1. LOAN

1.1 Loan. Lender agrees to lend to Borrower and Borrower agrees to borrow from Lender the principal amount of One Million Dollars (\$1,000,000) (the "Loan").

1.2 Interest. Except as provided in Section 1.4, the Loan shall bear interest at the monthly rate of 1%, calculated on the basis of a 30-day month for the actual number of days for which interest is calculated.

1.3 Payment Schedule. The Borrower shall repay the Loan and the Interest in a single lump sum on the date twelve months after the Lender has disbursed the Loan (the "Maturity Date").

1.4 Overdue Payments. Any overdue payments or unpaid portions of such payments under this Loan shall bear interest, payable on demand, at an annual rate of 18%, until repaid by Borrower; provided, however, that the aggregate rate of interest shall not exceed the maximum permissible interest rate under applicable law.

1.5 Disbursement by Lender. Lender will pay the Loan to Borrower via wire transfer to the following account at such time after the execution of this Agreement as Lender in its sole discretion may determine.

Beneficiary Bank
ABA/Routing #: [*]
Bank Name: [*]
Address: [*]

Beneficiary Party
Name: [*]
Physical Address: [*]
Account #: [*]

1.6 Payments by Borrower. Borrower shall make payments to Lender via wire transfer to an account specified by Lender.

1.7 Computations and Records. Lender shall record the date and amount of each payment by Borrower, and the resulting balance of the Loan. Borrower acknowledges and agrees that Lender's books and records relating to the transactions of this Agreement, including, without limitation, interest computations, shall be deemed correct, accurate and binding on Borrower.

2. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender the following:

2.1 Due Organization and Qualification. Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the state in which it is incorporated.

2.2 Due Authorization; No Conflict. The execution, delivery, and performance of the Agreement is within Borrower's corporate powers, has been authorized by Borrower's Board of Directors, will not conflict with or breach any provision of Borrower's Articles of Incorporation or Bylaws, and will not create or result in a breach or default under any contract or any law, regulation, or order by which Borrower is bound.

2.3 Enforceable Agreement. This Agreement has been duly executed and delivered by Borrower and is the legal, valid, and binding obligation of Borrower, enforceable against it in accordance with its terms.

2.4 Compliance with Law. Borrower is not in violation of any law, regulation, order or agreement, the consequences of which could reasonably be expected to have a material adverse effect on Borrower.

3. AFFIRMATIVE COVENANTS

3.1 Good Standing. Borrower shall remain in good standing as a corporation in the jurisdiction of its incorporation.

3.2 Compliance with Law. Borrower shall comply with all laws, regulations, and orders applicable to it.

3.3 Maintenance of Property. Borrower shall maintain all of its property necessary and useful in the conduct of its business in good operating condition and repair, ordinary wear and tear excepted.

3.4 Insurance. Borrower shall maintain and keep in force insurance of the types and amounts customarily carried in its line of business, including, without limitation, fire, public liability, property damage and workers' compensation.

4. REPORTING COVENANTS

4.1 Notice to Lender. Borrower shall promptly notify Lender of:

- (i) any material change to Borrower's financial condition or corporate status;
- (ii) any legal or regulatory action, proceeding or investigation threatened or instituted against Borrower that could reasonably be expected to have a material adverse effect on Borrower;
- (iii) substantial damage to or destruction of Borrower's business facilities or premises;
- (iv) any event of default under this Agreement, or any event that with lapse of time would constitute an event of default; or
- (v) any other development that has or could have a material adverse effect on Borrower.

5. NEGATIVE COVENANTS

5.1 Additional Debt. Borrower shall not borrow money from other parties without first disclosing the proposed borrowing to Lender.

5.2 Liens. Borrower shall not create, assume, or allow any security interest or lien on property that Borrower now or later owns except: (i) liens and security interests in favor of Lender; (ii) liens for taxes not yet due; (iii) liens outstanding on the date of this Agreement disclosed in writing to Lender; (iv) liens arising by operation of law; and (v) liens arising in the ordinary course of Borrower's business securing amounts Borrower owes in the operation of its business.

5.3 Sale of Assets; Change of Control; Mergers. Borrower shall not, without Lender's prior written consent: (i) sell, lease, transfer or dispose of substantially all of its assets to another entity; (ii) issue equity which would result in a change of control of Borrower; or (iii) consolidate with or merge into another entity, permit any other entity to merge into it or consolidate with it.

5.4 Changes in Nature of Business. Borrower shall not, directly or indirectly, engage in any business not related or incidental to the business conducted by Borrower on the date of this Agreement.

6. EVENTS OF DEFAULT

Any one or more of the following events shall constitute an Event of Default:

6.1 Payment Default. Borrower fails to make any interest or principal payment or payment of any other obligation under this Agreement after it is due.

6.2 Misrepresentations. Any representation or warranty or statement made by Borrower in this Agreement or in any financial statement, report or certificate furnished by Borrower to Lender under this Agreement proves to be untrue in any material respect as of the date on which the representation or statement was made.

6.3 Covenants. Borrower fails to perform or observe any covenants or any other material provision of this Agreement, aside from payment, and such failure continues for 15 days.

6.4 Insolvency. Borrower becomes insolvent, or an insolvency proceeding is commenced by Borrower or commenced against Borrower and is not dismissed or stayed within 30 days. "Insolvency proceeding" means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law.

6.5 Other Agreements. There is a default or other failure to perform by Borrower under any agreement to which Borrower is a party resulting in a third-party right, whether or not exercised, to accelerate the maturity of any indebtedness in an amount in excess of \$1,000,000 or that would reasonably be expected to have a material adverse effect on Borrower.

6.6 Judgments. A judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least \$1,000,000 shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of 10 days.

7. RIGHTS AND REMEDIES

If an event of default exists, Lender may terminate this Agreement and declare the outstanding balance of the Loan immediately due and payable. Lender's rights and remedies under this Agreement and

all other agreements shall be cumulative. No exercise by Lender of one right or remedy shall be deemed an election of, or waiver of, any other right or remedy.

8. RELATIONSHIP

8.1 Independent Organizations. Lender and Borrower are separate corporate entities and independent contracting parties. Borrower acknowledges that the conduct of Borrower and its employees and agents, and any other legal obligations of Borrower, are the sole responsibility of Borrower. This Agreement and its performance will not create a partnership, joint venture, employment, fiduciary, or similar relationship for any purpose.

8.2 Confidentiality. Each party shall keep confidential and shall not disclose or use for its benefit or the benefit of any third party, other than in connection with its activities under this Agreement, any confidential information obtained from the other party, without obtaining the other party's prior written consent, except to the extent that such confidential information is required to be disclosed by law. Confidential information does not include information that: (i) is or becomes generally available to the public other than as a result of a disclosure by either party; (ii) was known by either party before being furnished by the other party; (iii) is independently developed by either party without use, directly or indirectly, of any confidential information or (iv) is or becomes available to either party on a non-confidential basis from a source other than the other party.

8.3 Indemnification. Borrower shall defend, indemnify, and hold Lender, and its directors, officers, employees, agents, and affiliates, harmless from and against any and all claims, liabilities, losses, damages, and expenses, including, without limitation, reasonable attorneys' fees and expenses, that may arise, directly or indirectly, from (i) any breach by Borrower of its obligations under this Agreement; or (ii) any other act or omission by Borrower. Borrower shall have no obligation to indemnify Lender to the extent the liability is solely caused by Lender's gross negligence or willful misconduct.

8.4 Inspection. Borrower shall permit Lender, or any persons designated by Lender, at any reasonable time, to inspect Borrower's facilities and to inspect, audit, examine and make copies of Borrower's books, records, and accounts.

9. GENERAL PROVISIONS

9.1 Entire Agreement. This Agreement is the entire agreement between Lender and Borrower and supersedes all prior or contemporaneous communications, representations, understandings, and agreements, either oral or written, relating to the lending relationship contemplated by the subject matter of this Agreement.

9.2 Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

9.3 Assignment. Borrower will not assign its rights or delegate its duties under this Agreement without first obtaining the written consent of Lender. For purposes of this Agreement, an assignment includes, without limitation, a merger in which Lender is not the surviving entity; a consolidation involving Borrower; any amendment to Borrower's Articles of Incorporation or Bylaws, issuance by Borrower or sale or other transfer by holders of shares or other equity interests in Borrower, or any other action that has the effect of transferring to a single entity or person the power to elect a majority of the Borrower's Board of Directors.

9.4 Waiver. Any waiver of the provisions of this Agreement or of Lender's or Borrower's rights or remedies under this Agreement must be in writing and signed by the waiving party to be effective. Failure, neglect, or delay by Lender at any time to enforce the provisions of this Agreement or its rights or

remedies will not be construed as a waiver of its rights, powers, or remedies under this Agreement. Waiver of any breach or provision of this Agreement, including, without limitation, any Event of Default, will not be considered a waiver of any later breach or of the right to enforce any provision of this Agreement. Borrower waives diligence, presentment, protest, demand and notice of any kind.

9.5 Severability. If any provision of this Agreement is held illegal, invalid, or unenforceable, all other provisions of this Agreement will nevertheless be effective, and the illegal, invalid, or unenforceable provision will be considered modified such that it is valid to the maximum extent permitted by law.

9.6 Amendments. This Agreement may be amended only as stated in a written document signed by both Lender and Borrower which states that it is an amendment to this Agreement.

9.7 Notices. Any notices, approvals, consents or other communications required to be given by either party pursuant to this Agreement shall be in writing and delivered by mail, courier, e-mail message, or fax to the addresses set out on the signature page. These addresses may be changed by written notice to the other party.

9.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which will be taken together and deemed to be one instrument. Transmission by fax or PDF of executed counterparts will constitute effective delivery.

* * * * *

Lender and Borrower signed this Agreement as of the date set out in its first paragraph.

BORROWER:

Hongkong Sanyou Petroleum Co Limited

Signature: /s/ Hongkong Sanyou Petroleum Co Limited

Print Name:

Title:

LENDOR:

Cheetah Net Supply Chain Service, Inc.

Signature: /s/ HUAN LIU

Print Name: Huan Liu

Title: CEO



LOAN AGREEMENT

THIS LOAN AGREEMENT (“Agreement”) is entered into as of July 22, 2024, by and between Cheetah Net Supply Chain Service Inc., a North Carolina corporation (“Lender”), and Hongkong Sanyou Petroleum Co Limited. (“Borrower”).

RECITALS

Borrower desires to borrow from Lender, and Lender agrees to loan to Borrower, the Loan amounts described below.

NOW, THEREFORE, Lender and Borrower agree as follows:

1. LOAN

1.1 Loan. Lender agrees to lend to Borrower and Borrower agrees to borrow from Lender the principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000) (the “Loan”).

1.2 Interest. Except as provided in Section 1.4, the Loan shall bear interest at the monthly rate of 1%, calculated on the basis of a 30-day month for the actual number of days for which interest is calculated.

1.3 Mutual Debt Adjustment. There exist mutual debts between Lender and Borrower. Any remaining balance after the debts are offset will be applied to reduce the interest charges on the current line of credit provided by Lender to Borrower under this agreement.

1.4 Payment Schedule. The Borrower shall repay the Loan and the Interest in a single lump sum on the date twelve months after the Lender has disbursed the Loan (the "Maturity Date").

1.5 Overdue Payments. Any overdue payments or unpaid portions of such payments under this Loan shall bear interest, payable on demand, at an annual rate of 18%, until repaid by Borrower; provided, however, that the aggregate rate of interest shall not exceed the maximum permissible interest rate under applicable law.

1.6 Disbursement by Lender. Lender will pay the Loan to Borrower via wire transfer to the following account at such time after the execution of this Agreement as Lender in its sole discretion may determine.

Beneficiary Bank	
SWIFT Code#	[*]
Bank Name:	[*]
Address:	[*]

Beneficiary Party	
Name:	[*]
Physical Address:	[*]
Account #:	[*]

1.7 Payments by Borrower. Borrower shall make payments to Lender via wire transfer to an account specified by Lender.

1.8 Computations and Records. Lender shall record the date and amount of each payment by Borrower, and the resulting balance of the Loan. Borrower acknowledges and agrees that Lender's books and records relating to the transactions of this Agreement, including, without limitation, interest computations, shall be deemed correct, accurate and binding on Borrower.

2. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender the following:

2.1 Due Organization and Qualification. Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the state in which it is incorporated.

2.2 Due Authorization; No Conflict. The execution, delivery, and performance of the Agreement is within Borrower's corporate powers, has been authorized by Borrower's Board of Directors, will not conflict with or breach any provision of Borrower's Articles of Incorporation or Bylaws, and will not create or result in a breach or default under any contract or any law, regulation, or order by which Borrower is bound.

2.3 Enforceable Agreement. This Agreement has been duly executed and delivered by Borrower and is the legal, valid, and binding obligation of Borrower, enforceable against it in accordance with its terms.

2.4 Compliance with Law. Borrower is not in violation of any law, regulation, order or agreement, the consequences of which could reasonably be expected to have a material adverse effect on Borrower.

3. AFFIRMATIVE COVENANTS

3.1 Good Standing. Borrower shall remain in good standing as a corporation in the jurisdiction of its incorporation.

3.2 Compliance with Law. Borrower shall comply with all laws, regulations, and orders applicable to it.

3.3 Maintenance of Property. Borrower shall maintain all of its property necessary and useful in the conduct of its business in good operating condition and repair, ordinary wear and tear excepted.

3.4 Insurance. Borrower shall maintain and keep in force insurance of the types and amounts customarily carried in its line of business, including, without limitation, fire, public liability, property damage and workers' compensation.

4. REPORTING COVENANTS

4.1 Notice to Lender. Borrower shall promptly notify Lender of:

- (i) any material change to Borrower's financial condition or corporate status;
- (ii) any legal or regulatory action, proceeding or investigation threatened or instituted against Borrower that could reasonably be expected to have a material adverse effect on Borrower;
- (iii) substantial damage to or destruction of Borrower's business facilities or premises;

- (iv) any event of default under this Agreement, or any event that with lapse of time would constitute an event of default; or
- (v) any other development that has or could have a material adverse effect on Borrower.

5. NEGATIVE COVENANTS

5.1 Additional Debt. Borrower shall not borrow money from other parties without first disclosing the proposed borrowing to Lender.

5.2 Liens. Borrower shall not create, assume, or allow any security interest or lien on property that Borrower now or later owns except: (i) liens and security interests in favor of Lender; (ii) liens for taxes not yet due; (iii) liens outstanding on the date of this Agreement disclosed in writing to Lender; (iv) liens arising by operation of law; and (v) liens arising in the ordinary course of Borrower's business securing amounts Borrower owes in the operation of its business.

5.3 Sale of Assets; Change of Control; Mergers. Borrower shall not, without Lender's prior written consent: (i) sell, lease, transfer or dispose of substantially all of its assets to another entity; (ii) issue equity which would result in a change of control of Borrower; or (iii) consolidate with or merge into another entity, permit any other entity to merge into it or consolidate with it.

5.4 Changes in Nature of Business. Borrower shall not, directly or indirectly, engage in any business not related or incidental to the business conducted by Borrower on the date of this Agreement.

6. EVENTS OF DEFAULT

Any one or more of the following events shall constitute an Event of Default:

6.1 Payment Default. Borrower fails to make any interest or principal payment or payment of any other obligation under this Agreement after it is due.

6.2 Misrepresentations. Any representation or warranty or statement made by Borrower in this Agreement or in any financial statement, report or certificate furnished by Borrower to Lender under this Agreement proves to be untrue in any material respect as of the date on which the representation or statement was made.

6.3 Covenants. Borrower fails to perform or observe any covenants or any other material provision of this Agreement, aside from payment, and such failure continues for 15 days.

6.4 Insolvency. Borrower becomes insolvent, or an insolvency proceeding is commenced by Borrower or commenced against Borrower and is not dismissed or stayed within 30 days. "Insolvency proceeding" means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law.

6.5 Other Agreements. There is a default or other failure to perform by Borrower under any agreement to which Borrower is a party resulting in a third-party right, whether or not exercised, to accelerate the maturity of any indebtedness in an amount in excess of \$1,000,000 or that would reasonably be expected to have a material adverse effect on Borrower.

6.6 Judgments. A judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least \$1,500,000 shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of 10 days.

7. RIGHTS AND REMEDIES

If an event of default exists, Lender may terminate this Agreement and declare the outstanding balance of the Loan immediately due and payable. Lender's rights and remedies under this Agreement and all other agreements shall be cumulative. No exercise by Lender of one right or remedy shall be deemed an election of, or waiver of, any other right or remedy.

8. RELATIONSHIP

8.1 Independent Organizations. Lender and Borrower are separate corporate entities and independent contracting parties. Borrower acknowledges that the conduct of Borrower and its employees and agents, and any other legal obligations of Borrower, are the sole responsibility of Borrower. This Agreement and its performance will not create a partnership, joint venture, employment, fiduciary, or similar relationship for any purpose.

8.2 Confidentiality. Each party shall keep confidential and shall not disclose or use for its benefit or the benefit of any third party, other than in connection with its activities under this Agreement, any confidential information obtained from the other party, without obtaining the other party's prior written consent, except to the extent that such confidential information is required to be disclosed by law. Confidential information does not include information that: (i) is or becomes generally available to the public other than as a result of a disclosure by either party; (ii) was known by either party before being furnished by the other party; (iii) is independently developed by either party without use, directly or indirectly, of any confidential information or (iv) is or becomes available to either party on a non-confidential basis from a source other than the other party.

8.3 Indemnification. Borrower shall defend, indemnify, and hold Lender, and its directors, officers, employees, agents, and affiliates, harmless from and against any and all claims, liabilities, losses, damages, and expenses, including, without limitation, reasonable attorneys' fees and expenses, that may arise, directly or indirectly, from (i) any breach by Borrower of its obligations under this Agreement; or (ii) any other act or omission by Borrower. Borrower shall have no obligation to indemnify Lender to the extent the liability is solely caused by Lender's gross negligence or willful misconduct.

8.4 Inspection. Borrower shall permit Lender, or any persons designated by Lender, at any reasonable time, to inspect Borrower's facilities and to inspect, audit, examine and make copies of Borrower's books, records, and accounts.

9. GENERAL PROVISIONS

9.1 Entire Agreement. This Agreement is the entire agreement between Lender and Borrower and supersedes all prior or contemporaneous communications, representations, understandings, and agreements, either oral or written, relating to the lending relationship contemplated by the subject matter of this Agreement.

9.2 Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

9.3 Assignment. Borrower will not assign its rights or delegate its duties under this Agreement without first obtaining the written consent of Lender. For purposes of this Agreement, an assignment includes, without limitation, a merger in which Lender is not the surviving entity; a consolidation involving Borrower; any amendment to Borrower's Articles of Incorporation or Bylaws, issuance by Borrower or sale or other transfer by holders of shares or other equity interests in Borrower, or any other action that has the effect of transferring to a single entity or person the power to elect a majority of the Borrower's Board of Directors.

9.4 Waiver. Any waiver of the provisions of this Agreement or of Lender's or Borrower's rights or remedies under this Agreement must be in writing and signed by the waiving party to be effective. Failure, neglect, or delay by Lender at any time to enforce the provisions of this Agreement or its rights or remedies will not be construed as a waiver of its rights, powers, or remedies under this Agreement. Waiver of any breach or provision of this Agreement, including, without limitation, any Event of Default, will not be considered a waiver of any later breach or of the right to enforce any provision of this Agreement. Borrower waives diligence, presentment, protest, demand and notice of any kind.

9.5 Severability. If any provision of this Agreement is held illegal, invalid, or unenforceable, all other provisions of this Agreement will nevertheless be effective, and the illegal, invalid, or unenforceable provision will be considered modified such that it is valid to the maximum extent permitted by law.

9.6 Amendments. This Agreement may be amended only as stated in a written document signed by both Lender and Borrower which states that it is an amendment to this Agreement.

9.7 Notices. Any notices, approvals, consents or other communications required to be given by either party pursuant to this Agreement shall be in writing and delivered by mail, courier, e-mail message, or fax to the addresses set out on the signature page. These addresses may be changed by written notice to the other party.

9.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which will be taken together and deemed to be one instrument. Transmission by fax or PDF of executed counterparts will constitute effective delivery.

* * * * *

Lender and Borrower signed this Agreement as of the date set out in its first paragraph.

BORROWER:

Hongkong Sanyou Petroleum Co Limited Signature:

Signature /s/ Hongkong Sanyou Petroleum Co Limited

Print Name:

Title:

LENDOR:

Cheetah Net Supply Chain Service, Inc. Signature:

Signature /s/ HUAN LIU

Print Name: Huan Liu

Title: CEO

PREMIUM FINANCE AGREEMENT
NC PREMIUM FINANCE SERVICE COMPANY #100781
SECURITY AGREEMENT, DISCLOSURE STATEMENT AND LIMITED POWER OF ATTORNEY

ETI FINANCIAL CORPORATION (HEREIN AFTER CALLED "LENDER")
P.O. BOX 829522
PEMBROKE PINES, FL 33082
PHONE TOLL FREE: (800) 995-7001
LOCAL FAX: (954) 510-8044

CHECK APPROPRIATE BOX(S): <input checked="" type="checkbox"/> COMMERCIAL <input type="checkbox"/> PERSONAL <input type="checkbox"/> RENEWAL
--

0

 CONTRACT NO.
 16183

 AGENT NO.

PRODUCER (insurance Agency/Broker) NAME, ADDRESS and PHONE NUMBER Founder Shield 4211 W. Boy Scout Blvd Suite 800, Tampa FL 33607 +16467989406	BORROWER (Insured) NAME, ADDRESS and PHONE NUMBER Cheetah Net Supply Chain Service INC 6201 Fairview Road, ste 225 , Charlotte NC 28210 +19087582367	<input type="checkbox"/> BORROWER in Bankruptcy chapter (circle one): 7 11 13 <input type="checkbox"/> BORROWER SSN/FEIN
--	--	--

1. SCHEDULE OF FINANCED POLICIES

NAME OF INSURANCE COMPANY AND GENERAL AGENT	TYPE OF POLICY	POLICY NUMBER	EFFECTIVE DATE	POLICY TERM (months)	SUBJECT TO AUDIT?	MIN EARNED (%)	PREMIUM AND RELATED FEE AMOUNTS
Obsidian Specialty Insurance Company CRC Group	Directors & Officers EARNED FEES UNEARNED FEES	TBD	08/01/24	12	false		\$235,000.00 \$250.00 \$12,468.25

2. CERTAIN FINANCIAL TERMS

Agency Fee: \$5000.00

A	-B	=C	+D	=E : (C + D)	=F : (E + B)	
TOTAL PREMIUMS AND RELATED FEES	DOWN PAYMENT REQUIRED FROM BORROWER	AMOUNT FINANCED Amount of credit provided to you or on your behalf.	TOTAL FINANCE CHARGES Dollar amount the credit will cost you.	TOTAL OF PAYMENTS Amount paid after making all scheduled payments.	SALES PRICE The total price of your credit including your down payment (cash price and finance charge)	ANNUAL PERCENTAGE RATE Cost of your credit as a yearly rate.
\$252,718.25	\$54,743.65	\$197,974.60	\$7,800.20	\$205,774.80	\$260,518.45	8.51

3. PAYMENT SCHEDULE

AMOUNT OF EACH PAYMENT	NUMBER OF PAYMENTS	DAY OF MONTH PAYMENTS ARE DUE	FIRST PAYMENT DUE DATE
\$20,577.48	10	1	09/01/24

4. REQUIRED DISCLOSURES

SECURITY INTEREST: Borrower hereby grants Lender a security interest in all insurance policies listed above and all unearned premiums, return premiums, dividend payments and loss payments thereof.

LATE CHARGE: If a payment is not made by the 5th day past due (1 day in SC) or such later date as required by law, then Borrower will be charged a late charge (SEE SECTION 9 "LATE CHARGES" ON THE ADDITIONAL PROVISIONS PAGE OF THIS AGREEMENT FOR STATE SPECIFIC INFORMATION).

PREPAYMENT: If Borrower pays off early, Borrower will not have to pay a penalty and may be entitled to a refund of part of the finance charge.

CONTRACT REFERENCE: See the rest of this Agreement below, and ADDITIONAL PROVISIONS page, for additional information about nonpayment, default, required prepayment in full before the scheduled date, prepayment refunds and penalties.

5. PAYMENT PROVISIONS: Borrower promises to pay to Lender at Lender's address above, or such other place as Lender may designate, the Total of Payments shown above in consecutive monthly payments in the number, amounts, and at the dates disclosed in the above "Payment Schedule" until loan is fully paid. Any payments made by Borrower after default shall be credited to the then outstanding balance due under this Agreement. The Borrower agrees that all payments due hereunder shall be made by the Borrower directly to Lender and payments by the Borrower to any other person, insurance agency, corporation or otherwise shall not constitute payment to the Lender.

NOTICE TO INSURED/BORROWER: 1) READ THIS AGREEMENT BEFORE YOU SIGN 2) DO NOT SIGN THIS AGREEMENT IF IT CONTAINS BLANK SPACES 3) YOU ARE ENTITLED TO A COPY OF THIS AGREEMENT AT THE TIME YOU SIGN 4) KEEP YOUR COPY OF THIS AGREEMENT TO PROTECT YOUR LEGAL RIGHTS 5) UNDER THE LAW, YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE AND UNDER CERTAIN CONDITIONS TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGES 6) IN SC, AN AGENCY FEE OF UP TO \$5.00 MAY BE CHARGED BY THE AGENCY.

When signed below by you, or on your behalf, you (Borrower) acknowledge receipt of a copy of this Agreement and that you agree to the provisions printed above and on the ADDITIONAL PROVISIONS pages of this Agreement and that both the front and any subsequent pages constitute the Agreement between Borrower and Lender. Borrower hereby requests Lender to pay the financed portion of its insurance policy premiums listed above, on its behalf.

08/01/24 _____ /s/ Huan Liu _____ Cheetah Net Supply Chain
 DATE SIGNATURE OF BORROWER(S) OR DULY AUTHORIZED AGENT OF BORROWER(S) PRINT NAME & TITLE

PRODUCER REPRESENTATION

THE UNDERSIGNED REPRESENTS AND WARRANTS: by signing or submitting this Premium Finance Agreement, the Producer makes the Producer's Representations and Warranties on the ADDITIONAL PROVISIONS page of this Agreement and agrees to be bound to the terms of this Agreement. Producer also agrees and that there has been no assignment of any interest in the insurance policy(ies) except for the assignment to Lender and Lender may assign this Agreement, including Producer's Representations and Warranties under its normal course of business.

08/01/24 _____ /s/ Justin Kozak _____ Justin Kozak
 DATE SIGNATURE OF PRODUCER (AGENT OR BROKER) PRINT NAME & TITLE

ADDITIONAL PROVISIONS OF PREMIUM FINANCE AGREEMENT

6. **IRREVOCABLE LIMITED POWER OF ATTORNEY:** Borrower hereby appoints Lender as their attorney in fact with full power of substitution and authority and upon default to cancel the policies listed on this Agreement with full power to execute the policies and to receive unearned premiums, dividend payments and loss payments which may become payable under said policies. Said insurance companies or their authorized agent are hereby authorized and directed, upon the demand or request of Lender, to cancel said insurance policies and pay to the order of Lender the gross unearned or return premiums thereon pursuant to the security interest contained in paragraph 4 above, without proof of default hereunder or breach thereof, up to the amount owing hereunder. The Borrower hereby authorizes the Lender to endorse his/her name on any check or draft for all monies that may become due from the insuring company and to apply the same as payment of this agreement.

7. **NON-REFUNDABLE FEES:** Part of the finance charge includes a \$20 non-refundable fee except as follows: \$10 in AZ, LA, NY, MO, PA; \$15 in NC, AL; \$12 in NJ; \$25 in NV; \$16 in MA; \$0 in IN; \$20 if the loan balance is less than \$500, \$30 if the loan balance is \$500-\$999, or \$40 if the loan balance is greater than \$1000 in IL; \$10 if loan balance is greater than \$100 in WI; \$18 in MI; actual up to \$20 in MD; 4% of amount financed in TN; \$20 for loan balance up to \$1,000, \$25 if loan balance over \$1,000 in TX.

8. **RETURNED PAYMENTS:** Borrower shall be charged a fee of \$20 in GA, IN (\$15 in CA, FL, IL, NV; \$10 in MA; \$10 or actual charges in AZ; 5% of returned check not to exceed \$25 in LA; actual up to \$25 in MD; \$10 + bank charges in OH) if Borrower's payment is not honored when presented to the bank on which drawn; in such case certified funds are required for subsequent payments. Should a payment be returned as unpaid for any reason, then the notices sent by the Lender prior to the payment being received remain valid and the contract is subject to cancellation on or after the dates indicated in those notices.

9. **LATE CHARGES:** For installments in default five days or more, (10 days in CA, MA, LA, IN, MI, NJ, TN, TX), Borrower will pay the following late charges: \$10 in FL for consumer policies only (or 5% of installment for commercial policies with a minimum of \$10.00); \$16.50 in IN; \$10 in SC; Charge of 5% of installment amount with a minimum of \$1 (\$1.50 in GA, AL; \$2 in TN; \$10 in LA); maximums of \$10 in AZ (consumer policies only); OH (consumer policies only); \$5 in NY, MI, NJ (consumer policies only); a minimum of \$25 and a maximum of 1.5% for commercial policies), \$5 in MA (consumer policies only); \$8 in MD (consumer policies only); \$100 maximum for commercial policies); \$15 in IL (consumer policies only), MO (consumer policies only).

10. **CANCELLATION CHARGE:** If a default of the terms in this Agreement by the Borrower results in cancellation of any insurance policy listed in the "Schedule of Financed Policies," the Borrower will pay Lender an amount no greater than the maximum cancellation charge permitted by law. Cancellation charge shall be \$5 in TN, AL (consumer policies; \$15 for commercial), \$5 in GA (consumer policies, \$15 commercial); \$10 in OH; the lesser of 2% or \$5 in MA for consumer policies (greater of 2% or \$5 for commercial policies); \$15 in AZ, IL, MO; \$25 in LA; \$5 less late charges in NY, NJ, MI; \$15 less late charges in MD (consumer policies only and 5% of installment up to difference between late charges and \$100 in MD.)

11. **ATTORNEY FEES:** Borrower agrees to pay attorney's fees and costs of Lender, to the extent permitted by law, if this agreement is referred to an attorney (not salaried employee) for collection. Attorney fees shall be 20% of outstanding indebtedness in AZ, FL, NY, MO, NV; 15% of outstanding indebtedness in TN; 25% of unpaid debt in LA.

12. **RIGHT TO PREPAY:** Borrower shall have the right to prepay, in whole or in part, the amounts due hereunder at any time without penalty. Upon payment in full Borrower shall receive a refund of the unearned finance charge computed in accordance with the Rule of 78's except in NC, WI, IN, MI, NV, TN and NY, where the refund will be computed using the Sum of Periodic Balances method. In CA, MA, AZ, MO, PA, and NJ, the refund will be computed using the Actuarial method. In SC, the refund will be computed using the Short Rate method. Any finance charge in excess of such amount will be refunded to the Borrower. If refund is less than \$1, no refund shall be made (except \$5 in SC, IL, MD; \$3 in OH, MI; \$2 in GA). There is a minimum finance charge of \$25 in CA; \$39 in IN; \$20 in NJ.

13. **EVENT OF DEFAULT and CANCELLATION:** - A default shall occur if (a) Borrower fails to make any payment when due hereunder, or if Borrower fails to comply with any provision hereunder or (b) if Borrower or any Insurance Company listed in Section 1, becomes the subject of any bankruptcy proceedings; if a receiver is appointed for their property or if there is a transfer of the policies to any third party. Upon default, Lender is authorized to accelerate and declare due and payable the entire unpaid balance of this note, less unearned finance charges and Lender may request cancellation of the insurance policies listed in the Schedule of Financed Policies upon 10 days written notice of intent to cancel (15 days in PA, 14 days in LA, 13 days in IN, NY), provided said default is not cured within such period. However, to the extent required by applicable law, Borrower may be held in default only upon the occurrence of clause (a). Clause (b) is not applicable in FL, or NC. Borrower shall remain liable under this agreement until Lender is in receipt of the full amount payable hereunder. Interest will accrue on the unpaid balance until payment in full. Borrower hereby waives presentment, protest and notice of dishonor. No waiver by Lender of any default shall be construed as a waiver for any other or subsequent default and no delay or omission on Lender's part to exercise any right or power arising hereunder will constitute a waiver for any such right or power. The Borrower agrees Lender is not an insurer and assumes no liability as an insurer and agrees that when cancellation by Lender is in accordance with the State laws applicable to this Agreement, Lender is not responsible for any special, incidental or consequential

damages incurred by the Borrower resulting from such cancellation, and the Borrower shall be responsible for costs and attorneys fees incurred by Lender in any action filed as a result thereof. The Borrower hereby releases and discharges and agrees to hold harmless Lender and each holder hereof, and their respective officers, directors, agents, employees, representatives, parents, affiliates, subsidiaries, successors and assigns from any liability, claim, cause of action, damages, losses and expenses (including, without limitation, reasonable attorney's fees and costs at all pre-trial, trial, post-trial, post-judgment and appellate levels) by reason of any cancellation, when such cancellation is in conformance with the provisions of the state laws applicable to this Agreement.

14. **PAYMENTS AFTER DEFAULT/REINSTALLMENT:** Any payments received by Lender after notice of cancellation of the insurance policy has been mailed may be credited to Borrower's account without any liability or obligation on Lender's part to request reinstatement of the cancelled policy. Upon the request of Borrower or Producer, Lender may, but is not obligated to, request reinstatement of the policy by the insurance company. Borrower agrees that Lender has no obligation to Borrower if the policy is not reinstated. Only the insurance company has the authority to reinstate a policy financed pursuant to this Agreement.

15. **NOTICES:** Any notice or service required by law shall be completed when Lender deposits it with the U.S. Post Office.

16. **AGENT OR BROKER:** Borrower understands that the Producer is the Borrower's insurance agent and not the agent of Lender and has no power or authority to make agreements or enter into contracts for Lender.

17. **ACCEPTANCE OF AGREEMENT:** This contract is subject to approval and acceptance by Lender and if not accepted, all payments received will be returned. Issuing checks or other forms of payment by the Lender for the policies listed in this agreement to the Producer or Insurer or paying a draft will be considered acceptance. Should a draft sent to the respective insurance company not be received or deposited by the insurance company, Lender's sole obligation hereunder will be to refund any payments made by the Borrower.

18. **BORROWER ASSIGNMENT:** Borrower agrees that Lender may assign this Agreement without notice to Borrower and in such event this Agreement shall inure to the benefit of and be binding to assignee.

19. **ESTIMATED AND ADDITIONAL PREMIUMS:** Borrower acknowledges that the premium upon which this loan has been determined is based upon information provided by Borrower and any modification required by the insurance company for any reason whatsoever subsequent to the date of this agreement will not relieve the Borrower of any obligations hereunder. Borrower agrees to promptly pay the insurance company, or agent, as applicable, any additional premiums which may result if policy is auditable or of a reporting type. Upon request of the Borrower, Lender has the option of advancing to the insuring company any additional premiums that may become due, less Lender's required down payment, adding the advanced amount plus any finance charge, to contract balance.

20. **PROHIBITION AGAINST USURY:** Under no circumstances shall Borrower have to pay more interest than is allowed under applicable law for this type of loan, and if Lender inadvertently contracts for charges, or receives more interest than is allowed, Lender will refund excess to the Borrower.

21. **ILLEGALITY:** If any provision contained in this Agreement should be invalid, illegal, or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

22. **PRODUCER'S REPRESENTATIONS AND WARRANTIES** (A) The Cash Down Payment shown above has been paid by the Borrower and any portion of which owing to the Company, MGA or Lender will be paid within 15 days of receipt. (B) That all policies listed are or will be in force on the stated effective dates; Producer is authorized by the issuing insurance companies and is duly licensed as required by state statute to produce the policies listed herein. (C) The Borrower's signature(s) is (are) genuine and authorized, or to the extent permitted by applicable law, the Producer has been authorized by Borrower to sign this Agreement on Borrower's behalf. (D) Producer has delivered a copy of this Agreement to Borrower. (E) None of the policies listed above are subject to reporting or retrospective rating provisions. (F) Policies subject to audit shall only be financed upon written approval by Lender. (G) Any return premiums, endorsements or other credits received by the Producer on behalf of Lender shall be remitted to Lender within 15 days of receipt. Producer is responsible to pay unearned commissions to Lender in the event of cancellation, provided they are not obligated to pay the same to the scheduled insurance company. (H) Producer acknowledges it is NOT an agent, affiliate or representative of Lender. (I) Producer warrants that no premium being financed is fully earned, either at the time of inception or upon a claim or loss event and the premiums are eligible to be financed. (J) Producer shall hold Lender, its officers, directors, agents, employees, representatives, parents, affiliates, subsidiaries, successors and assigns harmless from, and indemnify them against any liability, claim, cause of action, damages, losses and expenses (including, without limitation, reasonable attorney's fees and costs at all pre-trial, trial, post-trial, post-judgment and appellate levels) resulting from errors, omissions or inaccuracies of Producer in preparing this Agreement.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age. The Federal Agency that administers compliance with this law is the Federal Trade Commission, 730 Peachtree Street, NE, Room 800, Atlanta Georgia 30308.

SEE ARBITRATION CLAUSE ON NEXT PAGE

ARBITRATION:

Any claim, dispute or controversy (whether in contract, tort, or otherwise) arising from or relating to this Agreement or the relationships which result from this Agreement, including the validity or enforceability of this arbitration clause or part thereof or of the entire Agreement ("Claim"), shall be resolved, upon the election of you or by us, by binding arbitration pursuant to this arbitration provision and the Code of Procedure of the National Arbitration Forum in effect at the time the Claim is filed. All Claims shall be filed at any National Arbitration Forum office or at: Post Office Box 50191, Minneapolis, Minnesota 55405. Any arbitration pursuant to this Agreement will take place in the city nearest to your residence where a federal district court is located or such other location as you and we may mutually agree. This arbitration agreement is made pursuant to a transaction involving interstate commerce, and shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16. Each party shall bear their respective attorney's fees and costs incurred in such arbitration proceeding, regardless of which party prevails. The arbitrator shall apply relevant law and provide written reasoned, findings of fact and conclusions of law. The parties agree that the award shall be kept confidential except as may be necessary to enforce the terms of the award. **THE PARTIES AGREE THAT THEY HAD A RIGHT TO LITIGATE CLAIMS THROUGH A COURT, BUT THAT THEY AGREE THAT ANY PARTY MAY ELECT TO RESOLVE ANY CLAIM THROUGH ARBITRATION, AND THEY HEREBY WAIVE THEIR RIGHTS TO LITIGATE CLAIMS IN A COURT UPON AN ELECTION OF ARBITRATION.**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Huan Liu, certify that:

1. I have reviewed this report on Form 10-Q of Cheetah Net Supply Chain Service 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal 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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) 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 registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Huan Liu

Huan Liu

Chief Executive Officer, Director, and Chairman of the Board of Directors
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Cook, certify that:

1. I have reviewed this report on Form 10-Q of Cheetah Net Supply Chain Service 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal 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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) 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 registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Robert Cook

Robert Cook
Chief Financial Officer
(Principal Accounting and Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in his capacity as an officer of Cheetah Net Supply Chain Service Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Quarterly Report of the Company on Form 10-Q for the three months ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2024

/s/ Huan Liu

Huan Liu

Chief Executive Officer, Director, and Chairman of the Board of Directors
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in his capacity as an officer of Cheetah Net Supply Chain Service Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Quarterly Report of the Company on Form 10-Q for the three months ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2024

/s/ Robert Cook

Robert Cook

Chief Financial Officer

(Principal Accounting and Financial Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.
