

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form S-1

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

iPower, Inc.

(Exact name of registrant as specified in its charter)

| | | |
|--|--|---|
| Nevada | 5200 | 82-5144171 |
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**2399 Bateman Avenue,
Duarte, CA 91010
(626) 863-7344**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Chenlong Tan
Chief Executive Officer
2399 Bateman Avenue,
Duarte, CA 91010
(626) 863-7344**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

| | |
|---|--|
| <p>Stephen A. Weiss, Esq. Megan J. Penick, Esq. Michelman & Robinson LLP 800 Third Avenue New York, New York 10022 Telephone: (212) 730-7700</p> | <p>Cavas S. Pavri, Esq. Alec Orudjev, Esq. Schiff Hardin LLP 100 N. 18th Street, Suite 300 Philadelphia, PA 19103 Telephone: (202) 724-6847 Facsimile: (202) 778-6460</p> |
|---|--|

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered⁽¹⁾ | Proposed Maximum Offering Price Per Share⁽²⁾ | Proposed Maximum Aggregate Offering Price⁽³⁾ | Amount of Registration Fee⁽⁴⁾ |
|---|--|--|--|---|
| Class A Common Stock, par value \$0.001 per share | | \$ | \$ | \$ |
| Underwriter Warrants ⁽⁵⁾ | | | | |
| Class A Common Stock Underlying Underwriter Warrants ⁽⁵⁾ | | | | |
| Total Registration Fee | | | | |

- (1) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended, this Registration Statement also covers any additional shares of Class A Common Stock which may be issued after the date hereof as a result of stock splits, stock dividends and similar events.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended.
- (3) Includes the aggregate offering price of additional shares of Class A Common Stock that the underwriters have the option to purchase, solely to cover over-allotments, if any.
- (4) Paid herewith.
- (5) In connection with this Offering, we have agreed to issue to Boustead Securities LLC, as underwriter (“Boustead”) warrants, exercisable in whole or in part, commencing on the closing date of the offering contemplated in this registration statement and expiring on the five-year anniversary of the effective date of this Registration Statement, representing 7% of the number of shares of Common Stock to be issued upon the sale of the Class A Common Stock issued in the offering.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 11, 2021

PRELIMINARY PROSPECTUS



[·] Shares of Class A Common Stock

This is a “firm commitment” underwritten public offering of Class A common stock of iPower, Inc., a Nevada corporation (referred to herein as “we,” “us,” “our,” “iPower,” “Registrant,” or the “Company”). We are offering [·] shares of our Class A Common Stock, par value \$0.001 per share (the “Class A Common Stock”), for an aggregate purchase price of \$. We expect the initial public offering price will be \$[] per share of Class A Common Stock. We have reserved the symbol “IPW” for purposes of listing our Class A Common Stock on the Nasdaq Capital Market (“NASDAQ”) and plan to apply to list our Class A Common Stock on NASDAQ. There is no guarantee or assurance that our Class A Common Stock will be approved for listing on NASDAQ. In the event we are unable to list our shares on NASDAQ, we will we will not complete this offering.

We are an “emerging growth company” as defined by the Jumpstart Our Businesses Startup Act of 2012 and, as such, we have elected to comply with certain reduced public reporting requirements for this prospectus and future filings.

Investing in our securities involves a high degree of risk. See “[Risk Factors](#)” starting on page 11 of this prospectus.

| | <u>Price per Share</u> | <u>Total Initial Public Offering Price</u> |
|---|------------------------|--|
| Public Offering Price | \$ | \$ |
| Underwriting discounts and commissions | \$ | \$ |
| Proceeds to us, before expenses (1) | \$ | \$ |

(1) We have agreed to issue, on the closing date of this offering, to Boustead Securities, LLC (the “Underwriter”) warrants in an amount equal to 7% of the aggregate number of shares of Class A Common Stock sold by us in this offering (the “Underwriter Warrants”). For a description of other terms of the Underwriter Warrants and a description of the other compensation to be received by the Underwriter, please see “[Underwriting](#)” beginning on page 59.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should not assume that the information contained in the registration statement to which this prospectus is a part is accurate as of any date other than the date hereof, regardless of the time of delivery of this prospectus or of any sale of the shares of Class A Common Stock being registered in that registration statement of which this prospectus forms a part.

No dealer, salesperson or any other person is authorized to give any information or make any representations in connection with this Offering other than those contained in this prospectus and, if given or made, the information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the securities offered by this prospectus, or an offer to sell or a solicitation of an offer to buy any securities by anyone in any jurisdiction in which the offer or solicitation is not authorized or is unlawful.

This offering is being conducted on a firm commitment basis. The Underwriter is obligated to take and pay for all of the shares if any such shares are taken. We have granted the Underwriter an option for a period of 45 days from the date of this prospectus to purchase up to []% of the total number of our shares of Class A Common Stock being offered by us pursuant to this offering (excluding shares subject to this option), solely for the purpose of covering over-allotments, at the initial public offering price less the underwriting discount. If the underwriter exercises the option in full, the total underwriting discounts and commissions payable will be \$[] based on an assumed offering price of \$[] per share, and the total gross proceeds to us, before underwriting discounts and commissions and expenses, will be \$[]. If we complete this offering, net proceeds will be delivered to us on the closing date. For further information, see the section entitled “[Use of Proceeds](#)” beginning on page 28.

The Underwriter expects to deliver the shares of Class A Common Stock against payment as set forth under “[Underwriting](#),” on or about [·], 2021.

The date of this prospectus is _____, 2021

Boustead Securities The logo for Boustead Securities, featuring the company name in a serif font next to a red shield with a white cross and a crown on top.

TABLE OF CONTENTS

| | |
|--|-----|
| <u>ABOUT THIS PROSPECTUS</u> | ii |
| <u>INDUSTRY AND MARKET DATA</u> | iii |
| <u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u> | iv |
| <u>PROSPECTUS SUMMARY</u> | 1 |
| <u>THE OFFERING</u> | 9 |
| <u>SUMMARY CONSOLIDATED AND COMBINED FINANCIAL DATA</u> | 10 |
| <u>RISK FACTORS</u> | 11 |
| <u>USE OF PROCEEDS</u> | 28 |
| <u>DIVIDEND POLICY</u> | 29 |
| <u>CAPITALIZATION</u> | 30 |
| <u>DILUTION</u> | 31 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 32 |
| <u>BUSINESS</u> | 40 |
| <u>MANAGEMENT</u> | 46 |
| <u>EXECUTIVE AND DIRECTOR COMPENSATION</u> | 49 |
| <u>PRINCIPAL STOCKHOLDERS</u> | 50 |
| <u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u> | 51 |
| <u>DESCRIPTION OF CAPITAL STOCK</u> | 52 |
| <u>SHARES ELIGIBLE FOR FUTURE SALE</u> | 54 |
| <u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A</u> | |
| <u>COMMON STOCK</u> | 55 |
| <u>UNDERWRITING</u> | 59 |
| <u>TRANSFER AGENT AND REGISTRAR</u> | 65 |
| <u>LEGAL MATTERS</u> | 65 |
| <u>EXPERTS</u> | 65 |
| <u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u> | 65 |
| <u>INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS</u> | F-1 |

You should rely only on the information contained in this prospectus or in any free writing prospectus that we may specifically authorize to be delivered or made available to you. We and our underwriters have not authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus may only be used where it is legal to offer and sell our securities. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our securities. Our business, financial condition, results of operations and prospects may have changed since that date. We are not making an offer of these securities in any jurisdiction where such offer is not permitted.

ABOUT THIS PROSPECTUS

We have not, and the Underwriter has not, authorized anyone to provide you with any information or to make any representation other than that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared we may authorize to be delivered or made available to you. We do not, and the underwriters do not, take any responsibility for, and can provide no assurance as to the reliability of, any information that others may provide to you. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date. You should also read and consider the information in the documents to which we have referred you under the caption “Where You Can Find More Information” in this prospectus.

For investors outside the United States: Neither we nor the underwriters have done anything that would permit a public offering of the securities or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the securities and the distribution of this prospectus outside of the United States.

INDUSTRY AND MARKET DATA

Market data and certain industry data and forecasts used throughout this prospectus were obtained from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based on our management's knowledge of the industry, have not been independently verified. Forecasts are particularly likely to be inaccurate, especially over long periods of time. Statements as to our market position are based on the most currently available data. While we are not aware of any misstatements regarding the industry data presented in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "[Risk Factors](#)" in this prospectus.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements.” Forward-looking statements reflect the current view about future events. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” or the negative of these terms and similar expressions, as they relate to us or our management, identify forward-looking statements. Such statements include, but are not limited to, statements contained in this prospectus relating to our business strategy, our future operating results and liquidity and capital resources outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees of assurance of future performance. We caution you therefore against relying on any of these forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, market acceptance of our products; our ability to protect our intellectual property rights; the impact of any infringement actions or other litigation brought against us; competition from other providers and products; our ability to develop and commercialize new and improved products and services; our ability to complete capital raising transactions; and other factors (including the risks contained in the section of this prospectus entitled “[Risk Factors](#)”) relating to our industry, our operations and results of operations. Actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned. Important factors that could cause such differences include, but are not limited to:

- our inability to predict or anticipate the duration or long-term economic and business consequences of the ongoing COVID-19 pandemic;
- our limited operating history;
- our future results of operations;
- our current and future capital requirements necessary to support our efforts to open or acquire new complimentary businesses and channels of trade;
- our cash needs and financial plans;
- our competitive position;
- our dependence on consumer interest in growing crops with the equipment and other products that we offer;
- evolving laws surrounding cannabis on a local, state and federal level;
- our dependence on third parties to manufacture and sell us inventory;
- our ability to maintain or protect the validity of our intellectual property;
- our ability to retain key executive members;
- our ability to maintain our relationships with third-party vendors and suppliers;
- our ability to internally develop products and intellectual property;
- expected technological advances by us or by third parties and our ability to leverage them;
- our potential growth opportunities;
- interpretations of current laws and the passage of future laws;
- acceptance of our business model by investors;
- the accuracy of our estimates regarding expenses and capital requirements;
- our ability to sell additional products and services to customers;
- our ability to adequately support growth;
- our ability to ensure consistency in the quality of our products and supply chain;
- approximately 75% of our current revenues are derived from sales of our products through third party platforms, including Amazon.com, Walmart, and eBay; any disruption to these business channels could be detrimental to our business; and
- potential disruption of our business and supply chain that may be caused by any conflicts or trade wars between China and the U.S.

In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements, because they involve known and unknown risks, uncertainties, and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the reports we file with the SEC. Actual events or results may vary significantly from those implied or projected by the forward-looking statements due to these risk factors. No forward-looking statement is a guarantee of future performance. You should read this prospectus and the documents that we reference herein and have filed as exhibits hereto with the Securities and Exchange Commission, or the SEC, with the understanding that our actual future results and circumstances may be materially different from what we expect.

Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should carefully read this entire prospectus, including our financial statements and the related notes and the information set forth under the headings “[Risk Factors](#)” and “[Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)” in each case included elsewhere in this prospectus.

Throughout this prospectus, unless otherwise designated or the context suggests otherwise, all references to:

- “we,” “us,” “our,” the “Company,” “our Company” or “iPower” refers to iPower, Inc., a Nevada corporation, and its subsidiaries;
- the “Board” or “Board of Directors” refers to the board of directors of the Company;
- all references to “Class A Common Stock” or “shares” shall refer solely to the Class A Common Stock, par value \$0.001 per share, of iPower, Inc. and gives effect to a 2-for-1 forward split of the outstanding shares of Class A Common Stock that was consummated on November 16, 2020;
- the phrase “this offering” refers to the offering contemplated in this prospectus;
- with reference to our financial statements, all references to “year” and “fiscal year” means June 30th and the twelve months ended June 30th; and
- all references to “U.S. dollars,” “dollars,” and “\$” are to the legal currency of the U.S.

Our Company

iPower, Inc. (formerly, BZRTH, Inc.) was formed in April of 2018. We believe we are one of the largest online hydroponic equipment suppliers in the United States. We own and operate the retail website www.zenhydro.com where we sell more than 23,000 stock keeping units (“SKUs”) and multiple best-selling products which enable our customers to grow vegetables, fruits and flowers, and other plants, including cannabis. The Company leases more than 72,000 square feet of floor area space across our two fulfillment centers just outside of Los Angeles, California. In addition to our website, iPower sells its products through third party distribution channels including Amazon, eBay and Walmart.

Our private label products, marketed under the *iPower*[™] and *Simple Deluxe*[™] brands, include HVAC exhaust blowers, CFM duct inline fans with carbon filters and hydroponic water-resistant grow tents, grow light systems, trimming machines, pumps and many more hydroponic-related items; some of which have been designated as Amazon best seller product leaders. We currently offer approximately 3,000 proprietary, private label products to consumers. In addition to our private label products, we also carry more than 400 brands manufactured by third party vendors. We do not have any long-term distribution agreements with these vendors.

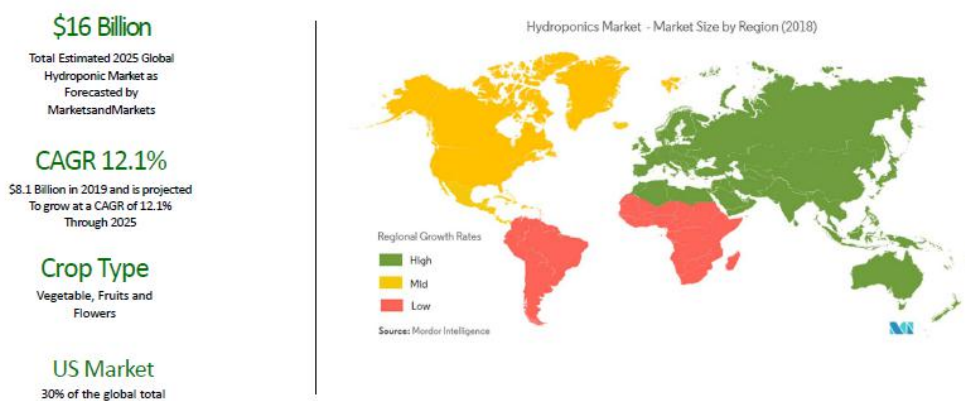
For the year ended June 30, 2020, our income from operations and our income after taxes were approximately \$2.91 million and \$1.99 million, respectively, on total sales revenues of approximately \$39.94 million.

The Global Hydroponics Markets

Advances in hydroponic systems have helped usher in a new age of high-yield cultivation techniques, earning hydroponics a multitude of dedicated adherents – both individual and commercial growers – globally. Hydroponics is a method of gardening in which plants (often high-value crops) are grown in an optimized solution of water and nutrients, rather than soil. This method is typically used inside greenhouses to give growers the ability to better regulate and control nutrient delivery, light, air, water, humidity, pests, and temperature. Hydroponic growers benefit from these techniques by producing crops faster and with higher crop yields per acre as compared to traditional soil-based growers. Indoor growing techniques and hydroponic products are being utilized in new and emerging industries or segments, including the growing of cannabis and hemp. In addition, vertical farms producing organic fruits and vegetables are also beginning to utilize hydroponics due to a rising shortage of farmland as well as environmental vulnerabilities including drought, other severe weather conditions and insect/pest infestations.

Through the use of hydroponics systems, growers can achieve potentially larger crop yields, faster growth time (up to twice as fast), up to a 90% increase in water efficiency, and require a substantially smaller footprint (up to 10x more yield in the same amount of space). By using hydroponics growth systems, gardeners and growers will not be affected by unfavorable climates and soil conditions, and will not require chemical or pest control products, resulting in safer and healthier growing environments. (See <https://greenourplanet.org/benefits-of-hydroponics/>).

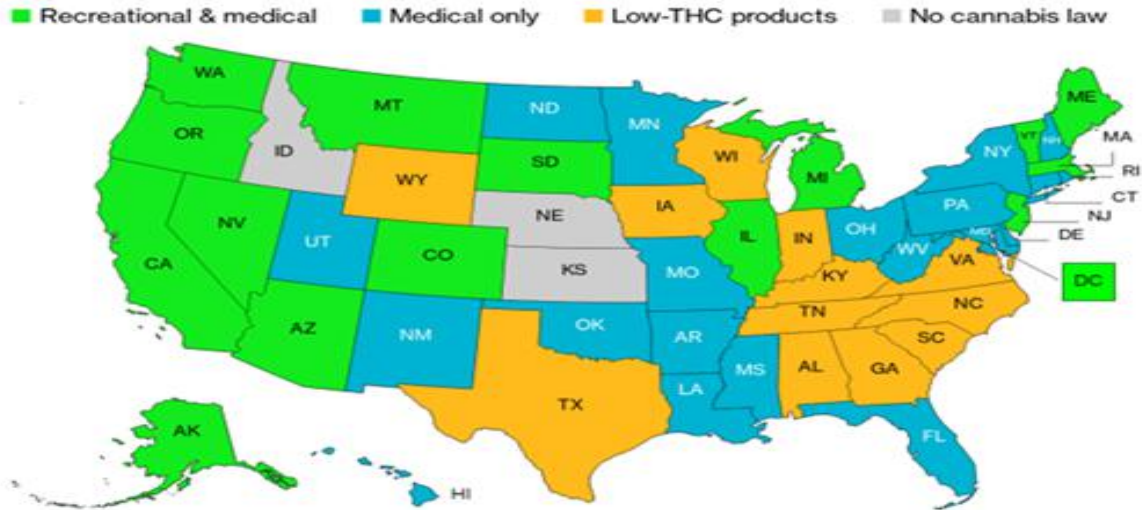
According to Markets and Markets (<https://www.marketsandmarkets.com/PressReleases/hydroponic.asp>), in 2020 the global market for Hydroponic products is estimated at \$9.5 billion and by 2025, the global market for hydroponic products is forecast to be approximately \$16.6 billion, representing a compound annual growth rate of approximately 12.1%. According to Mordor Intelligence, the global hydroponics market is expanding rapidly and, as shown below, the United States represents approximately 30% of the total global hydroponics market as of 2018. While we do not know the percentage or actual usage of our products for purposes of growing cannabis or hemp-derived products, for those users who intend to use the Company’s products to grow hemp-derived CBD medicinal products, the 2018 Farm Bill officially removed hemp from the list of controlled substances. According to the Brightfield Group, estimated sales of hemp-derived CBD products was approximately \$22.0 billion.



The Growing Cannabis Market

As we believe certain unknown number of our end users are in the business of growing cannabis, we believe we have benefited from the nationwide efforts to legalize marijuana at the state level. To date, a total of 47 states plus the District of Columbia (“D.C.”) have legalized cannabis in one form or another, with 15 states plus D.C. have legalizing marijuana for adult use, including both medicinal and recreational, 20 states having legalized marijuana for medical purposes only, and 12 states have legalized the use of CBD oil (a concentrated form of hemp extract) only. According to the 2019 US Cannabis Cultivation Report published by New Frontier Data, United States cultivation output is expected to grow from 29.8 million pounds in 2019 to 34.4 million pounds by 2025. From 2018-2022, the estimated combined totals of cannabis product retail sales are estimated at \$46.7 billion for recreational use and \$37.7 billion for medical use. We intend to leverage the growth of cannabis and CBD products, in tandem with its increased legalization, to further build our brand and promote our hydroponics equipment and products within the cannabis community.

States Where Cannabis Is Legal



Source: National Conference of State Legislatures

Notes: Voters in Arizona, Montana, New Jersey, and South Dakota approved marijuana legalization measures in the 2020 election. Voters in South Dakota and Mississippi also approved medical cannabis programs.

Bloomberg Government

We believe that the growth in licensed cannabis cultivation facilities and the increase in organically grown produce will increase the general demand for hydroponics products. Further, we believe our dedication to providing consumers with innovative and cutting-edge products tailored to their individual needs, combined with our industry knowledge and customer service, has positioned iPower to take advantage of the domestic and international growth anticipated for hydroponic products.

Our Vendor Sources

In addition to our private label products, we distribute more than 400 brands manufactured by a number of different vendors. Our key suppliers include several manufacturers and distributors in the United States and China. All of the products purchased and sold on iPower's platform are applicable to indoor and outdoor growing for organics, greens, and plant-based medicines.

Our Customer Base

Our e-commerce platform, www.Zenhydro.com, as well as the various third-party e-commerce channels we use, such as Amazon, eBay and Walmart.com, offers consumers thousands of products including, without limitation, nutrients, growing media, advanced indoor and greenhouse lighting, ventilation systems, activated carbon filters and accessories for hydroponic gardening, as well as other indoor and outdoor growing products, that serve various purposes and are designed and intended for growing a wide range of plants.

We have a diverse customer base, ranging from green-thumbed individuals engaging in horticulture as a leisurely pastime to commercial users. We cater primarily to home cultivators growing specialty crops, including cannabis and hemp, along with organic herbs and leafy green vegetables. However, we believe that both types of growers choose to source their hydroponic gardening supplies from us because we understand their specific needs and employ customer support with the requisite expertise to serve expert growers and cultivators by helping them reduce any potential challenges they may encounter in utilizing hydroponic products to grow their crops. Based on a review of our customer profile, we believe that we are well positioned to benefit from the growth in the overall hydroponic market. In addition, we believe that the highly fragmented hydroponics retail market presents us with a significant opportunity to take advantage of our online retailing model and expand our online footprint.

E-Commerce Strategy

We continue to develop our e-commerce platform, **www.Zenhydro.com**, which is designed to provide customers a convenient and seamless means of shopping when, how, and where they feel most comfortable. Our e-commerce platform provides consumers with 24/7 availability of products and the ability to create unique hydroponic systems customized to their specific environment, needs and demands. Our platform enables customers to shop from the comfort of their home, access product descriptions, reviews and pictures of all products that we make available for sale. Our sales team understands the frustrations and problems associated with indoor and outdoor gardening and cultivation and are available to assist in tailoring the products and services we offer to each individual's needs and to recommend the right products based on each individual customer's goals. We believe that our e-commerce approach will result in a seamless and convenient shopping experience for our customers and will drive financial results.

Distribution Channel

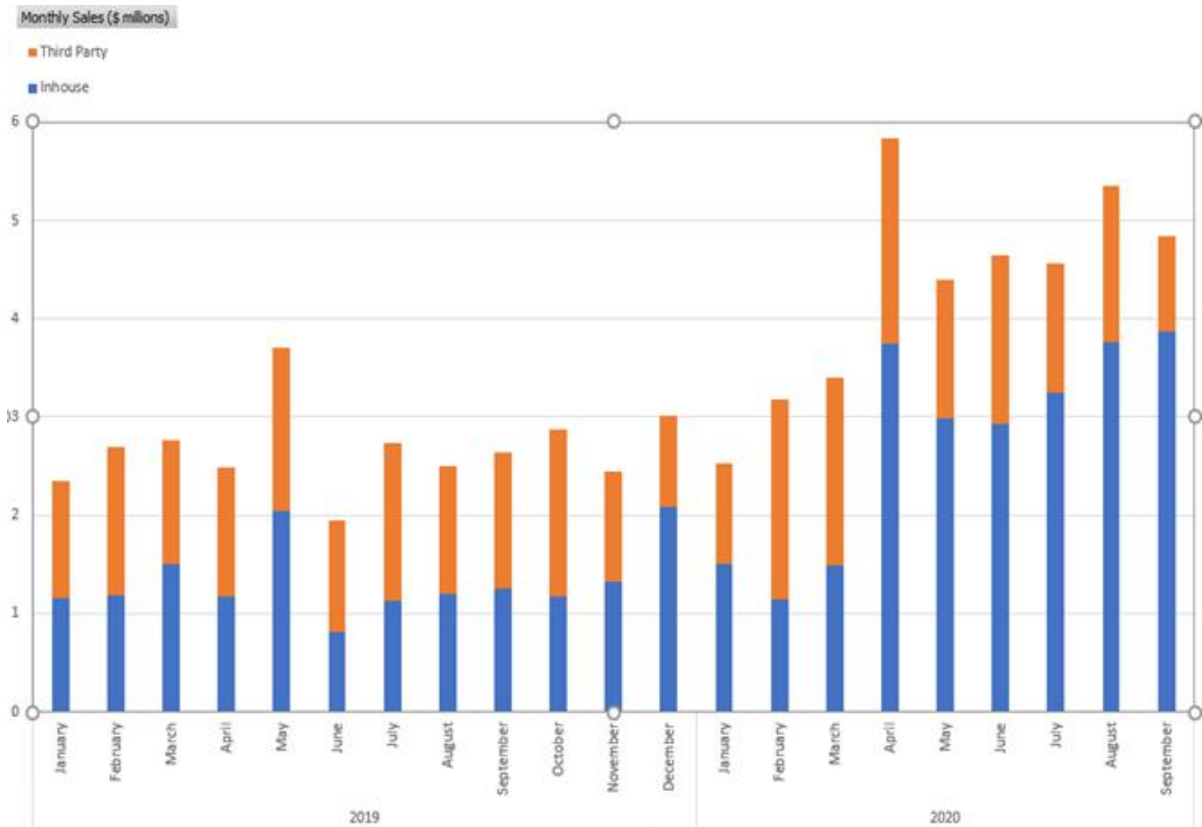
From our two Los Angeles-based fulfillment centers, we have built a supply chain that spans across the United States. Our fulfillment centers ship directly to a farm or home, as well as to various commercial hydroponics stores across the country. Additionally, we have fostered relationships with recognized commercial shipping enterprises to allow us to deliver directly to consumers.

Products and Private Label Strategy

We sell a variety of products, including advanced indoor and greenhouse grow-light systems, ventilation systems, activated carbon filters, nutrients, growing media, hydroponic water-resistant grow tents, trimming machines, pumps and accessories for hydroponic gardening, as well as other indoor and outdoor growing products. Our supply chain includes tens of thousands of SKUs across multiple product lines. Many of our products are consumables leading to repeat orders by our customers. Consumable products are mainly nutrients and additives that are fed to plants on a recurring basis. Our strategy is to supply products to two groups of customers: (1) home growers who require an online shop to fulfill their daily and weekly growing need and (2) commercial growers.

In addition to the sale of third-party products, we are actively engaged in the continued development of a line of private label products that we sell through our e-commerce platform under brands that we own. We intend to continue to develop and introduce additional private label products in 2020 and 2021 and believe that by expanding our private label offerings, which tend to carry higher margins, we will be able to positively impact our margins and profitability in the near term.

Monthly Sales of iPower-Owned (Inhouse) Brands vs Third-party Brands (2019-2020)



Strategic & Competitive Advantages

We believe that we have a number of strategic advantages over our competitors including the following:

- **Private Label.** We believe that our private label products, including our *iPower* and *Simple Deluxe* brands, are among the leading online hydro sales brands.
- **Positive market perception.** We have received hundreds of listings with positive reviews and high sales volume on both our own platform, www.Zenhydro.com, as well as through third-party platforms such as Amazon.com, throughout our operating history.
- **Logistics.** Through our management’s combined over 10 years of operational and industry experience, we have developed a strong management and operations team with proven capabilities.
- **First-class e-commerce platform.** Our in-house customized order processing system has achieved high efficiency and a low error rate, integrating multiple channels of online selling platform allowing customers to get what they need regardless of where they may reside 24/7.
- **Superior Quality.** We offer consumers superior quality products at affordable price points.
- **Product diversity.** Our e-commerce platform, Zenhydro.com, provides our customers a one-stop shopping experience for botanical enthusiasts of all sizes.
- **Unparalleled customer support.** Our knowledgeable operations team has years of horticultural experience and is available to our consumers through our e-commerce platform to help them choose the best products available to meet their needs.

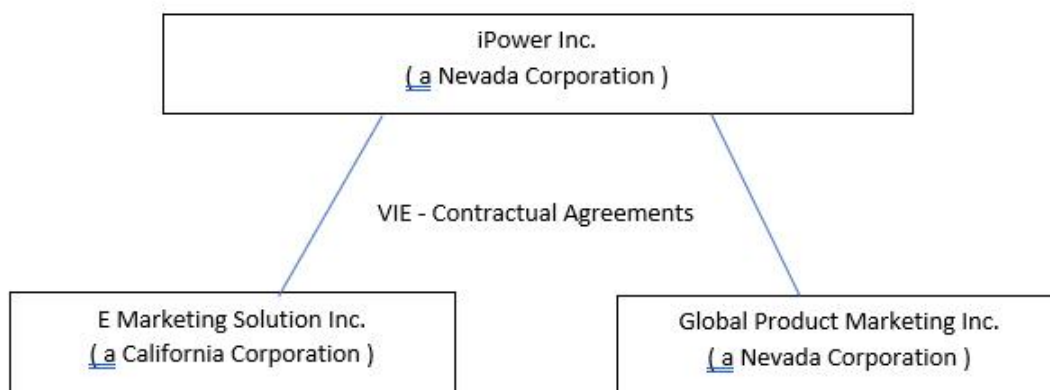
Risks Associated with our Business

Investing in our securities involves substantial risk. The risks described under the heading “[Risk Factors](#)” beginning on page 11 of this prospectus may cause us not to realize the full benefits of our strengths and/or may cause us to be unable to successfully execute all or part of our strategy. Some of the more significant challenges we face include:

- The COVID-19 pandemic and the efforts to mitigate its impact may have an adverse impact on our business, liquidity, operations, financial condition, the businesses of our suppliers, vendors, and logistics partners, and the price of our securities.
- Our Company’s founders own a majority of our Class A common stock, as well as 14,000,000 shares of Class B super-voting common stock, that entitle the holders to ten votes per share on all matters in which our shareholders are entitled to vote or consent; while they presently hold approximately 97.0% voting power of the Company, and will own approximately []% upon completion of this Offering, these super voting rights effectively give our founders full control over the board of directors and management of the Company for the foreseeable future.
- The Company faces intense competition in the hydroponics marketplace which could prohibit us from developing or increasing our customer base beyond present levels.
- Our ability to ensure consistency in the quality of our products and supply chain.
- Approximately 75% of our current revenues are derived from sales of our products through third party platforms, including Amazon.com, Walmart, and eBay; any disruption to these business channels could be detrimental to our business.
- Potential disruption of our business and supply chain that may be caused by any conflicts, trade wars or currency fluctuations or tariffs between China and the U.S.
- In the event we require additional capital resources to fund our enterprise, we may not be able to obtain sufficient capital and may be forced to limit the expansion of our operations.
- Certain of our products may be purchased for use in new and emerging industries or segments, such as cannabis, and may be subject to varying, inconsistent and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations and consumer perceptions.
- Our business depends significantly on the continuing efforts of our management team and our business may be considerably impacted if we should lose their services.
- Certain relationships, acquisitions, strategic alliances and investments could result in operating issues, dilutions, and other harmful or unintended consequences which may adversely impact our business and the results of our operations.
- Our continued investment and development in our private label products is inherently risky and could disrupt our ongoing business.
- If the Company is unable to maintain and continue to develop our e-commerce platform, our reputation and operating results may be materially harmed.
- As the bulk of our sales are carried out through e-commerce, we are subject to certain cyber security risks, including hacking and stealing of customer and confidential data.
- There are myriad risks, including stock market volatility, inherent in owning our securities.

Corporate Structure

We have been conducting business as iPower Inc. (formerly BZRTN Inc.) since our formation in 2018 and subsequent acquisition of the assets, and certain liabilities, of Bizright LLC. In order to diversify and facilitate the Company’s marketing and R&D activities, we use two variable interest entities, E Marketing Solution, Inc. and Global Products Marketing Inc., to perform and conduct certain aspects of our business relative to marketing, banking and cash management. E-Marketing and Global Products Marketing are wholly owned by one of our original shareholders, Shanshan Huang, and one of our founders and majority shareholders, Chenlong Tan. See “***Certain Relationships and Related Party Transactions***” on page 50 of this prospectus. The chart below depicts our organizational structure.



Corporate Information

The Company, a Nevada corporation, was formed on April 11, 2018 under the name BZRTH Inc. On September 4, 2020, we filed a Certificate of Amendment with the State of Nevada changing our name to iPower Inc.

Our principal offices are located at 2399 Bateman Avenue, Duarte, CA 91010, our phone number is (626) 863-7344. Our business website is www.meetipower.com and our e-commerce website is www.Zenhydro.com. Information contained on our websites should not be deemed incorporated by reference and is not a part of this prospectus.

Transfer Agent

Our transfer agent, VStock Transfer, LLC, is located at 18 Lafayette Place, Woodmere, NY 11598 and can be reached at 212-828-8436.

Implications of Being an Emerging Growth Company and Smaller Reporting Company

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act). For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could remain an emerging growth company for up to five years after the effective date of this Registration Statement, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds \$700 million as of any June 30 before that time or if we have total annual gross revenue of \$1.07 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following June 30 or, if we issue more than \$1.07 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which would allow us to take advantage of many of the same exemptions from disclosure requirements, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. Additionally, even if we no longer qualify as an emerging growth company, as long as we are neither a “large accelerated filer” nor an “accelerated filer,” we would not be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

We cannot predict if investors will find our securities less attractive because we may rely on these exemptions, which could result in a less active trading market for our securities and increased volatility in the price of our securities.

Finally, we are a “smaller reporting company” (and may continue to qualify as such even after we no longer qualify as an emerging growth company) and accordingly may provide less public disclosure than larger public companies, including the inclusion of only two years of audited financial statements and only two years of management’s discussion and analysis of financial condition and results of operations disclosure. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

THE OFFERING

| | |
|--|--|
| Class A Common Stock we are offering | Up to [] shares of Class A Common Stock |
| Public offering price | [\$] |
| Shares of common stock outstanding before this offering | [] shares of Class A Common Stock (1) (2)(3) 14,000,000 shares of Class B Common Stock (4) |
| Shares of Class A Common stock outstanding after this offering | Up to [] shares of Class A common stock |
| Over-allotment option | We have granted a [45]-day option to the underwriters, exercisable one or more times in whole or in part, to purchase up to an additional _____ shares of Class A common stock. |
| Use of proceeds | <p>Our net proceeds from this offering, after deducting offering expenses payable by us at closing (including underwriter discounts and commissions), of approximately \$_____, will be approximately \$_____.</p> <p>We intend to use the net proceeds from the offering to (i) expand our current operations, (ii) acquire complimentary businesses, and (iii) for working capital and other general corporate purposes.</p> |
| Proposed Nasdaq Symbol | IPW |
| Risk factors | An investment in our securities involves a high degree of risk. See “ Risk Factors ” beginning on page 11 of this prospectus and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock. |

- (1) Gives effect to a 2-for-1 forward split of our outstanding shares of Class A Common Stock, consummated on November 16, 2020.
- (2) Does not include (i) 2,145 shares of Series A convertible preferred stock issuable upon exercise of a five-year warrant held by Boustead Securities, LLC (“Boustead”), which warrant was issued to Boustead as compensation for acting as placement agent for our Series A convertible preferred stock offering; and (ii) [] shares of Class A common stock issuable upon exercise of a five-year warrant held by Boustead, which warrant was issued to Boustead as compensation for acting as placement agent in our convertible note offering.
- (3) Does not include 34,500 shares of Series A convertible preferred stock, which shares will automatically convert into [] shares of Class A common stock upon completion of this initial public offering.
- (4) Our Class B Common Stock, which is held solely by our two founders, Chenlong Tan and Allan Huang, is subject to super-voting rights such that the Class B Common Stock votes together with holders of our Class A Common Stock and the holders of Class B Common Stock may cast 10 votes for each one share of Class B Common Stock held by them at any regular or special meetings of shareholders or in connection with any consents required to be given by our shareholders. One year after completion of this offering, our Class B Common Stock will be eligible to be converted into Class A Common Stock on a ten-for-one basis, at any time at the option of the holder, such that on an as-converted basis 1,400,000 additional shares of Class A Common Stock should be added to arrive at a fully diluted total.

Unless otherwise stated or if context so requires, all information in this prospectus assumes that the over-allotment option to purchase \$[·] additional shares of Class A Common Stock that we have granted to the Underwriter is not exercised.

SUMMARY CONSOLIDATED AND COMBINED FINANCIAL DATA

The following tables set forth our summary historical consolidated and combined financial data as of, and for the periods ended on, the dates indicated. The summary consolidated and combined statements of operations data for the years ended June 30, 2020 and 2019 are derived from our audited consolidated and combined financial statements and notes that are included elsewhere in this prospectus. We have derived the following unaudited consolidated financial and other data for the three months ended September 30, 2020 and 2019 from our unaudited interim condensed consolidated financial statements and notes thereto included elsewhere in this prospectus. We have prepared the unaudited consolidated and combined financial statements in accordance with generally accepted accounting principles (GAAP) and on the same basis as our audited consolidated and combined financial statements, and have included all adjustments, consisting of only normal recurring adjustments that, in our opinion, we consider necessary for a fair statement of the consolidated and combined financial information set forth in those statements. Our historical results are not necessarily indicative of our results in any future period and results from our interim period may not necessarily be indicative of the results of the entire year.

The following summary consolidated and combined financial data should be read together with the information under the caption “[Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)” and our consolidated and combined financial statements and related notes and our unaudited interim condensed consolidated financial statements and the notes thereto appearing elsewhere in this prospectus. The summary consolidated and combined financial data in this section are not intended to replace our consolidated and combined financial statements and the related notes and are qualified in their entirety by the consolidated and combined financial statements and related notes included elsewhere in this prospectus.

Statement of operations data:

| | For the three months ended | | For the year ended | |
|--|----------------------------|--------------|--------------------|---------------|
| | 9/30/2020 | 9/30/2019 | 6/30/2020 | 6/30/2019 |
| Revenues | \$ 14,959,935 | \$ 7,227,560 | \$ 39,938,472 | \$ 22,842,765 |
| Costs of revenues | 9,397,147 | 4,833,248 | 24,810,907 | 14,967,248 |
| Gross profit | 5,562,788 | 2,394,312 | 15,127,565 | 7,875,517 |
| Operating expenses | 4,486,415 | 2,325,381 | 12,219,616 | 7,040,844 |
| Income from operations | 1,076,373 | 68,931 | 2,907,949 | 834,673 |
| Other income (expenses) | (118,433) | 4,926 | (147,549) | (110,779) |
| Income before income taxes | 1,057,940 | 73,857 | 2,760,400 | 723,894 |
| Income tax expenses | 295,944 | 20,885 | 773,438 | 195,496 |
| Net Income | \$ 761,996 | \$ 52,972 | \$ 1,986,962 | \$ 528,398 |
| Income per share, basic | \$ 0.038 | \$ 0.003 | \$ 0.1 | \$ 0.03 |
| Income per share, diluted | \$ 0.038 | \$ 0.003 | \$ 0.1 | \$ 0.03 |
| Weighted average Class A common stock outstanding, basic | 20,204,496 | 20,000,000 | 20,093,004 | 20,000,000 |
| Weighted average Class A common stock outstanding, diluted | 20,204,496 | 20,000,000 | 20,193,004 | 20,000,000 |

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company’s Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods. The computation of basic and diluted EPS did not include the Class B Common Stock as the holders of Class B Common Stock have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

Balance sheet data:

| | As of | | |
|---------------------|---------------|---------------|--------------|
| | 9/30/2020 | 6/30/2020 | 6/30/2019 |
| Current assets | \$ 16,372,437 | \$ 13,404,246 | \$ 7,679,012 |
| Total assets | \$ 18,833,751 | \$ 13,673,373 | \$ 8,429,349 |
| Current liabilities | \$ 12,927,463 | \$ 10,242,857 | \$ 7,649,930 |
| Total liabilities | \$ 15,141,239 | \$ 10,742,857 | \$ 7,912,805 |
| Total equity | \$ 3,692,512 | \$ 2,930,516 | \$ 516,544 |

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below and all of the other information contained in this prospectus and in any free writing prospectuses prepared by or on behalf of us or to which we have referred you, including our consolidated and combined financial statements and the related notes and “[Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)” before deciding whether to invest in our securities. If any of the possible events described below actually occur, our business, business prospects, cash flow, results of operations or financial condition could be harmed. In this case, the trading price of our common stock could decline, and you might lose all or part of your investment.

The following is a discussion of the risk factors that we believe are material to us at this time. These risks and uncertainties are not the only ones facing us and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, results of operations, financial condition and cash flows.

Risks Related to Our Business and Products

We sell proprietary brand offerings, as well as third party brands, which could expose us to various risks.

Although we believe that our proprietary brand products offer significant value to our customers at each price point and provide us with higher gross margins than sales of comparable third-party branded products, expanding our proprietary brand offerings also subjects us to certain specific risks in addition to those discussed elsewhere in this section, such as:

- potential mandatory or voluntary product recalls in the event of product defects or other issues;
- we may not be able to effectively protect the intellectual property, design patents and copyrights associated with our products;
- we may be required to heavily invest in marketing such proprietary branded products;
- our ability to successfully obtain, maintain, protect and enforce our intellectual property and proprietary rights (including defending against counterfeit, knock offs, grey-market, infringing or otherwise unauthorized goods); and
- our ability to successfully navigate and avoid claims related to the proprietary rights of third parties.

An increase in sales of our proprietary brands may also adversely affect our sales of the products of certain of our vendors which may, in turn, adversely affect our relationship with such vendors. Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

Our competitors and potential competitors may develop products and technologies that are more effective or commercially attractive than our products.

Our products compete against national and regional products and private label products produced by various suppliers, many of which are established companies that provide products that perform functions similar to our products. Our competitors may develop or market products that are more effective or commercially attractive than our current or future products. Some of our competitors have substantially greater financial, operational, marketing, and technical resources than we do. Moreover, some of these competitors may offer a broader array of products and sell their products at prices lower than ours and may have greater name recognition. In addition, if demand for our specialty indoor gardening supplies and products continues to grow, we may face competition from new entrants into our field. Due to this competition, there is no assurance that we will not encounter difficulties in generating or increasing revenues and capturing market share. In addition, increased competition may lead to reduced prices and/or margins for products we sell. We may not have the financial resources, relationships with key suppliers, technical expertise or marketing, distribution or support capabilities to compete successfully in the future.

We may not successfully develop new products or improve existing products or maintain our effectiveness in reaching consumers through rapidly evolving communication vehicles.

Our future success depends, in part, upon our ability to improve our existing products and to develop, manufacture and market new products to meet evolving consumer needs. We cannot be certain that we will be successful in developing, manufacturing and marketing new products or product innovations which satisfy consumer needs or achieve market acceptance, or that we will develop, manufacture and market new products or product innovations in a timely manner. If we fail to successfully develop, manufacture and market new products or product innovations, or if we fail to reach existing and potential consumers, our ability to maintain or grow our market share may be adversely affected, which in turn could materially adversely affect our business, financial condition and results of operations. In addition, the development and introduction of new and products and product innovations require substantial research, development, and marketing expenditures, which we may be unable to recoup if such new products or innovations do not achieve market acceptance.

Many of the products we distribute and market, such as our fertilizers and nutrients, contain ingredients that are subject to regulatory approval or registration with certain U.S. state regulators. The need to obtain such approval or registration could delay the launch of new products or product innovations that contain ingredients or otherwise prevent us from developing and manufacturing certain products and product innovations.

The COVID-19 pandemic and the efforts to mitigate its impact may have an adverse effect on our business, liquidity, results of operations, financial condition and price of our securities.

The pandemic involving the novel strain of coronavirus, or COVID-19, and the measures taken to combat it, may have certain and adverse effects on our business. Public health authorities and governments at local, national and international levels have announced various measures to respond to this pandemic. Some measures that directly or indirectly impact our business include:

- voluntary or mandatory quarantines;
- restrictions on travel; and
- limiting gatherings of people in public places.

Although we have been deemed an “essential” business by state and local authorities in the areas in which we operate, we have undertaken the following measures in an effort to mitigate the spread of COVID-19 including limiting business hours, and encouraging employees to work remotely if possible. We also have enacted our business continuity plans, including implementing procedures requiring employees to work remotely where possible which may make maintaining our normal level of corporate operations, quality controls and internal controls difficult. Moreover, the COVID-19 pandemic has caused temporary or long-term disruptions in our supply chains and/or delays in the delivery of our inventory. Further, the COVID-19 pandemic and mitigation efforts have also adversely affected our customers’ financial condition, resulting in reduced spending for the products we sell.

As events are rapidly changing, we do not know how long the COVID-19 pandemic and the measures that have been introduced to respond to it will disrupt our operations or the full extent of that disruption. Further, once we are able to restart normal business hours and operations doing so may take time and will involve costs and uncertainty. We also cannot predict how long the effects of COVID-19 and the efforts to contain it will continue to impact our business after the pandemic is under control. Governments could take additional restrictive measures to combat the pandemic that could further impact our business or the economy in the geographies in which we operate. It is also possible that the impact of the pandemic and response on our suppliers, customers and markets will persist for some time after governments ease their restrictions. These measures have negatively impacted, and may continue to impact, our business and financial condition as the responses to control COVID-19 continue.

We have a limited operating history on which to evaluate our business or base an investment decision.

Our business prospects are difficult to predict given our limited operating history and unproven business strategy. While we inherited in 2018 the business of our predecessor entity, BizRight LLC, an entity that we acquired certain assets and assumed certain liabilities from. We did not begin operations under iPower Inc. (formerly BZRTN Inc.) until our formation in April 2018. Thereafter, we launched our e-commerce platform, Zenhydro.com, where we sell our own private label products, marketed under the iPower and Simple Deluxe brands, and provide distribution for over 400 other brands manufactured by a number of third-party vendors. Accordingly, the operation of our e-commerce platform, branding and marketing of our own private label products, and our relationships with third-party vendors and suppliers has been limited. If we are unable to effectively maintain our relationships with third-party vendors and suppliers, manage our e-commerce operations, as well as other sales platforms/distribution network, our business is unlikely to succeed. Our business should be viewed in light of these risks, challenges and uncertainties.

An estimated 75% of our sales are carried out through third party platforms, including Amazon.com, Walmart, and eBay; any disruption in our selling efforts on such third party platforms could substantially disrupt our business.

While we maintain our own website, www.Zenhydro.com, as well as our offline wholesale department, which together account for approximately 25% of our sales, a large percentage of our overall sales, or approximately 75% in fiscal 2020, occurred on third party platforms such as **Amazon.com, Walmart, and eBay**. As such, should we experience a disruption in our sales on third party platforms, or should such third party platforms somehow come to rank us unfavorably or fail to list our products, this could negatively affect our overall sales and, thus, negatively impact our overall revenues.

Many of our suppliers are experiencing operational difficulties as a result of COVID-19, which in turn may have an adverse effect on our ability to provide products to our customers. Any disruption in our supply chain, and the consistency and availability of our supply chain, could negatively affect our revenues and overall business strategy.

The measures being taken to combat the pandemic are impacting our suppliers and may destabilize our supply chain. For example, manufacturing plants have closed and work at others has been curtailed in many places where we source our products. Some of our suppliers have had to temporarily close a facility for disinfecting after employees tested positive for COVID-19, and others have faced staffing shortages from employees who are sick or apprehensive about coming to work. Further, the ability of our suppliers to ship their goods to us has become difficult as transportation networks and distribution facilities have had reduced capacity and have been dealing with changes in the types of goods being shipped.

Currently the difficulties experienced by our suppliers have not yet impacted our ability to deliver products to our customers and we do not significantly depend on any one supplier; however, if this continues, it may negatively affect our inventory and delay the delivery of merchandise to our stores and customers, which in turn will adversely affect our revenues and results of operations. If the difficulties experienced by our suppliers continue, we cannot guarantee that we will be able to locate alternative sources of supply for our merchandise on acceptable terms, or at all. If we are unable to adequately purchase appropriate amounts of inventory, our business and results of operations may be materially and adversely affected.

Poor economic conditions could adversely affect our business.

Uncertain global economic conditions, particularly in light of the COVID-19 pandemic, could adversely affect our business. Negative global economic trends, such as decreased consumer and business spending, high unemployment levels and declining consumer and business confidence, pose challenges to our business and could result in declining revenues, profitability, and cash flow. Although we continue to devote significant resources to support our brands, unfavorable economic conditions may negatively affect demand for our products. Our most price-sensitive customers may trade down to lower priced products during challenging economic times or if current economic conditions worsen, while other customers may reduce discretionary spending during periods of economic uncertainty, which could reduce sales volumes of our products in favor of our competitors' products or result in a shift in our product mix from higher margin to lower margin products.

We rely heavily on our access to the China markets for the production of our products; should U.S. and China trade relations further deteriorate, and should the ongoing trade war continue, our supply chain, and thus our operations and revenues, could be subject to deleterious effects.

We are heavily reliant on manufacturers in China to produce many of the goods we sell in that approximately 45% of the products we purchased for resale in fiscal 2020 were manufactured in and imported from China. The United States and China have been involved in ongoing trade disputes, resulting in increased tariffs when such goods arrive in the U.S., among other things. Any changes in U.S. trade policy, or an escalation in the ongoing trade disputes, could trigger retaliatory actions, resulting in ‘trade wars’ and an increase costs for goods imported into the United States. Such actions could disrupt our supply chain. In addition, increased tariffs could, in turn, reduce customer demand for such products as such tariffs could cause us to have to increase the price at which we sell our goods, or it could result in trading partners limiting their trade with the United States. To date, iPower has absorbed some of the costs related to increased tariffs. However, should we be unable to continue to absorb such costs, or should we need to pass all such costs on to consumers, such increase could cut into our competitive advantage and our volume of sales activity in the United States could be materially reduced. Any such reduction may materially and adversely affect our sales and our business.

We face intense competition that could prohibit us from developing or increasing our customer base.

The specialty gardening and hydroponic product industry is highly competitive. We may compete with companies that have greater capital resources and facilities. More established gardening companies with much greater financial resources which do not currently compete with us may be able to easily adapt their existing operations to sell hydroponic growing equipment. Our competitors may also introduce new hydroponic growing equipment, and manufacturers may sell equipment direct to consumers. Due to this competition, there is no assurance that we will not encounter difficulties in increasing revenues and maintaining and/or increasing market share. In addition, increased competition may lead to reduced prices and/or margins for products we sell.

If we need additional capital to fund the expansion of our operations, we may not be able to obtain sufficient capital on terms favorable to us and may be forced to limit the expansion of our operations.

In connection with our growth strategies, we may experience increased capital needs and accordingly, we may not have sufficient capital to fund the future expansion of our operations without additional capital investments. There can be no assurance that additional capital will be available to us on terms favorable to us or at all. If we cannot obtain sufficient capital to fund our expansion, we may be forced to limit the scope of our acquisitions and growth prospects.

Our business depends substantially on the continuing efforts of our executive officers and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued services of our executive officers, especially our Chairman, Chief Executive Officer, President and Interim Chief Financial Officer, Chenlong Tan. We do not presently maintain key man life insurance on any of our executive officers and directors, although we intend to obtain such insurance in the near future. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. The loss of any of our executive officers could cause our business to be disrupted, and we may incur additional and unforeseen expenses to recruit and retain new officers.

If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.

Our ability to compete in the highly competitive hydroponics and gardening industry depends in large part upon our ability to attract highly qualified managerial and sales personnel. In order to induce valuable employees to come and work for us and to remain with us, we may provide employees with stock options, restricted stock, restricted stock units that vest over time. The value to employees of such incentive stock and stock options that vest over time will be significantly affected by movements in our stock price that we will not be able to control and may at any time be insufficient to counteract more lucrative offers our employees may receive from other companies. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior, mid-level and senior personnel.

In order to increase our sales and marketing infrastructure, we will need to grow the size of our organization, and we may experience difficulties in managing this growth.

As we continue to work to increase our presence across the market landscape, we will need to expand the size of our employee base for managerial, operational, sales, marketing, financial, human resources and other areas of specialization. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate, and integrate additional employees. In addition, our management may have to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. Our future financial performance and our ability to continue to grow our operation and effectively compete in the hydroponics industry will depend in part on our ability to effectively manage any future growth.

Certain of our products may be purchased for use in new and emerging industries or segments and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions.

We sell hydroponic gardening products that end users may purchase for use in new and emerging industries or segments, including the growing of cannabis, that may not grow or achieve market acceptance in a manner that we can predict. The demand for these products depends on the uncertain growth of these industries or segments.

In addition, we sell products that end users may purchase for use in industries or segments, including the growing of cannabis, that are subject to varying, inconsistent and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations and consumer perceptions. For example, certain countries and 33 U.S. states have adopted frameworks that authorize, regulate and tax the cultivation, processing, sale and use of cannabis for medicinal and/or non-medicinal use, while the U.S. Controlled Substances Act and the laws of certain U.S. states prohibit growing cannabis.

While we are not aware of any threatened or current federal or state law enforcement actions against any retailer of hydroponic equipment that might be used for cannabis growing or use. We are aware that a number of years ago, law enforcement authorities did initiate raids at some retail stores where operators evidently knew they were selling hydroponic equipment directly to customers who indicated they intended to use it for the cultivation of recreational cannabis. Those raids took place in a different legal landscape, well before the legalization of medical or recreational cannabis by any state. We are unaware of any threatened or actual law enforcement activity against manufacturers or retailers of supplies marketed for usage by participants in the emerging cannabis industry.

A theoretical risk exists that our activities could be deemed to be facilitating the selling or distribution of cannabis in violation of the Federal Controlled Substances Act, or to constitute aiding or abetting, or being an accessory to, a violation of that Act. Federal authorities have not focused their resources on such tangential or secondary violations of the Act, nor have they threatened to do so, with respect to the sale of equipment that might be used by cannabis gardeners, or with respect to any supplies marketed to participants in the emerging medical cannabis industry. We are unaware of such a broad application of the Controlled Substances Act by federal authorities.

If the federal government were to change its practices, or were to expend its resources attacking providers of equipment that could be usable by participants in the medical or recreational cannabis industry, such action could have a materially adverse effect on our operations, our customers, or the sales of our products.

Our hydroponic gardening products are multi-purpose products designed and intended for growing a wide range of plants and are generally purchased from retailers by end users who may grow any variety of plants, including cannabis. Although the demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations and consumer perceptions develop, we cannot reasonably predict the nature of such developments or the effect, if any, that such developments could have on our business.

Continued federal intervention in certain segments of the cannabis industry is disruptive to the industry and may have a negative impact on us.

Our products are sold to growers of various crops, including cannabis, and we expect the number of gardeners or cannabis users buying our products to remain relatively unaffected despite federal interference in some segments of the cannabis industry. Although we expect minimal impact on the Company from any federal government crackdown on cannabis providers, the disruption to the cannabis industry could cause some potential customers to be more reluctant to invest in growing equipment, including equipment we sell. Moreover, the federal government's tactics may change or have unforeseen effects, which could be detrimental to our business.

Acquisitions, other strategic alliances, and investments could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations.

Acquisitions are an important element of our overall corporate development strategy and use of capital, and such transactions could be material to our financial condition and results of operations. We expect to continue to evaluate and enter into discussions regarding a wide array of potential acquisition targets and strategic transactions. The areas where we may face risks in connection with such acquisitions include, but are not limited to, the failure to successfully further develop the acquired business, the implementation or remediation of controls, procedures and policies at the acquired business, the transition of employees, operations, users and customers onto our existing platforms, and cultural challenges associated with integrating employees from the acquired business into our organization, and the continued retention of such employees going forward. Our failure to address these risks or other problems encountered in connection with our acquisitions could cause us to fail to realize the anticipated benefits of such acquisitions, investments or alliances, incur unanticipated liabilities, and harm our business generally.

Our acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or impairment of goodwill and purchased long-lived assets, and restructuring charges, any of which could harm our financial condition or results of operations and cash flows. In addition, the anticipated benefits and synergies of many of our acquisitions may not materialize.

Our ongoing investment in and development of our new private label product line is inherently risky and could disrupt our ongoing businesses.

We have invested and expect to continue to invest in our own private label product lines. Such endeavors may involve significant risks and uncertainties, including insufficient revenues to offset liabilities assumed and expenses associated with this new investment, inadequate return of capital on our investment, and unidentified issues not discovered in our assessment of such strategy and offerings. Because this venture is inherently risky, no assurance can be given that such strategy and offerings will be successful and will not adversely affect our reputation, financial condition and operating results.

If we are unable to effectively execute our e-commerce business, our reputation and operating results may be harmed.

We sell certain of our products over the internet through our e-commerce platform, www.Zenhydro.com. The success of our e-commerce business depends on our investment in this platform, consumer preferences and buying trends relating to e-commerce, and our ability to both maintain the continuous operation of our online store and our fulfillment operations and provide a shopping experience that will generate orders and return visits to our online store.

We are also vulnerable to certain additional risks and uncertainties associated with our e-commerce business, including: changes in required technology interfaces; website downtime and other technical failures; costs and technical issues associated with website software, systems and technology investments and upgrades; data and system security; system failures, disruptions and breaches and the costs to address and remedy such failures, disruptions or breaches; computer viruses; and changes in and compliance with applicable federal and state regulations. In addition, our efforts to remain competitive with technology trends, including the use of new or improved technology, creative user interfaces and other e-commerce marketing tools such as paid search and mobile applications, among others, may increase our costs and may not increase sales or attract consumers. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales of our e-commerce business, as well as damage our reputation and brands.

In addition, the success of our e-commerce business and the satisfaction of our customers depends on their timely receipt of our products and their ability to pick up their desired products from one of our garden centers. The efficient delivery and/or pick up of our products requires that our garden and distribution centers have adequate capacity to support the current level of e-commerce operations and any anticipated increased levels that may occur as a result of the growth of our e-commerce business. If we encounter difficulties with our garden and distribution centers, or if any garden and distribution centers shut down for any reason, including as a result of fire or other natural disaster, or pursuant to expanded stay-at-home orders or other restrictions due to the current COVID-19 pandemic, we could face shortages of inventory, which would result in our inability to properly our online store. Such a situation could cause us to incur significantly higher costs and lead to longer lead times associated with distributing products to our customers, which could cause us to lose customers. Experiencing any of these issues could have a material adverse effect on our business and harm our reputation.

Our reliance on a limited base of suppliers for certain products, such as light ballasts, may result in disruptions to our business and adversely affect our financial results.

We rely on a limited number of suppliers for certain of our hydroponic products and other supplies. As we do not have any long-term supply agreements, in the event we are unable to maintain supplier arrangements and relationships, if we are unable to contract with suppliers at the quantity and quality levels needed for our business, if any of our key suppliers becomes insolvent or experience other financial distress or if any of our key suppliers is negatively impacted by COVID-19, including with respect to staffing and shipping of products, we could experience disruptions in our supply chain, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Although we continue to implement risk-mitigation strategies for single-source suppliers, we rely on a limited number of suppliers for certain of our [products]. If we are unable to maintain supplier arrangements and relationships, if we are unable to contract with suppliers at the quantity and quality levels needed for our business, or if any of our key suppliers becomes insolvent or experience other financial distress, we could experience disruptions in production, which could have a material adverse effect on our financial condition, results of operations and cash flows.

A significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings.

Operations at our and our suppliers' facilities are subject to disruption for a variety of reasons, including fire, flooding or other natural disasters, disease outbreaks or pandemics, acts of war, terrorism, government shut-downs and work stoppages. A significant interruption in the operation of our or our suppliers' facilities, especially for those products manufactured at a limited number of facilities, such as [fertilizer and liquid products], could significantly impact our capacity to sell products and service our customers in a timely manner, which could have a material adverse effect on our customer relationships, revenues, earnings and financial position.

If our suppliers are unable to source raw materials in sufficient quantities, on a timely basis, and at acceptable costs, our ability to sell our products may be harmed.

The manufacture of some of our products is complex and requires precise high-quality manufacturing that is difficult to achieve. We have in the past, and may in the future, experience difficulties in manufacturing our products on a timely basis and in sufficient quantities. These difficulties have primarily related to difficulties associated with ramping up production of newly introduced products and may result in increased delivery lead-times and increased costs of manufacturing these products. Our failure to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals, increased warranty costs or other problems that could harm our business and prospects.

In determining the required quantities of our products and the manufacturing schedule, we must make significant judgments and estimates based on historical experience, inventory levels, current market trends and other related factors. Because of the inherent nature of estimates, there could be significant differences between our estimates and the actual amounts of products we require, which could harm our business and results of operations.

Disruptions in availability or increases in the prices of raw materials sourced by suppliers could adversely affect our results of operations.

We source many of our product components from outside of the United States. The general availability and price of those components can be affected by numerous forces beyond our control, including political instability, trade restrictions and other government regulations, duties and tariffs, price controls, changes in currency exchange rates and weather. A significant disruption in the availability of any of our key product components could negatively impact our business. In addition, increases in the prices of key commodities and other raw materials could adversely affect our ability to manage our cost structure. Market conditions may limit our ability to raise selling prices to offset increases in our raw material costs. Our proprietary technologies can limit our ability to locate or utilize alternative inputs for certain products. For certain inputs, new sources of supply may have to be qualified under regulatory standards, which can require additional investment and delay bringing a product to market.

If our suppliers that currently, or in the future, sell directly to the retail market in which we conduct our current or future business, enhance these efforts and cease or decrease their sales through us, our ability to sell certain products could be harmed.

Our distribution and sales and marketing capabilities provide significant value to our suppliers. Distributed brand suppliers sell through us in order to access thousands of retail and commercial customers across the United States with short order lead times, no minimum order quantity on individual items, free or minimal freight expense and trade credit terms. Based on our knowledge and communication with our suppliers, we believe some of our suppliers sell directly to the retail market. If these suppliers were to cease working with us or proceed to enhance their direct-to-customer efforts, our product offerings, reputation, operation and business could be materially adversely effected.

Our operations may be impaired if our information technology systems fail to perform adequately or if we are the subject of a data breach or cyber-attack.

We rely on information technology systems to conduct our business, including communicating with employees and our key commercial customers, ordering and managing materials from suppliers, shipping products to customers and analyzing and reporting results of operations. While we have taken steps to ensure the security of our information technology systems, our systems may nevertheless be vulnerable to computer viruses, security breaches and other disruptions from unauthorized users. If our information technology systems are damaged or cease to function properly for an extended period of time, whether as a result of a significant cyber incident or otherwise, our ability to communicate internally as well as with our retail customers could be significantly impaired, which may adversely impact our business.

Additionally, in the normal course of our business, we collect, store, and transmit proprietary and confidential information regarding our customers, employees, suppliers and others, including personally identifiable information. An operational failure or breach of security from increasingly sophisticated cyber threats could lead to loss, misuse or unauthorized disclosure of this information about our employees or customers, which may result in regulatory or other legal proceedings, and have a material adverse effect on our business and reputation. We also may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Any such attacks or precautionary measures taken to prevent anticipated attacks may result in increasing costs, including costs for additional technologies, training, and third-party consultants. The losses incurred from a breach of data security and operational failures as well as the precautionary measures required to address this evolving risk may adversely impact our financial condition, results of operations and cash flows.

We may not be able to develop, license or acquire new products, enhance the capabilities of our existing products to keep pace with rapidly changing technology and customer requirements, or successfully manage the transition to new product offerings, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our success depends on our ability to develop, license or acquire and commercialize additional products and to develop new applications for our technologies in existing and new markets, while improving the performance and cost-effectiveness of our existing products, in each case in ways that address current and anticipated customer requirements. We intend to develop and commercialize additional products through our research and development program and by licensing or acquiring additional products and technologies from third parties. Such success is dependent upon several factors, including functionality, competitive pricing, ease of use, the safety and efficacy of our products and our ability to identify, select and acquire the rights to products and technologies on terms that are acceptable to us.

The hydroponics industry is characterized by rapid technological change and innovation. New technologies, techniques or products may emerge that might offer better combinations of price and performance or better address customer requirements as compared to our current or future products, as well as those products of third-party vendors that we make available for sale. Competitors who have greater financial, marketing and sales resources than we do may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Any new product we identify for internal development, licensing or acquisition may require additional development efforts prior to commercial sale. Due to the significant lead time and complexity involved in bringing a new product to the market, we are required to make a number of assumptions and estimates regarding the commercial feasibility of a new product. These assumptions and estimates may prove incorrect, resulting in our introduction of a product that is not competitive at the time of launch. We anticipate that we will face increased competition in the future as existing companies and competitors develop new or improved products and as new companies enter the market with new technologies and sales mechanisms which we may be unable to adopt or offer for sale. Our ability to mitigate downward pressure on the prices of the products that we offer for sale will be dependent on our ability to maintain and/or increase the value we offer to suppliers, vendors, strategic partners, and consumers. All new products are prone to risks of failure inherent in hydroponic technology development. In addition, we cannot assure you that any such products that we develop or offer for sale will be manufactured or produced economically, successfully commercialized or widely accepted in the marketplace. The expenses or losses associated with unsuccessful product development or launch activities, or a lack of market acceptance of new products, could adversely affect our business, financial condition, and results of operation.

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our own products, maintain relationships with other vendors and suppliers, and to make compelling new products available for sale through our enterprise. Any new product that we develop or offer for sale may not be introduced in a timely or cost-effective manner, may contain defects or may not achieve the marketplace acceptance necessary to generate significant revenue. If we are unable to successfully develop, license or acquire new products to make available for sale, enhance our existing inventory offerings to meet customer requirements, or otherwise gain market acceptance, our business and financial condition and results of operation would be harmed.

We have identified a material weakness in our internal control over financial reporting and may experience material weaknesses in the future or otherwise fail to maintain an effective system of internal controls in the future, as a result of which, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in us and, as a result, the value of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports. If we cannot maintain effective controls and reliable financial reports, our business and operating results could be harmed. Our management has conducted an evaluation of the effectiveness of our internal controls over financial reporting and concluded that our internal controls over financial reporting were not effective because but not limited to (i) we did not maintain a sufficient complement of personnel and (ii) our controls related to financial statements closing process were not adequately designed or appropriately implemented to identify material misstatements in our financial reporting on a timely basis.

Management has evaluated remediation plans for the deficiency and has implemented changes to address the material weakness identified, including hiring additional accountants and consultants.

We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. The effectiveness of our controls and procedures may be limited by a variety of factors, including:

- faulty human judgment and simple errors, omissions or mistakes;
- fraudulent action of an individual or collusion of two or more people;
- inappropriate management override of procedures; and
- the possibility that any enhancements to controls and procedures may still not be adequate to assure timely and accurate financial control.

Our management and independent registered public accounting firm has not performed an evaluation of our internal control over financial reporting during any period in accordance with the provisions of Sarbanes-Oxley Act. Had we performed an evaluation and had our independent registered public accounting firm performed an audit of our internal control over financial reporting in accordance with the provisions of Sarbanes-Oxley Act, additional control deficiencies amounting to material weaknesses may have been identified. If we fail to remedy any material weakness, our financial statements may be inaccurate, our access to the capital markets may be restricted and the trading price of our common stock may suffer.

General Risk Factors Related to Our Business

Litigation may adversely affect our business, financial condition and results of operations.

From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition, and results of operations. Since inception, the Company has not been a party to any material litigation.

If product liability lawsuits are brought against us, we may incur substantial liabilities.

We face a potential risk of product liability resulting from the sale of our products. For example, we may be sued if any product we sell allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing, or sale. Any such product liability claim may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability, and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for products that we may offer for sale;
- injury to our reputation;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions; and
- a decline in the value of our stock.

Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. We do not maintain any product liability insurance. Even if we obtain product liability insurance in the future, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

We may not be able to obtain insurance coverage adequate to cover all significant risk exposures.

We will be exposed to liabilities that are unique to the products we provide. We currently maintain only general liability, umbrella liability, business personal property and business income insurance policies and there can be no assurance that we will acquire or maintain insurance for certain risks, that the amount of our insurance coverage will be adequate to cover all claims or liabilities, or that we will not be forced to bear substantial costs resulting from risks and uncertainties of business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain and maintain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition, and results of operations.

Our results of operations could be materially harmed if we are unable to accurately forecast customer demand for our products and manage our inventory.

We seek to maintain sufficient levels of inventory in order to protect ourselves from supply interruptions. To ensure adequate inventory supply and manage our operations with our third-party vendors, manufacturers and suppliers, we forecast anticipated materials requirements and demand for our products in order to predict inventory needs and then place orders with our suppliers based on these predictions. Our ability to accurately forecast demand for our products could be negatively affected by many factors, including our limited historical commercial experience, rapid growth, failure to accurately manage our expansion strategy, product introductions by competitors, an increase or decrease in customer demand for our products, our failure to accurately forecast customer acceptance of new products, unanticipated changes in general market conditions or regulatory matters and weakening of economic conditions or consumer confidence in future economic conditions.

Inventory levels in excess of customer demand, including as a result of our introduction of product enhancements, may result in a portion of our inventory becoming obsolete or expiring, as well as inventory write-downs or write-offs, which could have a material adverse effect on our business, financial condition and results of operations. Conversely, if we underestimate customer demand for our and those third-party products we offer for sale, vendors, manufacturers and suppliers may not be able to deliver those materials necessary to meet our requirements, which could result in inadequate inventory levels or interruptions, delays or cancellations of deliveries to our customers, any of which would damage our reputation, customer relationships and business. In addition, several products that we offer for sale may require lengthy order lead times, and additional supplies or materials may not be available when required on terms that are acceptable to us, or at all, and our third-party manufacturers and suppliers may not be able to allocate sufficient capacity in order to meet our increased requirements, any of which could have an adverse effect on our ability to meet customer demand for our products and our business, financial condition and results of operations.

The failure of third parties to meet their contractual, regulatory, and other obligations could adversely affect our business.

We rely on suppliers, vendors, outsourcing partners, consultants, alliance partners and other third parties to research, develop, manufacture and commercialize our products. Using these third parties poses a number of risks, such as: (i) they may not perform to our standards or legal requirements; (ii) they may not produce reliable results; (iii) they may not perform in a timely manner; (iv) they may not maintain confidentiality of our proprietary information; (v) disputes may arise with respect to ownership of rights to technology developed with our partners; and (vi) disagreements could cause delays in, or termination of, the research, development or commercialization of our products or result in litigation or arbitration. Moreover, some third parties are located in markets subject to political and social risk, corruption, infrastructure problems and natural disasters, in addition to country-specific privacy and data security risk given current legal and regulatory environments. Failure of third parties to meet their contractual, regulatory and other obligations may have a material adverse effect on our business, financial condition and results of operations.

The sizes of the markets for our current and future products have not been established with precision and may be smaller than we estimate.

Our estimates of the total addressable markets for our current products, products under development and third-party products that we offer for sale are based on a number of internal and third-party estimates and the assumed prices at which we can sell such products in markets that have not been established or that we have not yet entered. While we believe our assumptions and the data underlying our estimates are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these estimates. As a result, our estimates of the total addressable market for our current or future products may prove to be incorrect. If the actual number of consumers who would benefit from the products we offer, the price at which we can sell such products, or the total addressable market for such products is smaller than we have estimated, it may impair our sales growth and have an adverse impact on our business

The COVID-19 pandemic may have the effect of heightening many of the other risks described in this “[Risk Factor](#)” section.

To the extent the COVID-19 pandemic may adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this “[Risk Factor](#)” section, as well as other risks which we may not be currently aware of.

Risks Related to Doing Business with the Cannabis Industry

While our business includes both the hobbyist gardener, and is not exclusively reliant on the cannabis grower, our growth is nonetheless dependent on the growth and stabilization of the U.S. cannabis market. New California regulations caused licensing shortages and future regulations may create other limitations that decrease the demand for our products. State level regulations adopted in the future may adversely impact our business.

The base of cannabis growers in the U.S. has grown over the past 20 years since the legalization of cannabis for medical uses in states such as California, Colorado, Michigan, Nevada, New Jersey, Oregon and Washington, with a large number of those growers depending on products similar to those we distribute. The U.S. cannabis market is still in its infancy and early adopter states such as California, Colorado and Washington represent a large portion of historical industry revenues. If the U.S. cannabis cultivation market does not grow as expected, our business, financial condition and results of operations could be adversely impacted.

Cannabis remains illegal under U.S. federal law, with cannabis listed as a Schedule I substance under the Controlled Substances Act (CSA). Notwithstanding laws in various states permitting certain cannabis activities, all cannabis activities, including possession, distribution, processing and manufacturing of cannabis and investment in, and financial services or transactions involving proceeds of, or promoting such activities remain illegal under various U.S. federal criminal and civil laws and regulations, including the CSA, as well as laws and regulations of several states that have not legalized some or any cannabis activities to date. Compliance with applicable state laws regarding cannabis activities does not protect us from federal prosecution or other enforcement action, such as seizure or forfeiture remedies, nor does it provide any defense to such prosecution or action. Cannabis activities conducted in or related to conduct in multiple states may potentially face a higher level of scrutiny from federal authorities. Penalties for violating federal drug, conspiracy, aiding, abetting, bank fraud and/or money laundering laws may include prison, fines, and seizure/forfeiture of property used in connection with cannabis activities, including proceeds derived from such activities.

In addition to sales through our own platform, www.Zenhydro.com, we sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. However, it is evident to us that the movement towards the legalization of cannabis in the U.S. and its legalization in Canada has ultimately had a significant and positive impact on our industry. We are not currently subject directly to any state laws or regulations controlling participants in the legal cannabis industry. However, regulation of the cannabis industry does impact those that we believe represent many end-users for our products and, accordingly, there can be no assurance that changes in regulation of the industry and more rigorous enforcement by federal authorities will not have a material adverse effect on us.

Legislation and regulations pertaining to the use and cultivation of cannabis are enacted on both the state and federal government level within the United States. As a result, the laws governing the cultivation and use of cannabis may be subject to change. Any new laws and regulations limiting the use or cultivation of cannabis and any enforcement actions by state and federal governments could indirectly reduce demand for our products and may impact our current and planned future operations.

Individual state laws regarding the cultivation and possession of cannabis for adult and medical uses conflict with federal laws prohibiting the cultivation, possession and use of cannabis for any purpose. A number of states have passed legislation legalizing or decriminalizing cannabis for adult-use, other states have enacted legislation specifically permitting the cultivation and use of cannabis for medicinal purposes, and several states have enacted legislation permitting cannabis cultivation and use for both adult and medicinal purposes. Variations exist among those states’ cannabis laws. Evolving federal and state laws and regulations pertaining to the use or cultivation of cannabis, as well active enforcement by federal or state authorities of the laws and regulations governing the use and cultivation of cannabis may indirectly and adversely affect our business, our revenues and our profits.

Certain of our products may be purchased for use in new and emerging industries and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, future scientific research and public perception.

In addition to selling our products through our own online platform, www.Zenhydro.com, we sell products, including hydroponic gardening products, through third-party retailers and resellers. End users may purchase these products for use in new and emerging industries, including the growing of cannabis that may not achieve market acceptance in a manner that we can predict. The demand for these products is dependent on the growth of these industries, which is uncertain, as well as the laws governing the growth, possession, and use of cannabis by adults for both adult and medical use.

Laws and regulations affecting the U.S. cannabis industry are continually changing, which could detrimentally affect our growth, revenues, results of operations and success generally. Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the end users of certain of our products or us to incur substantial costs associated with compliance or to alter our respective business plans. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operation and financial condition.

Scientific research related to the benefits of cannabis remains in its early stages, is subject to a number of important assumptions, and may prove to be inaccurate. Future research studies and clinical trials may reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact the demand for our products for use in the cannabis industry.

The public's perception of cannabis may significantly impact the cannabis industry's success. Both the medical and adult-use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult-use of cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in the United States or internationally, may have a material adverse effect on our operational results, consumer base, and financial results. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult cannabis or adopt new laws or regulations restricting or prohibiting the medical or adult-use of cannabis where it is now legal, thereby limiting the Cannabis Industry Participants.

Demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop. We cannot predict the nature of such developments or the effect, if any, that such developments could have on our business.

Our indirect involvement in the cannabis industry could affect the public's perception of us and be detrimental to our reputation.

Damage to our reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our retailers and resellers that transact with cannabis businesses might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased use of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views with regard to cannabis companies and their activities, whether true or not and the cannabis industry in general, whether true or not. We do not ultimately have direct control over how the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our business strategy and realize our growth prospects, thereby having a material adverse impact on our business.

In addition, third parties with whom we may do business could perceive that they are exposed to reputational risk as a result of the involvement of some of our customers in the cannabis business. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of our business could have a material adverse effect on our business, financial condition and results of operations.

Businesses involved in the cannabis industry, and investments in such businesses, are subject to a variety of laws and regulations related to money laundering, financial recordkeeping, and proceeds of crimes.

We sell our products through our website, www.Zenhydro.com, as well as through online third party retail platforms which do not exclusively sell to customers operating in the cannabis industry. Nonetheless, some of our customers may be using our products for purposes of cultivating cannabis. Investments in the U.S. cannabis industry are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the BSA, as amended by the U.S. PATRIOT Act, other anti-money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States. In February 2014, the Financial Crimes Enforcement Network of the Treasury Department (“FinCEN”) issued a memorandum (the “FinCEN Memo”) providing guidance to banks seeking to provide services to cannabis businesses. The FinCEN Memo outlines circumstances under which banks may provide services to cannabis businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of U.S. money laundering offenses predicated on cannabis violations of the CSA and outlines extensive due diligence and reporting requirements, which most banks have viewed as onerous. On June 29, 2020, FinCEN issued additional guidance for financial institutions conducting due diligence and filing suspicious activity reports in connection with hemp-related business customers. While these guidelines clarify that financial institutions are not required to file suspicious activity reports solely based on a customer’s hemp-related business operations, which must be operating lawfully under applicable state law and regulations, these requirements can still present challenges for certain end users of our products to establish and maintain banking connections, and restrictions on cannabis-related banking activities remain. In September 2019, the United States House of Representatives passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, but the Senate has not taken up the SAFE Banking Act or other similar legislation.

Risks Related to Our Common Stock

Our founders, officers and directors control, and will continue to control, our company for the foreseeable future, including the outcome of matters requiring stockholder approval.

After completion of this offering, our founders, officers and directors collectively will beneficially own approximately []% of our outstanding shares of common stock. In addition, our founders hold 14,000,000 shares of Class B “super voting” Common Stock, which has ten times the voting power of Class A Common Stock. As a result, such individuals will, for the foreseeable future, have the ability, acting together, to control the election of our directors and the outcome of corporate actions requiring stockholder approval, such as: (i) a merger or a sale of our company, (ii) a sale of all or substantially all of our assets, and (iii) amendments to our articles of incorporation and bylaws. This concentration of voting power and control could have a significant effect in delaying, deferring, or preventing an action that might otherwise be beneficial to our other stockholders and be disadvantageous to our stockholders with interests different from those entities and individuals. Certain of these individuals also have significant control over our business, policies and affairs as officers or directors of our company. Therefore, you should not invest in reliance on your ability to have any control over our company. See “[Principal Stockholders](#)” for further discussion of the stockholding of our founders and principal stockholders.

General Risk Factors Related to our Common Stock and this Offering

There are risks, including stock market volatility, inherent in owning our common stock.

The market price and volume of our common stock have been, and may continue to be, subject to significant fluctuations. These fluctuations may arise from general stock market conditions, the impact of risk factors described herein on our results of operations and financial position, or a change in opinion in the market regarding our business prospects or other factors, many of which may be outside our immediate control.

We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to “emerging growth companies” or “smaller reporting companies,” this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and, for as long as we continue to be an “emerging growth company,” we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” for up to five years following the effectiveness of this registration statement, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1.0 billion in non-convertible debt during the preceding three year period.

Additionally, we are a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (1) the market value of our Class A Common Stock held by non-affiliates exceeds \$250 million as of the prior June 30, or (2) our annual revenues exceeded \$100 million during such completed fiscal year and the market value of our Class A Common Stock held by non-affiliates exceeds \$700 million as of the prior June 30. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible. After we are no longer an “emerging growth company,” we expect to incur additional management time and cost to comply with the more stringent reporting requirements applicable to companies that are deemed accelerated filers or large accelerated filers, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

You will experience further dilution if we issue additional equity or equity-linked securities in the future.

If we issue additional shares of common stock, or securities convertible into or exchangeable or exercisable for shares of common stock, our stockholders, including investors who purchase shares of common stock in this offering, will experience additional dilution, and any such issuances may result in downward pressure on the price of our common stock. We also cannot assure you that we will be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Class A Common Stock, the market price for our Class A Common Stock and trading volume could decline.

The trading market for our Class A Common Stock will be influenced by research or reports that industry or securities analysts publish about our business. If industry or securities analysts decide to cover us and in the future downgrade our Class A Common Stock, the market price for our securities would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our Class A Common Stock to decline.

We have broad discretion in the use of the net proceeds we receive from this offering.

Our management will have broad discretion in the application of the net proceeds we receive in this offering, including for any of the purposes described in the section entitled “[Use of Proceeds](#),” and you will not have the opportunity as part of your investment decision to assess whether our management is using the net proceeds appropriately. Because of the number and variability of factors that will determine our use of our net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. Pending their use, we may invest our net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

Upon becoming publicly-traded and after an active trading market develops, the market price of our common stock may be significantly volatile.

If our securities become publicly-traded and even if an active market for our common stock develops, of which no assurances can be given, the market price for our common stock may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial operational estimates or projections;
- conditions in markets generally;
- changes in the economic performance or market valuations of companies similar to ours; and
- general economic or political conditions in the United States and elsewhere.

The securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of shares of our common stock.

In the event of liquidation or dissolution of our company, you may not recoup all or any portion of your investment.

In the event of a liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, the proceeds and/or assets of our company remaining after giving effect to such transaction, and the payment of all of our debts and liabilities will be distributed to the stockholders of common stock on a pro rata basis. There can be no assurance that we will have available assets to pay to the holders of common stock, or any amounts, upon such a liquidation, dissolution or winding-up of our Company. In this event, you could lose some or all of your investment.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$[], after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. If the Underwriter exercises its over-allotment option to purchase additional shares in full, we estimate that our net proceeds will be approximately \$[], after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering primarily to expand our e-commerce platform, operations, intellectual property portfolio and for general corporate purposes, including strategic acquisitions. The timing and amount of our actual expenditures will be dependent on several factors, including cash flows from operations and the anticipated growth of our enterprise. We have not yet determined the amount of net proceeds to be used specifically for any particular purpose or the estimated timing of such expenditures. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds obtained from this offering. Pending their use, we intend to invest the net proceeds from this offering in short-term, investment-grade, interest-bearing instruments.

We believe that the net proceeds from this offering, together with our existing cash on hand, cash equivalents and investments, will enable us to fund our operations, acquisitions and continued growth and development through at least the next [] months. We have based this estimate on assumptions that may prove to be wrong and we could use our available capital resources more quickly than currently anticipated.

DIVIDEND POLICY

The Company has never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, tax considerations, legal or contractual restrictions, business prospects, the requirements of current or then-existing debt instruments, general economic conditions and other factors our Board of Directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and investments and our capitalization as of _____, 2020:

- on an actual basis; and
- on an as-adjusted basis to give effect to the sale of \$[·] of shares of Class A Common Stock in this offering at the assumed public offering price of \$[·] per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The adjusted information below is illustrative and our capitalization following the completion of this offering is subject to adjustment based on the actual public offering price of our Class A Common Stock and other terms of this offering determined at pricing.

You should read this table together with “[Management’s Discussion and Analysis of Financial Condition and Results of Operations](#),” “[Description of Capital Stock](#)” and our consolidated and combined and combined financial statements and related notes included elsewhere in this prospectus.

| | As of _____, 2020 | |
|---|-----------------------------------|-------------|
| | Actual | As Adjusted |
| | (in thousands, except share data) | |
| Cash, cash equivalents and investments | \$ | \$ |
| Long term liabilities, less current portion | \$ | \$ |
| Stockholders’ equity | | |
| Class A Common Stock, par value \$0.001 per share; 166,000,000 authorized shares, 20,204,496 shares issued and outstanding, actual; Class B Common Stock, par value \$0.001 per share, 14,000,000 authorized shares; 14,000,000 shares issued and outstanding, as adjusted; “blank check” preferred stock, par value \$0.001 per share; 20,000,000 authorized shares, 0 shares issued and outstanding | | |
| Additional paid-in capital | \$ | \$ |
| Accumulated deficit | \$ (·) | \$ (·) |
| Total stockholders’ equity | \$ | \$ |
| Total Capitalization | \$ | \$ |

If the Underwriter exercises its over-allotment option in full, as adjusted, cash, cash equivalents and investments, additional paid-in capital, total stockholders’ equity, total capitalization and shares of Class A Common Stock outstanding as of _____, 2020 would be \$[·], \$[·], \$[·] and [·] shares, respectively.

Except as otherwise indicated herein, the number of shares of our Class A Common Stock to be outstanding after this offering is based upon [·] shares of Class A Common Stock outstanding as of _____, 2020 and excludes: (i) a total of [·] shares of Class A Common Stock issuable upon exercise of warrants; and (ii) a total of [·] shares of our Class A Common Stock issuable upon exercise of options.

DILUTION

If you invest in this offering, your ownership interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock immediately after the closing of this offering.

Our net tangible book value as of September 30, 2020 was approximately \$3.62 million, or \$0.18 per share. Net tangible book value per share is determined by dividing our total tangible assets, less total liabilities, by the number of shares of our common stock outstanding as of September 30, 2020. Dilution with respect to net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately after this offering.

After giving effect to the sale of \$[·] of shares of our common stock in this offering at the assumed offering price of \$[·] per share, taking into account the automatic conversion of our Series A preferred stock that was issued in our December 2020 private placement, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and assuming no exercise of the underwriters' over-allotment option in full, our as adjusted net tangible book value as of [], 2021, would have been approximately \$[·], or \$[·] per share. This represents an immediate increase in net tangible book value of \$[·] per share to existing stockholders. Investors purchasing our common stock in this offering will have paid \$[·] more than the as adjusted net tangible book value per share after this offering. The following table illustrates this on a per share basis to new investors:

| | | | |
|---|----|----|-----|
| Assumed public offering price per share | | \$ | [] |
| Net tangible book value per share as of __, 2021 | \$ | | |
| Increase per share attributable to new investors | \$ | | |
| As adjusted net tangible book value per share after this offering | \$ | | |
| As adjusted net tangible book value per share to investors purchasing shares in this offering | | \$ | |
| Dilution in net tangible book value per share to new investors | | \$ | |
| Dilution as a percentage of purchase price in this offering | | | % |

(*) The above table does not include the Class B Common Stock that will be eligible for conversion, at the option of the holder, into a total of 1,400,000 shares of Class A Common Stock following 12 months after completion of this initial public offering. Aside from 1-for-10 super voting rights, the Class B Common Stock has no dividend or liquidation rights in the Company until such time as conversion has occurred.

Each \$1.00 increase (decrease) in the assumed public offering price of \$[____] per share, would increase (decrease) the adjusted net tangible book value per share after this offering by approximately \$[·], and dilution in as adjusted net tangible book value per share to new investors by approximately [·] after deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by the Company, and assuming no exercise of the Underwriter's over-allotment option in full.

If the Underwriter exercises its over-allotment option in full in this offering, the as adjusted net tangible book value after the offering would be [·] per share, the increase in as adjusted net tangible book value per share to existing stockholders would be [·] per share and the dilution per share to new investors would be [·] per share, in each case assuming a public offering price of \$[·] per share.

Except as otherwise indicated herein, the number of shares of our Class A Common Stock to be outstanding after this offering is based on [·] shares of Class A Common Stock outstanding on _____, 2021, on an as converted basis, and excludes a total of [·] shares of our Class A Common Stock issuable upon exercise of warrants; and (ii) a total of [·] shares of our Class A Common Stock issuable upon exercise of options.

The following table sets forth on a pro forma as adjusted basis, at September 30, 2020, the number of shares of Class A Common Stock, on an as converted basis, purchased or to be purchased from us, the total consideration paid or to be paid and the average price per share paid or to be paid by existing holders of Class A Common stock, by holders of options and warrants outstanding at September 30, 2020, and by the new investors, before deducting estimated underwriting discounts and estimated offering expenses payable by us.

| | Shares Purchased | | Total Consideration | | Average Price |
|-----------------------|------------------|---------|---------------------|---------|---------------|
| | Number | Percent | Amount | Percent | Per Share |
| Existing stockholders | | % | \$ | % | \$ |
| New investors | | % | | % | |
| Total | | 100.0% | \$ | 100.0% | \$ |

To the extent that any outstanding options or warrants are exercised, new options, warrants or restricted stock units are issued under our stock-based compensation plans, or new shares of preferred stock are issued, or we issue additional shares of Class A Common Stock in the future, there will be further dilution to investors participating in this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere herein. The Management's Discussion and Analysis ("MD&A") contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect," and the like, and/or future-tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this form. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors.

Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

Overview

iPower Inc. (formerly BZRTH Inc.) is believed to be one of the largest online hydroponic equipment suppliers in the United States. Through the operations of our e-commerce platform, www.Zenhydro.com, and our combined 72,000 square foot fulfillment centers in Los Angeles, California, we believe we are a leading marketer, distributor and retailer of grow-light systems, ventilation systems, activated carbon filters, nutrients, growing media, hydroponic water-resistant grow tents, trimming machines, pumps and accessories for hydroponic gardening, based on management's estimates. We have a diverse customer base that includes commercial users and individuals. Our core strategy continues to focus on expanding our geographic reach across the United States through organic growth, both in terms of expanding customer base as well as brand and product development.

We are actively developing and acquiring our private label products, which to date include the **iPower** and **Simple Deluxe** brands, and consist of approximately 3,000 SKUs of products such as grow-light systems, ventilation systems, activated carbon filters, nutrients, growing media, hydroponic water-resistant grow tents, trimming machines, pumps and many more hydroponic-related items; some of which have been designated as Amazon best seller product leaders, among others. Currently, the Company is working to expand its product line to include nutrients.

Trends and Expectations

Product and Brand Development

We plan to increase investments in product and brand development. We actively evaluate and pursue acquisitions of product brand names and improvements on existing products. We are also working to expand our product line to include nutrients.

COVID-19 Outbreak

We are continuing to closely monitor the impact of the COVID-19 outbreak on our business, results of operations and financial results. The situation surrounding the COVID-19 outbreak remains fluid and the full extent of the positive or negative impact of the COVID-19 outbreak on our business will depend on certain developments including the length of time that the outbreak continues, the impact on consumer activity and behaviors and the effect on our customers, employees, suppliers, and stockholders, all of which are uncertain and cannot be predicted. See "[Risk Factors](#)" beginning on page 11 for additional details. Our focus remains on promoting the health, safety and financial security of our employees and serving our customers. As a result, we have taken a number of precautionary measures, including implementing social distancing and enhanced cleaning measures in our facilities, suspending all non-essential travel, transitioning a large portion of our employees to working-from-home, reimbursing certain employee technology purchases, providing employee welfare programs, providing emergency paid time off and targeted hourly pay increases and developing no contact delivery methods.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. We anticipate that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on our operations to date and we believe the long-term opportunity that we see for shopping online remains unchanged, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on our business.

In the short term, we have continued to see increased sales and order activity in the market since the COVID-19 outbreak. In order to keep up with the increased orders, we have hired and are continuing to hire additional personnel. However, much is unknown and accordingly the situation remains dynamic and subject to rapid and possibly material change. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our customers, employees, suppliers, stockholders and communities.

Regulatory Environment

We sell hydroponic gardening products to end users that may use such products in new and emerging industries or segments, including the growing of cannabis. The demand for hydroponic gardening products depends on the uncertain growth of these industries or segments due to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions. For example, certain countries and a total of 47 U.S. states have adopted frameworks that authorize, regulate and tax the cultivation, processing, sale and use of cannabis for medicinal and/or non-medicinal use, including legalization of hemp and CBD, while the U.S. Controlled Substances Act and the laws of U.S. states prohibit growing cannabis. Demand for our products could be impacted by changes in the regulatory environment with respect to such industries and segments.

RESULTS OF OPERATIONS

For the three months ended September 30, 2020 and 2019

The following table presents certain unaudited condensed consolidated and combined statement of operations information and presentation of that data as a percentage of change from period to period.

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Variance |
|--|--|--|-----------------|
| Revenues | \$ 14,959,935 | \$ 7,227,560 | 106.98% |
| Cost of goods sold | \$ 9,397,147 | \$ 4,833,248 | 94.43% |
| Gross profit | \$ 5,562,788 | \$ 2,394,312 | 132.33% |
| Selling, general and administrative expenses | \$ 4,486,415 | \$ 2,325,381 | 92.93% |
| Operating income | \$ 1,076,373 | \$ 68,931 | 1,461.52% |
| Other income (expenses) | \$ (18,433) | \$ 4,926 | -474.20% |
| Income before income taxes | \$ 1,057,940 | \$ 73,857 | 1,332.42% |
| Income tax expenses | \$ 295,944 | \$ 20,885 | 1,317.02% |
| Net income | \$ 761,996 | \$ 52,972 | 1,338.49% |
| Gross profit % of revenues | 37.18% | 33.13% | |
| Net income % of revenues | 5.09% | 0.73% | |

Revenues

Revenues for the three months ended September 30, 2020 increased 106.98% to \$14,959,935 as compared to \$7,227,560 for the three months ended September 30, 2019. While pricing remained stable, the increased revenue mainly resulted from an increase in sales volume. In addition to our organic growth, which we achieved as a result of improved products and more effective online marketing efforts, the increase in sales was attributable to more people shopping online and pursuing gardening and growing projects during the COVID-19 pandemic. However, we cannot assure that this trend will continue, and our business may be adversely affected by poor overall economic conditions caused by the ongoing COVID-19 pandemic.

Costs of Goods Sold

Costs of goods sold for the three months ended September 30, 2020 increased 94.43% to \$9,397,147 as compared to \$4,833,248 for the three months ended September 30, 2019. The increase was due to an increase in sales as discussed above.

Gross Profit

Gross profit was \$5,562,788 for the three months ended September 30, 2020 as compared to \$2,394,312 for the three months ended September 30, 2019. The gross profit ratio also increased to 37.18% for the three months ended September 30, 2020 from 33.13% for the three months ended September 30, 2019. The increase was due to a combination of an increase in sales as discussed above and a decrease of cost of goods sold resulting from selling more products under in-house owned brands as opposed to third party brands. The gross margin for in-house owned products is, on average, 20% higher than our gross margin for third party brands.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2020 increased 92.93% to \$4,486,415 as compared to \$2,325,381 for the three months ended September 30, 2019. The increase was mainly due to an increase in payroll expenses and overall operating activities as discussed above.

Other Income/(Expense)

Other income (expenses) consists of interest expense and other non-operating income (expenses). Other expenses for the three months ended September 30, 2020 was \$18,433 as compared to other income of \$4,926 for the three months ended September 30, 2019. The increase in other expenses was mainly due to an increase in interest expenses.

Net Income

Net income for the three months ended September 30, 2020 was \$761,996 as compared to net income of \$52,972 for the three months ended September 30, 2019, representing an increase of \$709,024. The increase in net income for the three months ended September 30, 2020 as compared to that of 2019 was primarily due to the increase in sales being higher than the increase in cost of goods sold, thereby increasing the Company's gross profit margin and net income.

For the year ended June 30, 2020 and 2019

The following table presents certain consolidated and combined statement of operations information and presentation of that data as a percentage of change from year to year.

| | Year Ended June 30, 2020 | Year Ended June 30, 2019 | Variance |
|--|-------------------------------------|-------------------------------------|-----------------|
| Revenues | \$ 39,938,472 | \$ 22,842,765 | 74.84% |
| Cost of goods sold | \$ 24,810,907 | \$ 14,967,248 | 65.77% |
| Gross profit | \$ 15,127,565 | \$ 7,875,517 | 92.08% |
| Selling, general and administrative expenses | \$ 12,219,616 | \$ 7,040,844 | 73.55% |
| Operating income | \$ 2,907,949 | \$ 834,673 | 248.39% |
| Other income (expenses) | \$ (147,549) | \$ (110,779) | 33.19% |
| Income before income taxes | \$ 2,760,400 | \$ 723,894 | 281.33% |
| Income tax expenses | \$ 773,438 | \$ 195,496 | 295.63% |
| Net income | \$ 1,986,962 | \$ 528,398 | 276.04% |
| Gross profit % of revenues | 37.88% | 34.48% | |
| Net income % of revenues | 4.98% | 2.31% | |

Revenues

Revenues for the fiscal year ended June 30, 2020 increased 74.84% to \$39,938,472 as compared to \$22,842,765 for the fiscal year ended June 30, 2019. While pricing remained stable, the increased revenue mainly resulted from increase in sales volume. In addition to our organic growth, which we achieved through selling improved products and more effective online marketing efforts, the increase in sales was attributable to more people shopping online and pursuing gardening and growing projects during the COVID-19 pandemic. However, we cannot ensure that this trend will continue, and our business may be adversely affected by poor overall economic condition caused by the COVID-19 pandemic.

Costs of Goods Sold

Costs of goods sold for the fiscal year ended June 30, 2020 increased 65.77% to \$24,810,907 as compared to \$14,967,248 for the fiscal year ended June 30, 2019. The increase was due to an increase in sales as discussed above.

Gross Profit

Gross profit was \$15,127,565 for the year ended June 30, 2020 as compared to \$7,875,517 for the year ended June 30, 2019. The gross profit ratio also increased to 37.88% for the year ended June 30, 2020 from 34.48% for the year ended June 30, 2019. The increase was due to a combination of increase in sales as discussed above and decrease of cost of goods sold resulting from selling more products under in-house owned brands than third party brands. The gross margin for in-house owned products are, on average, 20% higher than our gross margin for third party brands.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended June 30, 2020 increased 73.55% to \$12,219,616 as compared to \$7,040,844 for the year ended June 30, 2019. The increase was mainly due to an increase in payroll expenses and overall operating activities as discussed above.

Other Income/(Expense)

Other income (expenses) consists of interest expense and other non-operating income (expenses). Other expenses for our fiscal year ended June 30, 2020 was \$147,549 as compared to other expenses of \$110,779 for the year ended June 30, 2019. The increase was mainly due to an increase in interest expenses.

Net Income

Net income for the fiscal year ended June 30, 2020 was \$1,986,962 as compared to net income of \$528,398 for the year ended June 30, 2019, representing an increase of \$1,458,564. The increase in net income for our fiscal year 2020 compared to that of 2019 was primarily due to the increase in sales being higher than the increase in cost of goods sold, thereby increasing gross profit margin and net income.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

During the years ended June 30, 2020 and 2019, we primarily funded our operations with cash and cash equivalents generated from operations as well as through borrowing under our credit facility and loans from the Small Business Administration. We had cash and cash equivalents of \$977,635 as of June 30, 2020, representing a \$506,177 increase from \$471,458 of cash as of June 30, 2019. The cash increase was primarily the result of the increase in net cash provided by operating activities and borrowing from a revolving credit line and loans. The loans and lines of credit consisted of the following: (i) a PPP Loan, dated April 13, 2020 (the "PPP Loan"), with Royal Business Bank, pursuant to which we received a \$175,500 loan, with a two year term and bearing an interest rate of 1% per annum, which PPP Loan is forgivable if certain hiring and employee retention criteria are met; (ii) a Small Business Administration Loan, dated April 18, 2020 (the "SBA Loan"), pursuant to which we received \$500,000 in exchange for issuing a 30-year, \$500,000 note bearing an interest rate of 3.75% per annum, with repayment of \$2,437 per month to commence on the one year anniversary date of the SBA Loan; (iii) a Loan and Security Agreement, dated May 13, 2019, with WFC (the "Loan and Service Agreement"), pursuant to which WFC issued a \$2,000,000 revolving line of credit with a one year maturity date, which bears an interest rate of 4.25% per annum. On November 16, 2020, the Loan and Service Agreement with WFC was renewed and the credit limit was increased to \$3,000,000, which bears an interest rate of 10% per annum. The loans and line of credit are discussed in greater detail in Note 8 to our financial statements for the years ended June 30, 2020 and 2019.

During the three months ended September 30, 2020, we primarily funded our operations with cash and cash equivalents generated from operations as well as through borrowing under our credit facility. We had cash and cash equivalents of \$720,911 as of September 30, 2020, representing a \$256,724 decrease from \$977,635 of cash as of June 30, 2020. The cash decrease was primarily the result of the decrease in net cash provided by operating activities. During the three months ended September 30, 2020, we had increased our purchase of products in order to maintain the higher inventory level required to meet our increasing sales. Based on our current operating plan, and despite the current uncertainty resulting from the COVID-19 pandemic, we believe that our existing cash and cash equivalents, cash flows from operations and available funds under our credit facility will be sufficient to finance our operations through at least the next twelve months.

On December 30, 2020, we closed on a private placement offering pursuant to which we sold to three accredited investors an aggregate of \$345,000 in Series A convertible preferred stock, at a purchase price of \$10.00 per share, which stock will convert into Class A Common Stock upon completion of this initial public offering (the "IPO") at a discount of 30% to the IPO per share purchase price. The offering was completed pursuant to an exemption from registration under Rule 506(b) of the Securities Act of 1933, as amended.

Working Capital

As of September 30, 2020, June 30, 2020 and 2019, our working capital was \$3,444,974, \$3,161,389 and \$29,082, respectively. The historical seasonality in our business during the year can cause cash and cash equivalents, inventory, and accounts payable to fluctuate, resulting in changes in our working capital.

Cash Flows

Operating Activities

Net cash used in operating activities for the three months ended September 30, 2020 and 2019 was \$731,948 and \$298,593, respectively. The increase in use of cash in operating activities resulted from the increased purchase of products in order to maintain the higher inventory levels required to meet our increasing sales volumes.

Net cash provided by operating activities for the years ended June 30, 2020 and 2019 was \$1,109,043 and \$706,899, respectively. The increase was the result of a combination of increase in operating income and accounts receivable and the higher balance of accounts payable and other liabilities due to temporary, favorable payment terms granted by our top vendor, as well as improvements in cash management.

Investing Activities

For the three months ended September 30, 2020 and 2019, net cash used in investing activities was the result of additions to property and equipment of (\$49,585) and (\$6,039), respectively, which were mainly related to payment of warehouse security deposit and purchase of warehouse fixture and office equipment.

For the years ended June 30, 2020 and 2019, net cash used in investing activities was the result of additions to property and equipment of (\$6,252) and \$0, respectively, which are mainly related to the purchase of office equipment.

Financing Activities

Net cash provided by financing activities was \$524,809 and \$97,418, respectively, for the three months ended September 30, 2020 and 2019. The main reason for the increase in net cash provided was primarily a result of proceeds from our revolving credit line with WFC.

Net cash used in financing activities was (\$596,614) and (\$235,541), respectively, for the years ended June 30, 2020 and 2019. The main reason for the increase in net cash used was primarily due to repayment of debts due to a related party.

October 2019 Share Exchange Agreement and Rescission

In October 2019, we entered into a share exchange agreement (the “Share Exchange Agreement”) with Sugarmade, Inc., a Delaware corporation (“Sugarmade”), pursuant to which, among other things, the Company and its stockholders agreed to sell 100% of the issued and outstanding capital stock of the Company to Sugarmade in exchange for \$870,000 in cash, \$7,130,000 under a promissory note, up to 650,000 shares of Sugarmade’s common stock, and up to 3,500,000 shares of Sugarmade’s Series B preferred stock.

Due to certain disputes that arose between the parties with respect to certain terms and conditions contained in the Share Exchange Agreement, the parties entered into a Rescission and Mutual Release Agreement on January 15, 2020 (the “Rescission Agreement”). Pursuant to the terms of the Rescission Agreement, the Company and its stockholders returned the shares of Sugarmade common stock and preferred stock and issued to Sugarmade 102,248 (204,496 post forward split) shares of the Company’s Class A Common Stock valued at \$427,010.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States, or GAAP and pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”). The preparation of consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated and combined financial statements and accompanying notes. Actual results could differ from those estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition and results of operations will be affected. We base our estimates on experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies, which we discuss further below. While our significant accounting policies are more fully described in Note 2 to our audited consolidated and combined financial statements, we believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our audited consolidated and combined financial statements.

Variable interest entity

The Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. The Company does not have direct ownership in E Marketing but has been actively involved in E Marketing’s operations and has the power to direct the activities and significantly impact E Marketing’s economic performance. The Company also bears all the risk of losses and has the right to receive all of the benefits from E Marketing. As such, in accordance with ASC 810-10-25-38A through 25-38J, E Marketing is considered a variable interest entity (“VIE”) of the Company and the financial statements of E Marketing were consolidated from the date of control existed.

Revenue recognition

The Company recognizes revenue from product sales revenues, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment, therefore, revenue from product sales is recognized when it is shipped to the customer. Return allowances, which reduce product revenue by the Company’s best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the shipment of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company’s customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sale is recognized. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Inventory

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company value its inventory using the weighted average costing method. The Company’s policy is to include as a part of cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered period costs and reflected in selling, general and administrative expenses. The Company regularly review inventory and consider forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving and obsolescence and records allowance for obsolescence.

Leases

On its inception date, April 11, 2018, the Company adopted ASC 842 – Leases (“ASC 842”), which requires lessees to record right-of-use, or ROU, assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Business Combination Under Common Control

On December 1, 2018, the Company acquired substantially all of the business assets and assumed certain liabilities from BizRight, LLC ("BizRight") in exchange for total consideration of \$2,611,594. BizRight and the Company were both under the same ownership and management from inception, April 11, 2018. As such, under Accounting Standard Codification ("ASC") 805-50, the transaction was accounted for as a transaction under common control. The Company recorded the purchase of assets from BizRight at their historical carrying amounts as if the transfer had occurred at the beginning of the period and the results of operations comprises both BizRight's and iPower's from the beginning of the period to the date of the transfer is completed. The difference between any considerations transferred and the carrying amounts of the net assets acquired was recognized as an equity distribution to the Shareholders.

Commitments and Contingencies

In the normal course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Earnings per share

Basic earnings per share are computed by dividing net income attributable to holders of common stock by the weighted average number of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Recently issued accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The new standard is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. The Company does not expect the adoption of this standard have a material impact on the consolidated and combined financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company has adopted this guidance in July 2020 and the adoption did not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The amendments in ASU 2016-13 are effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). For public companies that are not SEC filers, the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company has adopted this guidance in July 2020 and the adoption did not have a material impact on its consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated and combined financial position, statements of operations and cash flows.

BUSINESS

Background

iPower, Inc. (formerly, BZRTH, Inc.) was formed in Nevada in April of 2018. We believe we are one of the largest online hydroponic equipment suppliers in the United States. On September 4, 2020, we filed a certificate of amendment to our articles of incorporation to change our name from BZRTH, Inc. to iPower, Inc. On November 16, 2020 we filed an amended and restated articles of incorporation in Nevada to consummate a 2-for-1 forward split of our outstanding shares of Class A Common Stock.

Our Business

We own and operate the retail website www.Zenhydro.com where we sell more than 23,000 stock keeping units (“SKUs”) and multiple best-selling products which enable our customers to grow vegetables, fruits and flowers, and other plants, including cannabis. The hydroponic and gardening industry is generally fragmented, and retail outlets are generally smaller family-owned enterprises consisting of a single location. We intend to take advantage of current market conditions by providing consumers with a one-stop shopping experience where they can satisfy all their horticultural needs and have the products shipped directly to their door.

The Company leases more than 72,000 square feet of floor space across our two fulfillment centers just outside of Los Angeles, California. From our two fulfillment centers, the Company has built a supply chain that spans across the United States. Our fulfillment centers ship directly to farms and homes, as well as to various commercial hydroponics stores across the country. Additionally, we have fostered relationships with recognized commercial shipping enterprises to allow us to deliver directly to consumers.

In addition to iPower’s website, www.Zenhydro.com, we sell our products through third party e-commerce channels including Amazon, eBay and Walmart.com. Approximately 75% of our fiscal 2020 sales revenues were derived from sales on Amazon and other third-party platforms.

Products

iPower’s e-commerce platform offers essential supplies to the hydroponic and gardening industry, including nutrients, industry-leading hydroponic equipment, power-efficient lighting, and thousands of additional products used by professional growers and specialty cultivation operations. In addition to offering third party brands, the Company has established its own private label products which are also made available for purchase through our various sales channels. Our private label products, marketed under the *iPower*TM and *Simple Deluxe*TM brands, include grow-light systems, ventilation systems, activated carbon filters, nutrients, growing media, hydroponic water-resistant grow tents, trimming machines, pumps and many more hydroponic-related items, some of which have been designated as Amazon best seller product leaders. We currently offer approximately 3,000 products from our proprietary, private label products to consumers. In addition to our private label products, we also distribute more than 400 brands manufactured by third party vendors.

We own and operate the retail website www.zenhydro.com where we sell more than 23,000 stock keeping units (“SKUs”) and multiple best-selling products which enable our customers to grow vegetables, fruits and flowers, and other plants, including cannabis.



The Global Hydroponics Markets

Advances in hydroponic systems have helped usher in a new age of high-yield cultivation techniques, earning hydroponics a multitude of dedicated adherents – both individual and commercial growers – globally. Hydroponics is a method of gardening in which plants (often high-value crops) are grown in an optimized solution of water and nutrients, rather than soil. This method is typically used inside greenhouses to give growers the ability to better regulate and control nutrient delivery, light, air, water, humidity, pests, and temperature. Hydroponic growers benefit from these techniques by producing crops faster and with higher crop yields per acre as compared to traditional soil-based growers. Indoor growing techniques and hydroponic products are being utilized in new and emerging industries or segments, including the growing of cannabis and hemp. In addition, vertical farms producing organic fruits and vegetables are also beginning to utilize hydroponics due to a rising shortage of farmland as well as environmental vulnerabilities including drought, other severe weather conditions and insect/pest infestations.

Through the use of hydroponics systems, growers can achieve potentially larger crop yields, faster growth time (up to twice as fast), up to a 90% increase in water efficiency, and require a substantially smaller footprint (up to 10x more yield in the same amount of space). By using hydroponics growth systems, gardeners and growers will not be affected by unfavorable climates and soil conditions, and will not require chemical or pest control products, resulting in safer and healthier growing environments. (See <https://greenourplanet.org/benefits-of-hydroponics/>).

According to Markets and Markets (<https://www.marketsandmarkets.com/PressReleases/hydroponic.asp>), in 2020 the global market for Hydroponic products is estimated at \$9.5 billion and, with a compound annual growth rate of 12.1% (according to Mordor Intelligence), by 2025 the global market for hydroponic products is forecast to be approximately \$16.6 billion. The United States represents approximately 30% of the total global hydroponics market. For those users who intend to use the Company's products to grow hemp-derived CBD medicinal products, the 2018 Farm Bill officially removed hemp from the list of controlled substances. According to the Brightfield Group, estimated sales of hemp-derived CBD products was approximately \$22.0 billion.

Our business serves a relatively new, yet sophisticated community of commercial and urban cultivators growing a wide array of vegetation. These cultivators use innovative indoor and outdoor growing techniques to produce specialty crops in highly controlled environments. Employing these techniques enable these growers to produce crops at higher yields without having to compromise quality, regardless of their local geography and climate.

Our target market segments include home growers of organic vegetable and fruit growers (small farms, home garden growers, restaurants growers, and farmers markets), green-thumbed hobbyists (home flower and plant growers) as well as commercial enterprises, mass marketers and growers in the cannabis related market (dispensaries, cultivators, caregivers).

Historically, indoor growing techniques have primarily been used to cultivate plant-based medicines. Plant-based medicines often require a high-degree of regulation and controls including government compliance, security, and crop consistency, making indoor growing techniques a preferred method. Cultivators of plant-based medicines often make a significant investment to design and build-out their facilities. They look to work with companies such as iPower that understand their specific needs and can help mitigate risks that could jeopardize their crops. Plant-based medicines are believed to be among the fastest-growing markets in the U.S. and several industry pundits believe that plant-based medicines may even displace prescription pain medication by providing patients with a safer, more affordable alternative.

Notwithstanding the foregoing, indoor growing techniques are not limited to plant-based medicines. Vertical farms producing organic fruits and vegetables are beginning to emerge in the market due to a rising shortage of farmland, and environmental vulnerabilities including drought, other severe weather conditions and insect pests. Indoor growing techniques enable cultivators to grow crops all-year-round in urban areas and take up less ground while minimizing environmental risks. Indoor growing techniques typically require a more significant upfront investment to design and build-out these facilities than traditional farmlands. If new innovations lower the costs for indoor growing, and the costs to operate traditional farmlands continue to rise, then indoor growing techniques may be a compelling alternative for the broader agricultural industry.

Our Industry is Large and Rapidly Growing

Our principal industry opportunity is in the retail sale and distribution of hydroponics equipment and supplies, which generally include grow light systems; advanced heating, ventilation, and air conditioning (“HVAC”) systems; humidity and carbon dioxide monitors and controllers; water pumps, heaters, chillers, and filters; nutrient and fertilizer delivery systems; and various growing media typically made from soil, rock wool or coconut fiber, among others. Today, we believe that a majority of our products are sold for use in hydroponics applications.

Hydroponic systems constitute an increasingly significant and fast-growing component of the expansive global commercial agriculture and consumer gardening sectors. According to the USDA and National Gardening Survey, the agriculture, food, and related industries sector produced more than \$1 trillion worth of goods in the U.S. alone in 2017, and U.S. households spent a record of approximately \$48 billion at retail stores on gardening and growing supplies and equipment.

According to ResearchandMarkets.com, the global industry for hydroponics crops totaled approximately \$25.2 billion in 2020 and is expected to grow at a CAGR of 5.4% from 2020 to 2027. The rapid growth of hydroponics-related crop output will subsequently drive growth in the wholesale hydroponics equipment and supplies industry.

Increased Focus on Environmental, Social, and Governance (“ESG”) Issues

We believe the growth and change in our end-markets is in part driven by a variety of ESG trends aimed at preserving resources and enhancing the transparency and safety of our food supply chains. Overall, hydroponic growing systems deliver superior performance characteristics versus traditional agriculture when compared on select key ESG performance criteria:

- More efficient land usage. Hydroponics systems allow for greater crop production per square foot, reducing the amount of land needed to grow crops. Certain types of vertical farming are 20 times more productive than traditional farming per acre.
- More efficient fresh water usage. Hydroponics systems allow for the management and recycling of water inside of a closed-loop system and therefore generally require less water than traditional outdoor agriculture. In certain instances, hydroponics systems can grow plants with up to 98% less water than soil-based agriculture.
- Decreased use of fertilizer and pesticides. As hydroponics takes place in a controlled, often indoor environment, the need for pesticides application is reduced, allowing growers to apply less pesticide with more precise application compared to traditional outdoor agriculture.
- Reduced carbon emissions. Hydroponics, especially vertical farming, allows large farming operations to be located significantly closer to end-users, thereby reducing the transportation distance of ready-to-use crops.
- Reduced food waste. Similar to the above, since hydroponics growing systems allow for food production significantly closer to the end-user, there is less time between production and consumption and therefore reduced product spoilage, damage and waste.
- Chemical runoff prevention. Due to the closed-loop nature of hydroponics systems, such systems significantly decrease the risk of chemical runoff, which is generally more difficult to control in traditional outdoor agriculture.
- Supports organic farming. Hydroponics is well suited for organic farming, the produce of which has been in increasing demand by consumers.

Research and Development

The Company has not incurred any significant research and development expenses during the fiscal year ended June 30, 2020. We plan to increase investments in R&D relating to the improvement of existing products and addition of new product lines.

Customers and Suppliers

We have a diverse customer base, with residential gardeners and hobbyists constituting a significant portion of our customer base and thus the largest segment of our total sales. We sell to both commercial and home cultivators growing specialty crops, including cannabis and hemp, along with organic herbs and other vegetation. At present, sales to customers through Amazon and other third party online platforms accounts for more than 75% of our annual sales.

We do not manufacture any of the hydroponic products we sell through our distribution channels. We purchase our requirements of products from more than one hundred suppliers, including manufacturers and distributors in the US and China. Our two major suppliers, who accounted for approximately 38.5% and 32.6% of our purchases in fiscal 2020 and 2019, respectively. We do not have any long-term supply agreements.

Manufacturers

We obtain both our branded proprietary products and distributed products from third party suppliers. All the products purchased and resold, whether our proprietary products or third party products we sell through our platform, are applicable to indoor and outdoor growing for organics, greens, and plant-based products. Our products are sourced from more than 100 different suppliers and manufacturers, with just under 50% sourced from China. Quality control is a critical priority for our team charged with ensuring the supply of the products from our suppliers, specifically those coming from China. We seek to ensure the highest level of quality control for our products through routine factory visits, spot testing and continual, ongoing supplier due diligence. We also employ a multi-faceted tariff mitigation strategy in China which includes cost sharing with suppliers and pursuing alternative production outside of China with existing and new suppliers. To date, we have not passed on any costs related to the tariffs to our customers.

Our distributed products are sourced from more than 100 suppliers. Our experienced internal team is charged with maintaining strong relationships with current suppliers, while also constantly tracking current and future market trends and reviewing offerings of new suppliers.

We do not have exclusive purchase agreements with many of our suppliers. Based on our knowledge and communication with our suppliers, we believe some of our suppliers may sell directly to the retail market or to our wholesale customers. See "[Risk Factors](#)— Risks Relating to Our Business."

Demand for Products

Demand for indoor and outdoor growing equipment is currently high due to the legalization of plant-based medicines, primarily cannabis, which is mainly due to equipment purchases for build-out and repeat purchases of consumable nutrients needed during the growing period. This demand is projected to continue to grow as additional states adopt legislation supporting the sale and consumption of cannabis and cannabis-related products. Continued innovation and more efficient build-out of technologies along with larger and consolidated and combined cultivation facilities is expected to further expand market demand for iPower products and services, including our private label products. We expect the market to continue to segment into urban farmers serving groups of individuals, community cultivators, and large-scale cultivation facilities across the states. We are of the opinion that as our volume increases, we will obtain volume discounts on purchasing that should allow us to maximize both our revenues and gross margins.

E-Commerce Strategy

The Company continues to grow and develop its e-commerce platform, www.zenhydro.com. In addition to our website, we offer products to consumers through established e-commerce channels such as Amazon, eBay and Walmart. Through these portals we offer various hydroponic, specialty and organic gardening products for sale. Online shoppers can have the ability to peruse our various product departments, from nutrients to lighting to hydroponic and greenhouse equipment, providing consumers with an easy and quick method to find the exact products they need. In addition to these sections, our webstore frequently offers customers flash deals, best value recommendations and clearance sale items. Our e-commerce site has been designed to appeal to both the professional grower, as well as the home gardener/hobbyist. Each product listed on the site contains product descriptions, product reviews and a picture so the consumer can make an informed and educated purchase. Our product filters allow the consumer to search by brand, manufacturer, or by price. Designed as an information portal as well as an e-commerce store, www.Zenhydro.com also provides customers blogs and other relevant content, generated by iPower's knowledgeable and experienced internal staff. Consumers can shop online day and night and have their purchases shipped directly to the location of their choice, or simply elect to use our website as a resource. Google advertising and social media advertising are the primary mechanisms we employ to drive traffic to www.zenhydro.com and the other portals through which we make our products available for sale, including Amazon.com, eBay and Walmart. At present, more than 50% of our total sales occur through Amazon.com.

Large Established Distribution Infrastructure

We have a fully developed distribution network through our two distribution centers in California. We work with a network of third-party common carrier trucking/freight companies that service our customers across the globe. We receive daily customer orders via our business-to-business e-commerce platform. Orders are then routed to the applicable distribution center and packed for shipments. The majority of our customer orders are shipped within one business day of order receipt.

Competition

The markets in which we sell our products are highly competitive and fragmented. Our key competitors include many local and national vendors of gardening supplies, local product resellers of hydroponic and other specialty growing equipment, as well as other online product resellers on large online marketplaces such as Amazon.com and eBay. Our industry is highly fragmented with more than 1,000 retail outlets throughout the U.S. We compete with companies that have greater capital resources, facilities and diversity of product lines. Our competitors could also introduce new hydroponic growing equipment, and as manufacturers are able to sell equipment directly to consumers, our distributors could cease selling products to us.

Notwithstanding the foregoing, we believe that our pricing, inventory and product availability, and overall customer service provide us with the ability to compete in this marketplace. We believe that we have the following core competitive advantages over our competitors:

- In addition to our private label products, we distribute products from more than 400 third party brands, ensuring that whatever a customer's particular need may be, they need look no further than iPower for their gardening needs.
- Our knowledgeable and experienced sales team is able to provide guidance and insights, whether dealing with a seasoned commercial entity or a first-time purchaser looking to get their grow operations off the ground.
- The convenience of our e-commerce platform allows customers to shop from the comfort of their own home and have their purchases shipped directly to them.
- We offer top-to-bottom solutions, from custom build-outs to nutrients in order to ensure that their grow operations flourish and provide significant yields.
- We view ourselves as an industry leader, offering products and new technologies from the largest and most trusted names in the business, as well as our own private label products.

Moreover, we expect that as we continue to grow our business, we will achieve an economy of scale, and as such, will be able to make larger inventory purchases at lower volume sale prices, which will enable us to continue to maintain competitive pricing options and deliver the array of items that our customers require. Through supply chain and industry competency, support services, and our relationships with suppliers, distributors, vendors and logistics partners, we believe we can maintain and increase our growth trajectory.

Intellectual Property and Proprietary Rights

Our intellectual property primarily consists of our brands and their related trademarks, domain names, websites, customer lists and affiliations, as well as our marketing intangibles, product know-how and technology. We also hold rights to website addresses related to our business, including websites that are actively used in our daily business operations, such as www.Zenhydro.com. We own federally registered trademarks for “iPower” and “Simple Deluxe,” which correspond to our current private label products.

Government Regulation

We sell products, including hydroponic gardening products, that end users may purchase for use in new and emerging industries or segments, including the growing of cannabis and hemp, that may not grow or achieve market acceptance in a manner that we can predict. The demand for these products depends on the uncertain growth of these industries or segments.

In addition, we sell products that end users may purchase for use in industries or segments, including the growing of cannabis and hemp, that are subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations and consumer perceptions. For example, certain countries and a total of 47 U.S. states have adopted frameworks, in varying forms, that authorize, regulate, and tax the cultivation, processing, sale, and use of cannabis for medicinal and/or non-medicinal use, as well as hemp and CBD, while the U.S. Controlled Substances Act and the laws of other U.S. states prohibit growing cannabis. In addition, with the passage of the Farm Bill in December 2018, hemp cultivation is now broadly permitted. The 2018 Farm Bill explicitly allows the transfer of hemp-derived products across state lines for commercial or other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law. While we note that the 2018 Farm Bill has not changed the regulatory authority of the Food and Drug Administration as concerns cannabis and cannabis-derived products, and that such products continue to remain subject to the same regulatory requirements as FDA-regulated products, we nonetheless believe the passage of the 2018 Farm Bill will allow the Company to expand its marketplace opportunities.

Our gardening products, including our hydroponic gardening products, are multi-purpose products designed and intended for growing a wide range of plants and are purchased by cultivators who may grow any variety of plants, including cannabis and hemp. Although the demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop, we cannot reasonably predict the nature of such developments or the effect, if any, that such developments could have on our business.

Legal Proceedings

While we are not presently party to any active legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results, from time to time, we may become involved in legal proceedings in the ordinary course of business.

Employees

As of November 16, 2020, we have a total of 26 employees and consultants, 23 of whom are full-time and three of whom are part-time. None of our employees are subject to collective bargaining agreements.

Principal Offices

Our principal offices are located at 2399 Bateman Avenue, Duarte, CA 91010, which we lease. This property serves as both our principal offices and our primary fulfillment center. In addition to our primary fulfillment center, we maintain a second fulfillment center located at 14750 E. Nelson Avenue, Unit #I, Industry City, CA 91744, which we have leased since September 2020.

MANAGEMENT

Executive Officers and Directors

All of our directors hold office for one-year terms until the election and qualification of their successors. Officers are appointed by our Board and serve at the discretion of the Board, subject to applicable employment agreements. The following table sets forth information relating to our executive officers and members of our Board.

| Name | Age | Position |
|--------------|------------|---|
| Chenlong Tan | 39 | Chairman, CEO, President, Interim CFO* and Director |
| Allan Huang | 36 | Director |

*The Company intends to engage a new Chief Financial Officer, as well as a majority of independent directors, prior to the effectiveness of this registration statement.

Chenlong Tan. Mr. Tan cofounded our Company in 2018 and is the Chairman, Chief Executive Officer, President, and Interim Chief Financial Officer. He has held the position of Chief Executive Officer and assumed the positions of Chairman, President and Interim CFO in January 2020. From 2010 until 2018, Mr. Tan was the cofounder, Chief Executive Officer and Chief Information Officer at our predecessor, BizRight LLC, where he built the business from the ground up to achieve \$20 million in sales through data driven development. From 2002 until 2010, Mr. Tan served as a Solution Architect and Senior Software Engineer at various companies, where he took a lead role, managing consultants, business architects and project managers, in working with hospitals, government organizations and insurance companies in completing scoping requirements, solution gathering and project management, among other things. Mr. Tan received his B. Sc. at the University of Auckland in New Zealand, where he graduated with honors. Mr. Tan brings his significant knowledge, training and skills to further build and develop our Company.

Allan Huang. Mr. Huang cofounded our Company in 2018 and serves as a director, a position he has held since October 2020. From our founding in April 2018 until January 2020, Mr. Huang served as the Chief Executive Officer and President of the Company. In addition, Mr. Huang was the cofounder, along with Mr. Tan, of our predecessor, BizRight LLC, which was founded in 2010 and we acquired through an asset purchase agreement in December of 2018. Mr. Huang has more than 10 years of executive management experience working in the technology industry. Mr. Huang received his B.S. degree in Engineering from the University of California, Irvine.

Family Relationships

There are no family relationships among any of our officers or directors.

Involvement in Certain Legal Proceedings

To our knowledge, during the past ten years, none of our directors, executive officers, promoters, control persons, or nominees has:

- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Board Committees

iPower does not currently maintain a Board that is composed of a majority of “independent” directors. Prior to the effectiveness of the registration statement on which this prospectus forms a part, the Company intends to elect a sufficient number of independent directors necessary to meet Nasdaq listing requirements and simultaneously form an audit committee, compensation committee, and nominating and corporate governance committee, and will adopt charters relative to each such committee in connection with the appointment thereof.

Code of Business Conduct and Ethics

While we maintain an employee handbook, which governs our day to day expectations of employees, at present the Company has not yet adopted a formal Code of Business Conduct and Ethics but we anticipate doing so in the near future.

Insider Trading Policy

The Company has not yet adopted an insider trading policy; however, we intend to establish such a policy in advance of the effectiveness of this registration statement and in advance of our Nasdaq listing.

Limitation of Directors Liability and Indemnification

The Nevada Revised Statutes (“NRS”) authorizes corporations to limit or eliminate, subject to certain conditions, the personal liability of directors to corporations and their stockholders for monetary damages for breach of their fiduciary duties.

iPower does not have stand-alone director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us, including matters arising under the Securities Act, although we intend to acquire such insurance prior to completion of our initial public offering. Nevada law and our bylaws provide that we will indemnify our directors and officers who, by reason of the fact that he or she is an officer or director, is involved in a legal proceeding of any nature.

There is no pending litigation or proceeding against any of our directors, officers, employees, or agents in which indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

Indemnification Agreements

To date, we have no specific indemnification agreements with our directors or executive officers. However, our officers and directors are entitled to indemnification through our bylaws and to the extent allowed pursuant to the Nevada Revised Statutes and federal securities law.

EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table presents information regarding the total compensation awarded to, earned by, or paid to our executive officers who were serving as executive officers as of June 30, 2020 for services rendered in all capacities to us for the fiscal years ended June 30, 2020 and 2019.

| Name and Principal Position | Year | Salary (\$USD) | Bonus (\$USD) | Stock Based Awards (\$USD) | Others (1) (\$USD) | Total (\$USD) |
|-------------------------------|------|-------------------|------------------|----------------------------------|-----------------------|------------------|
| Chenlong Tan | 2020 | 85,615 | – | – | 27,785 | 113,400 |
| Chairman, CEO, President, CFO | 2019 | 10,500 | – | – | 27,286 | 37,786 |
| Allan Huang | 2020 | 85,615 | – | – | – | 85,615 |
| Director | 2019 | 15,500 | – | – | – | 15,500 |

(1) Consists of the costs of leasing a car.

Employment Agreements

On July 1, 2020 we entered into an employment agreement with our Chief Executive Officer, Chenlong Tan. Under Mr. Tan's employment agreement, Mr. Tan receives base compensation of \$20,000 per month, is entitled to incentive stock compensation under our 2020 Equity Incentive Plan, and performance cash bonus compensation based on achievement of certain pre-determined goals. In addition, during the term of Mr. Tan's employment agreement, we are also leasing a motor vehicle for Mr. Tan's daily use. Mr. Tan's employment agreement has a term of five years, is thereafter renewable on an annual basis, and may be terminated upon 30 days' notice upon the mutual agreement of Mr. Tan and the Company.

Outstanding Equity Awards

We do not have any outstanding equity awards.

Director Compensation

We do not at present have any separate director compensation arrangements but will establish such arrangements as we engage independent directors to serve on our board of directors.

Equity Incentive Plan

On October 15, 2020, the Company's Board adopted, and its stockholders approved and ratified, the iPower Inc. 2020 Equity Incentive Plan (the "Plan"). The Plan allows for the issuance of up to 5,000,000 shares of Class A Common Stock, whether in the form of options, restricted common stock, restricted common stock units or stock appreciation rights. The general purpose of the Plan is to provide an incentive to the Company's directors, officers, employees, consultants and advisors by enabling them to share in the future growth of the Company's business. The Board believes that granting of equity-based compensation serves to promote continuity of management and provide for a shared interest in the welfare, growth and development of the Company. The Company believes that the Plan will serve to advance the Company's interests by enhancing its ability to (i) attract and retain employees, consultants, directors and advisors who are able to contribute to the Company's ongoing success and development, (ii) reward those employees, consultants, directors and advisors for their contributions to the Company, and (iii) encourage employees, consultants, directors and advisors to participate in the Company's long-term growth and success.

As the Plan was not adopted until October 15, 2020, the Company had not awarded any equity interests under the plan for the year ended June 30, 2020 and has not made any awards to date.

PRINCIPAL STOCKHOLDERS

The following table sets forth the number of shares of common stock beneficially owned as of _____, 2020 by:

- each of our stockholders who is known by us to beneficially own 5% or more of our common stock;
- each of our executive officers;
- each of our directors; and
- all of our directors and current executives as a group.

Beneficial ownership is determined based on the rules and regulations of the SEC. A person has beneficial ownership of shares if such individual has the power to vote and/or dispose of shares. This power may be sole or shared and direct or indirect. Applicable percentage ownership in the following table is based on the total of 20,204,496 shares of Class A common stock outstanding as of January 8, 2021, 14,000,000 shares of Class B common stock outstanding as of January 8, 2021 and 34,500 shares of Series A redeemable convertible preferred stock outstanding as of January 8, 2021. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock that are subject to options or warrants held by that person and exercisable as of, or within sixty (60) days of, the date of this prospectus. These shares, however, are not counted as outstanding for the purposes of computing the percentage ownership of any other person(s). Except as may be indicated in the footnotes to this table and pursuant to applicable community property laws, each person named in the table has sole voting and dispositive power with respect to the shares of common stock set forth opposite that person's name. Unless indicated below, the address of each individual listed below is c/o iPower Inc., 2399 Bateman Avenue, Duarte, CA 91010.

| Name of Beneficial Owner | No. of Shares Class A Common Stock Beneficially Owned | Total Percentage of Class A Shares Beneficially Owned Before Offering | No. of Shares of Class B Common Stock Beneficially Owned* | Total Percentage of Class B Shares Beneficially Owned Before Offering | Total Percentage of Class B Shares Beneficially Owned Before Offering | Total Percentage of Voting Rights Owned Before Offering | Total Percentage of Stock Owned After Offering | Total Percentage of Voting Rights Owned After Offering |
|--|---|---|---|---|---|---|--|--|
| Chenlong Tan (1) | 7,673,334 | 38.0% | 7,000,000 | 50.0% | 50.0% | 48.5% | | |
| Allan Huang (2) | 7,673,334 | 38.0% | 7,000,000 | 50.0% | 50.0% | 48.5% | | |
| All Officers and Directors (2 Persons) | 15,346,668 | 76.0% | 14,000,000 | 100.0% | 100.0% | 97.0% | | |

Beneficial Owners of more than 5%

| | | | | | | | | |
|--------------------|-----------|------|---|---|---|------|--|--|
| Shanshan Huang (3) | 1,200,000 | 5.9% | – | – | – | 0.8% | | |
| Zhengjun Ji (4) | 1,200,000 | 5.9% | – | – | – | 0.8% | | |
| Yutong Yuan (5) | 1,100,000 | 5.4% | – | – | – | 0.7% | | |
| Yongfa Wu (6) | 1,100,000 | 5.4% | – | – | – | 0.7% | | |

* The Class B Common Stock has super-voting rights of 10 votes per share. One year following this offering, the Class B Common Stock holders may choose, at any time, to convert their shares into Class A Common Stock on the basis of ten shares of Class B Common Stock for each one share of Class A Common Stock.

- (1) Chenlong Tan is our co-Founder, Chairman, Chief Executive Officer, President and Interim Chief Financial Officer. His shareholdings consist of (i) 7,000,000 shares of Class B Common Stock, which has super voting rights of 10 votes per share, and (ii) 7,673,334 shares of Class A Common Stock.
- (2) Allan Huang is our co-Founder and Director. His shareholdings consist of (i) 7,000,000 shares of Class B Common Stock, which has super voting rights of 10 votes per share, and (ii) 7,673,334 shares of Class A Common Stock.
- (3) Shanshan Huang is a long-time employee and founding shareholder of the Company.
- (4) Zhengjun Ji is a long-time employee and founding shareholder of the Company.
- (5) Yutong Yuan is a long-time employee and founding shareholder of the Company.
- (6) Yongfa Wu is a long-time employee and founding shareholder of the Company.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Unless described below, during the last two fiscal years, there are no transactions or series of similar transactions to which we were a party or will be a party, in which:

- the amounts involved exceed or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of any of the foregoing had, or will have, a direct or indirect material interest.

On December 1, 2018, the Company acquired certain assets and assumed certain liabilities from BizRight, LLC, an entity owned and managed by the founders and officers of the Company. The net assets received were recorded at their historical carrying amounts and the purchase price of \$2,611,594 was recorded as payable due to BizRight. Under the terms of the purchase agreement between the Company and BizRight, the Purchase Price shall be paid based on the Company's cash flow availability and bears an interest rate of 8% per annum on the outstanding amount. As of June 30, 2020 and 2019, respectively the outstanding amount due to BizRight, LLC was \$133,793 and \$2,769,308, respectively. Please see Note 3 to the consolidated and combined financial statements for detail.

Effective on March 1, 2020, as amended and restated pursuant to an agreement dated October 26, 2020, the Company entered into an agreement with E Marketing Solution Inc. ("E Marketing"), an entity incorporated in California and owned by Shanshan Huang, one of the original shareholders of the Company. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to E Marketing's business during the term of the agreement. The Company agrees to fund E Marketing for operational cash flow needs and bear the risk of E Marketing's losses from operations and E Marketing agrees that iPower has rights to E Marketing's net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of E Marketing or its assets subject to assumption of all of its liabilities. As of September 30, 2020, the Company had paid \$40,270 to fund all of E Marketing's operations under this agreement.

On September 4, 2020, the Company entered into an agreement with Global Product Marketing Inc. ("GPM"), an entity incorporated in the State of Nevada. GPM is owned by Chenlong Tan, the co-founder, Chairman, CEO, President and Interim CFO of the Company and one of the Company's majority shareholders. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to GPM's business during the term of the Agreement. The Company agrees to fund GPM for operational cash flow needs and bear the risk of GPM's losses from operations and GPM agrees that the Company has rights to GPM's net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of GPM or its assets subject to assumption of all of its liabilities. As of September 30, 2020, the Company had paid \$875 for GPM's incorporation expenses.

DESCRIPTION OF CAPITAL STOCK

Our current Certificate of Incorporation authorizes us to issue:

- 166,000,000 shares of Class A Common Stock
- 14,000,000 shares of Class B Common Stock; and
- 20,000,000 shares of Preferred Stock

As of November 16, there were: (i) 20,204,496 shares of Class A Common Stock issued and outstanding, including [] shares of restricted Class A common stock issued pursuant to our Equity Incentive Plan and subject to vesting (as described above) upon completion of this Offering; (ii) 14,000,000 shares of Class B Common Stock issued and outstanding; and, (iii) [·] shares of Series A Convertible Preferred Stock issued and outstanding.

The following statements are summaries only of the material provisions of our authorized capital stock and are qualified in their entirety by reference to our Certificate of Incorporation and Bylaws, which are filed as an exhibit to the registration statement of which this prospectus forms a part.

Common Stock

Dividends. Subject to the express terms of any outstanding Preferred Stock, the holders of our common stock are entitled to receive, ratably, dividends only if, when and as declared by our Board out of funds legally available therefor and after provision is made for each class of capital stock having preference over the common stock (including the common stock)

Voting Rights. Holders of Class A Common Stock are entitled to one (1) vote per share in voting or consenting to the election of directors and for all other corporate purposes for which they are entitled to vote. Holders of Class B Common Stock vote together with holders of Class A Common Stock and are entitled to ten (10) votes per share in voting or consenting to the election of directors and for all other corporate purposes for which they are entitled to vote.

Liquidation Rights. Subject to the express terms of any outstanding Preferred Stock, in the event of a Liquidation of the Corporation, the holders of Common Stock shall be entitled to share in the distribution of any remaining assets available for distribution to the holders of Common Stock ratably in proportion to the total number of shares of Common Stock then issued and outstanding

Class B Common Stock Conversion Rights. Class B Common Stock shall be eligible to convert into Class A Common Stock, on a ten-for-one basis, starting any time twelve months after the Company's completion of the initial public offering of its Class A Common Stock described in this prospectus. Such conversion shall be made solely at the discretion of the holder of Class B Common Stock and shall occur promptly following the holder's delivery of such Class B Common Stock certificate(s) to the Corporation or its transfer agent, at which time such holder shall then be entitled to receive one or more certificates for the identical number of shares of Class A Common Stock.

Restrictions on Transferability of Class B Common Stock. The Class B Common Stock shall be transferrable only between i) the original stockholders of the Class B Common Stock; ii) entities owned/controlled by the original Class B Common Stockholders (the "Founders"); iii) entities/trusts that the Founders are beneficiaries of; or iv) the immediate family members of the Founders. In the event the original Class B Common Stockholders transfer such shares to any unrelated third party, such shares of Class B Common Stock shall automatically convert into shares of Class A Common Stock and any super voting powers associated therewith shall be null and void.

Preferred Stock

Subject to approval by holders of shares of any class or series of Preferred Stock to the extent such approval is required by its terms, the Board is expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

Private Placement

On December 30, 2020, the Company sold in a private placement to approximately three accredited investors under Rule 506(b) promulgated under the Securities Act of 1933, as amended, an aggregate of 34,500 shares of the Company's Series A convertible preferred stock (the "Series A Preferred Stock") and received gross proceeds of \$345,000. Boustead Securities, LLC, the placement agent in this offering acted as placement agent in such private placement and received commissions of \$24,150 or 7% of the gross proceeds received, a non-accountable expense allowance of 1% of such gross proceeds and warrants to purchase 2,415 shares of Class A Common Stock at an exercise price equal to the conversion price of the Series A Preferred Stock.:

Terms of the Series A Convertible Preferred Stock

Pursuant to the certificate of designations of its rights, privileges and limitations, the Series A Preferred Stock:

- does not pay a dividend;
- votes with the Company's Class A Common Stock and Class B Common Stock and entitles each holder to one vote per share of Series A Preferred Stock and notice of all shareholder meetings;
- on a sale or liquidation of the Company the Series A Preferred Stock has a \$10.00 per share preference over the Company Class A and Class B Common Stock;
- by its terms, upon consummation of this offering, all of the outstanding shares of Series A Preferred Stock will **automatically** convert into shares of the Class A Common Stock (the "Conversion Shares") at a conversion price equal to a 70% of the initial price per share of the Class A Common Stock being offering pursuant to this prospectus (the "Conversion Price");
- are not redeemable and are not convertible into any other class or series of securities, other than the Class A Common Stock; and
- holders of Series A Preferred stock have agreed to a 90-day "lock-up," during which, without the prior written consent of Boustead Securities, LLC, following completion of this offering, the holders of the Conversion Shares shall not, directly or indirectly, offer, pledge, assign, encumber, announce the intention to sell, sell, contract to sell, sell any of the Conversion Shares.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market for our Class A Common Stock. We are in the process of applying to list our Class A Common Stock on the Nasdaq Capital Market under the symbol IPW. Future sales of substantial amounts of shares of our Class A Common Stock in the public market after our initial public offering, or the possibility of these sales occurring, could cause the prevailing market price for our Class A Common Stock to fall or impair our ability to raise equity capital in the future. Upon completion of this offering, we will have outstanding common stock, including both Class A and Class B common stock, representing approximately []% of our outstanding common stock, assuming no exercise of the underwriter's over-allotment option.

All of the shares of Class A Common Stock sold in this offering will be freely transferable by persons other than our affiliates without restriction or further registration under the Securities Act.

Rule 144

All of our Class A Common Stock outstanding prior to this offering are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been our affiliate at any time during the three months preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for more than six months would be entitled to sell an unlimited number of those shares, subject only to the availability of current public information about us. A non-affiliate who has beneficially owned restricted securities for at least one year from the later of the date these shares were acquired from us or from our affiliate would be entitled to freely sell those shares.

A person who is deemed to be an affiliate of ours and who has beneficially owned "restricted securities" for at least six months would be entitled to sell, within any three-month period, a number of shares that is not more than the greater of:

- 1% of the number of common stock then outstanding, in the form of Class A Common Stock or otherwise, which will equal approximately [] shares immediately after this offering; or
- the average weekly trading volume of our Class A Common Stock on the Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. In addition, in each case, these shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. If any of our employees, executive officers or directors purchase shares under a written compensatory plan or contract, they may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares would be required to wait until 90 days after the date of this prospectus before selling any such shares.

**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES
TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK**

The following is a summary of the material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock issued pursuant to this offering. This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, and does not address any estate or gift tax consequences or any tax consequences arising under any state, local or foreign tax laws, or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, and applicable Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date hereof. These authorities are subject to differing interpretations and may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions.

This discussion is limited to non-U.S. holders who purchase our common stock pursuant to this offering and who hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder’s particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including:

- certain former citizens or long-term residents of the United States;
- partnerships or other pass-through entities (and those investors therein);
- “controlled foreign corporations;”
- “passive foreign investment companies;”
- corporations that accumulate earnings to avoid U.S. federal income tax;
- banks, financial institutions, investment funds, insurance companies, brokers, dealers or traders in securities;
- tax-exempt organizations and governmental organizations;
- tax-qualified retirement plans;
- persons subject to alternative minimum tax;
- persons that own, or have owned, actually or constructively, more than 5% of our common stock;
- accrual-method taxpayers subject to special tax accounting rules under Section 451(b) of the Code;
- persons who have elected to mark securities to market;
- persons who hold or receive our common stock pursuant to the exercise of any option or otherwise as compensation;
- “qualified foreign pension funds” as defined in Section 897(1)(2) of the Code and entities all of the underlying interests of which are held by qualified foreign pension funds; and
- persons holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy or integrated investment.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our common stock and the partners in such partnerships are urged to consult their tax advisors about the particular U.S. federal income tax consequences to them of holding and disposing of our common stock.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS. YOU SHOULD ALSO CONSULT WITH YOUR TAX ADVISOR WITH RESPECT TO SUCH CHANGES IN U.S. TAX LAW AS WELL AS POTENTIAL CONFORMING CHANGES IN STATE TAX LAWS.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a “U.S. person” or a partnership (including any entity or arrangement treated as a partnership) for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (i) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust; or, (ii) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Distributions on Our Common Stock

As described under the section titled “Dividend Policy,” we have not paid and do not anticipate paying dividends. However, if we make cash or other property distributions on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a non-U.S. holder’s tax basis in our common stock, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of our common stock and will be treated as described under the section titled “Gain on Disposition of Our Common Stock” below.

Subject to the discussions below regarding effectively connected income, backup withholding and Sections 1471 through 1474 of the Code (commonly referred to as FATCA), dividends paid to a non-U.S. holder of our common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish us or our paying agent with a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable successor form) and satisfy applicable certification and other requirements. This certification must be provided to us or our paying agent before the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder’s behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on our common stock are effectively connected with such holder’s U.S. trade or business (and are attributable to such holder’s permanent establishment in the United States if required by an applicable tax treaty), the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must generally furnish a valid IRS Form W-8ECI (or applicable successor form) to the applicable withholding agent.

However, any such effectively connected dividends paid on our common stock generally will be subject to U.S. federal income tax on a net income basis at the regular U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

Non-U.S. holders that do not provide the required certification on a timely basis, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Our Common Stock

Subject to the discussions below regarding backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale or other disposition of our common stock, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- our common stock constitutes a "United States real property interest" by reason of our status as a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock, and our common stock is not regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs.

If we are a USRPHC and either our common stock is not regularly traded on an established securities market or a non-U.S. holder holds, or is treated as holding, more than 5% of our outstanding common stock, directly or indirectly, during the applicable testing period, gain described in the third bullet point above will generally be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply. Determining whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our foreign real property interests. We believe that we are not currently and do not anticipate becoming a USRPHC for U.S. federal income tax purposes, although there can be no assurance we will not in the future become a USRPHC. If we are a USRPHC and our common stock is not regularly traded on an established securities market, a non-U.S. holder's proceeds received on the disposition of shares will also generally be subject to withholding at a rate of 15%. Prospective investors are encouraged to consult their own tax advisors regarding the possible consequences to them if we are, or were to become, a USRPHC.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by certain U.S.-source capital losses (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules

Information Reporting and Backup Withholding

Annual reports are required to be filed with the IRS and provided to each non-U.S. holder indicating the amount of dividends on our common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, currently at a 24% rate, generally will not apply to payments to a non-U.S. holder of dividends on or the gross proceeds of a disposition of our common stock provided the non-U.S. holder furnishes the required certification for its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, or certain other requirements are met. Backup withholding may apply if the payor has actual knowledge, or reason to know, that the holder is a U.S. person who is not an exempt recipient.

Backup withholding is not an additional tax. If any amount is withheld under the backup withholding rules, the non-U.S. holder should consult with a U.S. tax advisor regarding the possibility of and procedure for obtaining a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, if any.

Withholding on Foreign Entities

FATCA imposes a U.S. federal withholding tax of 30% on certain payments made to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or an exemption applies. FATCA also generally will impose a U.S. federal withholding tax of 30% on certain payments made to a non-financial foreign entity unless such entity provides the withholding agent a certification identifying certain direct and indirect U.S. owners of the entity or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. FATCA currently applies to dividends paid on our common stock. Under applicable Treasury Regulations and administrative guidance, withholding under FATCA would have applied to payments of gross proceeds from the sale or other disposition of stock on or after January 1, 2019, but under proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on such proposed regulations pending finalization), no withholding would apply with respect to payments of gross proceeds.

Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

UNDERWRITING

In connection with this offering, we will enter into an underwriting agreement with Boustead Securities, LLC to serve as lead book-running manager of the offering and as representatives of the underwriters named below. Subject to the terms and conditions of the underwriting agreement, each underwriter will severally agree to purchase the number of shares of Class A Common Stock set forth opposite its name below, at the public offering price, less the underwriting discount set forth on the cover page of this prospectus

| Underwriter | Number of Shares Class A Common Stock |
|--------------------------|--|
| Boustead Securities, LLC | |
| | |
| | |

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed to purchase all of the shares offered by this prospectus (other than those covered by the option described below), if any are purchased.

The underwriters are offering the shares of Class A Common Stock subject to various conditions and may reject all or part of any order. The representative of the underwriters has advised us that the underwriters propose initially to offer the shares of Class A Common Stock to the public at the public offering price set forth on the cover page of this prospectus and to dealers at a price less a concession not in excess of \$[·] per share of Class Common Stock to brokers and dealers. After the shares of Class Common Stock are released for sale to the public, the representative may change the offering price, the concession, and other selling terms at various times.

We have granted the underwriters an option to purchase additional shares for the purpose of covering over-allotments. This option, which is exercisable for up to 45 days after the date of this prospectus, permits the underwriters to purchase a maximum of [_____] additional shares of Class A Common Stock from us. If the underwriters exercise all or part of this option, they will purchase shares of Class A Common Stock covered by the option at the public offering price that appears on the cover page of this prospectus, less the underwriting discounts and commissions. Each underwriter has severally agreed that, to the extent the option is exercised, they will each purchase a number of additional shares proportionate to such underwriter's initial amount reflected in the foregoing table.

The following table provides information regarding the amount of the discounts and commissions to be paid to the underwriters by us, before expenses:

| | Per Share of Class A Common Stock | Total Without Exercise of Underwriters' Option | Total With Full Exercise of Underwriters' Option |
|---------------------------------------|--|---|---|
| Public offering price | \$ | \$ | \$ |
| Underwriting discounts and commission | \$ | \$ | \$ |
| | | | |
| Proceeds, before expenses, to us | \$ | \$ | \$ |

We estimate that our total expenses of the offering, excluding the estimated underwriting discounts and commissions, will be approximately \$[.]. We have agreed to reimburse the underwriters for all reasonable out-of-pocket costs and expenses incident to the performance of the obligations of the representative under the underwriting agreement (including, without limitation, the fees and expenses of the underwriters' outside attorneys) in an amount not to exceed \$260,000.

We have also agreed to issue to the representative of the underwriters a warrant to purchase a number of shares of Class A Common Stock equal to an aggregate of 7% of the aggregate number of the shares sold in this offering. The warrant will be exercisable on a cashless basis at an exercise price equal to 100% of the offering price of the shares sold in this offering. The warrants are exercisable commencing six months after the date of effectiveness of the registration statement of which this prospectus forms a part, and will be exercisable for five years from the effective date of the registration statement of which this prospectus forms a part. The warrants are not redeemable by us. The warrants and the shares of Class A Common Stock issuable upon exercise of the warrants have been included on the registration statement of which this prospectus forms a part. Pursuant to applicable FINRA rules, and in particular Rule 5110, the warrants (and underlying shares) issued to the underwriters may not be sold, transferred, assigned, pledged, or hypothecated, or the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective disposition of the securities by any person for a period of 180 days after the effective date of the registration statement related to this offering; provided, however, that the warrants (and underlying shares) may be transferred to the underwriters' officers, partners, registered persons or affiliates as long as the warrants (and underlying shares) remain subject to the lockup.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Pursuant to the underwriting agreement, we will provide the representative of the underwriters the right of first refusal for two years from the date of commencement of sales of this public offering to act as financial advisor or to act as joint financial advisor on at least equal economic terms on any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of the equity or assets of our company.

We have agreed to a []-month "lock-up" from the closing of this offering, during which, without the prior written consent of Boustead Securities, LLC, we shall not issue, sell or register with the SEC (other than on Form S-8 or on any successor form) with respect to any of our equity securities (or any securities convertible into, exercisable for or exchangeable for any of our equity securities), except for (i) the issuance of the shares of Class A Common Stock offered pursuant to this prospectus; and (ii) the issuance of shares of Class A Common Stock pursuant to our existing stock option or bonus plan as described in the registration statement of which this prospectus forms a part.

Our executive officers, directors and certain of our significant stockholders have also agreed to []-month "lock-up," during which, without the prior written consent of Boustead Securities, LLC, they shall not, directly or indirectly, (i) offer, pledge, assign, encumber, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any shares of Class A Common Stock or any securities convertible into or exercisable or exchangeable for Class A Common Stock, owned either of record or beneficially (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") by any signatory of the lock-up agreement on the date of the prospectus or thereafter acquired; (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Class A Common Stock or any securities convertible into or exercisable or exchangeable for Class A Common Stock, whether any such transaction described in clauses (i) or (ii) above is to be settled by delivery of Class A Common Stock or such other securities, in cash or otherwise, or publicly announce an intention to do any of the foregoing; and (iii) make any demand for or exercise any right with respect to, the registration of any shares of Class A Common Stock or any security convertible into or exercisable or exchangeable for Class A Common Stock. The foregoing shall not apply to (i) Class A Common Stock to be transferred as a gift or gifts (*provided*, that (a) any donee shall execute and deliver to Boustead Securities, LLC, acting on behalf of the underwriters, not later than one business day prior to such transfer, a lock-up agreement to Boustead Securities, LLC and (b) if the lock-up signatory is required to file a report under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of Class A Common Stock or beneficially owned shares or any securities convertible into or exercisable or exchangeable for Class A Common Stock or beneficially owned shares during the []-month "lock-up," the lock-up signatory shall include a statement in such report to the effect that such transfer is being made as a gift), and (ii) the sale of the shares of common stock to be sold pursuant to this prospectus.

Rules of the SEC may limit the ability of the underwriters to bid for or purchase shares of Class A Common Stock before the distribution of the shares is completed. However, the underwriters may engage in the following activities in accordance with the rules:

- Stabilizing transactions - the representative may make bids or purchases for the purpose of pegging, fixing or maintaining the price of the Class A Common Stock, so long as stabilizing bids do not exceed a specified maximum.
- Over-allotments and syndicate covering transactions - the underwriters may sell more shares of Class A Common Stock in connection with this offering than the number of shares of Class A Common Stock that they have committed to purchase. This over-allotment creates a short position for the underwriters. This short sales position may involve either “covered” short sales or “naked” short sales. Covered short sales are short sales made in an amount not greater than the underwriters’ over-allotment option to purchase additional shares of Class A Common Stock in this offering described above. The underwriters may close out any covered short position either by exercising its over-allotment option or by purchasing shares of Class A Common Stock in the open market. To determine how they will close the covered short position, the underwriters will consider, among other things, the price per share of Class A Common Stock available for purchase in the open market, as compared to the price at which they may purchase shares of Class A Common Stock through the over-allotment option. Naked short sales are short sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of Class A Common Stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that, in the open market after pricing, there may be downward pressure on the price per share of Class A Common Stock that could adversely affect investors who purchase shares of Class A Common Stock in this offering.
- Penalty bids - if the representative purchases shares of Class A Common Stock in the open market in a stabilizing transaction or syndicate covering transaction, it may reclaim a selling concession from the underwriters and selling group members who sold those shares of Class A Common Stock as part of this offering.
- Passive market making - market makers in the Class A Common Stock who are underwriters or prospective underwriters may make bids for or purchases of shares of Class A Common Stock, subject to limitations, until the time, if ever, at which a stabilizing bid is made.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales or to stabilize the market price of our Class A Common Stock may have the effect of raising or maintaining the market price of our Class A Common Stock or preventing or mitigating a decline in the market price of our Class A Common Stock. As a result, the price of our Class A Common Stock may be higher than the price that might otherwise exist in the open market. The imposition of a penalty bid might also have an effect on the price of the Class A Common Stock if it discourages resales of our shares of Class A Common Stock.

Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our Class A Common Stock. These transactions may occur on the Nasdaq Capital Market or otherwise. If such transactions are commenced, they may be discontinued without notice at any time.

Electronic Delivery of Prospectus: A prospectus in electronic format may be delivered to potential investors by one or more of the underwriters participating in this offering. The prospectus in electronic format will be identical to the paper version of such prospectus. Other than the prospectus in electronic format, the information on any underwriter’s website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part.

Notice to Non-U.S. Investors

European Economic Area and the United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each, a “Relevant State”), no shares have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation), except that offers of the shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

- A. to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- B. to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representative for any such offer; or
- C. in any circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require the issuer or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

We, the representative and each of our and the representative’s respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

References to the Prospectus Regulation include, in relation to the United Kingdom, the Prospectus Regulation as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018.

The above selling restriction is in addition to any other selling restrictions set out below.

In connection with the offering, the representative is not acting for anyone other than the issuer and will not be responsible to anyone other than the issuer for providing the protections afforded to their clients nor for providing advice in relation to the offering.

United Kingdom

This document is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Israel

In the State of Israel, this prospectus supplement shall not be regarded as an offer to the public to purchase shares of common stock under the Israeli Securities Law, 5728 – 1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728 – 1968, including, inter alia, if: (i) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions (the “Addressed Investors”); or (ii) the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728 –1968, subject to certain conditions (the “Qualified Investors”). The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. The company has not and will not take any action that would require it to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728 – 1968. We have not and will not distribute this prospectus supplement or make, distribute or direct an offer to subscribe for our common stock to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728 – 1968. In particular, we may request, as a condition to be offered common stock, that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728 – 1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728 – 1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728 – 1968 and the regulations promulgated thereunder in connection with the offer to be issued common stock; (iv) that the shares of common stock that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728 – 1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728 – 1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, inter alia, the Addressed Investor’s name, address and passport number or Israeli identification number.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary on our behalf, other than offers made by the underwriters and their respective affiliates, with a view to the final placement of the securities as contemplated in this document. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of shares on our behalf or on behalf of the underwriters.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority (“FINMA”), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for shares of our common stock and preferred stock is VStock Transfer, LLC, Woodmere, New York. Our Transfer Agent and Registrar's telephone number is (212) 828-8436.

LEGAL MATTERS

Michelman & Robinson, LLP, Los Angeles, CA and New York, NY has acted as our counsel in connection with the preparation of this prospectus. Schiff Hardin LLP, Washington, DC has acted as counsel for the underwriters.

EXPERTS

The consolidated and combined financial statements of iPower Inc. appearing in this prospectus and related registration statement for the years ending June 30, 2020 and June 30, 2019 have been audited by UHY LLP, an independent registered public accounting firm, as set forth in their report thereon and are included in reliance upon such report given on the authority of UHY LLP as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the Class A common stock offered by this prospectus. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and omits certain information, exhibits, schedules and undertakings set forth in the registration statement. For further information pertaining to us and our common stock, reference is made to the registration statement and the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents or provisions of any documents referred to in this prospectus are not necessarily complete, and in each instance where a copy of the document has been filed as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matters involved.

You may read and copy all or any portion of this registration statement at the SEC's website at <http://www.sec.gov>. We also maintain a website at www.meetiPower.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus. We have included our website in this prospectus solely as an inactive textual reference, and you should not consider the contents of our website in making an investment decision with respect to our common stock. The registration statement, including all exhibits and amendments to the registration statement, has been filed electronically with the SEC.

INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Financial Statements for the Three Months Ended September 30, 2020

| | |
|--|-----|
| Unaudited Condensed Consolidated Balance Sheets as of September 30, 2020 and June 30, 2020 | F-2 |
| Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended September 30, 2020 and 2019 | F-3 |
| Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended September 30, 2020 and 2019 | F-4 |
| Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2020 and 2019 | F-5 |
| Notes to Unaudited Condensed Consolidated Financial Statements as of September 30, 2020 and June 30, 2020 and for the Three Months Ended September 30, 2020 and 2019 | F-6 |

Financial Statements for the Fiscal Years Ended June 30, 2020 and 2019

| | |
|---|------|
| Report of Independent Registered Public Accounting Firm | F-20 |
| Consolidated and Combined Balance Sheets | F-21 |
| Consolidated and Combined Statements of Operations | F-22 |
| Consolidated and Combined Statements of Changes in Stockholders' Equity | F-23 |
| Consolidated and Combined Statements of Cash Flows | F-24 |
| Notes to Consolidated and Combined Financial Statements | F-25 |

iPower Inc.
Unaudited Condensed Consolidated Balance Sheets
As of September 30, 2020 and June 30, 2020

| | September 30, 2020 (Unaudited) | June 30, 2020 |
|---|-----------------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalent | \$ 720,911 | \$ 977,635 |
| Accounts receivable | 7,195,922 | 6,067,199 |
| Inventories, net | 7,729,051 | 5,743,181 |
| Prepayments and other current assets | 726,553 | 616,231 |
| Total current assets | <u>16,372,437</u> | <u>13,404,246</u> |
| Right of use - non current | 2,310,283 | 262,875 |
| Property and equipment, net | 54,101 | 6,252 |
| Other non current assets | 96,930 | - |
| Total assets | <u>\$ 18,833,751</u> | <u>\$ 13,673,373</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 6,331,664 | \$ 4,220,347 |
| Credit cards payable | 942,947 | 892,792 |
| Customer deposit | 737,039 | 741,301 |
| Due to related parties | 177,370 | 133,793 |
| Other payables and accrued liabilities | 1,314,472 | 1,940,858 |
| Short-term loans payable | 1,810,912 | 1,329,680 |
| Lease liability - current | 584,322 | 262,875 |
| Long-term loan payable - current portion | 12,185 | - |
| Income taxes payable | 1,016,552 | 721,211 |
| Total current liabilities | <u>12,927,463</u> | <u>10,242,857</u> |
| Non current liabilities | | |
| Long-term loan payable | 487,815 | 500,000 |
| Lease liability - non current | 1,725,961 | - |
| Total non current liabilities | <u>2,213,776</u> | <u>500,000</u> |
| Total liabilities | 15,141,239 | 10,742,857 |
| Commitments and contingency | - | - |
| Stockholders' Equity | | |
| Preferred stock, \$0.001 par value; 20,000,000 shares authorized; 0 share issued and outstanding at September 30, 2020 and June 30, 2020 | - | - |
| Class A common stock, \$0.001 par value; 166,000,000 shares authorized; 20,204,496 and 20,204,496 shares issued and outstanding at September 30, 2020 and June 30, 2020 * | 20,204 | 20,204 |
| Class B common stock, \$0.001 par value; 14,000,000 shares authorized; 14,000,000 shares issued and outstanding at September 30, 2020 and June 30, 2020 * | 14,000 | 14,000 |
| Subscription receivable | (14,000) | (14,000) |
| Additional paid in capital | 389,490 | 389,490 |
| Retained earnings | 3,282,818 | 2,520,822 |
| Total equity | <u>3,692,512</u> | <u>2,930,516</u> |
| Total liabilities and equity | <u>\$ 18,833,751</u> | <u>\$ 13,673,373</u> |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. Except shares authorized, all references to number of shares, and to per share information in the consolidated and combined financial statements have been retroactively adjusted.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods.

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

iPower Inc.
 Unaudited Condensed Consolidated Statements of Operations
 For the Three Months Ended September 30, 2020 and 2019

| | For the Three Months Ended September 30, | |
|--|--|--------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| REVENUES | \$ 14,959,935 | \$ 7,227,560 |
| TOTAL REVENUES | 14,959,935 | 7,227,560 |
| COST OF REVENUES | 9,397,147 | 4,833,248 |
| GROSS PROFIT | 5,562,788 | 2,394,312 |
| OPERATING EXPENSES: | | |
| Selling | 2,640,479 | 1,323,456 |
| General and administrative | 1,845,936 | 1,001,925 |
| Total operating expenses | 4,486,415 | 2,325,381 |
| INCOME FROM OPERATIONS | 1,076,373 | 68,931 |
| OTHER INCOME (EXPENSE) | | |
| Interest income (expenses) | (25,830) | (2,428) |
| Other non-operating income (expense) | 7,397 | 7,354 |
| Total other income (expense), net | (18,433) | 4,926 |
| INCOME BEFORE INCOME TAXES | 1,057,940 | 73,857 |
| PROVISION FOR INCOME TAXES | 295,944 | 20,885 |
| NET INCOME | \$ 761,996 | \$ 52,972 |
| WEIGHTED AVERAGE NUMBER OF CLASS A COMMON STOCK* | | |
| Basic and diluted | 20,204,496 | 20,000,000 |
| EARNINGS PER SHARE * | | |
| Basic and diluted | \$ 0.038 | \$ 0.003 |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. The computation of basic and diluted EPS was retroactively adjusted for all periods presented.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods. The computation of basic and diluted EPS did not include the Class B Common Stock as the holders of Class B Common Stock have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

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

iPower Inc.
 Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
 For the Three Months Ended September 30, 2020 and 2019

| | Class A Common Stock* | | Class B Common Stock* | | Subscription Receivable | Additional Paid in Capital | Retained Earnings | Total |
|--|-----------------------|------------------|-----------------------|------------------|----------------------------|----------------------------------|----------------------|---------------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balance, June 30, 2019 | 20,000,000 | \$ 20,000 | 14,000,000 | \$ 14,000 | \$ (14,000) | \$ (37,316) | \$ 533,860 | \$ 516,544 |
| Net income | — | — | — | — | — | — | 52,972 | 52,972 |
| Balance, September 30, 2019, unaudited | <u>20,000,000</u> | <u>\$ 20,000</u> | <u>14,000,000</u> | <u>\$ 14,000</u> | <u>\$ (14,000)</u> | <u>\$ (37,316)</u> | <u>\$ 586,832</u> | <u>\$ 569,516</u> |
| Balance, June 30, 2020 | 20,204,496 | \$ 20,204 | 14,000,000 | \$ 14,000 | \$ (14,000) | \$ 389,490 | \$ 2,520,822 | \$ 2,930,516 |
| Net income | — | — | — | — | — | — | 761,996 | 761,996 |
| Balance, September 30, 2020, unaudited | <u>20,204,496</u> | <u>\$ 20,204</u> | <u>14,000,000</u> | <u>\$ 14,000</u> | <u>\$ (14,000)</u> | <u>\$ 389,490</u> | <u>\$ 3,282,818</u> | <u>\$ 3,692,512</u> |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. Except shares authorized, all references to number of shares, and to per share information in the consolidated and combined financial statements have been retroactively adjusted.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods.

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

iPower Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2020 and 2019

| | For the Three Months Ended September 30, | |
|---|--|--------------------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 761,996 | \$ 52,972 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation expense | 1,736 | - |
| Change in operating assets and liabilities | | |
| Accounts receivable | (1,128,723) | 428,980 |
| Inventories | (1,985,870) | (1,048,866) |
| Prepayments and other current assets | (110,322) | (186,377) |
| Other non current assets | (96,930) | - |
| Accounts payable | 2,111,317 | 464,796 |
| Credit cards payable | 50,155 | (71,930) |
| Customer deposit | (4,262) | (59,392) |
| Other payables and accrued liabilities | (626,386) | 100,339 |
| Income taxes payable | 295,341 | 20,885 |
| Net cash (used in) operating activities | <u>(731,948)</u> | <u>(298,593)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of equipment | (49,585) | (6,039) |
| Net cash (used in) investing activities | <u>(49,585)</u> | <u>(6,039)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related parties | 133,577 | 522,383 |
| Payments to related parties | (90,000) | (450,709) |
| Proceeds from short-term loans | 8,215,831 | 3,443,790 |
| Payments on short-term loans | (7,734,599) | (3,418,046) |
| Net cash provided by financing activities | <u>524,809</u> | <u>97,418</u> |
| CHANGES IN CASH | (256,724) | (207,214) |
| CASH AND CASH EQUIVALENT, beginning of year | 977,635 | 471,458 |
| CASH AND CASH EQUIVALENT, end of year | <u>\$ 720,911</u> | <u>\$ 264,244</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for income tax | \$ - | \$ - |
| Cash paid for interest | <u>\$ 25,830</u> | <u>\$ 2,428</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS: | | |
| Right of use assets acquired under new operating leases | <u>\$ 2,346,200</u> | <u>\$ -</u> |

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

iPower Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
As of September 30, 2020 and June 30, 2020 and for the Three Months Ended September 30, 2020 and 2019

Note 1 - Nature of business and organization

iPower Inc., formerly known as BZRTN Inc. (the “Company”), a Nevada corporation incorporated on April 11, 2018, is principally engaged in the marketing and sale of advanced indoor and greenhouse lighting, ventilation systems, nutrients, growing media, grow tents, trimming machines, pumps and accessories in the United States.

Effective on March 1, 2020, as amended and restated pursuant to an agreement dated October 26, 2020, the Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to E Marketing’s business during the term of the agreement. The Company agrees to fund E Marketing for operational cash flow needs and bear the risk of E Marketing’s losses from operations and E Marketing agrees that iPower has rights to E Marketing’s net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of E Marketing or its assets subject to assumption of all of its liabilities. E Marketing is determined as a variable interest entity (“VIE”). See Note 2 and Note 3 below for details.

On September 4, 2020, the Company entered into an agreement with Global Product Marketing Inc. (“GPM”), an entity incorporated in the State of Nevada on September 4, 2020. GPM is wholly owned by Chenlong Tan, the Chairman, CEO, President, Interim CFO and one of the majority shareholders of the Company. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to GPM’s business during the term of the Agreement. The Company agrees to fund GPM for operational cash flow needs and bear the risk of GPM’s losses from operations and GPM agrees that the Company has rights to GPM’s net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of GPM or its assets subject to assumption of all of its liabilities. GPM is determined as a variable interest entity (“VIE”). See Note 2 and Note 3 below for details.

Note 2 – Basis of Presentation and Summary of significant accounting policies

Basis of presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its variable interest entities and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These unaudited condensed consolidated financial statements have been prepared on the same basis as its annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2021, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated balance sheet as of September 30, 2020 has been derived from the audited consolidated financial statements of the Company, which are included in the prospectus herein. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the prospectus herein.

Note 2 – Basis of Presentation and Summary of significant accounting policies (Continued)

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its VIEs, E Marketing Solution Inc. and Global Product Marketing Inc. All inter-company balances and transactions have been eliminated.

Use of estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates.

Variable interest entities

The Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. The Company also entered into an agreement with Global Product Marketing Inc. (“GPM”), an entity incorporated in the State of Nevada on September 4, 2020. GPM is owned by Chenlong Tan, the Chairman, CEO, President, Interim CFO and one of the majority shareholders of the Company. The Company does not have direct ownership in E Marketing and GPM but has been actively involved in their operations and has the power to direct the activities and significantly impact E Marketing’s and GPM’s economic performance. The Company also bears all the risk of losses and has the right to receive all of the benefits from E Marketing and GPM. As such, in accordance with ASC 810-10-25-38A through 25-38J, E Marketing and GPM are considered variable interest entities (“VIEs”) of the Company and the financial statements of E Marketing and GPM were consolidated from the date of control existed.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand and bank deposits.

From time to time, the Company may maintain bank balances in interest bearing accounts in excess of the \$250,000 currently insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). The Company has not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers. Management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

In July 2020, the Company adopted ASU 2016-13, Topics 326 - Credit Loss, Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology, for its accounting standard for its trade accounts receivable.

Note 2 – Basis of Presentation and Summary of significant accounting policies (Continued)

Accounts receivable (Continued)

The Company evaluates the creditworthiness of all of its customers individually before accepting them and continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non- collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;
- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of the contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; and
- other objective evidence indicates non-collectability of the accounts receivable

The adoption of the credit loss accounting standard has no material impact on the Company’s consolidated financial statements. Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in calculation of allowance for credit losses, the potential impact of the COVID-19 pandemic on our customers businesses and their ability to pay their accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses.

Fair values of financial instruments

Financial instruments include cash and cash equivalents, accounts receivable, prepayments and other current assets, other payable and accrued liabilities, due to related party, and taxes payable. The Company considers the carrying amount of short-term financial instrument to approximate their fair values because of the short period of time between the origination of such instruments and their expected realization.

Revenue recognition

The Company has adopted Accounting Standards Codification (“ASC”) 606 since its inception on April 11, 2018 and recognizes revenue from product sales revenues, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment, therefore, revenue from product sales is recognized when it is shipped to the customer. Return allowances, which reduce product revenue by the Company’s best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

Note 2 – Basis of Presentation and Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sale is recognized. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Cost of revenue

Cost of revenue mainly consist of costs for purchases of products and related inbound freight and delivery fees.

Inventory

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling, general and administrative expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

Segment reporting

The Company follows ASC 280, Segment Reporting. The Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and hence, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. The Company's long-lived assets are all located in California, United States, and substantially all of the Company's revenues are derived from within the USA. Therefore, no geographical segments are presented.

Leases

On its inception date, April 11, 2018, the Company adopted ASC 842 – Leases ("ASC 842"), which requires lessees to record right-of-use ("ROU") assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Note 2 – Basis of Presentation and Summary of significant accounting policies (Continued)

Deferred offering costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly related to an equity financing that is probable of successful completion until such financing is consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a result of the financing. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses in the consolidated statements of operations and comprehensive income (loss) in the period of determination. As of September 30, 2020 and June 30, 2020, \$75,000 and \$0 of deferred offering costs were included in prepaid expenses and other current assets in the condensed consolidated balance sheets, respectively.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, Income Taxes (“ASC 740”), which clarifies the accounting and disclosure for uncertainty in tax position, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company has adopted the provisions of ASC 740 since inception, April 11, 2018, and has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its “major” tax jurisdictions. However, the Company has certain tax attribute carryforwards, which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

The Company believes that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. The Company’s policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Commitments and Contingencies

In the ordinary course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Earnings per share

Basic earnings per share are computed by dividing net income attributable to holders of common stock by the weighted average number of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Note 2 – Basis of Presentation and Summary of significant accounting policies (Continued)

Recently issued accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The new standard is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. The Company does not expect the adoption of this standard have a material impact on the consolidated financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company has adopted this guidance in July 2020 and the adoption did not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The amendments in ASU 2016-13 are effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). For public companies that are not SEC filers, the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company has adopted this guidance in July 2020 and the adoption did not have a material impact on its consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the consolidated combined financial statements are available to be issued. Material subsequent events that required recognition or additional disclosure in the consolidated financial statements are presented.

Note 3 – Variable interest entity

Effective on March 1, 2020, as amended and restated pursuant to an agreement dated Oct 26, 2020, the Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. Pursuant to the terms of the agreement, the Company provides technical support, management services and other services on an exclusive basis in relation to E Marketing’s business during the term of the agreement. The Company agrees to fund E Marketing for operational cash flow needs and bear the risk of E Marketing’s losses from operations and E Marketing agrees that iPower has rights to E Marketing’s net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of E Marketing or its assets subject to assumption of all of its liabilities. As of September 30, 2020 and June 30, 2020, the Company had paid \$40,270 and \$20,600 to fund all of E Marketing’s operations under this agreement.

Note 3 – Variable interest entity (Continued)

On September 4, 2020, the Company entered into an agreement with Global Product Marketing Inc. (“GPM”), an entity incorporated in the State of Nevada on September 4, 2020. GPM is owned by Chenlong Tan, the Chairman, CEO, President, Interim CFO and one of the majority shareholders of the Company. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to GPM’s business during the term of the Agreement. The Company agrees to fund GPM for operational cash flow needs and bear the risk of GPM’s losses from operations and GPM agrees that the Company has rights to GPM’s net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of GPM or its assets subject to assumption of all of its liabilities. As of September 30, 2020 and June 30, 2020, the Company had paid \$875 and \$0 for GPM’s incorporation expenses.

Summary of Key Terms of the Exclusive Business Cooperation Agreements with E Marketing and GPM (“VIEs”):

- iPower is the exclusive manager of the VIEs
- The VIEs shall not directly or indirectly accepts same or similar services from other parties
- The Agreement shall remain effective unless terminated by iPower
- iPower is granted an irrevocable and exclusive option to purchase all assets and business at nominal price
- iPower agrees to fund VIEs’ operational needs and bear the risk of VIEs’ losses from operations and VIEs agree that iPower has rights to VIEs’ net profits, if any

Pursuant to the terms of the Agreements, the Company does not have direct ownership in E Marketing and GPM but has been actively involved in their operations as the sole management to direct the activities and significantly impact E Marketing’s and GPM’s economic performance. Each of E Marketing and GPM has only one shareholder and all operation funding were provided by the Company. The Company bears all the risk of losses and has the right to receive all of the benefits from E Marketing and GPM. As such, based on the determination that the Company is the primary beneficiary of E Marketing and GPM, in accordance with ASC 810-10-25-38A through 25-38J, E Marketing and GPM are considered variable interest entities (“VIEs”) of the Company and the financial statements of E Marketing and GPM were consolidated from the date of control existed, March 1, 2020 and September 4, 2020, respectively.

The Company did not provide financial or other support to the VIEs for the periods presented that the Company was not previously contractually required to provide.

As of September 30, 2020 and June 30, 2020, there were no pledge or collateralization of the VIEs’ assets that can only be used to settle obligations of the VIEs. The VIEs did not have any liabilities due to third parties.

The carrying amount of the VIEs’ assets and liabilities are as follows for the period indicated:

| | September 30, 2020 | June 30, 2020 |
|---------------------------------------|-----------------------|------------------|
| Total assets – cash in bank | \$ 40,870 | \$ 72,686 |
| Total liabilities – payable to iPower | \$ 40,870 | \$ 72,686 |

The cash of \$40,870 and \$72,686 was included in Cash on the consolidated balance sheets as of September 30, 2020 and June 30, 2020 and the payable to iPower was eliminated in consolidation.

Note 3 – Variable interest entity (Continued)

The operating results of the VIEs are as follows for the three months ended September 30, 2020:

| | 2020 |
|------------|-------------|
| Revenue | \$ – |
| Net (loss) | \$ (20,545) |

Note 4 - Accounts receivable

Accounts receivable consisted of the following as of the date indicated:

| | September 30, 2020 | June 30, 2020 |
|-----------------------------------|-------------------------------|--------------------------|
| Accounts receivable | \$ 7,195,922 | \$ 6,067,199 |
| Less: allowance for credit losses | – | – |
| Total accounts receivable | <u>\$ 7,195,922</u> | <u>\$ 6,067,199</u> |

Credit loss expenses were \$0 for the three months ended September 30, 2020 and 2019, respectively.

Note 5 – Inventories

As of September 30, 2020 and June 30, 2020, inventories consisted of finished goods ready for sale, net of allowance for obsolescence, amounted to \$7,729,051 and \$5,743,181, respectively.

As of September 30, 2020 and June 30, 2020, allowance for obsolescence was \$95,574 and \$95,574, respectively.

Note 6 – Prepayments and other current assets

As of September 30, 2020 and June 30, 2020, prepayments and other current assets consisted of the followings:

| | September 30, 2020 | June 30, 2020 |
|--|-------------------------------|--------------------------|
| Advance to suppliers | \$ 218,871 | \$ 298,841 |
| Prepaid expenses and Other receivables | <u>507,682</u> | <u>317,390</u> |
| Total | <u>\$ 726,553</u> | <u>\$ 616,231</u> |

Other receivables consisted of delivery fees of \$93,177 and \$132,433 receivable from two unrelated parties for their use of the Company's courier accounts at September 30, 2020 and June 30, 2020. As of the date of this report, the amount had been fully collected.

Note 7 – Loans payable

Short-term loans

PPP note payable

On April 13, 2020, the Company entered into an agreement with Royal Business Bank (the “Lender”) for a total amount of \$175,500, pursuant to a promissory note issued by the Company to the Lender (the “PPP Note”). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Note bears interest at the rate of 1.00% per annum and may be repaid at any time without penalty. The PPP Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the PPP Note.

The Company accounts for the PPP loan under Topic 470 as follows: (a) Initially record the cash inflow from the PPP Note as a financial liability and accrue interest in accordance with the interest method under ASC Subtopic 835-30; (b) Not impute additional interest at a market rate; (c) Continue to record the proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the debtor has been legally released by the Lender or (2) the debtor pays off the loan; (d) Reduce the liability by the amount forgiven and record a gain on extinguishment once the loan is partly or wholly forgiven and legal release is received. As of September 30, 2020 and June 30, 2020, the Company had an outstanding balance of \$175,500 under the PPP Note. As of the date of this report, the PPP Note had not been forgiven.

Revolving credit line

On May 3, 2019, the Company entered into agreement with a lender for a revolving line of credit of up to \$2,000,000. The revolving line of credit bears an interest of prime rate plus 4.25% per annum on the outstanding amount. As of September 30, 2020 and June 30, 2020, the outstanding balance due was \$1,635,412 and \$1,154,180, respectively.

Long-term loan

SBA loan payable

On April 18, 2020, the Company entered into an agreement with the U.S. Small Business Administration (“SBA”) for a loan of \$500,000 under Section 7(b) of the Small Business Act. This promissory note (the “SBA Note”) bears interest at the rate of 3.75% per annum and matures 30 years from the date of the SBA Note. Monthly Installment payments, including principal and interest, will begin twelve months from the date of the SBA Note. As of September 30, 2020, the outstanding balance of the SBA Note was \$500,000, which include current portion of \$12,185 and non current portion of \$487,815.

Note 8 - Related party transactions

On December 1, 2018, the Company acquired certain assets and assumed liabilities from BizRight, LLC, an entity owned and managed by the founders and officers of the Company. The net assets received were recorded at their historical carrying amounts and the purchase price of \$2,611,594 was recorded as payable due to related parties. The purchase price shall be paid based on the Company’s cash flow availability and bears an interest rate of 8% per annum on the outstanding amount. During the three months ended September 30, 2020 and 2019, the Company recorded proceeds of \$133,577 and \$522,383 and payments of \$90,000 and \$450,709, respectively. As of September 30, 2020 and June 30, 2020, the outstanding amount due to related parties was \$177,370 and \$133,793, respectively.

Note 9 – Income taxes

On December 22, 2017, the U.S. President signed into law H.R.1, formerly known as the Tax Cuts and Jobs Act (the “Tax Legislation”). The Tax Legislation significantly revised the U.S. tax code by, (i) lowering the U.S. federal statutory income tax rate from 35% to 21%, (ii) implementing a territorial tax system, (iii) imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, (iv) requiring a current inclusion of global intangible low taxed income of certain earnings of controlled foreign corporations in U.S. federal taxable income, (v) creating the base erosion anti-abuse tax regime, (vi) implementing bonus depreciation that will allow for full expensing of qualified property, and (vii) limiting deductibility of interest and executive compensation expense, among other changes. The Company did not record deferred tax assets or liabilities as the temporary and permanent differences were immaterial. The Company has computed its tax expenses using the new statutory rate effective on January 1, 2018 of 21%.

Other provisions of the new legislation include, but are not limited to, limiting deductibility of interest and executive compensation expense. These additional items have been considered in the income tax provision for the three months ended September 30, 2020 and 2019 and the impact was not material to the overall financial statements.

The provision for income taxes for the three months ended September 30, 2020 and 2019 consisted of the following:

| | <u>September 30, 2020</u> | <u>September 30, 2019</u> |
|-----------------------------|-------------------------------|-------------------------------|
| Income Tax Expense | | |
| Current federal tax expense | | |
| Federal | \$ 202,003 | \$ 14,288 |
| State | 93,941 | 6,597 |
| Deferred tax | | |
| Federal | – | – |
| State | – | – |
| Total | <u>\$ 295,944</u> | <u>\$ 20,885</u> |

The Company is subject to U.S. federal income tax as well as income tax of state tax jurisdictions. The tax years 2018 and 2019 remain open to examination by the major taxing jurisdictions to which the Company is subject. The following is a reconciliation of income tax expenses at the effective rate to income tax at the calculated statutory rates:

| | <u>September 30, 2020</u> | <u>September 30, 2019</u> |
|--|-------------------------------|-------------------------------|
| Statutory tax rate | | |
| Federal | 21.00% | 21.00% |
| State of California | 8.84% | 8.84% |
| State of Nevada | 0.00% | 0.00% |
| Net effect of state income tax deduction and other permanent differences | <u>(1.87%)</u> | <u>(1.56%)</u> |
| Effective tax rate | <u>27.97%</u> | <u>28.28%</u> |

As of September 30, 2020 and June 30, 2020, the income taxes payable was \$1,016,552 and \$721,211, respectively.

Note 10 – Earnings per share

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

| | For the three months ended September 30, | |
|---|---|------------|
| | 2020 | 2019 |
| Numerator: | | |
| Net income | \$ 761,996 | \$ 52,972 |
| Denominator: | | |
| Weighted-average shares used in computing basic and diluted net income per share* | 20,204,496 | 20,000,000 |
| Net income per share of ordinary shares: -basic and diluted | \$ 0.038 | \$ 0.003 |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. The computation of basic and diluted EPS was retroactively adjusted for all periods presented.

*On October 20, 2020, the Company issued to its founders 14,000,000 shares of Class B Common stock, which shall be eligible to convert into Class A Common Stock, on a ten-for-one basis, at any time following twelve (12) months after the Company's completion of its initial public offering of its Class A Common Stock. The computation of basic and diluted EPS did not include the Class B Common Stock as the holders of Class B Common Stock have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

Note 11 – Equity

The Company was incorporated in Nevada on April 11, 2018. As of the date of this report, the total authorized shares of capital stock were 200,000,000 shares consisting of 166,000,000 shares of Class A common stock ("Class A Common Stock"), 14,000,000 of Class B common stock ("Class B Common Stock"), and 20,000,000 preferred stock (the "Preferred Stock"), each with a par value of \$0.001 per share.

On November 16, 2020, the Company filed an amended and restated articles of incorporation in Nevada to consummate a 2-for-1 forward split of our outstanding shares of Class A Common Stock. All share numbers of Class A Common Stock are stated at post-split basis.

The holders of Class A Common Stock shall be entitled to one vote per share in voting or consenting to the election of directors and for all other corporate purposes. The Company issued 20,000,000 shares to its founders at inception.

On January 15, 2020, pursuant to a rescission and mutual release agreement with an unrelated company, the Company issued 204,496 shares of its Class A Common Stock as settlement payment of the \$427,010 received.

As of September 30, 2020 and June 30, 2020, after giving effect to a 2-for-1 forward split of the outstanding shares of Class A Common Stock, there were 20,204,496 and 20,204,496 shares of Class A Common Stock issued and outstanding, respectively.

Note 11 – Equity (Continued)

On October 20, 2020, the Company entered into stock purchase agreements with Chenlong Tan and Allan Huang (the “Founders”) pursuant to which each of the Founders received 7,000,000 shares of the Company’s Class B Common Stock, for a purchase price of \$0.001 per share in cash. Based on the fact that other than the total consideration of \$14,000 (total par value of the Class B Common Stock issued), the Founders did not provide additional services or other means of considerations for the issuance of these shares of Class B Common Stock, the issuance of the Class B Common Stock to the Founders was considered as a nominal issuance, in substance a recapitalization transaction. As such, in accordance with FASB ASC 260-10-55-12 and SAB Topic 4D, The Company recorded and presented the issuance retroactively as outstanding for all reporting periods.

The Class B Common Stock shall be entitled to ten (10) votes per share in voting or consenting to the election of directors and for all other corporate purposes. Class B Common Stock shall be eligible to convert into Class A Common Stock, on a ten-for-one basis, at any time following twelve (12) months after the Company’s completion of the initial public offering of its Class A Common Stock. Holders of Class B Common Stock shall have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock. As of September 30, 2020 and June 30, 2020, the outstanding shares of Class B Common Stock were retroactively stated as 14,000,000 and 14,000,000, respectively.

The Preferred Stock was authorized as “blank check” series of Preferred Stock, providing that the Board of Directors is expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the authorized but unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. As of September 30, 2020 and June 30, 2020, the Company had not issued any shares of Preferred Stock.

Note 12 - Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

As of September 30, 2020 and June 30, 2020, \$720,911 and \$977,635, respectively, were deposited with various major financial institutions in the United States.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposing the Company to credit risk. The risk is mitigated by the Company’s assessment of its customers’ creditworthiness and its ongoing monitoring of outstanding balances. The Company maintains reserves for estimated credit losses, and such losses have generally been within expectations.

Customer and vendor concentration risk

For the three months ended September 30, 2020 and 2019, Amazon Vendor and Amazon Seller customers accounted for 75% and 67% of the Company's total revenues, respectively. As of September 30, 2020 and June 30, 2020, accounts receivable from Amazon Vendor and Amazon Seller accounted for 89% and 95% of the Company’s total accounts receivable.

For the three months ended September 30, 2020 and 2019, two suppliers accounted for 36% (28% and 8%) and 48% (31% and 17%) of the Company's total purchases, respectively. As of September 30, 2020, accounts payable to two suppliers accounted for 48% and 14% of the Company’s total accounts payable. As of June 30, 2020, accounts payable to three suppliers accounted for 25.6%, 12.5% and 11.7%, respectively, of the Company’s total accounts payable.

Note 13 - Commitments and contingencies

Lease commitment

The Company has adopted ASC842 since its inception date, April 11, 2018. The Company has entered into a lease agreement for office and warehouse space with a lease period from December 1, 2018 until December 31, 2020. On August 24, 2020, the Company negotiated for new terms to extend the lease. The lease term is amended and extended through December 31, 2023.

On September 1, in addition to the primary fulfillment center, the Company leased a second fulfillment center in City of Industry, California. The base rental fee is \$27,921 to \$29,910 per month through October 31, 2023.

Total commitment for the full term of these leases is \$2,346,200. \$2,310,283 and \$262,875 of operating lease right-of-use assets and \$2,310,283 and \$262,875 of operating lease liabilities were reflected on the September 30, 2020 and June 30, 2020 financial statements, respectively.

Three Months Ended September 30, 2020 and 2019:

| Lease cost | 9/30/2020 | 9/30/2019 |
|---|------------|------------|
| Operating lease cost (included in G&A in the Company's statement of operations) | \$ 156,536 | \$ 132,046 |

Other information

| | | |
|--|---------|---------|
| Cash paid for amounts included in the measurement of lease liabilities | 162,607 | 126,078 |
| Remaining term in years | 3.2 | 1.25 |
| Average discount rate - operating leases | 8% | 8% |

The supplemental balance sheet information related to leases for the period is as follows:

| <u>Operating leases</u> | 9/30/2020 | 6/30/2020 |
|---|---------------------|-------------------|
| Right of use asset - non current | 2,310,283 | 262,875 |
| Lease Liability - current | 584,322 | 262,875 |
| Lease Liability - non current | 1,725,961 | — |
| Total operating lease liabilities | <u>\$ 2,310,283</u> | <u>\$ 262,875</u> |

Maturities of the Company's lease liabilities are as follows:

| | Operating Lease |
|--|----------------------------|
| For the period from October 1, 2020 to June 30, 2021 | \$ 529,459 |
| For Year ending June 30: | |
| 2022 | 848,822 |
| 2023 | 860,893 |
| 2024 | 341,729 |
| Less: Imputed interest/present value discount | (270,620) |
| Present value of lease liabilities | <u>\$ 2,310,283</u> |

Note 13 - Commitments and contingencies (Continued)

Contingencies

The Company is not currently a party to any material legal proceedings, investigation or claims. However, the Company may, from time to time, be involved in legal matters arising in the ordinary course of its business. While the Company is not presently subject to any material legal proceedings, there can be no assurance that such matters will not arise in the future or that any such matters in which the Company is involved, or which may arise in the ordinary course of the Company's business, will not at some point proceed to litigation or that such litigation will not have a material adverse effect on the business, financial condition or results of operations of the Company.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. The Company anticipates that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on the Company's operations to date, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on the Company's business.

Note 14 - Subsequent events

Stock Issuances

On October 20, 2020, the Company entered into stock purchase agreements with Chenlong Tan and Allan Huang (the "Founders") pursuant to which each of the Founders received 7,000,000 shares of the Company's Class B Common Stock, for a purchase price of \$0.001 per share in cash. See Note 11 above for details.

On December 30, 2020, the Company closed a private placement and issued a total of 34,500 shares of Series A Convertible Preferred Stock, par value \$0.001 per share, to a total of three accredited investors, at a purchase price of \$10.00 per share, for a total purchase price of \$345,000 in cash. In connection with this private placement, the Company paid \$27,600 in cash and issued warrants to purchase 2,415 shares of Series A Convertible Preferred Stock to Boustead Securities, LLC (the "Placement Agent") as compensation. The exercise price of the warrants is \$10 per share.

Stock Split

On November 16, 2020, the Company filed with the Secretary of State of Nevada an amendment to its articles of incorporation, pursuant to which it completed a two-for-one forward stock split (the "Forward Stock Split") of the Company's Class A Common Stock. Following the Forward Stock Split, the Company had a total of 20,204,496 shares of Class A Common Stock outstanding.

Revolving credit line

On November 16, 2020, the Company entered into an agreement with its lender to increase the limit of its revolving line of credit from \$2,000,000 to \$3,000,000. The revolving line of credit bears an interest rate of 10% per annum on the outstanding amount. As of December 31, 2020, the Company had drawn \$1.55 million from this line.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of iPower, Inc. (f/k/a BZRTH, Inc.)

Opinion on the Financial Statements

We have audited the accompanying consolidated and combined balance sheets of iPower, Inc. (f/k/a BZRTH, Inc.) (the “Company”) as of June 30, 2020 and 2019, and the related consolidated and combined statements of operations, changes in stockholders’ equity, and cash flows for the two years then ended and the related notes (collectively referred to as the consolidated and combined financial statements). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated and combined financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated and combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated and combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated and combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter

As described in Note 3 to the consolidated and combined financial statements, the Company acquired assets and assumed liabilities from a related party on December 1, 2018, which was accounted for as a transaction between entities under common control, the effects of which have been retrospectively applied to the accompanying consolidated and combined financial statements from July 1, 2018. Our opinion is not modified with respect to this matter.

/s/ UHY LLP

We have served as the Company’s auditor since 2020.

New York, New York

November 23, 2020, except for Notes 4, 11, 12 and 15 as to which the date is January 11, 2021

iPower Inc.
Consolidated and Combined Balance Sheets
As of June 30, 2020 and 2019

| | As of June 30, | |
|---|----------------------|---------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalent | \$ 977,635 | \$ 471,458 |
| Accounts receivable | 6,067,199 | 3,635,912 |
| Inventories, net | 5,743,181 | 3,118,507 |
| Prepayments and other current assets | 616,231 | 453,135 |
| Total current assets | <u>13,404,246</u> | <u>7,679,012</u> |
| Right of use - non current | 262,875 | 750,337 |
| Property and equipment, net | 6,252 | - |
| Total assets | <u>\$ 13,673,373</u> | <u>\$ 8,429,349</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 4,220,347 | \$ 2,255,924 |
| Credit cards payable | 892,792 | 715,540 |
| Customer deposit | 741,301 | 420,180 |
| Due to related parties | 133,793 | 2,769,308 |
| Other payables and accrued liabilities | 1,940,858 | 588,231 |
| Short-term loans payable | 1,329,680 | 217,789 |
| Lease liability - current | 262,875 | 487,462 |
| Income taxes payable | 721,211 | 195,496 |
| Total current liabilities | <u>10,242,857</u> | <u>7,649,930</u> |
| Non current liabilities | | |
| Long-term loan payable | 500,000 | - |
| Lease liability - non current | - | 262,875 |
| Total non current liabilities | <u>500,000</u> | <u>262,875</u> |
| Total liabilities | <u>10,742,857</u> | <u>7,912,805</u> |
| Commitments and contingency | - | - |
| Stockholders' Equity | | |
| Preferred stock, \$0.001 par value; 20,000,000 shares authorized; 0 share issued and outstanding at June 30, 2020 and 2019 | - | - |
| Class A common stock, \$0.001 par value; 166,000,000 shares authorized; 20,204,496 and 20,000,000 shares issued and outstanding at June 30, 2020 and 2019 * | 20,204 | 20,000 |
| Class B common stock, \$0.001 par value; 14,000,000 shares authorized; 14,000,000 shares issued and outstanding at June 30, 2020 and 2019 * | 14,000 | 14,000 |
| Subscription receivable | (14,000) | (14,000) |
| Additional paid in capital | 389,490 | (37,316) |
| Retained earnings | 2,520,822 | 533,860 |
| Total equity | <u>2,930,516</u> | <u>516,544</u> |
| Total liabilities and equity | <u>\$ 13,673,373</u> | <u>\$ 8,429,349</u> |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. Except shares authorized, all references to number of shares, and to per share information in the consolidated and combined financial statements have been retroactively adjusted.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods.

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

iPower Inc.
Consolidated and Combined Statements of Operations
For the Years Ended June 30, 2020 and 2019

| | For the Years Ended June 30, | |
|--|------------------------------|-------------------|
| | 2020 | 2019 |
| REVENUES | \$ 39,938,472 | \$ 22,842,765 |
| TOTAL REVENUES | <u>39,938,472</u> | <u>22,842,765</u> |
| COST OF REVENUES | 24,810,907 | 14,967,248 |
| GROSS PROFIT | <u>15,127,565</u> | <u>7,875,517</u> |
| OPERATING EXPENSES: | | |
| Selling | 7,593,505 | 4,563,698 |
| General and administrative | 4,626,111 | 2,477,146 |
| Total operating expenses | <u>12,219,616</u> | <u>7,040,844</u> |
| INCOME FROM OPERATIONS | <u>2,907,949</u> | <u>834,673</u> |
| OTHER INCOME (EXPENSE) | | |
| Interest income (expenses) | (168,283) | (109,834) |
| Other non-operating income (expense) | 20,734 | (945) |
| Total other income (expense), net | <u>(147,549)</u> | <u>(110,779)</u> |
| INCOME BEFORE INCOME TAXES | 2,760,400 | 723,894 |
| PROVISION FOR INCOME TAXES | <u>773,438</u> | <u>195,496</u> |
| NET INCOME | <u>\$ 1,986,962</u> | <u>\$ 528,398</u> |
| WEIGHTED AVERAGE NUMBER OF CLASS A COMMON STOCK* | | |
| Basic and diluted | <u>20,093,004</u> | <u>20,000,000</u> |
| EARNINGS PER SHARE * | | |
| Basic and diluted | <u>\$ 0.10</u> | <u>\$ 0.03</u> |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. The computation of basic and diluted EPS was retroactively adjusted for all periods presented.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods. The computation of basic and diluted EPS did not include the Class B Common Stock as the holders of Class B Common Stock have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

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

iPower Inc.
Consolidated and Combined Statements of Changes in Stockholders' Equity
For the Years ended June 30, 2020 and 2019

| | Class A Common Stock* | | Class B Common Stock* | | Subscription | Additional | Retained | Total |
|---------------------------------------|-----------------------|------------------|-----------------------|------------------|--------------------|-------------------|---------------------|---------------------|
| | Shares | Amount | Capital | Amount | Receivable | Paid in | Earnings | |
| | | | | | | Capital | | |
| Balance, July 1, 2018 | 20,000,000 | \$ 20,000 | 14,000,000 | \$ 14,000 | \$ (14,000) | \$ (10,000) | \$ 5,462 | \$ 15,462 |
| Distribution to shareholders (Note 3) | | | | | | (27,316) | | (27,316) |
| Net income | | | | | | | 528,398 | 528,398 |
| Balance, June 30, 2019 | 20,000,000 | 20,000 | 14,000,000 | 14,000 | (14,000) | (37,316) | 533,860 | 516,544 |
| Shares issued for cash | 204,496 | 204 | | | | 426,806 | | 427,010 |
| Net income | | | | | | | 1,986,962 | 1,986,962 |
| Balance, June 30, 2020 | <u>20,204,496</u> | <u>\$ 20,204</u> | <u>14,000,000</u> | <u>\$ 14,000</u> | <u>\$ (14,000)</u> | <u>\$ 389,490</u> | <u>\$ 2,520,822</u> | <u>\$ 2,930,516</u> |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. Except shares authorized, all references to number of shares, and to per share information in the consolidated and combined financial statements have been retroactively adjusted.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods.

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

iPower Inc.
Consolidated and Combined Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

| | For the Years Ended June 30, | |
|---|------------------------------|--------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 1,986,962 | \$ 528,398 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Inventory obsolescence reserve | 95,574 | - |
| Change in operating assets and liabilities | | |
| Accounts receivable | (2,431,287) | (3,373,285) |
| Inventories | (2,720,248) | (21,436) |
| Prepayments and other current assets | (163,096) | (453,135) |
| Accounts payable | 1,964,423 | 2,124,579 |
| Credit cards payable | 177,252 | 715,540 |
| Customer deposit | 321,121 | 420,180 |
| Other payables and accrued liabilities | 1,352,627 | 570,562 |
| Income taxes payable | 525,715 | 195,496 |
| Net cash provided by operating activities | <u>1,109,043</u> | <u>706,899</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of equipment | (6,252) | - |
| Net cash (used in) investing activities | <u>(6,252)</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related parties | 632,286 | 1,745,012 |
| Payments to related parties | (3,267,801) | (2,198,342) |
| Proceeds from short-term loans | 19,003,538 | 217,789 |
| Payments on short-term loans | (17,891,647) | - |
| Proceeds from Long-term loan | 500,000 | - |
| Issuance of shares | 427,010 | - |
| Net cash (used in) provided by financing activities | <u>(596,614)</u> | <u>(235,541)</u> |
| CHANGES IN CASH | 506,177 | 471,358 |
| CASH AND CASH EQUIVALENT, beginning of year | 471,458 | 100 |
| CASH AND CASH EQUIVALENT, end of year | <u>\$ 977,635</u> | <u>\$ 471,458</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for income tax | <u>\$ 247,723</u> | <u>\$ -</u> |
| Cash paid for interest | <u>\$ 56,948</u> | <u>\$ -</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS: | | |
| Difference of net assets purchased and consideration charged against additional paid in capital | <u>\$ -</u> | <u>\$ (27,316)</u> |

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

iPower Inc.
Notes to Consolidated and Combined Financial Statements
June 30, 2020 and 2019

Note 1 - Nature of business and organization

iPower Inc., formerly known as BZRTN Inc. (the “Company”), a Nevada corporation incorporated on April 11, 2018, is principally engaged in the marketing and sale of advanced indoor and greenhouse lighting, ventilation systems, nutrients, growing media, grow tents, trimming machines, pumps and accessories in the United States.

Effective on March 1, 2020, as amended and restated pursuant to an agreement dated October 26, 2020, the Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to E Marketing’s business during the term of the agreement. The Company agrees to fund E Marketing for operational cash flow needs and bear the risk of E Marketing’s losses from operations and E Marketing agrees that iPower has rights to E Marketing’s net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of E Marketing or its assets subject to assumption of all of its liabilities. E Marketing is determined as a variable interest entity (“VIE”). See Note 2 and Note 4 below for details.

Note 2 – Basis of Presentation and Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”). The Company’s fiscal year end date is June 30.

Principles of Consolidation

The consolidated and combined financial statements include the accounts of the Company and its VIE, E Marketing Solution Inc. All inter-company balances and transactions have been eliminated.

Use of estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates.

Variable interest entity

The Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. The Company does not have direct ownership in E Marketing but has been actively involved in E Marketing’s operations and has the power to direct the activities and significantly impact E Marketing’s economic performance. The Company also bears all the risk of losses and has the right to receive all of the benefits from E Marketing. As such, in accordance with ASC 810-10-25-38A through 25-38J, E Marketing is considered a variable interest entity (“VIE”) of the Company and the financial statements of E Marketing were consolidated from the date of control existed.

Note 2 - Basis of presentation and summary of significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand and bank deposits.

From time to time, the Company may maintain bank balances in interest bearing accounts in excess of the \$250,000 currently insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). The Company has not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers. Management reviews its accounts receivable balances each reporting period to determine if an allowance for doubtful accounts is required. An allowance for doubtful accounts is recorded in the period in which loss is determined to be probable based on assessment of specific evidence indicating likelihood of collection, historical experience, account balance aging and prevailing economic conditions. Bad debts are written off against the allowance after all collection efforts have ceased.

Property and equipment

Property and equipment are stated at historical cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method over the useful lives of the assets are as follows:

| | Useful Life |
|--------------------------------|--------------------|
| Office equipment and furniture | 3-5 years |

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated and combined statements of operations. Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized.

Fair value measurement

The Company adopted ASC Topic 820, *Fair Value Measurements and Disclosures* which defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure requirements for fair value measurements.

Note 2 - Basis of presentation and summary of significant accounting policies (Continued)

Fair value measurement (Continued)

ASC Topic 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. ASC Topic 820 specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is 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, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value. Unobservable inputs are valuation technique inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Company measures fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. As of June 30, 2020 and 2019, there are no assets or liabilities that are measured and reported at fair value on a recurring basis.

Fair values of financial instruments

Financial instruments include cash and cash equivalents, accounts receivable, prepayments and other current assets, other payable and accrued liabilities, due to related party, and taxes payable. The Company considers the carrying amount of short-term financial instrument to approximate their fair values because of the short period of time between the origination of such instruments and their expected realization.

Revenue recognition

The Company has adopted Accounting Standards Codification ("ASC") 606 since its inception on April 11, 2018 and recognizes revenue from product sales revenues, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment, therefore, revenue from product sales is recognized when it is shipped to the customer. Return allowances, which reduce product revenue by the Company's best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sale is recognized. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Note 2 - Basis of presentation and summary of significant accounting policies (Continued)

Cost of revenue

Cost of revenue mainly consist of costs for purchases of products and related inbound freight and delivery fees.

Inventory

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling, general and administrative expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

Segment reporting

The Company follows ASC 280, Segment Reporting. The Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated and combined results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and hence, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. The Company's long-lived assets are all located in California, United States, and substantially all of the Company's revenues are derived from within the USA. Therefore, no geographical segments are presented.

Business Combination Under Common Control

On December 1, 2018, the Company acquired substantially all of the business assets and assumed certain liabilities from BizRight, LLC ("BizRight") in exchange for total consideration of \$2,611,594. BizRight and the Company were both under the same ownership and management from inception, April 11, 2018. Under ASC 805-50, which addresses business combinations, the transaction was accounted for as a transaction under common control. The Company recorded the purchase of assets from BizRight at their historical carrying amounts as if the transfer had occurred at the beginning of the period and the results of operations comprises both those of BizRight and iPower from the beginning of the period to the date of the transfer is completed. The difference between any considerations transferred and the carrying amounts of the net assets acquired was recognized as an equity distribution to the Shareholders.

Leases

On its inception date, April 11, 2018, the Company adopted ASC 842 – Leases ("ASC 842"), which requires lessees to record right-of-use ("ROU") assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Note 2 - Basis of presentation and summary of significant accounting policies (Continued)

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, Income Taxes (“ASC 740”), which clarifies the accounting and disclosure for uncertainty in tax position, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company has adopted the provisions of ASC 740 since inception, April 11, 2018, and has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its “major” tax jurisdictions. However, the Company has certain tax attribute carryforwards, which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

The Company believes that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. The Company’s policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Commitments and Contingencies

In the ordinary course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Earnings per share

Basic earnings per share are computed by dividing net income attributable to holders of common stock by the weighted average number of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Note 2 - Basis of presentation and summary of significant accounting policies (Continued)

Recently issued accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The new standard is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. The Company does not expect the adoption of this standard have a material impact on the consolidated and combined financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company does not expect this guidance will have a material impact on its consolidated and combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The amendments in ASU 2016-13 are effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). For public companies that are not SEC filers, the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated and combined financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated and combined financial position, statements of operations and cash flows.

Subsequent event

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the consolidated combined financial statements are available to be issued. Material subsequent events that required recognition or additional disclosure in the consolidated and combined financial statements are presented.

Note 3 – Asset acquired from entity under common control

On December 1, 2018, the Company acquired substantially all of the business assets and assumed certain liabilities from BizRight, LLC (“BizRight”) in exchange for total consideration of \$2,611,594. BizRight and the Company were both under the same ownership and management from inception. Under Accounting Standard Codification (“ASC”) 805-50, the transaction was accounted for as a transaction under common control. The Company recorded the assets acquired and liabilities assumed from BizRight at their historical carrying amounts as if the transfer had occurred at the beginning of the period and the results of operations comprises both BizRight’s and iPower’s from the beginning of the period to the date of the transfer is completed. Stated below are the net assets transferred at December 1, 2018 and results of operations of BizRight for the period from July 1, 2018 to November 30, 2018:

| | As of December 1, 2018 |
|--|---------------------------|
| Assets Purchased | |
| Inventories | \$ 2,739,899 |
| Prepaid inventories (advance to suppliers) | 123,585 |
| Accounts receivable | 1,215,150 |
| Other receivables | 172,992 |
| Total assets purchased | <u>4,251,626</u> |
| Liabilities Assumed | |
| Accounts payable | 1,276,983 |
| Customer deposits | 117,518 |
| Other payables and accrued liabilities | 245,531 |
| Total liabilities assumed | <u>1,640,032</u> |
| Net Assets Transferred/ Purchase Price | <u>\$ 2,611,594</u> |
| Results of Operations From July 1, 2018 to November 30, 2018: | |
| Revenues | \$ 4,835,561 |
| Costs of goods sold | (3,097,071) |
| Selling, general and administrative expenses | (1,711,174) |
| Net income | <u>\$ 27,316</u> |

The results of operations of BizRight for the five months ended November 30, 2018 were combined in the Company’s statements of operations and the net income, the difference between the consideration and net assets received, of \$27,316 was recognized as a distribution to shareholders under additional paid in capital within the statement of shareholders’ equity. The net assets received were recorded at their historical carrying amounts and the purchase price of \$2,611,594 was recorded as payable due to related parties. Under the terms of the purchase agreement between the Company and BizRight, the Purchase Price shall be paid based on the Company’s cash flow availability and bears an interest rate of 8% per annum on the outstanding amount. See Note 9 for details.

Note 4 – Variable interest entity

Effective on March 1, 2020, as amended and restated pursuant to an agreement dated Oct 26, 2020, the Company entered into an agreement with E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the shareholders of the Company. Pursuant to the terms of the agreement, the Company provides technical support, management services and other services on an exclusive basis in relation to E Marketing’s business during the term of the agreement. The Company agrees to fund E Marketing for operational cash flow needs and bear the risk of E Marketing’s losses from operations and E Marketing agrees that iPower has rights to E Marketing’s net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of E Marketing or its assets subject to assumption of all of its liabilities. As of June 30, 2020, the Company had paid \$20,600 to fund all of E Marketing’s operations under this agreement.

Summary of Key Terms of the Exclusive Business Cooperation Agreements with E Marketing (“VIE”):

- iPower is the exclusive manager of the VIE;
- the VIE shall not directly or indirectly accepts same or similar services from other parties;
- the Agreements shall remain effective unless terminated by iPower;
- iPower is granted an irrevocable and exclusive option to purchase all assets and business at nominal price; and
- iPower agrees to fund VIE’s operational needs and bear the risk of VIE’s losses from operations and VIE agrees that iPower has rights to VIE’s net profits, if any.

Pursuant to the terms of the Agreement, the Company does not have direct ownership in E Marketing but has been actively involved in E Marketing’s operations, acting as the sole management of E Marketing to direct the activities and significantly impact E Marketing’s economic performance. The Company also provides all the funding to E Marketing and bears all risks of loss and has the right to receive all of the benefits from E Marketing. As such, based on the determination that the Company is the primary beneficiary of E Marketing, in accordance with ASC 810-10-25-38A through 25-38J, E Marketing is considered a variable interest entity (“VIE”) of the Company and the financial statements of E Marketing were consolidated from March 1, 2020.

The Company did not provide financial or other support to the VIE for the periods presented that the Company was not previously contractually required to provide.

As of June 30, 2020 and 2019, there were no pledge or collateralization of the VIE’s assets that can only be used to settle obligations of the VIE. The VIE did not have any liabilities due to third parties.

The carrying amount of the VIE’s assets and liabilities are as follows for the period indicated:

| | June 30, 2020 |
|---------------------------------------|--------------------------|
| Total assets – cash in bank | \$ 72,686 |
| Total liabilities – payable to iPower | \$ 72,686 |

The cash of \$72,686 was included in Cash on the consolidated and combined balance sheet as of June 30, 2020 and the payable to iPower was eliminated in consolidation.

The operating results of the VIE are as follows for the year indicated:

| | 2020 |
|------------|-------------|
| Revenue | \$ – |
| Net (loss) | \$ (20,600) |

Note 5 - Accounts receivable

Accounts receivable consisted of the following as of the date indicated:

| | June 30, 2020 | June 30, 2019 |
|---------------------------------------|--------------------------|--------------------------|
| Accounts receivable | \$ 6,067,199 | \$ 3,635,912 |
| Less: allowance for doubtful accounts | – | – |
| Total accounts receivable | <u>\$ 6,067,199</u> | <u>\$ 3,635,912</u> |

Bad debt expenses were \$0 for the years ended June 30, 2020 and 2019, respectively.

Note 6 – Inventories

As of June 30, 2020 and 2019, inventories consisted of finished goods ready for sale, net of allowance for obsolescence, amounted to \$5,743,181 and \$3,118,507, respectively.

As of June 30, 2020 and 2019, allowance for obsolescence was \$95,574 and \$0, respectively.

Note 7 – Prepayments and other current assets

As of June 30, 2020 and 2019, prepayments and other current assets consisted of the followings:

| | June 30, 2020 | June 30, 2019 |
|--|-------------------|-------------------|
| Advance to suppliers | \$ 298,841 | \$ 81,487 |
| Prepaid expenses and Other receivables | 317,390 | 371,648 |
| Total | <u>\$ 616,231</u> | <u>\$ 453,135</u> |

Other receivables consisted of delivery fees of \$132,433 and \$115,608 receivable from two unrelated parties for their use of the Company's courier accounts at June 30, 2020 and 2019. As of the date of this report, the amount had been fully collected.

Note 8 – Loans payable

Short-term loans

PPP note payable

On April 13, 2020, the Company entered into an agreement with Royal Business Bank (the "Lender") for a total amount of \$175,500, pursuant to a promissory note issued by the Company to the Lender (the "PPP Note"). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Note bears interest at the rate of 1.00% per annum and may be repaid at any time without penalty. The PPP Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the PPP Note.

The Company accounts for the PPP loan under Topic 470 as follows: (a) Initially record the cash inflow from the PPP Note as a financial liability and accrue interest in accordance with the interest method under ASC Subtopic 835-30; (b) Not impute additional interest at a market rate; (c) Continue to record the proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the debtor has been legally released by the Lender or (2) the debtor pays off the loan; (d) Reduce the liability by the amount forgiven and record a gain on extinguishment once the loan is partly or wholly forgiven and legal release is received. As of June 30, 2020, the Company had an outstanding balance of \$175,500 under the PPP Note. As of the date of this report, the PPP Note had not been forgiven.

Revolving credit line

On May 3, 2019, the Company entered into agreement with a lender for a revolving line of credit of up to \$2,000,000. The revolving line of credit bears an interest of prime rate plus 4.25% per annum on the outstanding amount. As of June 30, 2020 and 2019, the outstanding balance due was \$1,154,180 and \$217,789, respectively.

Note 8 – Loans payable (Continued)

Long-term loan

SBA loan payable

On April 18, 2020, the Company entered into an agreement with the U.S. Small Business Administration (“SBA”) for a loan of \$500,000 under Section 7(b) of the Small Business Act. This promissory note (the “SBA Note”) bears interest at the rate of 3.75% per annum and matures 30 years from the date of the SBA Note. Monthly installment payments, including principal and interest, will begin twelve months from the date of the SBA Note. As of June 30, 2020, the outstanding balance of the SBA Note was \$500,000.

Note 9 - Related party transactions

As disclosed in Note 3 above, on December 1, 2018, the Company acquired certain assets and assumed liabilities from BizRight, LLC, an entity owned and managed by the founders and officers of the Company. The net assets received were recorded at their historical carrying amounts and the purchase price of \$2,611,594 was recorded as payable due to related parties. The purchase price shall be paid based on the Company’s cash flow availability and bears an interest rate of 8% per annum on the outstanding amount. Related interest expense recorded for the years ended June 30, 2020 and 2019 was \$103,901 and \$109,834, respectively. During the years ended June 30, 2020 and 2019, the Company recorded proceeds of \$632,286 and \$1,745,012 and payments of \$3,267,801 and \$2,198,342, respectively, to related parties. As of June 30, 2020 and 2019, the outstanding amount due to related parties was \$133,793 and \$2,769,308, respectively.

Note 10 – Income taxes

On December 22, 2017, the U.S. President signed into law H.R.1, formerly known as the Tax Cuts and Jobs Act (the “Tax Legislation”). The Tax Legislation significantly revised the U.S. tax code by, (i) lowering the U.S. federal statutory income tax rate from 35% to 21%, (ii) implementing a territorial tax system, (iii) imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, (iv) requiring a current inclusion of global intangible low taxed income of certain earnings of controlled foreign corporations in U.S. federal taxable income, (v) creating the base erosion anti-abuse tax regime, (vi) implementing bonus depreciation that will allow for full expensing of qualified property, and (vii) limiting deductibility of interest and executive compensation expense, among other changes. The Company did not record deferred tax assets or liabilities as the temporary and permanent differences were immaterial. The Company has computed its tax expenses using the new statutory rate effective on January 1, 2018 of 21%.

Other provisions of the new legislation include, but are not limited to, limiting deductibility of interest and executive compensation expense. These additional items have been considered in the income tax provision for the year ended June 30, 2020 and 2019 and the impact was not material to the overall financial statements.

The provision for income taxes for the years ended June 30, 2020 and 2019 consisted of the following:

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|-----------------------------|----------------------|----------------------|
| Income Tax Expense | | |
| Current federal tax expense | | |
| Federal | \$ 530,036 | \$ 133,832 |
| State | 243,402 | 61,664 |
| Deferred tax | | |
| Federal | – | – |
| State | – | – |
| Total | <u>\$ 773,438</u> | <u>\$ 195,496</u> |

Note 10 – Income taxes (Continued)

The Company is subject to U.S. federal income tax as well as income tax of state tax jurisdictions. The tax years 2018 and 2019 remain open to examination by the major taxing jurisdictions to which the Company is subject. The following is a reconciliation of income tax expenses at the effective rate to income tax at the calculated statutory rates:

| | June 30, 2020 | June 30, 2019 |
|--|---------------|---------------|
| Statutory tax rate | | |
| Federal | 21.00% | 21.00% |
| State of California | 8.84% | 8.84% |
| State of Nevada | 0.00% | 0.00% |
| Net effect of state income tax deduction and other permanent differences | (1.82%) | (2.83%) |
| Effective tax rate | <u>28.02%</u> | <u>27.01%</u> |

As of June 30, 2020 and 2019, the income taxes payable was \$721,211 and \$195,496, respectively.

Note 11 – Earnings per share

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

| | For the year ended | |
|---|--------------------|----------------|
| | June 30, | |
| | 2020 | 2019 |
| Numerator: | | |
| Net income | \$ 1,986,962 | \$ 528,398 |
| Denominator: | | |
| Weighted-average shares used in computing basic and diluted net income per share* | 20,093,004 | 20,000,000 |
| Net income per share of ordinary shares: - basic and diluted | <u>\$ 0.10</u> | <u>\$ 0.03</u> |

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. The computation of basic and diluted EPS was retroactively adjusted for all periods presented.

* On October 20, 2020, the Company issued to its founders 14,000,000 shares of Class B Common stock, which shall be eligible to convert into Class A Common Stock, on a ten-for-one basis, at any time following twelve (12) months after the Company's completion of its initial public offering of its Class A Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods. The computation of basic and diluted EPS did not include the Class B Common Stock as the holders of Class B Common Stock have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

Note 12 – Equity

The Company was incorporated in Nevada on April 11, 2018. As of the date of this report, the total authorized shares of capital stock was 200,000,000 shares consisting of 166,000,000 shares of Class A common stock ("Class A Common Stock"), 14,000,000 of Class B common stock ("Class B Common Stock"), and 20,000,000 preferred stock (the "Preferred Stock"), each with a par value of \$0.001 per share.

On November 16, 2020, the Company filed an amended and restated articles of incorporation in Nevada to consummate a 2-for-1 forward split of our outstanding shares of Class A Common Stock. All share numbers of Class A Common Stock are stated at post-split basis.

The holders of Class A Common Stock shall be entitled to one vote per share in voting or consenting to the election of directors and for all other corporate purposes. The Company issued 20,000,000 shares to its founders at inception.

On January 15, 2020, pursuant to a rescission and mutual release agreement with an unrelated company, the Company issued 204,496 shares of its Class A Common Stock as settlement payment of the \$427,010 received.

As of June 30, 2020 and 2019, after giving effect to a 2-for-1 forward split of the outstanding shares of Class A Common Stock, there were 20,204,496 and 20,000,000 shares of Class A Common Stock issued and outstanding, respectively.

On October 20, 2020, the Company entered into stock purchase agreements with Chenlong Tan and Allan Huang (the "Founders") pursuant to which each of the Founders received 7,000,000 shares of the Company's Class B Common Stock, for a purchase price of \$0.001 per share in cash. Based on the fact that other than the total consideration of \$14,000 (total par value of the Class B Common Stock issued), the Founders did not provide additional services or other means of considerations for the issuance of these shares of Class B Common Stock, the issuance of the Class B Common Stock to the Founders was considered as a nominal issuance, in substance a recapitalization transaction. As such, in accordance with FASB ASC 260-10-55-12 and SAB Topic 4D, The Company recorded and presented the issuance retroactively as outstanding for all reporting periods.

Note 12 - Equity (Continued)

The Class B Common Stock shall be entitled to ten (10) votes per share in voting or consenting to the election of directors and for all other corporate purposes. Class B Common Stock shall be eligible to convert into Class A Common Stock, on a ten-for-one basis, at any time following twelve (12) months after the Company's completion of the initial public offering of its Class A Common Stock. Holders of Class B Common Stock shall have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock. As of June 30, 2020 and 2019, the outstanding shares of Class B Common Stock were retroactively stated as 14,000,000 and 14,000,000, respectively.

The Preferred Stock was authorized as "blank check" series of Preferred Stock, providing that the Board of Directors is expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the authorized but unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. As of June 30, 2020 and 2019, the Company had not issued any shares of Preferred Stock.

Note 13 - Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

As of June 30, 2020 and 2019, \$977,635 and \$471,458, respectively, were deposited with various major financial institutions in the United States.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposing the Company to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances. The Company maintains reserves for estimated credit losses, and such losses have generally been within expectations.

Customer and vendor concentration risk

For the years ended June 30, 2020 and 2019, Amazon Vendor and Amazon Seller customers accounted for 71% and 74% of the Company's total revenues, respectively. As of June 30, 2020 and 2019, accounts receivable from Amazon Vendor and Amazon Seller accounted for 95% and 82% of the Company's total accounts receivable.

For the years ended June 30, 2020 and 2019, two suppliers accounted for 38.5% (25.2% and 13.3%) and 32.6% (24.1% and 8.5%) of the Company's total purchases, respectively. As of June 30, 2020, accounts payable to three suppliers accounted for 25.6%, 12.5% and 11.7%, respectively, of the Company's total accounts payable. As of June 30, 2019, accounts payable to two suppliers accounted for 29.7% and 16.6%, respectively, of the Company's total accounts payable.

Note 14 - Commitments and contingencies

Lease commitment

The Company has adopted ASC842 since its inception date, April 11, 2018. The Company has entered into a lease agreement for office and warehouse space with a lease period from December 1, 2018 until December 31, 2020. Total commitment for the full term of the lease is \$1,100,387. \$262,875 and \$750,337 of operating lease right-of-use assets and \$262,875 and \$750,337 of operating lease liabilities were reflected on the June 30, 2020 and 2019 financial statements, respectively.

Note 14 - Commitments and contingencies (Continued)

Lease commitment (Continued)

Years Ended June 30, 2020 and 2019:

| | | |
|---|------------|------------|
| Lease cost | 6/30/2020 | 6/30/2019 |
| Operating lease cost (included in G&A in the Company's statement of operations) | \$ 528,186 | \$ 308,108 |

Other information

| | | |
|--|---------|---------|
| Cash paid for amounts included in the measurement of lease liabilities | 528,530 | 303,009 |
| Remaining term in years | 0.50 | 1.5 |
| Average discount rate - operating leases | 8% | |

The supplemental balance sheet information related to leases for the period is as follows:

Operating leases

| | | |
|---|-------------------|-------------------|
| Right of use asset - non current | 262,875 | 750,337 |
| Lease Liability - current | 262,875 | 487,462 |
| Lease Liability - non current | – | 262,875 |
| Total operating lease liabilities | <u>\$ 262,875</u> | <u>\$ 750,337</u> |

Maturities of the Company's lease liabilities are as follows:

| <u>Years ending June 30,</u> | <u>Operating Lease</u> |
|---|------------------------|
| 2021 | \$ 268,848 |
| Less: Imputed interest/present value discount | (5,973) |
| Present value of lease liabilities | <u>\$ 262,875</u> |

Contingencies

The Company is not currently a party to any material legal proceedings, investigation or claims. However, the Company may, from time to time, be involved in legal matters arising in the ordinary course of its business. While the Company is not presently subject to any material legal proceedings, there can be no assurance that such matters will not arise in the future or that any such matters in which the Company is involved, or which may arise in the ordinary course of the Company's business, will not at some point proceed to litigation or that such litigation will not have a material adverse effect on the business, financial condition or results of operations of the Company.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. The Company anticipates that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on the Company's operations to date, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on the Company's business.

Note 15 - Subsequent events

VIE Agreement

On September 4, 2020, the Company entered into an agreement with Global Product Marketing Inc. ("GPM"), an entity incorporated in the State of Nevada on September 4, 2020. GPM is owned by Chenlong Tan, the Chairman, CEO, President, Interim CFO and one of the majority shareholders of the Company. Pursuant to the terms of the agreement, the Company will provide technical support, management services and other services on an exclusive basis in relation to GPM's business during the term of the Agreement. The Company agrees to fund GPM for operational cash flow needs and bear the risk of GPM's losses from operations and GPM agrees that the Company has rights to GPM's net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of GPM or its assets subject to assumption of all of its liabilities.

Note 15 - Subsequent events (Continued)

VIE Agreement (Continued)

The Company does not have direct ownership in GPM but will be actively involved in GPM's operations with the power to direct the activities and significantly impact GPM's economic performance. The Company also bears all the risk of loss, and has rights to receive all benefits from, GPM. As such, in accordance with ASC 810-10-25-38A through 25-38J, GPM is considered a variable interest entity ("VIE") of the Company. The Company will consolidate GPM's financials from the incorporation date of GPM on September 4, 2020.

Stock Issuances

On October 20, 2020, the Company entered into stock purchase agreements with Chenlong Tan and Allan Huang (the "Founders") pursuant to which each of the Founders received 7,000,000 shares of the Company's Class B Common Stock, for a purchase price of \$0.001 per share in cash. See Note 12 above for details.

On December 30, 2020, the Company closed a private placement and issued a total of 34,500 shares of Series A Convertible Preferred Stock, par value \$0.001 per share, to a total of three accredited investors, at a purchase price of \$10.00 per share, for a total purchase price of \$345,000 in cash. In connection with this private placement, the Company paid \$27,600 in cash and issued warrants to purchase 2,415 shares of Series A Convertible Preferred Stock to Boustead Securities, LLC (the "Placement Agent") as compensation. The exercise price of the warrants is \$10 per share.

Stock Split

On November 16, 2020, the Company filed with the Secretary of State of Nevada an amendment to its articles of incorporation, pursuant to which it completed a two-for-one forward stock split (the "Forward Stock Split") of the Company's Class A Common Stock. Following the Forward Stock Split, the Company had a total of 20,204,496 shares of Class A Common Stock outstanding.

Leases

On August 24, 2020, the Company negotiated for new terms to extend the lease of its primary fulfillment center located in Duarte, California. The lease term is amended and extended through December 31, 2023. The monthly payment is \$42,000 with two months of free rental and three months \$21,000 per month.

On September 1, 2020 in addition to the primary fulfillment center, the Company leased a second fulfillment center located at 14750 E. Nelson Avenue, Unit #1, Industry City, CA 91744. The base rental fee is \$27,921 to \$29,910 per month through October 31, 2023.

Revolving credit line

On November 16, 2020, the Company entered into an agreement with its lender to increase the limit of its revolving line of credit from \$2,000,000 to \$3,000,000. The revolving line of credit bears an interest rate of 10% per annum on the outstanding amount. As of December 31, 2020, the Company had drawn \$1.55 million from this line.

[_____] shares of Class A Common Stock



Prospectus dated [], 2021

Through and including _____, 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the SEC registration fee and the FINRA filing fee.

| Item | Amount |
|---|---------------|
| SEC registration fee | \$ |
| FINRA filing fees | 3,500.00 |
| Accountants' fees and expenses | |
| Legal fees and expenses | |
| Underwriters' reimbursable expenses, including legal fees | |
| Transfer Agent's fees and expenses | |
| Printing expenses | |
| Total Expenses | \$ |

* To be completed by amendment

Item 14. Indemnification of Directors and Officers.

We are a Nevada corporation, and accordingly, we are subject to the corporate laws under the Nevada Revised Statutes. Article 9 of our Amended and Restated Articles of Incorporation, Article 8 of our by-laws and the Nevada Revised Business Statutes, contain indemnification provisions.

Our Amended and Restated Articles of Incorporation provides that we will indemnify, in accordance with our by-laws and to the fullest extent permitted by the Nevada Revised Statutes or any other applicable laws, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, including an action by or in the right of the corporation, by reason of such person acting as a director or officer of the corporation or any of its subsidiaries against any liability or expense actually and reasonably incurred by such person. We will be required to indemnify an officer or director in connection with an action, suit or proceedings initiated by such person only if (i) such action, suit or proceeding was authorized by the Board and (ii) the indemnification does no relate to any liability arising under Section 16(b) of the Exchange Act, as amended, or rules or regulations promulgated thereunder. Such indemnification is not exclusive of any other right to indemnification provided by law or otherwise. Indemnification shall include payment by us of expenses in defending an action or proceeding in advance of final disposition of such action or proceeding upon receipt of an undertaking by the person indemnified to repay such payment if it's ultimately determined that such person is not entitled to indemnification.

While we intend to obtain director and officer liability insurance prior to the effectiveness of this registration statement, at present we only maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act of 1933, as amended, or the Securities Act, against certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Please read "Item 17. Undertakings" for more information on the SEC's position regarding such indemnification provisions.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is information regarding all securities issued by us within the past three years. Also included is the consideration received by us for such securities, if any, and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed.

On December 30, 2020, we issued a total of 34,500 shares of Series A convertible preferred stock, par value \$0.001 per share, to a total of three accredited investors, at a purchase price of \$10.00 per share, for a total purchase price of \$345,000. Boustead Securities, LLC acted as placement agent in the Series A preferred offering, and received compensation of \$77,600 and warrants to purchase 2,415 shares of Series A convertible preferred stock. The shares were issued to accredited investors pursuant to exemption from registration under Rule 506(b) of the Securities Act.

On October 20, 2020, we issued 14,000,000 shares of our Class B common stock, par value \$0.001 per share, to our two founders, Allan Huang and Chenlong Tan in exchange for a total purchase price of \$14,000. The shares were issued to our two founders pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act.

On January 15, 2020, we issued a total of 204,496 shares of our Class A common stock, par value \$0.001 per share (the "Class A Common Stock") to Sugarmade Inc. as a refund of cash related to a terminated merger agreement. The shares were issued to Sugarmade Inc. pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act.

In April 2018, we issued a total of 20,000,000 shares of our Class A common stock, par value \$0.001 per share, to our two founders and four key employees. The shares were issued to our founders and key employees pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

See the Exhibit Index attached to this registration statement, which is incorporated by reference herein.

(b) Financial Statement Schedules.

All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made pursuant to this Registration Statement, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933.

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20.0% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(5) That for the purpose of determining any liability under the Securities Act of 1933 in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser

(6) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBITS, FINANCIAL STATEMENT SCHEDULES

| Exhibit No. | Description |
|-------------|--|
| 1.1 | Form of Underwriting Agreement. (*) |
| 3.1 | Third Amended and Restated Articles of Incorporation of iPower Inc. |
| 3.2 | Amended and Restated Bylaws of iPower, Inc. |
| 4.1 | Certificate of Designation of Series A Convertible Preferred Stock. (*) |
| 4.2 | Form of Subscription Agreement for Bridge Offering. (*) |
| 4.3 | Form of Placement Agent Warrant, dated December 30, 2020, issued to Boustead Securities LLC. |
| 4.4 | Form of Underwriting Warrant issued to Boustead Securities LLC. (*) |
| 5.1 | Form of Legal Opinion of Michelman & Robinson LLP. (*) |
| 10.1 | 2020 Equity Incentive Plan. |
| 10.2 | Form of Sublease Agreement, dated as of December 1, 2018, between BZRTH, Inc. and BizRight, LLC |
| 10.3 | Asset Purchase Agreement, dated December 1, 2018, between BZRTH, Inc. and BizRight, LLC. |
| 10.4 | Loan and Security Agreement, dated May 3, 2019, between BZRTH, Inc. and WFC Fund, LLC. |
| 10.5 | Note for PPP Loan, dated April 13, 2020, issued to Royal Business Bank. |
| 10.6 | Loan Authorization and Agreement, dated April 18, 2020, between BZRTH, Inc. and U.S. Small Business Administration. |
| 10.7 | Employment Agreement, dated July 1, 2020, between iPower Inc. and Chenlong Tan. |
| 10.8 | Standard Industrial Multi-Tenant Lease, dated as of September 1, 2020, between BZRTH, Inc. and Nelson, LLC. |
| 10.9 | Exclusive Business Cooperation Agreement, dated September 4, 2020, between iPower Inc. and Global Product Marketing Inc. |
| 10.10 | Stock Purchase Agreement, dated October 26, 2020, between iPower Inc. and Allan Huang. |
| 10.11 | Stock Purchase Agreement, dated October 26, 2020, between iPower Inc. and Chenlong Tan. |
| 10.12 | Amended and Restated Exclusive Business Cooperation Agreement, dated October 26, 2020, between iPower Inc. and E Marketing Solution Inc. |
| 10.13 | Receivables Purchase Agreement, dated November 16, 2020, between BZRTH, Inc. and WFC Fund, LLC. |
| 23.1 | Consent of UHY LLP (*) |
| 23.2 | Consent of Michelman & Robinson LLP (included in Exhibit 5.1) (*) |
| 24.1 | Power of Attorney (included on signature page) |

Unless otherwise indicated, all exhibits are filed herewith.

* to be filed.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Duarte, of the State of California, on January 11, 2021.

iPOWER INC.

By: /s/ **Chenlong Tan**

Chenlong Tan

**Chairman, Chief Executive Officer, President and Interim Chief
Financial Officer**

KNOW ALL PERSONS BY THESE PRESENTS, that the persons whose signature appears below constitute and appoint Chenlong Tan as his or her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including pre-effective and post-effective amendments) to this document in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all which said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

| Signature | Title | Date |
|--|--|------------------|
| <u>/s/ Chenlong Tan</u> Chenlong Tan | Chief Executive Officer, President, Chief Interim Financial Officer and Chairman of the Board <i>(Principal Executive Officer)</i> | January 11, 2021 |
| <u>/s/ Allan Huang</u> Allan Huang | Director | January 11, 2021 |

THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

iPOWER INC.

The Articles of Incorporation of iPower Inc., formerly known as BZRTN Inc. (the "Corporation"), were originally filed in the Office of the Secretary of State of the State of Nevada, 202 North Carson Street, Carson City, Nevada 89701, on April 11, 2018 as Document Number 20180164458-79, as amended and on September 4, 2020 as Document Number 20200898654, as amended and restated on October 19, 2020 as Document Number 20200987646, and as further amended and restated on November 13, 2020 as Document Number 20201041836.

On January 7, 2021, the Board of Directors of the Corporation have unanimously adopted a resolution proposing and declaring advisable that the Second Amended and Restated Articles of Incorporation be amended and restated in its entirety pursuant to Section 78.403 of the Nevada Revised Statutes of the State of Nevada (the "NRS") and have duly adopted this Second Amended and Restated Articles of Incorporation.

In lieu of a special meeting of the stockholders of the Corporation, on January 7, 2021, the holders of a majority of the issued and outstanding shares of voting capital stock of the Corporation provided their written consent in favor of this Third Amended and Restated Articles of Incorporation in accordance with the provisions of NRS Sections 78.310 and 78.390.

The text of the Articles of Incorporation, as amended and restated herein, shall read as follows:

FIRST: The name of the Corporation is "**iPower Inc.**"

SECOND: The address of the Corporation's registered office in the State of Nevada is 5348 Vegas Drive, in the city of Las Vegas, Nevada 897108. The name of its registered agent at such address is Eastbiz.com, Inc.

THIRD: The nature or purpose of the business to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the NRS.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is Two Hundred Million (200,000,000) shares, each having a par value of \$0.001 per share, consisting of:

(i) One Hundred Sixty-Six Million (166,000,000) shares of Class A voting Common Stock, par value \$0.001 per share (the "Class A Common Stock");

(ii) Fourteen Million (14,000,000) shares of Class B super voting Common Stock, par value \$0.001 per share (the "Class B Common Stock"); and

(iii) Twenty Million (20,000,000) shares of "blank check" Serial Preferred Stock, par value \$0.001 per share (the "Preferred Stock"). The Class A Common Stock and Class B Common Stock are herein sometimes collectively referred to as the "Common Stock."

A statement of the powers, designations, preferences, and relative participating, optional or other special rights and the qualifications, limitations and restrictions of the Common Stock and the Preferred Stock is as follows:

1. Common Stock.

(a) Dividends. Subject to the express terms of any outstanding series of Preferred Stock, dividends may be paid in cash or otherwise with respect to the holders of Class A Common Stock out of the assets of the Corporation legally available therefor, upon the terms, and subject to the limitations, as the Board of Directors of the Corporation (the "Board of Directors") may determine. Holders of Class B Common Stock shall have no dividend rights until such time as their shares have been converted into Class A Common Stock.

(b) Liquidation Rights. Subject to the express terms of any outstanding Preferred Stock, in the event of a Liquidation of the Corporation, the holders of Class A Common Stock shall be entitled to share in the distribution of any remaining assets available for distribution to the holders of Common Stock ratably in proportion to the total number of shares of Class A Common Stock then issued and outstanding. Holders of Class B Common Stock shall have no liquidation rights until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

(c) Voting Rights. The holders of Class A Common Stock shall be entitled to one vote per share in voting or consenting to the election of directors and for all other corporate purposes to the extent authorized by this Articles of Incorporation or the NRS. The Class B Common Stock shall be entitled to ten (10) votes per share in voting or consenting to the election of directors and for all other corporate purposes to the extent authorized by this Articles of Incorporation or the NRS.

(d) Conversion of Class B Common Stock. Class B Common Stock shall be eligible to convert into Class A Common Stock, on a ten-for-one basis, at any time following twelve (12) months after the Company's completion of its initial public offering of its Class A Common Stock. Such conversion shall be made solely at the discretion of the holder of Class B Common Stock and shall occur promptly following the holder's delivery of such Class B Common Stock certificate(s) to the Corporation or its transfer agent, at which time such holder shall then be entitled to receive one or more certificates for the identical number of shares of Class A Common Stock.

(e) Restrictions on Transferability of Class B Common Stock. The Class B Common Stock shall be transferrable only between entities with controlling interests held by the original Class B Common Stockholders (the "Founders"), the immediate family members of the Founders, trusts with the Founders as settlor or beneficiary, or legal heir. In the event the original Class B Common Stockholders transfer such shares to any unrelated third party, such shares of Class B Common Stock shall automatically convert into shares of Class A Common Stock and any super voting powers associated therewith shall be null and void.

2. Forward Stock Split. The holders of a majority of the shares of Class A Common Stock issued and outstanding as at the date of the filing of the Second Amended and Restated Articles of Incorporation and the Board of Directors of the Corporation authorized a two-for-one forward split of the issued and outstanding shares of Common Stock of the Corporation (the "Forward Stock Split") , effective as of November 16, 2020. As a result of such Forward Stock Split, the 10,102,248 issued and outstanding shares of Class A Common Stock of the Corporation increased to 20,204,496 shares of Class A Common Stock, and each one full share of currently outstanding Class A Common Stock became two shares of Class A Common Stock. The Forward Stock Split does not affect the authorized capital stock of the Corporation as set forth in ARTICLE FOURTH of this Second Amended and Restated Articles of Incorporation.

3. Serial Preferred Stock. Subject to approval by holders of shares of any class or series of Preferred Stock to the extent such approval is required by its terms, the Board of Directors is hereby expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The rate of dividend, and whether (and if so, on what terms and conditions) dividends shall be cumulative (and if so, whether unpaid dividends shall compound or accrue) or shall be payable in preference or in any other relation to the dividends payable on any other class or classes of stock or any other series of the Preferred Stock;
- (c) Whether that series shall have voting rights in addition to the voting rights provided by law and, if so, the terms and extent of such voting rights;
- (d) Whether the shares must or may be redeemed and, if so, the terms and conditions of such redemption (including, without limitation, the dates upon or after which they must or may be redeemed and the price or prices at which they must or may be redeemed, which price or prices may be different in different circumstances or at different redemption dates);
- (e) Whether the shares shall be issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange (including without limitation the price or prices or the rate or rates of conversion or exchange or any terms for adjustment thereof);
- (f) The amounts, if any, payable under the shares thereof in the event of the Liquidation of the Corporation in preference of shares of any other class or series and whether the shares shall be entitled to participate generally in distributions in the Common Stock under such circumstances;
- (g) Sinking fund provisions, if any, for the redemption or purchase of the shares (the term "sinking fund" being understood to include any similar fund, however designated); and
- (h) Any other relative rights, preferences, limitations and powers of that series.

FIFTH: At all meetings of stockholders, each stockholder shall be entitled to vote, in person or by proxy, the shares of voting stock of the Corporation owned by such stockholders of record on the record date of the meeting. When a quorum is present or represented at any meeting, the vote of the holders of a majority in interest of the stockholders present in person or by proxy at such meeting and entitled to vote thereon shall decide any question, matter or proposal brought before such meeting unless the question is one upon which, by express provision of law, this Articles of Incorporation or the By-laws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

SIXTH:

Number of Directors. The number of directors of the Corporation shall be fixed from time to time by the vote of a majority of the entire Board of Directors, but such number shall in no case be less than one (1) director. Any such determination made by the Board of Directors shall continue in effect unless and until changed by the Board of Directors, but no such changes shall affect the term of any directors then in office.

2. Term of Office; Quorum; Vacancies. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Subject to the By-laws, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business. Any vacancies and newly created directorships resulting from an increase in the number of directors shall be filled by a majority of the Board of Directors then in office even though less than a quorum and shall hold office until his successor is elected and qualified or until his earlier death, resignation, retirement, disqualification or removal from office.

3. Removal. Subject to the By-laws, any director may be removed upon the affirmative vote of the holders of a majority of the votes which could be cast by the holders of all outstanding shares of Common Stock entitled to vote for the election of directors, voting together as a class, at a duly called annual or special meeting of stockholders.

SEVENTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

(1) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(2) The directors shall have the power, subject to the terms and conditions of the By-laws, to make, adopt, alter, amend, change, add to or repeal the By-laws.

(3) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the NRS, this Articles of Incorporation, and any By-laws adopted by the stockholders; provided, however, that no By-laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-laws had not been adopted.

EIGHTH:

1. Stockholder Meetings; Keeping of Books and Records. Meetings of stockholders may be held within or outside the State of Nevada as the By-laws may provide. The books of the Corporation may be kept (subject to any provision contained in the NRS) outside the State of Nevada at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the Corporation.

2. Special Stockholders Meetings. Special meetings of the Stockholders, for any purpose or purposes, unless otherwise prescribed by law, may be called by the President or the Chairman of the Board, if one is elected, and shall be called by the Secretary at the direction of a majority of the Board of Directors, or at the request in writing of Stockholders owning a majority in amount of the Common Stock of the Corporation issued and outstanding and entitled to vote.

3. No Written Ballot. Elections of directors need not be by written ballot unless the By-laws of the Corporation shall so provide.

NINTH:

1. Limits on Director Liability. Directors of the Corporation shall have no personal liability to the Corporation or its stockholders for monetary damages for breach of a fiduciary duty as a director; provided that nothing contained in this Article NINTH shall eliminate or limit the liability of a director (i) for any breach of a director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law, or as otherwise expressly provided in the NRS, or (iii) for any transaction from which a director derived an improper personal benefit. If the NRS is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then by virtue of this Article NINTH the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the NRS, as so amended.

2. Indemnification.

(a) The Corporation shall indemnify, in accordance with the By-laws of the Corporation and to the fullest extent permitted from time to time by the NRS or any other applicable laws as presently or hereafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation, by reason of his acting as a director or officer of the Corporation or any of its subsidiaries (and the Corporation, in the discretion of the Board of Directors, may so indemnify a person by reason of the fact that he is or was an employee or agent of the Corporation or any of its subsidiaries or is or was serving at the request of the Corporation in any other capacity for or on behalf of the Corporation) against any liability or expense actually and reasonably incurred by such person in respect thereof; provided, however, the Corporation shall be required to indemnify an officer or director in connection with an action, suit or proceeding (or part thereof) initiated by such person only if (i) such action, suit or proceeding (or part thereof) was authorized by the Board of Directors and (ii) the indemnification does not relate to any liability arising under Section 16(b) of the Exchange Act, as amended, or any rules or regulations promulgated thereunder. Such indemnification is not exclusive of any other right to indemnification provided by law or otherwise. The right to indemnification conferred by this paragraph 2(a) shall be deemed to be a contract between the Corporation and each person referred to herein.

(b) If a claim under paragraph 2(a) is not paid in full by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where any undertaking required by the By-laws of the Corporation has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the NRS and paragraph 2(a) for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the NRS, nor an actual determination by the Corporation (including its Board of Directors, legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Indemnification shall include payment by the Corporation of expenses in defending an action or proceeding in advance of the final disposition of such action or proceeding upon receipt of an undertaking by the person indemnified to repay such payment if it is ultimately determined that such person is not entitled to indemnification under this Article NINTH, which undertaking may be accepted without reference to the financial ability of such person to make such repayment.

3. Insurance. The Corporation shall have the power (but not the obligation) to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss incurred by such person in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under this ARTICLE NINTH or the NRS.

4. Other Rights. The rights and authority conferred in this ARTICLE NINTH shall not be exclusive of any other right which any person may otherwise have or hereafter acquire under any statute, provision of the Articles of Incorporation, By-laws, agreement, contract, vote of stockholders or disinterested directors or otherwise.

5. Additional Indemnification. The Corporation may, by action of its Board of Directors, provide indemnification to such of the directors, officers, employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by the NRS.

6. Effect of Amendments. Neither the amendment, change, alteration nor repeal of this ARTICLE NINTH, nor the adoption of any provision of this Articles of Incorporation or the By-laws of the Corporation, nor, to the fullest extent permitted by NRS, any modification of law, shall eliminate or reduce the effect of this ARTICLE NINTH or the rights or any protection afforded under this ARTICLE NINTH in respect of any acts or omissions occurring prior to such amendment, repeal, adoption or modification.

TENTH:

Corporate Opportunity. In recognition of the fact that the Corporation and its directors, officers and stockholders, acting in their capacities as such, currently engage in, and may in the future engage in, the same or similar activities or lines of business and have an interest in the same areas and types of corporate opportunities, and in recognition of the benefits to be derived by the Corporation through its continued contractual, corporate and business relations with such persons, the provisions of this ARTICLE TENTH are set forth to regulate and define the conduct of certain affairs of the Corporation as they may involve such directors, officers and employees, acting in their capacities as such. Accordingly, to the fullest extent permitted by applicable law, no director, officer or stockholder of the Corporation, in such capacity, shall have any obligation to the Corporation to refrain from competing with the Corporation, making investments in competing businesses or otherwise engaging in any commercial activity that competes with the Corporation. To the fullest extent permitted by applicable law, the Corporation shall not have any right, interest or expectancy with respect to any such particular investments or activities undertaken by any of its directors, officers or stockholders, such investments or activities shall not be deemed wrongful or improper, and no such director, officer or stockholder shall be obligated to communicate, offer or present any potential transaction, matter or opportunity to the Corporation even if such potential transaction, matter or opportunity is of a character that, if presented to the Corporation, could be taken by the Corporation, so long as such transaction, matter or opportunity did not arise solely and expressly by virtue of the director being a member of the Board of Directors or an officer or an employee of the Corporation (a "Restricted Opportunity"). In the event that any director, officer or stockholder, acting in his capacity as such, acquires knowledge of a potential transaction, matter or opportunity which may be a corporate opportunity for the Corporation, but is not a Restricted Opportunity, such director, officer or stockholders, acting in their capacities as such, shall have no duty to communicate or offer such corporate opportunity to the Corporation and shall not be liable to the Corporation or its stockholders for breach of any fiduciary duty by reason of the fact that such director, officer or stockholder, acting in his capacity as such, pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person, or does not communicate information regarding such corporate opportunity to the Corporation, and the Corporation hereby renounces any interest or expectancy in such corporate opportunity. In furtherance of the foregoing, the Corporation renounces any interest or expectancy in, or in being offered the opportunity to participate in, any corporate opportunity covered by, but not allocated to it pursuant to, this ARTICLE TENTH to the fullest extent permitted by the NRS.

Confidential Information. The provisions of this ARTICLE TENTH shall in no way limit or eliminate a director's, officer's or stockholder's duties, responsibilities and obligations with respect to any proprietary information of the Corporation, including the duty to not disclose or use such proprietary information improperly or to obtain therefrom an improper personal benefit. Except as otherwise set forth in this ARTICLE TENTH, this ARTICLE TENTH shall not limit or eliminate the fiduciary duties of any director or officer or otherwise be deemed to exculpate any director or officer from any breach of his fiduciary duties to the Corporation. For the avoidance of doubt, nothing contained in this Article TENTH amends or modifies, or will amend or modify, in any respect any written contractual arrangement between any stockholders of the Corporation or any of their respective Affiliates, on the one hand, and the Corporation and any of its Affiliates, on the other hand, or any applicable employment or non-competition agreement.

Amendment. Notwithstanding anything to the contrary contained in this Articles of Incorporation, this ARTICLE TENTH may only be amended (including by merger, consolidation or otherwise by operation of law) by the affirmative vote of the holders of at least 80% of the Voting Stock. Neither the termination, alteration, amendment or repeal (including by merger, consolidation or otherwise by operation of law) of this ARTICLE TENTH nor the adoption of any provision of this Articles of Incorporation inconsistent with this ARTICLE TENTH shall eliminate or reduce the effect of this ARTICLE TENTH in respect of any matter occurring, or any cause of action, suit or claim that, but for this ARTICLE TENTH, would accrue or arise, prior to such termination, alteration, amendment, repeal or adoption.

ELEVENTH: Subject to applicable law and the terms herein, the Corporation reserves the right to repeal, alter, change or amend any provision contained in this Articles of Incorporation in the manner now or hereafter prescribed by statute and all rights conferred upon stockholders herein are granted subject to this reservation. No repeal, alteration or amendment of this Articles of Incorporation shall be made unless the same is first approved by the Board of Directors of the Corporation pursuant to a resolution adopted by the directors then in office in accordance with the By-laws and applicable law and thereafter approved by the stockholders as provided in the NRS.

TWELFTH: The name and mailing address of the Corporation is as follows:

iPower Inc.
2389 Bateman Ave
Duarte, CA 91010

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be hereunto affixed and this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer and as approved by the Board of Directors and the holders of a majority of the voting shares of capital stock of the Corporation on January 8, 2021.

/s/ Chenlong Tan
Chenlong Tan

BYLAWS OF BZRTH, INC.
(the "Corporation")

SHAREHOLDERS (the "Shareholders")

Annual Meeting

1. A meeting of the Shareholders will be held annually for the purpose of electing directors (the "Directors") of the Corporation and for the purpose of doing other business as may come before the meeting. If the day fixed for the annual meeting is a legal holiday in the State of California, the annual meeting will be held on the next succeeding business day or on a date determined by the board of directors for the Corporation (the "Board") that is no later than two weeks after the date specified in the meeting notice.
2. The Corporation must hold its annual meeting within: a) 60 days after the date designated for the annual meeting or if no date was designated; b) 15 months after its last regular meeting. If the annual meeting is not held within that time period then any shareholder entitled to participate in the meeting may apply to the superior court of the proper county to fix the time and place of the meeting.

Special Meetings

3. Unless otherwise prescribed by statute, special meetings of the Shareholders may only be called for any purpose or purposes in the following ways:
 - a. By a majority of the Board; or
 - b. By the president of the Corporation (the "President"); or
 - c. By the holders of shares entitled to cast in total not less than 10 percent of the votes on any issue proposed for the meeting where written request(s) describing the purpose or purposes for the special meeting are signed, dated and delivered to a member of the Board or other Officer of the Corporation.
4. The Board will determine the time, place and date of any special meeting provided that, in the case of a special meeting called by the requisite percentage of Shareholders in accordance with these Bylaws, the Board will issue notice of the special meeting within 20 days of receipt of the written demand(s) by the relevant Officer of the Corporation. The Board will schedule the meeting for a date not less than 35 nor more than 60 days after the receipt of the request.

Place of Meeting

5. The annual meetings or special meetings of the Shareholders may be held at any place in or out of the State of California at a place to be determined at the discretion of the Board. If no designation of the location is made for any annual or special meeting of the Shareholders, the place of the meeting will be the Principal Executive Office of the Corporation.

Notice of Meetings

6. The written notice of any meeting will be given not less than 10 days, but not more than 60 days before the date of the meeting to each Shareholder entitled to vote at that meeting. The written notice of the meeting will state the place, date and hour of the meeting, the means of remote communications, if any, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.
7. If mailed, notice is given when the notice is deposited in the United States mail, postage prepaid, and directed to the Shareholder at the address of the Shareholder as it appears on the records of the Corporation. An affidavit of the secretary (the "Secretary") of the Corporation that the notice has been given will, in the absence of fraud, be prima facie evidence of the facts stated in the notice.
8. A written waiver, signed by the person entitled to a notice of meeting, or a waiver by electronic transmission by the person entitled to that notice, whether before or after the time stated in the notice, will be deemed equivalent to the person receiving the notice. Further, attendance of a person at a meeting will constitute a waiver of notice of that meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Consent of Shareholders in Lieu of Meeting

9. Any action to be taken at any annual or special meeting of Shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action to be taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the matter were present and voted is delivered to the Corporation. Every written consent will bear the date of signature of each Shareholder who signs the consent. However, no written consent will be effective unless the consent is delivered, either by hand or by certified or registered mail, within 90 days of the earliest dated consent, to the Corporation for inclusion in the minutes or filing with the corporate records.

Remote Communication Meetings

10. Remote communication means any electronic communication including conference telephone, video conference, the Internet, or any other method currently available or developed in the future by which Shareholders not present in the same physical location may simultaneously communicate with each other.
11. Where permitted under the statutes and regulations of the State of California, and in the sole and reasonable discretion of the Board of Directors, a meeting of Shareholders of the Corporation may be held at a specific location or may be held by any means of remote communication. Where a meeting will employ remote communication, one or more Shareholders may participate by means of remote communication or the meeting may be held solely by means of remote communication at the sole discretion of the Board of Directors. Where any remote communication is used in a Shareholder meeting, all persons authorized to vote or take other action at the meeting must be able to hear each other during the meeting and each person will have a reasonable opportunity to participate. This remote participation in a meeting will constitute presence in person at the meeting. All votes or other actions taken at the meeting by means of electronic transmission must be maintained as a matter of record by the Corporation.

List of Shareholders Entitled to Vote

12. The Officer who has charge of the Record of Shareholders of the Corporation will prepare and make, 10 to 60 days before every meeting of the Shareholders, a complete list of the Shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Shareholder and the number of shares of stock registered in the name of each Shareholder. The list must be available for inspection by any Shareholder. The list must be provided for any purpose related to the meeting:

a. On a reasonably accessible electronic network, so long as the information required to access the list is provided with the notice of the meeting; or

b. During ordinary business hours, at the Registered Office of the Corporation in this state.

13. If the Corporation decides to make the list available on an electronic network, the Corporation will ensure that this information is available only to Shareholders of the Corporation. If the meeting is to be held at a physical location, then the list will be produced and kept at the time and place of the meeting during the whole time of the meeting and may be inspected by any Shareholder who is present.
14. If the meeting is to be held solely by means of remote communication, then the list will also be open to the examination of any Shareholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access the list will be provided with the notice of the meeting.
15. If any Director willfully neglects or refuses to produce the list of Shareholders at any meeting for the election of Directors, or to open such a list to examination on a reasonably accessible electronic network during any meeting for the election of Directors held solely by means of remote communication, those Directors will be ineligible for election to any office at that meeting.
16. The Record of Shareholders will be the only evidence as to who are the Shareholders entitled by this section to examine the list required by this section or to vote in person or by proxy at any meeting of Shareholders.

Quorum and Required Vote

17. A minimum of 51 percent of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum entitled to take action at a meeting of Shareholders.
18. In all matters other than the election of Directors, any act of the Shareholders must be passed by an affirmative vote of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter.
19. Directors will be elected by a majority of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors.
20. Where a separate vote by a class or series or classes or series of shares ("Eligible Shares") is required, 51 percent of the outstanding Eligible Shares present in person or represented by proxy, will constitute a quorum entitled to take action with respect to that vote on that matter. Any act to be taken must be passed by an affirmative vote of the majority of the outstanding Eligible Shares present in person or represented by proxy.

Shareholders Voting Rights and Proxies

21. Subject to the Articles of Incorporation, each Shareholder will be entitled to one vote for each share of stock held by that Shareholder.
22. Each Shareholder entitled to vote at a meeting of Shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for that Shareholder by proxy, but no proxy will be valid after 11 months from the date of its execution unless the proxy provides for a longer period.

23. Execution of a proxy may be accomplished by the Shareholder or by the authorized Officer, Director, employee or agent of the Shareholder, signing the writing or causing that person's signature to be affixed to the writing by any reasonable means including, but not limited to, by facsimile signature.
24. A duly executed proxy will be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the shares or an interest in the Corporation generally.

Voting Rights of Fiduciaries, Pledgers and Joint Owners of Shares

25. Persons holding shares in a fiduciary capacity will be entitled to vote the shares so held. Persons whose shares are pledged will be entitled to vote, unless, in the transfer by the pledger on the books of the Corporation, that person has expressly empowered the pledgee to vote the shares, in which case only the pledgee, or that pledgee's proxy, may represent and vote the shares.

Voting Trusts and Other Voting Agreements

26. Two or more Shareholders may, by agreement in writing, create a voting trust by depositing their shares with a voting trustee, who will have the authority to vote the shares in accordance with the terms and conditions of the voting trust agreement. To be valid, the voting trustee must deliver copies of the list of Shareholders and the voting trust agreement to the Secretary of the Corporation. Upon receiving the voting trust agreement, the Corporation will issue new share certificates in the name of the trustee and cancel the old share certificates. The new share certificates issued will state that they are issued pursuant to a voting trust agreement.
27. Any amendment to a voting trust agreement will be made by a written agreement, a copy of which will be filed with the Secretary of the Corporation.
28. The right of inspection of any voting trust agreement or related amendment by a Shareholder of record or a holder of a voting trust certificate, in person or by agent, will be the same right of inspection that applies to the securities register of the Corporation.
29. An agreement between two or more Shareholders, if in writing and signed by the parties to the agreement, may provide that in exercising any voting rights, the shares held by them will be voted as provided by the agreement, or as the parties may agree, or as determined in accordance with a procedure agreed upon by them.
30. The above provisions concerning voting trusts and voting agreements will not be deemed to invalidate any voting or other agreement among Shareholders or any irrevocable proxy which is not otherwise illegal.

Cumulative Voting

31. Shareholders may use cumulative voting elections when electing Directors.

BOARD OF DIRECTORS

General Powers

32. The business and affairs of the Corporation will be managed by or under the direction of the Board.

Number, Tenure and Quorum

33. The Board will consist of one member, who will be a natural person. Directors need not be Shareholders. The Director will hold office until that Director's successor is elected and qualified or until that Director's earlier resignation or removal. Any Director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. In order to transact business at a meeting of the Directors, a quorum of 1 percent of the total number of Directors eligible to vote will be required. The vote of the majority of the Directors present at a meeting at which a quorum is present will be the act of the Board.

Regular Meetings

34. By resolution, the Board may provide the time and place, either within or without the State of California, for the holding of regular meetings without any notice other than that resolution.

Special Meetings

35. Special meetings of the Board may be called by or at the request of the President or by a majority of the Directors. The person or persons calling that special meeting of the Board may fix any date, time or place, either within or without the State of California, to be the date, time and place for holding that special meeting.

Notice

36. Written notice of the date, time, and place of a special meeting of the Board will be given at least 4 days prior to the date set for that meeting. The written notice can be given personally, by mail, by private carrier, by telegraph, by telephone facsimile, or by any other manner as permitted by the California General Corporation Law. The notice will be given by the Secretary or one of the persons authorized to call Directors' meetings.
37. If written notice is mailed, correctly addressed to a Director's address as provided in the Corporation's current records, the notice will be deemed to have been given to that Director at the time of mailing. If written notice is sent by private carrier or if the written notice is sent by United States mail, postage prepaid and by registered or certified mail, return receipt requested, the notice will be deemed to have been given to a Director on the date shown on the return receipt. Otherwise notice is effective when received by a Director.
38. Notice of any Directors' meeting may be waived by a Director before or after the date and time of the meeting. The waiver must be in writing, must be signed by a Director, and must be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. The attendance of a Director at a meeting of the Board will constitute a waiver of notice of that meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully convened.

Action by Directors Without a Meeting

39. Any action to be taken at any meeting of the Board or of any committee of the Board may be taken without a meeting if all members of the Board or committee, as the case may be, consent to it in writing, or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board, or committee. This filing will be in paper form if the minutes are maintained in paper form and will be in electronic form if the minutes are maintained in electronic form.

Remote Communication Meetings

40. Remote communication means any electronic communication including conference telephone, video conference, the Internet, or any other method currently available or developed in the future by which Directors not present in the same physical location may simultaneously communicate with each other.
41. A meeting of the Board may be held by any means of remote communication by which all persons authorized to vote or take other action at the meeting can hear each other during the meeting and each person has a reasonable opportunity to participate. This remote participation in a meeting will constitute presence in person at the meeting.

Vacancies and Newly Created Directorships

42. When vacancies or newly created directorships resulting from any increase in the authorized number of Directors occur, a majority of the Directors then in office, although less than a quorum, or a sole remaining Director will have the power to appoint new Directors to fill this vacancy or vacancies. Each new Director so chosen will hold office until the next annual meeting of the Shareholders.
43. If at any time, by reason of death or resignation or other cause, the Corporation should have no Directors in office, then any Officer or any Shareholder or an executor, administrator, trustee or guardian of a Shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a Shareholder, may call a special meeting of Shareholders for an election to fill the vacancy.
44. When one or more Directors resign from the Board and the resignation is to become effective at a future date, a majority of the Directors then in office, including those who have so resigned, will have the power to appoint new Directors to fill this vacancy or vacancies. The appointments of these new Directors will take effect when the resignation or resignations are to become effective, and each new Director so chosen will hold office until the next annual meeting of the Shareholders.

Removal

45. Any Director or the entire Board may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of Directors at a special meeting of the Shareholders called for that purpose. No director may be removed when the votes cast against removal would be sufficient to elect the director if voted cumulatively at an election where the same total number of votes were cast.

Organization

46. Meetings of the Board will be presided over by the President, or in the President's absence by a Director chosen at the meeting. The Secretary will act as secretary of the meeting, but in the absence of the Secretary, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

Chairman of the Board

47. The Chairman of the Board, if present, will preside at all meetings of the Board, and exercise and perform any other authorities and duties as may be from time to time delegated by the Board.

Compensation

48. The Board will, by resolution, fix the fees and other compensation for the Directors for their services as Directors, including their services as members of committees of the Board. All changes to Director compensation are subject to ratification by the Shareholders.

Presumption of Assent

49. A Director of the Corporation who is present at a meeting of the Board will be presumed to have assented to an action taken on any corporate matter at the meeting unless:
- a. The Director objects at the beginning of the meeting, or promptly upon the Director's arrival, to holding the meeting or transacting business at the meeting;
 - b. The Director's dissent or abstention from the action taken is entered in the minutes of the meeting; or
 - c. The Director delivers written notice of the Director's dissent or abstention to the presiding officer of the meeting before the adjournment of the meeting or to the Corporation within a reasonable time after adjournment of the meeting.
50. Any right to dissent or abstain from the action will not apply to a Director who voted in favor of that action.

COMMITTEES

Appointment

51. The Board may designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.
52. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not that member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any absent or disqualified member.
53. The committee or committees, to the extent provided in the resolution of the Board will have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. No such committee will have the power or authority in reference to the following matters:
- a. Approving or adopting, or recommending to the Shareholders, any action or matter (other than the election or removal of Directors) expressly required by the California General Corporation Law to be submitted to Shareholders for approval; or
 - b. Adopting, amending or repealing any Bylaw of the Corporation.

Tenure

54. Each member of a committee will serve at the pleasure of the Board.

Meetings and Notice

55. The method by which Directors' meetings may be called and the notice requirements for these meetings as set out in these Bylaws will apply to any committee designated by the Board as appropriate.

Quorum

56. The requirements for a quorum for the Board as set out in these Bylaws will apply to any committee designated by the Board as appropriate.

Action Without a Meeting

57. The requirements and procedures for actions without a meeting for the Board as set out in these Bylaws will apply to any committee designated by the Board as appropriate.

Resignation and Removal

58. Any member of a committee may be removed at any time, with or without cause, by a resolution adopted by a majority of the full Board. Any member of a committee may resign from the committee at any time by giving written notice to the Chairman of the Board of the Corporation, and unless otherwise specified in the notice, the acceptance of this resignation will not be necessary to make it effective.

Vacancies

59. Any vacancy in a committee may be filled by a resolution adopted by a majority of the full Board.

Committee Rules of Procedure

60. A committee will elect a presiding officer from its members and may fix its own rules of procedure provided they are not inconsistent with these Bylaws. A committee will keep regular minutes of its proceedings, and report those minutes to the Board at the first subsequent meeting of the Board.

OFFICERS

Appointment of Officers

61. The Officers of the Corporation (individually the "Officer" and collectively the "Officers") will consist of the President, a treasurer (the "Treasurer") and the Secretary.
62. The Officers will be appointed by the Board at the first meeting of the Directors or as soon after the first meeting of the Directors as possible, if Officers have not already been appointed. Any appointee may hold one or more offices.

Term of Office

63. Each Officer will hold office until a successor is duly appointed and qualified or until the Officer's death or until the Officer resigns or is removed as provided in these Bylaws.

Removal

64. Any Officer or agent appointed by the Board or by the Incorporators may be removed by the Board at any time with or without cause, provided, however, any contractual rights of that person, if any, will not be prejudiced by the removal.

Vacancies

65. The Board may fill a vacancy in any office because of death, resignation, removal, disqualification, or otherwise.

President

66. Subject to the control and supervisory powers of the Board and its delegate, the powers and duties of the President will be:
- a. To have the general management and supervision, direction and control of the business and affairs of the Corporation;
 - b. To preside at all meetings of the Shareholders when the Chairman of the Board is absent;
 - c. To call meetings of the Shareholders to be held at such times and at such places as the President will deem proper within the limitations prescribed by law or by these Bylaws;
 - d. To ensure that all orders and resolutions of the Board are effectively carried out;
 - e. To maintain records of and certify, whenever necessary, all proceedings of the Board and the Shareholders;
 - f. To put the signature of the Corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the opinion of the President, should be executed on behalf of the Corporation; to sign certificates for the Corporation's shares; and, subject to the instructions of the Board, to have general charge of the property of the Corporation and to supervise and manage all Officers, agents and employees of the Corporation; and
 - g. To perform all other duties and carry out other responsibilities as determined by the Board. **Treasurer**
67. Subject to the control and supervisory powers of the Board and its delegate, the powers and duties of the Treasurer will be:
- a. To keep accurate financial records for the Corporation;

- b. To deposit all money, drafts and checks in the name of and to the credit of the Corporation in the banks and depositories designated by the Board;
- c. To endorse for deposit all notes, checks and drafts received by the Corporation as instructed by the Board, making proper vouchers for them;
- d. To disburse corporate funds and issue checks and drafts in the name of the Corporation, as instructed by the Board;
- e. To submit to the President and the Board, as requested, an account of all transactions by the Treasurer and the financial condition of the Corporation;
- f. To prepare and submit to the Board annual reports detailing the financial status of the Corporation; and
- g. To perform all other duties and carry out other responsibilities as prescribed by the Board or the President.

Secretary

68. The Secretary will perform the following duties:
- a. Prepare the minutes of the meetings of the Shareholders and meetings of the Board and keep those minutes in one or more books provided for that purpose;
 - b. Authenticate the records of the Corporation as will from time to time be required;
 - c. Ensure that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;
 - d. Act as custodian of the corporate records and of the corporate seal, if any, and ensure that the seal of the Corporation, if any, is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;
 - e. Keep a register of the post office address of each Shareholder;
 - f. Sign, along with the President, certificates for shares of the Corporation, the issuance of which will have been authorized by resolution of the Board;
 - g. Have general charge of the Record of Shareholders of the Corporation; and
 - h. Perform all duties incidental to the office of Secretary and any other duties as from time to time may be delegated to the Secretary by the President or the Board.

Delegation of Authority

69. The Board reserves the authority to delegate the powers of any Officer to any other Officer or agent, notwithstanding any provision in these Bylaws.

LOANS, CHECKS, DEPOSITS, CONTRACTS

Loans

70. Without authorization by a resolution of the Board, the Corporation is prohibited from making or accepting loans in its name, or issuing evidences of indebtedness in its name. The authorization of the Board for the Corporation to perform these acts can be general or specific.

Checks, Drafts, Notes

71. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation must be signed by a designated Officer or Officers, agent or agents of the Corporation and in a manner as will from time to time be determined by resolution of the Board.

Deposits

72. All funds of the Corporation not otherwise used will be deposited to the credit of the Corporation in banks, trust companies, or other depositories designated by the Board.

Voting Securities Held by the Corporation

73. The President, or another Officer or agent designated by the Board will, with full power and authority attend, act, and vote, on behalf of the Corporation, at any meeting of security holders or interest holders of other corporations or entities in which the Corporation may hold securities or interests. At that meeting, the President or other delegated agent will have and execute any and all rights and powers incidental to the ownership of the securities or interests that the Corporation holds.

Contracts

74. The Board may give authority to any Officer or agent, to make any contract or execute and deliver any instrument in the name of the Corporation and on its behalf, and that authority may be general or specific.

Conflict of Interest by Directors

75. A Director or Officer of the Corporation will be disqualified from voting as a Director or Officer on a specific matter where that Director or Officer deals or contracts with the Corporation either as a vendor or purchaser.
76. A Director or Officer of the Corporation will not be disqualified as a Director or Officer for the sole reason that the Director or Officer deals or contracts with the Corporation either as a vendor, purchaser, or otherwise.

Loans to Employees and Officers

77. The Corporation may lend money to, or guaranty any obligation of, or otherwise assist, any Officer or employee of the Corporation or of its subsidiary, including any Officer or employee who is a Director of the Corporation or any subsidiary of the Corporation, whenever, in the opinion of the Directors, the loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board will approve, including, without limitation, a pledge of shares of the Corporation. Nothing contained in this section is to be construed so as to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any applicable statute.

APPENDIX

Glossary

- **Bylaws** - the purpose of these bylaws (the "Bylaws") is to provide rules governing the internal management of the Corporation.
- **Chairman of the Board** - Once a Board of Directors has been appointed or elected by the Shareholders, the Board will then elect a chairman (the "Chairman of the Board"). The Chairman of the Board will act to moderate all meetings of the Board of Directors and any other duties and obligations as described in these Bylaws.
- **Corporate Officer** - A corporate officer (individually the "Officer" and collectively the "Officers") is any individual acting for or on behalf of the Corporation. An Officer of the Corporation will usually be appointed to a specific task such as secretary, president, treasurer or other similar position. One person may hold several offices. The Officers will manage the day-to-day operations of the Corporation and report to the Board of Directors.
- **Principal Executive Office** - The Principal Executive Office for the Corporation is where the President of the Corporation has an office.
- **Principal Office** - The Principal Office of the Corporation is the address designated in the annual report where the executive offices of the Corporation are located.
- **Principal Place of Business** - The Principal Place of Business is the address at which the Corporation conducts its primary business.
- **Registered Office** - The Registered Office is the physical street address within the state where the registered agent can be contacted during normal business hours for service of process.
- **Record of Shareholders** - A Record of Shareholders is the complete record of the owners of shares of stock in the Corporation.

iPOWER INC.

2020 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:
- to attract and retain the best available personnel for positions of substantial responsibility,
 - to provide incentives to individuals who perform services for the Company, and
 - to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares and other stock or cash awards as the Administrator may determine.

2. Definitions. As used herein, the following definitions will apply:
- (a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 hereof.
 - (b) "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.
 - (c) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plans.
 - (d) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares and other stock or cash awards as the Administrator may determine.
 - (e) "Award Agreement" means the written agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.
 - (f) "Board" means the Board of Directors of the Company.
 - (g) "Change in Control" means the occurrence of any of the following events after the Effective Date:
 - (i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of stock in the Company that, together with the stock already held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection (i), the acquisition of additional stock by any Person who is considered to own more than 50% of the total voting power of the stock of the Company before the acquisition will not be considered a Change in Control; or

- (ii) The individuals who constitute the members of the Board cease, by reason of a financing, merger, combination, acquisition, takeover or other non-ordinary course transaction affecting the Company, to constitute at least fifty-one percent (51%) of the members of the Board; or
- (iii) The consummation of any of the following events: (A) a change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions, or (B) a merger, consolidation or reorganization involving the Company, where either or both of the events described in clauses (i) or (ii) above would be the result. For purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets or a Change in Control: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total equity or voting power of which is owned, directly or indirectly, by a Person described in subsection (iii)(B)(3) above. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(g), persons will be considered to be acting as a group if they are owners of a corporation or other entity that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(j) "Common Stock" means the Class A common stock, par value \$0.001 per share, of the Company.

(k) "Company" means **iPower Inc.**, a Nevada corporation, or any successor thereto.

(l) "Consultant" means any person, including an advisor, other than an Employee engaged by the Company or a Parent, Subsidiary or Affiliate to render services to such entity.

(m) "Director" means a member of the Board.

(n) "Disability" means permanent and total disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

- (o) “Effective Date” shall have the meaning set forth in Section 17 hereof.
- (p) “Employee” means any person, including Officers and Directors, other than a Consultant employed by the Company or any Parent, Subsidiary or Affiliate of the Company. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.
- (q) “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (r) “Exchange Program” means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have lower exercise prices and different terms), Awards of a different type, and/or cash, and/or (ii) the exercise price of an outstanding Award is reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.
- (s) “Fair Market Value” means, as of any date, the value of the Common Stock as the Administrator may determine in good faith, by reference to the closing price of such stock on any established stock exchange or on a national market system on the day of determination, if the Common Stock is so listed on any established stock exchange or on a national market system. If the Common Stock is not listed on any established stock exchange or on a national market system, the value of the Common Stock will be determined as the Administrator may determine in good faith using (i) a valuation methodology set forth in Treasury Regulation 1.409A-1(b)(5)(iv)(B) or (ii) with respect to valuations applicable to Awards that are not subject to Code Section 409A, such other valuation methods as the Administrator may select.
- (t) “Fiscal Year” means the fiscal year of the Company.
- (u) “Incentive Stock Option” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (v) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or expressly provides that it is not intended to qualify as an Incentive Stock Option.
- (w) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (x) “Option” means a stock option granted pursuant to Section 6 hereof.
- (y) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (z) “Participant” means the holder of an outstanding Award.
- (aa) “Performance Goals” will have the meaning set forth in Section 11 hereof.
- (bb) “Performance Period” means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(cc) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine pursuant to Section 10 hereof.

(dd) “Performance Unit” means an Award which may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10 hereof.

(ee) “Period of Restriction” means the period during which transfers of Shares of Restricted Stock are subject to restrictions and, therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events specified in the applicable Award, as interpreted and construed by the Administrator.

(ff) “Plan” means this iPower Inc. 2020 Equity Incentive Plan.

(gg) “Restricted Stock” means Shares issued pursuant to an Award of Restricted Stock under Section 8 hereof, or issued pursuant to the early exercise of an Option.

(hh) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9 hereof. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(ii) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(jj) “Section 16(b)” means Section 16(b) of the Exchange Act.

(kk) “Service Provider” means an Employee, Director, or Consultant.

(ll) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 hereof.

(mm) “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

(nn) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 14 hereof, the maximum aggregate number of Shares that may be awarded and sold under the Plan is FIVE MILLION (5,000,000) Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units, is forfeited to or repurchased by the Company, the unpurchased Shares (or for Awards other than Options and Stock Appreciation Rights, the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon exercise of a Stock Appreciation Right settled in Shares, the gross number of Shares covered by the portion of the Award so settled will cease to be available under the Plan. Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if unvested Shares of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares subject to an Award that are transferred to or retained by the Company to pay the tax and/or exercise price of an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan and, for the elimination of doubt, the number of Shares of equal value to such cash payment shall become available for future grant or sale under the Plan. Notwithstanding the foregoing provisions of this Section 3(b), subject to adjustment provided in Section 14 hereof, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a) above, plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under this Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

- (i) Multiple Administrative Bodies. Different Committees may be established with respect to different groups of Service Providers; in that event, the Committee established with respect to a group of Service Providers shall administer the Plan with respect to Awards granted to members of such group.
- (ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.
- (iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- (i) to determine Fair Market Value;
- (ii) to select the Service Providers to whom Awards may be granted hereunder;
- (iii) to determine the terms and condition, not inconsistent with the terms of the Plan, of any Award granted hereunder;

- (iv) to institute an Exchange Program and to determine the terms and conditions, not inconsistent with the terms of the Plan, for (1) the surrender or cancellation of outstanding Awards in exchange for Awards of the same type, Awards of a different type, and/or cash, or (2) the reduction of the exercise price of outstanding Awards;
- (v) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
- (vi) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws;
- (vii) to modify or amend each Award (subject to Section 19(c) hereof);
- (viii) to authorize any person to execute on behalf of the Company any instrument required to reflect or implement the grant of an Award previously granted by the Administrator;
- (ix) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award pursuant to such procedures as the Administrator may determine consistent with the requirements for compliance with or exemption from the provisions of Code Section 409A; and
- (x) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations will be final and binding on all Participants and any other holders of Awards.

5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units, Performance Shares, and such other cash or stock awards as the Administrator determines may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Limitations.

- (i) Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000 (U.S.), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.
- (ii) Subject to the limits set forth in Section 3, the Administrator will have complete discretion to determine the number of Shares subject to an Option granted to any Participant.

(b) Term of Option. The Administrator will determine the term of each Option in its sole discretion; provided, however, that the term will be no more than ten (10) years from the date of grant thereof in the case of Incentive Stock Options. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

- (i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, but will be no less than 100% of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(c), Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to the issuance or assumption of an Option in a transaction to which Section 424(a) of the Code applies in a manner consistent with said Section 424(a).
- (ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.
- (iii) Form of Consideration. The Administrator will determine the acceptable form(s) of consideration for exercising an Option, including the method of payment, to the extent permitted by Applicable Laws including but not limited to tendering capital stock of the Company owned by a Participant, duly endorsed for transfer to the Company.

(d) Exercise of Option.

- (i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator specifies from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with any applicable withholding taxes). No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 hereof.

- (ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by Award Agreement or by operation of this Section 6(d)(3), the Option will terminate, and the Shares covered by such Option will revert to the Plan.

- (iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of cessation (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for six (6) months following the date the Participant ceases to be a Service Provider. Unless otherwise provided by the Administrator, if on the date of cessation the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after cessation the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.
- (iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for six (6) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will continue to vest in accordance with the Award Agreement. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

7. Stock Appreciation Rights.

- (a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.
- (b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Participant.
- (c) Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan; provided, however, that the exercise price will be not less than 100% of the Fair Market Value of a Share on the date of grant.
- (d) Stock Appreciation Rights Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the number of Shares with respect to which the Award is granted, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.
- (e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. Notwithstanding the foregoing, the rules of Section 6(d) above also will apply to Stock Appreciation Rights.
- (f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:
 - (i) The difference between the Fair Market Value of a Share on the date of exercise over the "stock appreciation right exercise price," as defined under Treasury Regulation Section 1.409A-1(b)(i)(B)(2), *i.e.*, the Fair Market Value of a Share on the date of grant of the Stock Appreciation Right; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Transferability. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until such Shares become non-forfeitable at the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise in a manner not prohibited by the Award Agreement.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and provisions for forfeiture as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

9. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. Each Restricted Stock Unit grant will be evidenced by an Award Agreement that will specify such other terms and conditions as the Administrator, in its sole discretion, will determine in accordance with the terms and conditions of the Plan, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 9(d) hereof, may be left to the discretion of the Administrator.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. After the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock Units. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify the vesting criteria, and such other terms and conditions as the Administrator, in its sole discretion will determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed, subject to the prohibition on acceleration of the timing of distribution of deferred compensation subject to Section 409A of the Code, to the extent applicable to the Award.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as specified in the Award Agreement.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement, which shall satisfy the requirements of Section 409A of the Code, to the extent applicable to such Award. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will be available for grant under the Plan.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units/Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period or, if earlier, after the date on which a Participant's interest in such Performance Units/Shares is no longer subject to a substantial risk of forfeiture, provided however, that in no event shall such payment be made after the later to occur of (i) December 31 of the year in which such risk of forfeiture lapses or (ii) two and one-half months after such risk of forfeiture lapses. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

11. Leaves of Absence. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee in the case of (i) any leave of absence approved by the Company, or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months and one day following the commencement of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

12. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award may only be transferred (i) by will, (ii) by the laws of descent and distribution, (iii) to a revocable trust, or (iv) as permitted by Rule 701 of the Securities Act of 1933, as amended.

13. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share limits set forth in Sections 3, 6, 7, 8, 9 and 10 hereof.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off; a reverse merger in which the Company is the surviving entity, but the shares of Company stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; or the transfer of more than fifty percent (50%) of the then outstanding voting stock of the Company to another person or entity. The Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Company, to the extent permitted by applicable law but otherwise in its sole discretion may provide for: (i) the continuation Awards by the Company (if the Company is surviving entity or its parent; (ii) the assumption of the Plan and such outstanding Awards by the surviving entity or its parent; (iii) the substitution by the surviving entity or its parent of rights with substantially the same terms for such outstanding Awards; or (iv) the cancellation of such outstanding Rights without payment of any consideration provided that in the case of this clause (iv), the Administrator will provide notice of its intention to cancel Award and offer a reasonable opportunity to exercise vested Awards.

(c) Change in Control. In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award will be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation (the "Successor Corporation"). The Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the Successor Corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock will lapse, and, with respect to Restricted Stock Units, Performance Shares and Performance Units, all Performance Goals or other vesting criteria will be deemed achieved at target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted for in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be fully vested and exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a Stock Appreciation Right upon the exercise of which the Administrator determines to settle in cash or a Performance Share or Performance Unit which the Administrator can determine to settle in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the Successor Corporation, the Administrator may, with the consent of the Successor Corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Performance Share or Performance Unit, for each Share subject to such Award (or in the case of Performance Units, the number of implied shares determined by dividing the value of the Performance Units by the per share consideration received by holders of Common Stock in the Change in Control), to be solely common stock of the Successor Corporation equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more Performance Goals will not be considered assumed if the Company or its successor modifies any of such Performance Goals without the Participant's consent; provided, however, a modification to such Performance Goals only to reflect the Successor Corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

14. Tax Withholding

(a) Withholding Requirements. At any time prior to or following the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

15. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

16. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. Term of Plan. Subject to Section 21 hereof, the Plan will become effective upon its adoption by the Board (the "Effective Date"). It will continue in effect for a term of ten (10) years unless terminated earlier under Section 18 hereof; provided, however, that such expiration shall not affect Awards then outstanding, and the terms and conditions of this Plan shall continue to apply to such Awards.

18. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. Subject to Section 21, the Company will obtain stockholder approval of the Plan and any Plan amendment to the extent necessary or desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(c) Restrictive Legends. All Award Agreements and all securities of the Company issued pursuant thereto shall bear such legends regarding restrictions on transfer and such other legends as the appropriate officer of the Company shall determine to be necessary or advisable to comply with applicable securities and other laws.

20. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

21. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws, including without limitation Section 422 of the Code. In the event that stockholder approval is not obtained within twelve (12) months after the date the Plan is adopted by the Board, all Incentive Stock Options granted hereunder shall be void *ab initio* and of no effect. Notwithstanding any other provisions of the Plan, no Awards shall be exercisable until the date of such stockholder approval.

22. Notification of Election Under Section 83 of the Code. If any Service Provider shall, in connection with the acquisition of Shares under the Plan, make an election permitted under either Section 83(b) or Section 83(i) of the Code, such Service Provider shall notify the Company of such election within ten (10) days of filing notice of the election with the Internal Revenue Service and provide the Company with a copy thereof, in addition to any filing and a notification required pursuant to regulations issued under the authority of Sections 83(b) or 83(i) of the Code, as applicable. A Service Provider shall not be permitted to make a Section 83(b) election with respect to an Award of a Restricted Stock Unit.

23. Notification Upon Disqualifying Disposition Under Section 421(b) of the Code. Each Service Provider shall notify the Company of any disposition of Shares issued pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), within ten (10) days of such disposition.

24. 409A Timing Rule for Specified Employees. If at the time of a Service Provider's separation from service, such individual is considered a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, and if any payment that such Service Provider becomes entitled to under the Plan or any Award is deemed payable on account of such individual's separation from service, then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the individual's separation from service, or (ii) the individual's death.

25. Governing Law. The law of the State of Nevada shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules, subject to the Company's intention that the Plan satisfy the requirements of jurisdictions outside of the United States of America with respect to Awards subject to such jurisdictions.

26. General Provisions.

(a) No Rights as Stockholder. Except as specifically provided in this plan, a Participant or a transferee of an Award shall have no rights as a stockholder with respect to any shares covered by the Award until the date of the issuance of such shares to the Participant, and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such Stock is issued.

(b) Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) Disqualifying Dispositions. Any participant who shall make a "disposition" (as defined in Section 424 of the Code) of all or any portion of an Incentive Stock Option within two (2) years from the date of grant of such Incentive Stock Option or within (1) year after the issuance of the shares of Stock acquired upon exercise of such Incentive Stock Option shall be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such shares of Stock.

(d) Regulatory Matters Each Stock Option Agreement and Stock Purchase Agreement shall provide that no shares shall be purchased or sold thereunder unless and until (i) any then applicable requirements of state or federal laws and regulatory agencies shall have been fully complied with to the satisfaction of the Company and its counsel and (ii) if required to do so by the Company, the Optionee or Offeree shall have executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Board or Committee may require.

(e) Delivery. Upon exercise of an Award granted under this Plan, the Company shall issue Stock or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory obligations the Company may otherwise have, for purposes of this Plan, thirty days shall be considered a reasonable period of time.

(f) Other Provisions. The Stock Option Agreements and Stock Purchase Agreements authorized under the Plan may contain such other provisions not inconsistent with this Plan, including, without limitation, restrictions upon the exercise of the Rights, as the Administrator may deem advisable.

(g) Section 409A. Awards under the Plan are intended either to be exempt from the rules of Section 409A of the Code or to satisfy those rules, and the Plan and such awards shall be construed accordingly. Granted rights may be modified at any time, in the Administrator's direction, so as to increase the likelihood of exemption from or compliance with the rules of Section 409A of the Code.

FORM OF SUBLEASE AGREEMENT

This Sublease Agreement (the "Agreement") is made and effective December 1, 2018 (Effective Date"),

BETWEEN: **BizRight, LLC** (the "Sublessor"), a limited liability company organized and existing under the laws of the State of California, with its head office located at:

2399 Bateman Avenue – Irwindale, California 91010

AND: **BZRTH, Inc.** (the "Sublessee"), a corporation organized and existing under the laws of the State of Nevada, with its head office located at:

5348 Vegas Drive – Las Vegas, Nevada 89108

RECITALS

In consideration of the covenants and agreements hereinafter set forth to be kept and performed by the parties hereto, Sublessor, hereby subleases to Sublessee and Sublessee does hereby take, lease, and hire from Sublessor the Leased Premises hereinafter described for the period, and at the rental, subject to, and upon the terms and conditions hereinafter set forth, as follows:

1. DESCRIPTION OF PREMISES

- a. Lessee has leased a building consisting of one (1) floors and approximately 48,867, square feet of free-standing industrial building situated upon 226 acres of industrial zoned land with office space from DDCC Group, LLC, lessor.
- b. Lessee shall demise to sublessee the entire 48,867 square feet of the building, all located at **2399 Bateman Avenue, Duarte, California 91010**, which is a free-standing industrial building situated upon 226 acres of industrial zoned land with office space.

2. TERM OF SUBLEASE

- a. The term of this sublease agreement shall be for an initial period of two (2) years, commencing on December 1, 2018, and terminating on December 31, 2020, unless earlier terminated by breach of the terms and conditions of this Sublease Agreement.
- b. Lessor concurs that sublessee may remain in possession of the demised premises for the full term of this sublease agreement, despite any change that may occur in the status of lessee or the lease agreement between lessee and lessor.

3. ACCEPTANCE OF LEASED PREMISES

Sublessee's occupancy of the Leased Premises shall be conclusive evidence of Sublessee's acceptance of all improvements constituting the Leased Premises, in good and satisfactory condition and repair. Sublessee shall accept possession and use of the Leased Premises "as is" in their condition existing as of the date hereof with all faults. Sublessee, at Sublessee's sole cost and expense, shall promptly comply with all applicable laws, ordinances, codes, rules, orders, directions and regulations of governmental authority governing and regulating the use or occupancy of the Leased Premises as may now or hereafter be in effect during the Term hereof and shall if so required make any alterations, additions or changes to the Leased Premises as may be required by said laws, ordinances, codes, rules, directions and regulations.

4. HOLDING OVER

Any holding over of the Leased Premises by Sublessee after the expiration of the Term hereof shall only be with the written consent of Sublessor first had and obtained and shall be construed to be a tenancy from month to month at a rental per month, or portion thereof, in an amount equal to 100% of the rent due Sublessor for the month immediately preceding such holding over, and shall otherwise be on the same terms, conditions and covenants herein specified.

5. SUBLEASE TERMINATION AND CONDITION OF PREMISES

Upon the termination of this Sublease for any reason whatsoever, Sublessee shall return possession of the Leased Premises to Sublessor or Sublessor's authorized agent in a good, clean and safe condition, reasonable wear and tear excepted. On or before, and in any event no later than [NUMBER] days following the date Sublessee vacates the Leased Premises and returns possession of same to Sublessor, Sublessee and Sublessor, or authorized agents thereof, shall conduct a joint inspection of the Leased Premises. Sublessee at its cost shall thereafter promptly repair or correct any defects or deficiencies in the condition of the Leased Premises, reasonable wear and tear excepted.

6. RENT

Commencing December 1, 2018, Sublessee shall pay the base rent to lessee as follows:

- December 1, 2018 – November 2019: \$43,287.00 per month
- December 1, 2019 – November 31, 2020: \$44,585.00 per month
- December 1, 2020 - \$45,923.00 per month (conversion of sublease to month-to-month)

All rent payments are due on the First day of each month, commencing on December 1, 2018, and continuing each month thereafter during the term of this sublease agreement. Sublessee shall pay all other sums due as additional rental (if applicable) under the provisions of this sublease agreement on the basic rental payment due date first occurring after the additional rental payment arises.

7. PAYMENT OF RENT

Sublessee hereby covenants and agrees to pay rent to Sublessor, without offset or deduction of any kind whatsoever, in the form and at the times as herein specified. All rent shall be paid to Sublessor at the address specified in this Sublease unless and until Sublessee is otherwise notified in writing. Base Minimum Rent payments in the monthly amount set forth below shall be payable monthly, in advance, due on the first (1st) day of each calendar month commencing on the Commencement Date hereof and delinquent if not paid on or before the third (3rd) day of the month throughout the Term of this Sublease. Rent for any period which is for less than one month shall be a pro rata portion of the monthly installment. The required payments under Article 6 and all other charges payable by Sublessee shall be deemed to be additional rent.

8. DELINQUENT PAYMENTS

In the event Sublessee shall fail to pay the rent or any installment thereof, or any other fees, costs, taxes or expenses payable under this Sublease after the said payment has become due, Sublessee agrees that Sublessor will incur additional costs and expenses in the form of extra collection efforts, administrative time, handling costs, and potential impairment of credit on loans for which this Sublease may be a security. Both parties agree that in such event, Sublessor, in addition to its other remedies shall be entitled to recover a late payment charge against Sublessee in the amount of \$50.00. Sublessee further agrees to pay Sublessor any cost incurred by Sublessor in effecting the collection of such past due amount, including but not limited to attorneys' fees and/or collection agency fees. Sublessor shall have the right to require Sublessee to pay monies due in the form of a cashier's check or money order. Nothing herein contained shall limit any other remedy of Sublessor with respect to such payment delinquency.

9. SECURITY DEPOSIT

On execution of this Sublease, Sublessee shall deposit with Sublessor a sum \$0.00 (the "Security Deposit") in order to provide security for the performance by Sublessee of the provisions of this Sublease. If Sublessee is in default, Sublessee shall remit payment to Sublessor equal to two (2) months of rent to satisfy or to cure the default or to compensate Sublessor for damage sustained by Sublessor resulting from Sublessee's default. At the expiration or termination of this Sublease, Sublessor shall return the Security Deposit to Sublessee or its successor, less such amounts as are reasonably necessary to remedy Sublessee's defaults, to repair damages the Leased Premises caused by Sublessee or to clean the Leased Premises upon such termination, as soon as practicable thereafter. In the event of the sale or other conveyance of the Leased Premises, the Security Deposit will be transferred to the purchaser or transferee and the Sublessor will be relieved of any liability with reference to such Security Deposit. Sublessor shall not be required to keep the Security Deposit separate from its other funds, and (unless otherwise required by law) Sublessee shall not be entitled to interest on the Security Deposit.

10. USE OF PREMISES

- a. **Permitted Use:** The Leased Premises are to be used by Sublessee for the sole purpose of warehouse and distribution of agricultural products, electronics and related office uses and for no other purpose whatsoever. Sublessee shall not use or occupy the Leased Premises or permit the same to be used or occupied for any use, purpose or business other than as provided in this Section a) during the Term of this Sublease or any extension thereof.
- b. **Prohibited Activities:** During the Term of Sublease or any extension thereof, Sublessee shall not:
 - i. Use or permit the Leased Premises to be used for any purpose in violation of any statute, ordinance, rule, order, or regulation of any governmental authority regulating the use or occupancy of the Leased Premises.
 - ii. Cause or permit any waste in or on the Leased Premises.
 - iii. Use or permit the use of the Leased Premises in any manner that will tend to create a nuisance or tend to adversely affect or injure the reputation of Sublessor or its affiliates.
 - iv. Allow any activity to be conducted on the premises or store any material on the Leased Premises which will increase premiums for or violate the terms of any insurance policy(s) maintained by or for the benefit of Sublessor.
 - v. Store any explosive, radioactive, dangerous, hazardous or toxic materials in or about the Leased Premises.
 - vi. Use or allow the Leased Premises to be used for sleeping quarters, dwelling rooms or for any unlawful purpose.
 - vii. Build any fences, walls, barricades or other obstructions; or, install any radio, television, phonograph, antennae, loud speakers, sound amplifiers, or similar devices on the roof, exterior walls or in the windows of the Leased Premises, or make any changes to the interior or exterior of the Leased Premises without Sublessor's prior written consent.
- c. **Operational Permits:** Sublessee, prior to the Commencement Date, shall obtain and thereafter continuously maintain in full force and effect for the Term of this Sublease or any extension thereof, at no cost or expense to Sublessor, any and all approvals, licenses, or permits required by any lawful authority as of the Commencement Date or imposed thereafter, for the use of Leased Premises, including but not limited to business licenses.

- d. **Compliance With Laws:** Sublessee shall comply with all federal, state, county, municipal, or other statutes, laws, ordinances, regulations, rules, or orders of any governmental or quasi-governmental entity, body, agency, commission, board, or official applicable to the Leased Premises and Sublessee's business.

11. UTILITIES AND TAXES

- a. **Utility Charges:** Sublessee shall be responsible for and shall pay, and indemnify and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service, and other public utilities to the Leased Premises during the Term of this Sublease or any extension thereof and for the removal of garbage and rubbish from the Leased Premises during the Term of this Sublease or any extension thereof. Sublessor shall not be liable in damages or otherwise for any failure or interruption of any utility service being furnished to the Leased Premises and no such failure or interruption shall entitle Sublessee to terminate this Sublease.
- b. **Personal Property Taxes:** Sublessee shall be responsible for and shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the equipment, trade fixtures, appliances, merchandise and other personal property situated in, on, or about the Leased Premises including, without limiting the generality of the other terms of this Section, any shelves, counters, vault doors, wall safes, partitions, fixtures, machinery, or office equipment on the Leased Premises, whether put there prior to or after the Commencement Date of this Sublease.
- c. **Real Property Taxes and Assessments:** Sublessee shall pay directly to the charging authority all taxes (as hereinafter defined) respecting the Leased Premises. Sublessee shall pay all taxes on or before [NUMBER] days prior to delinquency thereof. Sublessee shall promptly after payment of any taxes deliver to Sublessor written receipts or other satisfactory evidence of the payment thereof. As used herein, "taxes" shall mean all taxes, assessments, fees, charges, levies, and penalties (if such penalties result from Sublessee's delinquency in paying all or any taxes), of any kind and nature, general and special, ordinary and extraordinary, unforeseen as well as foreseen (including, without limitation, all installments of principal and interest required to pay any general or special assessments for public improvements) now or hereafter imposed by any authority having the direct or indirect power to tax, including, without limitation the federal government, and any state, county, city, or other governmental or quasi-governmental authority, and any improvement or assessment district or other agency or division thereof, whether such tax is:
- i. levied or assessed against or with respect to the value, occupancy, or use of all or any portion of the Leased Premises (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed), or any legal or equitable interest of Sublessor in the Leased Premises or any part thereof; or
 - ii. levied or assessed against or with respect to Sublessor's business of leasing the Leased Premises, or with respect to the operation of the Leased Premises; or
 - iii. determined by the area of the Leased Premises or any part thereof, or by the gross receipts, income, or rent and other sums payable hereunder by Sublessee (including, without limitation, any gross income or excise tax levied with respect to receipt of such rent and/or other sums due under this Sublease); or
 - iv. imposed upon this transaction or any document to which Sublessee is a party creating or transferring any interest in the Leased Premises; or
 - v. imposed during the term of this Sublease or any extension thereof because of a change in ownership of the Leased Premises which results in an increase of real property taxes; or
 - vi. any tax or excise, however described, imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) in addition to, in substitution partially or totally of, or as an alternate to, any tax previously included within the definition of taxes, or any tax the nature of which was previously included in the definition of taxes, whether or not now customary or within the contemplation of the parties.

Taxes shall also include all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Leased Premises, and all costs and expenses and reasonable attorneys' fees paid or incurred by Sublessor in connection with:

- (1) any proceeding to contest in whole or in part the imposition or collection of any taxes;
 - (2) negotiation with public authorities as to any taxes.
- d. **Proration of Taxes:** Sublessee's liability to pay taxes shall be prorated on the basis of a 365-day year to account for any fractional portion of a fiscal tax year included in the lease Term and its commencement and expiration.
- e. **Tax Delinquency:** Failure of Sublessee to pay promptly when due any of the charges required to be paid under this Article shall constitute a default under the terms hereof in like manner as a failure to pay rental when due, and if Sublessor shall elect to pursue an unlawful detainer action upon said default, then Sublessor shall be entitled to claim as an amount of additional rent owed for purposes of said unlawful detainer the amount of such taxes due and payable by Sublessee.
- f. **All Other Charges:** Sublessee shall pay to Sublessor any and all charges, fees, taxes, and other amounts due from Sublessor to the master lessor of the Leased Premises prior to its due date, for sums due or owing on or after the date of this Sublease.
- g. **Common Area Maintenance Charges:** Sublessee shall be responsible for, and shall pay to Sublessor on demand, any and all costs, fees, charges, assessments, expenses or payments for which Sublessor is obligated or liable under the Master Lease with respect to the operation, maintenance and repair of common area of the Leased Premises. "Common area" shall include, without limitation, those areas in or about the property of which the Leased Premises are a part, which have been set aside for the general use, convenience and benefit of the occupants of the property and their customers and employees, including, without limitation, the automobile parking areas, sidewalks, landscaped areas and other areas for pedestrian and vehicular use.

To the extent Sublessor pays estimated amounts for such common area expenses, Sublessee shall pay such amounts to Sublessor on demand from Sublessor and shall be entitled to reimbursements and/or offsets against future common area expenses as such reimbursements or offsets are received by Sublessor.

12. MAINTENANCE AND ALTERATIONS

- a. **Maintenance by Sublessee:** Sublessee shall, at its sole cost and expense, keep in good and safe condition, order and repair all portions of the Leased Premises and all facilities appurtenant thereto and every part thereof which Sublessor is responsible to maintain or repair as lessee under the Master Lease, including without limitation, all plumbing, heating, air conditioning, ventilating, sprinkler, electrical and lighting facilities, interior walls, interior surfaces of exterior walls, floors, ceilings, windows, doors, entrances, all glass (including plate glass), and skylights located within the Leased Premises, walkways, parking and service areas within or adjacent to the Leased Premises. If the Leased Premises are not so maintained, and such condition continues [NUMBER] hours after notice or exists upon expiration or termination hereof, Sublessor may cause such maintenance to be performed at Sublessee's expense and/or may obtain maintenance contracts for the Store and charge the Sublessee for same. Sublessor shall, when and if it deems necessary, make any and all repairs on the Leased Premises, and Sublessee hereby consents to such actions by Sublessor. Sublessor may charge the Sublessee for any of the foregoing repairs, if, in Sublessor's opinion, such repairs are occasioned by Sublessee's abuse or neglect. Sublessee shall not modify, alter, or add to the Leased Premises without the prior written consent of Sublessor.
- b. **Damage; Abatement of Rent:** Notwithstanding anything in this Sublease to the contrary, Sublessee at its own cost and expense shall repair and replace as necessary all portions of the Leased Premises damaged by Sublessee, its employees, agents, invitees, customers or visitors. There shall be no abatement of rent or other sums payable by Sublessee prior to or during any repairs by Sublessee or Sublessor hereunder.

- c. **Alterations and Liens:** Sublessee shall not make or permit any other person to make any structural changes, alterations, or additions to the Leased Premises or to any improvement thereon or facility appurtenant thereto without the prior written consent of Sublessor first had and obtained. Sublessee shall keep the Leased Premises free and clear from any and all liens, claims, and demands for work performed, materials furnished, or operations conducted on the Leased Premises at the instance or request of Sublessee. As a condition to giving its consent to any proposed alterations, Sublessor may require that Sublessee remove any or all of said alterations at the expiration or sooner termination of the Sublease term and restore the Leased Premises to its condition as of the date of Sublessee's occupation of the Leased Premises. Prior to construction or installation of any alterations, Sublessor may require Sublessee to provide Sublessor, at Sublessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such alterations, to insure Sublessor against any Liability for mechanic's and materialmen's liens and to insure completion of the work. Should Sublessee make any alterations without the prior written consent of Sublessor, Sublessee shall remove the same at Sublessee's expense upon demand by Sublessor.
- d. **Inspection by Sublessor:** Sublessee shall permit Sublessor or Sublessor's agents, representatives, designees, or employees to enter the Leased Premises at all reasonable times for the purpose of inspecting the Leased Premises to determine whether Sublessee is complying with the terms of this Sublease and for the purpose of doing other lawful acts that may be necessary to protect Sublessor's interest in the Leased Premises under this Sublease, or to perform Sublessor's duties under this Sublease, or to show the Leased Premises to insurance agents, lenders, and other third parties, or as otherwise allowed by law.
- e. **Plans and Permits:** Any alteration that Sublessee shall desire to make in or about the Leased Premises and which requires the consent of Sublessor shall be presented to Sublessor in written form, with proposed detailed plans and specifications therefor prepared at Sublessee's sole expense. Any consent by Sublessor thereto shall be deemed conditioned upon Sublessee's acquisition of all permits required to make such alteration from all appropriate governmental agencies, the furnishing of copies thereof to Sublessor prior to commencement of the work, and the compliance by Sublessee with all conditions of said permits in a prompt and expeditious manner, all at Sublessee's sole cost and expense.
- f. **Construction Work Done by Sublessee:** All construction work required or permitted to be done by Sublessee shall be performed by a licensed contractor in a good and workmanlike manner and shall conform in quality and design with the Leased Premises existing as of the Commencement Date, and shall not diminish the value of the Leased Premises in any way whatsoever. In addition, all such construction work shall be performed in compliance with all applicable statutes, ordinances, regulations, codes and orders of governmental authorities and insurers of the Leased Premises. Sublessee or its agents shall secure all licenses and permits necessary therefor.
- g. **Title to Alterations:** Unless Sublessor requires the removal thereof, any alterations which may be made on the Leased Premises, shall upon installation or construction thereof on the Leased Premises become the property of Sublessor and shall remain upon and be surrendered with the Leased Premises at the expiration or sooner termination of the term of this Sublease. Without limiting the generality of the foregoing, all heating, lighting, electrical (including all wiring, conduits, main and subpanels), air conditioning, partitioning, drapery, and carpet installations made by Sublessee, regardless of how affixed to the Leased Premises, together with all other alterations that have become a part of the Leased Premises, shall be and become the property of Sublessor upon installation, and shall not be deemed trade fixtures, and shall remain upon and be surrendered with the Leased Premises at the expiration or sooner termination of this Sublease.
- h. **Removal of Alterations:** In addition to Sublessor's right to require Sublessee at the time of installation or construction of any alteration to remove the same upon expiration or sooner termination of this Sublease, Sublessor may elect, by notice to Sublessee at least [NUMBER] days before expiration of the Term hereof, or within [NUMBER] days after sooner termination hereof, to acquire Sublessee to remove any alterations that Sublessee has made to the Leased Premises. If Sublessor so elects, Sublessee shall, at its sole expense, upon expiration of the Term hereof, or within [NUMBER] days after any sooner termination hereof, remove such alterations, repair any damage occasioned thereby, and restore the Leased Premises to the condition existing as of the Commencement Date or such other condition as may reasonably be designated by Sublessor in its election.

13. INDEMNITY AND INSURANCE

- a. **Hold-Harmless Clause:** Sublessee agrees to indemnify, defend and hold Sublessor, the property of Sublessor, and the Leased Premises, free and harmless from any and all claims, liability, loss, damage, or expenses incurred by reason of this Sublease or resulting from Sublessee's occupancy and use of the Leased Premises (other than as a result of the direct gross negligence of Sublessor), specifically including, without limitation, any claim, liability, loss, or damage arising by reason of:
 - i. The death or injury of any person or persons, including Sublessee, any person who is an employee or agent of Sublessee, or by reason of the damage to or destruction of any property, including property owned by Sublessee or any person who is an employee or agent of Sublessee, and caused or allegedly caused by either the condition of the Leased Premises, or some act or omission of Sublessee or of some agent, contractor, employee, or invitee of Sublessee on the Leased Premises;
 - ii. Any work performed on the Leased Premises or materials furnished to the Leased Premises at the instance or request of Sublessee or any agent or employee of Sublessee; and
 - iii. Sublessee's failure to perform any provision of this Sublease or to comply with any requirement of law or any requirement imposed on the use by Sublessee of the Leased Premises by any governmental agency or political subdivision.
 - iv. Maintenance of the insurance required under this Article shall not relieve Sublessee of the obligations of indemnification contained in this Section.
- b. **Liability Insurance:** Sublessee shall, at its own cost and expense, secure and maintain during the term of this Sublease, a comprehensive broad form policy of Combined Single Limit Bodily Injury and Property Damage Insurance issued by a reputable company authorized to conduct insurance business in the State of California insuring Sublessee against loss or liability caused by or connected with Sublessee's use and occupancy of the Leased Premises in an amount not less than \$1,000,000.00 per occurrence.
- c. **Casualty and Fire Insurance:** At all times during the Term hereof, Sublessee shall keep the Leased Premises and personal property thereon insured against loss or damage by fire, windstorm, hail, explosion, damage from vehicles, smoke damage, vandalism, casualty and malicious mischief and such other risks as are customarily included in "all risk" extended insurance coverage, including coverage for business interruption, in an amount equal to not less than [NUMBER] of the actual replacement value of the Leased Premises and the personal property, fixtures, and other property on the Leased Premises.
- d. **Workers' Compensation Insurance:** During the term of this Sublease, Sublessee shall comply with all Workers' Compensation laws applicable on the date hereof or enacted thereafter and shall maintain in full force and effect a Workers' Compensation Insurance policy covering all employees in any way connected with the business conducted by Sublessee pursuant to this Sublease and shall pay all premiums, contributions, taxes and such other costs and expenses as are required to be paid incident to such insurance coverage, all at no cost to Sublessor.

- e. **Policy Form:** The policies of insurance required to be secured and maintained under this Sublease shall be issued by good, responsible companies, qualified to do business in the State of California, with a general policy holders' rating of at least "A". Executed copies of such policies of insurance or certificates thereof shall be delivered to Sublessor and to the Master Lessor under the Master Lease not later than ten (10) business days prior to the commencement of business operations of Sublessee at the Leased Premises and thereafter, executed copies of renewal policies of insurance or certificates thereof shall be delivered to Sublessor within thirty (30) days prior to the expiration of the term of each such policy. All such policies of insurance shall contain a provision that the insurance company writing such policy(s) shall give Sublessor at least fourteen (14) days' written notice in advance of any cancellation or lapse, or the effective date of any reduction in the amounts or other material changes in the provisions of such insurance. All policies of insurance required under this Sublease shall be written as primary coverage and shall list the Master Lessor under the Master Lease and the Sublessor as loss payees and as additional insureds. If Sublessee fails to procure or maintain in force any insurance as required by this Section or to furnish the certified copies or certificates thereof required hereunder, Sublessor may, in addition to all other remedies it may have, procure such insurance and/or certified copies or certificates, and Sublessee shall promptly reimburse Sublessor for all premiums and other costs incurred in connection therewith.
- f. **Waiver of Subrogation:** Sublessee agrees that in the event of loss or damage due to any of the perils for which it has agreed to provide insurance, Sublessee hereby waives any and all claims that it might otherwise have against Sublessor with respect to any risk insured against to the extent of any proceeds realized from the insurance coverage to compensate for a loss. To the extent permitted by applicable insurance policies without voiding coverage, Sublessee hereby releases and relieves Sublessor, and waives its entire right of recovery against Sublessor for loss or damage arising out of or incident to the perils insured against to the extent of insurance proceeds realized for such loss or damage, which perils occur in, on or about the Leased Premises and regardless of the cause or origin, specifically including the negligence of Sublessor or its agents, employees, contractors and/or invitees. Sublessee shall to the extent such insurance endorsement is available, obtain for the benefit of Sublessor a waiver of any right of subrogation which the insurer of such party might otherwise acquire against Sublessor by virtue of the payment of any loss covered by such insurance and shall give notice to the insurance carrier or carriers that the foregoing waiver of subrogation is contained in this Sublease.

14. SIGNS AND TRADE FIXTURES

- a. **Installation of Trade Fixtures:** For so long as Sublessee is not in default of any of the terms, conditions and covenants of this Sublease, Sublessee shall have the right at any time and from time to time during the Term of this Sublease and any renewal or extension of such term, at Sublessee's sole cost and expense, to install and affix in, to, or on the Leased Premises such items (hereinafter called "trade fixtures"), for use in Sublessee's trade or business as Sublessee may, in its reasonable discretion, deem advisable.
- b. **Signs:** Subject to any and all requirements now or hereinafter enacted by any municipal, county, or state regulatory agency having jurisdiction thereover and subject to Sublessor's written consent, Sublessee may erect at Sublessee's cost, a sign on the Leased Premises identifying the Leased Premises. Sublessee shall maintain, at Sublessee's sole cost and expense, said sign.
- c. **Removal of Signs and Trade Fixtures:** In addition to Sublessor's right to require Sublessee at the time of installation of any sign or trade fixtures to remove the same upon expiration or sooner termination of this Sublease, Sublessor may elect, by notice to Sublessee at least thirty (30) days before expiration of the Term hereof, or within twenty (20) days after sooner termination hereof, to require Sublessee to remove any sign or trade fixture owned by Sublessee. If Sublessor so elects, Sublessee shall at its sole cost and expense, upon expiration of the Term hereof, or within twenty (20) days after any sooner termination hereof, remove such sign or trade fixture owned by Sublessee. If Sublessor so elects, Sublessee shall, at its sole cost and expense, upon expiration of the Term hereof, or within ten (10) days after any sooner termination hereof, remove such sign or trade fixture, repair any damage occasioned thereby, and restore the Leased Premises to the condition existing as of the Commencement Date or such other condition as may reasonably be designated by Sublessor in its election.

15. CONDEMNATION AND DESTRUCTION

- a. **Total Condemnation:** Should, during the Term of this Sublease or any renewal or extension thereof, title and possession of all of the Leased Premises be taken under the power of eminent domain by any public or quasi-public agency or entity, this Sublease shall terminate as of the date actual physical possession of the Leased Premises is taken by the agency or entity exercising the power of eminent domain and both Sublessor and Sublessee shall thereafter be released from all obligations under this Sublease.
- b. **Termination Option for Partial Condemnation:** Should, during the Term of this Sublease or any renewal or extension thereof, title and possession of more than 10% of the floor area of the Leased Premises, and/or more than 25% of the parking area of the Leased Premises be taken under the power of eminent domain by any public or quasi-public agency or entity, Sublessor may terminate this Sublease. The option herein reserved shall be exercised by giving written notice on or before ten (10) days after actual physical possession of the portion subject to the eminent domain power is taken by the agency or entity exercising that power and this Sublease shall terminate as of the date the notice is deemed given.
- c. **Partial Condemnation Without Termination:** Should Sublessee or Sublessor fail to exercise the termination option described in this Article, or should the portion of the Leased Premises taken under the power of eminent domain be insufficient to give rise to the option therein described, then, in that event:
 - i. This Sublease shall terminate as to the portion of the Leased Premises taken by eminent domain as of the day (hereinafter called the "date of taking"), actual physical possession of that portion of the Leased Premises is taken by the agency or entity exercising the power of eminent domain;
 - ii. Base Minimum Rent to be paid by Sublessee to Sublessor pursuant to the terms of this Sublease shall, after the date of taking, be reduced by an amount that bears the same ratio to the Base Minimum Rent specified in this Sublease as the square footage of the actual floor area of the Leased Premises taken under the power of eminent domain bears to the total square footage of floor area of the Leased Premises as of the date of this Sublease; and
 - iii. Except to the extent the Master Lessor under the Master Lease is so obligated, Sublessee, at Sublessee's own cost and expense shall remodel and reconstruct the building remaining on the portion of the Leased Premises not taken by eminent domain into a single efficient architectural unit in accordance with plans mutually approved by the parties hereto as soon after the date of taking, or before, as can be reasonably done.
- d. **Condemnation Award:** Should, during the Term of this Sublease or any renewal or extension thereof, title and possession of all or any portion of the Leased Premises be taken under the power of eminent domain by any public or quasi-public agency or entity, the compensation or damages for the taking awarded shall belong to and be the sole property of the Sublessor.
- e. **Destruction:** (a) In the event the Leased Premises are damaged or destroyed and the total costs and expenses for repairing or reconstructing the Leased Premises exceeds the sum of \$10,000, Sublessor, at Sublessor's option, may:
 - i. Continue this Sublease in full force and effect by restoring, repairing or rebuilding the Leased Premises at Sublessor's own cost and expense or through insurance coverage; or
 - ii. Terminate this Sublease by serving written notice of such termination on Sublessee no later than 10 days following such casualty, in which event this Sublease shall be deemed to have been terminated on the date of such casualty.

- iii. In the event the Leased Premises are damaged or destroyed and Sublessee will not be able to operate any business thereon for 7-consecutive days, Sublessee, at Sublessee's option, may terminate this Sublease by serving written notice of such termination on Sublessor no later than 3-days following such casualty, in which event this Sublease shall be deemed terminated on the date of such casualty; provided, however, that such termination right shall not be applicable unless Sublessor has a similar termination right under the Master Lease.
- iv. Should Sublessor or the Master Lessor under the Master Lease elect to repair and restore the Leased Premises to their former condition following partial or full destruction of the Leased Premises:
 - 1. Sublessee shall not be entitled to any damages for any loss or inconvenience sustained by Sublessee by reason of the making of such repairs and restoration.
 - 2. Sublessor and such Master Lessor shall have full right to enter upon and have access to the Leased Premises, or any portion thereof, as may be reasonably necessary to enable such parties promptly and efficiently to carry out the work of repair and restoration.
- f. **Damage by Sublessee:** Sublessee shall be responsible for and shall pay to Sublessor any and all losses, damages, costs, and expenses, including but not limited to attorney's fees, resulting from any casualty loss caused by the negligence or wilful misconduct of Sublessee or its employees, agents, contractors, or invitees.

16. SUBLEASING, ASSIGNMENT, DEFAULT AND TERMINATION

- a. **Subleasing and Assignment:** Sublessee shall not sell, assign, hypothecate, pledge or otherwise transfer this Sublease, or any interest therein, either voluntarily, involuntarily, or by operation of law, and shall not sublet the Leased Premises, or any part thereof, or any right or privilege appurtenant thereto, for any reason whatsoever, or permit the occupancy thereof by any person, persons, or entity through or under it, or grant a security interest in Sublessee's interest in the Leased Premises or this Sublease or any fixtures located on the Leased Premises, without the prior written consent of Sublessor first had and obtained, which may be given or withheld in the Sublessor's sole and absolute discretion. For the purpose of this Section, any dissolution, merger, consolidation or other reorganization of Sublessee, or any change or changes in the stock ownership of Sublessee, which aggregates [%] or more of the capital stock of Sublessee shall be deemed to be an assignment of this Sublease. Sublessee shall not mortgage, hypothecate or encumber this Sublease. Sublessor's consent to one assignment, subletting, occupancy, or use by any other person, entity or entities shall not relieve Sublessee from any obligation under this Sublease and shall not be deemed to be a consent to any subsequent assignment, subletting, occupancy or use. Any assignment, pledge, subletting, occupancy or use without Sublessor's written consent shall be void and shall, at the option of the Sublessor, terminate this Sublease.

Should this Sublease be assigned, or should the Leased Premises or any part thereof be sublet or occupied by any person or persons other than the original Sublessee hereunder, Sublessor may collect rent from the assignee, sublessee or occupant and apply the net amount collected to the rent herein reserved, but no such assignment, subletting, occupancy or collection of rent shall be deemed a consent to such assignment, subletting or occupancy or a waiver of any term of this Sublease, nor shall it be deemed acceptance of the assignee, sublessee or occupant as a tenant, or a release of Sublessee from the full performance by Sublessee of all the terms, provisions, conditions and covenants of this Sublease.

In the event Sublessee wishes to assign this Sublease or sublet or allow the use of the Leased Premises or any part thereof, Sublessee shall give Sublessor not less than thirty (30) days written notice thereof and shall, in such notice, provide the name of the proposed assignee or sublessee, its proposed use of the Leased Premises, its background, such financial and credit information as Sublessor may require to determine the business experience, financial stability and creditworthiness of the proposed assignee or sublessee, and such additional information as Sublessor may request. Sublessee shall also pay Sublessor a one-time administrative fee equal to the rent to reimburse Sublessor for its costs of reviewing, analyzing and processing the request for consent to assignment or subletting.

In addition to its right to consent or refuse to consent to a proposed assignment Sublessor shall have the option, exercisable by written notice to Sublessee within the 30 days after Sublessee gives Sublessor written notice of its desire to assign the Sublease, to terminate this Sublease with respect to the entire Leased Premises upon a date specified in said notice to Sublessee not less than 30 days nor more than 25 days after the date of said notice and retake the Leased Premises for its own use. If Sublessor exercises such option, Sublessee shall nonetheless have the right, exercisable by notice given to Sublessor within 30 days after Sublessor's notice of exercise is given, to withdraw the proposed assignment from consideration, in which event the exercise of Sublessor's option shall be of no force or effect and, except for the payment of the fee provided for in Subsection (c) above, the assignment shall be deemed not to have been proposed. If Sublessor does not elect to exercise its option to terminate this Lease and consents to the assignment or sublease, said assignee or sublessee shall pay directly to Sublessor all rent or other consideration payable by the assignee or sublessee in excess of the amount of rent or other consideration payable by Sublessee to Sublessor hereunder (whether denominated as rent or otherwise) and shall expressly assume Sublessee's obligations hereunder.

As a condition to Sublessor's consent to an assignment or subletting, Sublessor shall be entitled to receive (i) in the case of a subletting, 100% of all rent (however denominated and paid) payable by the subtenant to Sublessee in excess of that payable by Sublessee to Sublessor pursuant to the other provisions of this Sublease, and (ii) in the case of an assignment, 100% of all consideration given, directly or indirectly, by the assignee to Sublessee in connection with such assignment. For purposes of this paragraph, the term "rent" shall mean and include all consideration paid or given, directly or indirectly, for the use of the Leased Premises or any portion thereof, and the term "consideration" shall mean and include money, services, property or any other thing of value such as payment of costs, cancellation of indebtedness, discounts, rebates and the like. Any rent or other consideration which is to be passed through to Sublessor pursuant to this paragraph shall be paid to Sublessor promptly upon receipt by Sublessee and shall be paid in cash, regardless of the form in which received by Sublessee. In the event any rent or other consideration received by Sublessee is in a form other than cash, Sublessee shall pay to Sublessor in cash the fair value of Sublessor's portion of such consideration.

- b. **Events of Default:** Sublessee's failure to timely pay any rent, taxes or other charges required to be paid pursuant to the terms of this Sublease shall constitute a material breach of this Sublease and an event of default if not paid by Sublessee within 3 days of the date such rent, taxes or charges are payable. Events of default under this Sublease shall also include, without limitation, the events hereinafter set forth, each of which shall be deemed a material default of the terms of the Sublease if not fully cured within 10 days of occurrence. Such events shall include:
- i. Sublessee's failure to perform or observe any term, provisions, covenant, agreement or condition of this Sublease;
 - ii. Sublessee breaches this Sublease and abandons the Leased Premises before expiration of the Term of this Sublease;
 - iii. Any representation or warranty made by Sublessee in connection with this Sublease between Sublessee and Sublessor proving to have been incorrect in any respect;

- iv. Sublessee's institution of any proceedings under the Bankruptcy Act, as such Act now exists or under any similar act relating to the subject of insolvency or bankruptcy, whether in such proceeding Sublessee seeks to be adjudicated a bankrupt, or to be discharged of its debts or effect a plan of liquidation, composition or reorganization;
 - v. The filing against Sublessee of any involuntary proceeding under any such bankruptcy laws;
 - vi. Sublessee's becoming insolvent or being adjudicated a bankrupt in any court of competent jurisdiction, or the appointment of a receiver or trustee of Sublessee's property, or Sublessee's making an assignment for the benefit of creditors;
 - vii. The issuance of a writ of attachment by any court of competent jurisdiction to be levied on this Lease; or
 - viii. Any event which is an event of default under the Master Lease or which would become so with the passage of time or the giving of notice or both.
- c. **Sublessor's Remedies for Sublessee's Default:** Upon the occurrence of any event of default described in Section 10.02 hereof, Sublessor may, at its option and without any further demand or notice, in addition to any other remedy or right given hereunder or by law, do any of the following:
- i. Sublessor may terminate Sublessee's right to possession of the Leased Premises by giving written notice to Sublessee. If Sublessor gives such written notice, then on the date specified in such notice, this Sublease and Sublessee's right of possession shall terminate. No act by Sublessor other than giving such written notice to Sublessee shall terminate this Sublease. Acts of maintenance, efforts to relet the Leased Premises, or the appointment of a receiver on Sublessor's initiative to protect Sublessor's interest under this Sublease shall not constitute a termination of Sublessee's right to possession. On termination, Sublessor has the right to recover from Sublessee:
 - 1. The worth at the time of the award of the unpaid rent and other charges that had been earned or owed to Sublessor at the time of termination of this Sublease;
 - 2. The worth at the time of the award of the amount by which (a) the unpaid rent and other charges that would have been earned or owed to Sublessor after the date of termination of this Sublease until the time of award exceeds (b) the amount of such rental loss that Sublessee proves could have been reasonably avoided;
 - 3. The worth at the time of the award of the amount by which (a) the unpaid rent and other charges for the balance of the term after the time of award exceeds (b) the amount of such rental loss that Sublessee proves could have been reasonably avoided; and
 - 4. Any other amount necessary to compensate Sublessor for all the detriment caused by Sublessee's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including without limitation any costs or expenses incurred by Sublessor in recovering possession of the Leased Premises, maintaining or preserving the Leased Premises after such default, preparing the Leased Premises for reletting to a new tenant, or any repairs or alterations to the Leased Premises for such reletting, and all leasing commissions, reasonable attorney's fees, architect's fees and any other costs incurred by Sublessor to relet the Leased Premises or to adapt them to another beneficial use. Sublessee shall also indemnify, defend and hold Sublessor harmless from all claims, demands, actions, liabilities and expenses (including but not limited to reasonable attorney's fees and costs) arising prior to the termination of this Sublease or arising out of Sublessee's use or occupancy of the Leased Premises.

- ii. Sublessor may, in any lawful manner, re-enter and take possession of the Leased Premises without terminating this Sublease or otherwise relieving Sublessee of any obligation hereunder. Sublessor is hereby authorized, but not obligated (except to the extent required by law), to relet the Leased Premises or any part thereof on behalf of the Sublessee, to use the premises for its or its affiliates' account, to incur such expenses as may be reasonably necessary to relet the Leased Premises, and relet the Leased Premises for such term, upon such conditions and at such rental as Sublessor in its sole discretion may determine. Until the Leased Premises are relet by Sublessor, if at all, Sublessee shall pay to Sublessor all amounts required to be paid by Sublessee hereunder. If Sublessor relets the Leased Premises or any portion thereof, such reletting shall not relieve Sublessee of any obligation hereunder, except that Sublessor shall apply the rent or other proceeds actually collected by it as a result of such reletting against any amounts due from Sublessee hereunder to the extent that such rent or other proceeds compensate Sublessor for the non-performance of any obligation of Sublessee hereunder. Such payments by Sublessee shall be due at such times as are provided elsewhere in this Sublease, and Sublessor need not wait until the termination of this Sublease, by expiration of the term hereof or otherwise, to recover them by legal action or in any other manner. Sublessor may execute any lease made pursuant hereto in its own name, and the tenant thereunder shall be under no obligation to see to the application by Sublessor of any rent or other proceeds by Sublessor, nor shall Sublessee have any right to collect any such rent or other proceeds. Sublessor shall not by any re-entry or other act be deemed to have accepted any surrender by Sublessee of the Leased Premises or Sublessee's interest therein, or be deemed to have otherwise terminated this Sublease, or to have relieved Sublessee of any obligation hereunder, unless Sublessor shall have given Sublessee express written notice of Sublessor's election to do so as set forth herein.
- iii. Even though Sublessee has breached this Sublease and may have abandoned or vacated the Leased Premises, this Sublease shall continue in effect for so long as Sublessor does not terminate Sublessee's right to possession, and Sublessor may enforce all its rights and remedies under this Sublease, including the right to recover the rent and other charges as they become due under this Lease.
- iv. In the event any personal property of Sublessee remains at the Leased Premises after Sublessee has vacated, it shall be dealt with in accordance with the statutory procedures provided by applicable law dealing with the disposition of personal property of Sublessee remaining on the Leased Premises after Sublessee has vacated.
- v. Sublessor may exercise any right or remedy reserved to the Master Lessor under the Master Lease (each of which rights and remedies are hereby incorporated herein), and any other remedy or right now or hereafter available to a landlord against a defaulting tenant under applicable law or the equitable powers of its courts, whether or not otherwise specifically reserved herein.
- vi. Sublessor shall be under no obligation to observe or perform any provision, term, covenant, agreement or condition of this Sublease on its part to be observed or performed which accrues after the date of any default by Sublessee hereunder.
- vii. Any legal action by Sublessor to enforce any obligation of Sublessee or in the pursuance of any remedy hereunder shall be deemed timely filed if commenced at any time prior to 4 years after the expiration of the term hereof or prior to 4 years after the cause of action accrues, whichever period expires later.
- viii. In any action of unlawful detainer commenced by Sublessor against Sublessee by reason of any default hereunder, the reasonable rental value of the Leased Premises for the period of the unlawful detainer shall be deemed to be the amount of rent and additional charges reserved in this Sublease for such period.

- ix. Sublessee hereby waives any right of redemption or relief from forfeiture under any present or future law, if Sublessee is evicted or Sublessor takes possession of the Leased Premises by reason of any default by Sublessee hereunder.
 - x. No delay or omission of Sublessor to exercise any right or remedy shall be construed as a waiver of any such right or remedy or of any default by Sublessee hereunder.
- d. Receiver:** Upon the occurrence of any event of default as defined in Article 16 b) hereof or in any action instituted by Sublessor against Sublessee to take possession of the Leased Premises and/or to collect Base Minimum Rent, or any other charge due hereunder, a receiver may be appointed at the request of Sublessor to collect such rents and profits, to conduct the business of Sublessee then being carried on in the Leased Premises and to take possession of any property belonging to Sublessee and used in the conduct of such business and use the same in conducting such business on the Leased Premises without compensation to Sublessee for such use. Neither the application nor the appointment of such receiver shall be construed as an election on the Sublessor's part to terminate this Sublease unless written notice of such intention is given by Sublessor to Sublessee.
- e. Attorneys' Fees:** If as a result of any breach or default in the performance of any of the provisions of this Sublease, Sublessor uses the services of an attorney in order to secure compliance with such provisions or recover damages therefor, or to terminate this Sublease or evict Sublessee, Sublessee shall reimburse Sublessor upon demand for any and all attorneys' fees and expenses so incurred by Sublessor, including without the limitation appraisers' and expert witness fees; provided that if Sublessee shall be the prevailing party in any legal action brought by Sublessor against Sublessee, Sublessee shall be entitled to recover the fees of its attorneys in such amount as the court may adjudge reasonable. Sublessee shall advance to Sublessor any and all attorneys' fees and expenses to be incurred or incurred by Sublessor in connection with any modifications to this Sublease proposed by Sublessee, any proposed assignment of this Sublease by Sublessee or any proposed subletting of the Leased Premises by Sublessee.
- f. Cumulative Remedies; No Waiver:** The specified remedies to which Sublessor may resort under the terms hereof are cumulative and are not intended to be exclusive of any other remedy or means of redress to which Sublessor may be lawfully entitled in case of any breach or threatened breach by Sublessee of any provision hereof. If for any reason Sublessor fails or neglects to take advantage of any of the terms of this Sublease providing for termination or other remedy, any such failure of Sublessor shall not be deemed to be a waiver of any default of any of the provisions, terms, covenants, agreements or conditions of this Sublease. The waiver by Sublessor of any breach of any term, condition or covenant herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, condition or covenant herein contained. None of the provisions, terms, covenants, agreements or conditions hereof can be waived except by the express written consent of Sublessor. Subsequent acceptance of rent hereunder by Sublessor shall not be deemed to be a waiver of any preceding breach by Sublessee of any provision, term, covenant, agreement or condition of this Sublease other than the failure of Sublessee to pay the particular rental accepted, regardless of Sublessor's knowledge of such preceding breach at the time of acceptance of such rent.

17. ESTOPPEL

At any time and from time to time, upon request in writing from Sublessor, Sublessee agrees to execute, acknowledge, and deliver to Sublessor a statement in writing within [NUMBER] days of request, certifying that this Sublease is unmodified and in full force and effect (or, if there have been modifications, stating the modifications), the commencement and termination dates, the Base Minimum Rent, the other charges payable hereunder the dates to which the same have been paid, and such other items as Sublessor may reasonably request. It is understood and agreed that any such statement may be relied upon by any mortgagee, beneficiary, or grantee of any security or other interest, or any assignee of any thereof, under any mortgage or deed of trust now or hereafter made covering any leasehold interest in the Leased Premises, and any prospective purchaser of the Leased Premises.

18. FORCE MAJEURE – UNAVOIDABLE DELAYS

Should the performance of any act required by this Sublease to be performed by either Sublessor or Sublessee be prevented or delayed by reason of an act of God, war, civil commotion, fire, flood, or other like casualty, strike, lockout, labor troubles, inability to secure materials, restrictive governmental laws or regulations, unusually severe weather, or any other cause, except financial inability, not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay and performance of the act during the period of delay will be excused; provided, however, that nothing contained in this section shall excuse the prompt payment of rent or other monies due by Sublessee as required by this Sublease or the performance of any act rendered difficult solely because of the financial condition of the party, Sublessor or Sublessee, required to perform the act.

19. NOTICES

Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Sublease or by law to be served on or given to either party hereto by the other party hereto shall be in writing and shall be deemed duly served and given when personally delivered to the party, Sublessor or Sublessee, to whom it is directed or any managing employee of such party, or, in lieu of such personal service, 48 hours after deposit in the United States mail, certified or registered mail, with postage prepaid, or when transmitted by telecopy or facsimile addressed to the parties as set forth on the signature page hereof. Either party, Sublessor or Sublessee, may change the addresses herein contained for purposes of this Section by giving written notice of the change to the other party in the manner provided in this Section.

20. AMENDMENTS

No amendment, change or modification of this Sublease shall be valid and binding unless such is contained in a written instrument executed by the parties hereto and which instrument expresses the specific intention of the parties to amend, change or modify this Sublease.

21. ACCORD AND SATISFACTION

No payment by Sublessee or receipt by Sublessor of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the stipulated rent earliest in time, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction and Sublessor may accept such check or payment without prejudice to Sublessor's right to recover the balance of such rent or pursue any other remedy provided in this Sublease or by law.

22. NO AGENCY CREATED

Nothing contained in this Sublease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, or of partnership, or of joint venture, or of any association whatsoever between Sublessor and Sublessee other than sublessor and sublessee.

23. BROKERAGE COMMISSION

Sublessee represents that neither it nor any of its affiliates has engaged the services of any real estate broker, finder, or any other person or entity in connection with this lease transaction and therefore should Sublessee be found to be in violation of such representation, Sublessee shall indemnify Sublessor against any and all claims for brokerage commissions or finders fees in connection with this transaction, and to indemnify, defend and hold Sublessor free and harmless from all liabilities arising from any such claim, including without limitation, attorneys' fees in connection therewith.

24. SOLE AND ONLY AGREEMENT

This instrument constitutes the sole and only agreement between Sublessor and Sublessee respecting the Leased Premises or the leasing of the Leased Premises to Sublessee. Sublessor shall have no obligations to Sublessee, whether express or implied, other than those specifically set forth in this Sublease.

25. SEVERABILITY AND GOVERNING LAW

This Sublease shall be governed by the laws of the State of California. Whenever possible each provision of this Sublease shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Sublease shall be prohibited, void, invalid, or unenforceable under applicable law, such provision shall be ineffective to the extent of such prohibition, invalidity, voidability, or enforceability without invalidating the remainder of such, or the remaining provisions of this Sublease.

26. CONSTRUCTION AND HEADINGS

All references herein in the singular shall be construed to include the plural, and the masculine, and the masculine to include the feminine or neuter gender, where applicable, and where the context shall require. Section headings are for convenience of reference only and shall not be construed as part of this Sublease nor shall they limit or define the meaning of any provision herein. The provisions of this Sublease shall be construed as to their fair meaning, and not strictly for or against Sublessor or Sublessee.

27. EFFECT OF EXECUTION

The submission of this Sublease for examination shall not effect any obligation on the part of the submitting or examining party and this Sublease shall become effective only upon the complete execution thereof by both Sublessor and Sublessee.

28. INUREMENT

Sublessor shall have the full and unencumbered right to assign this Sublease. The covenants, agreements, restrictions, and limitations contained herein shall also be binding on Sublessee's permitted successors and assigns.

TIME OF ESSENCE

Time is expressly declared to be of the essence.

29. NO LIGHT, AIR OR VIEW EASEMENT

Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Leased Premises shall in no way affect this Sublease or impose any liability on Sublessor.

30. TRIPLE NET LEASE

It is the purpose and intent of Sublessor and Sublessee that this Sublease be deemed and construed to be a "triple net lease" so that Sublessor shall receive all rentals and other sums specified hereunder during the term of this Sublease, free from any and all charges, costs, assessments, expenses, deductions and/or set-offs of any kind or nature whatsoever, and Sublessor shall not be expected or required to pay any such charge, assessment or expense, or be under any obligation or liability hereunder, except as herein expressly set forth. All charges, costs, expenses and obligations of any nature relating to the repair, restoration, alteration, maintenance and operation of the Leased Premises shall be paid by Sublessee, except as otherwise herein expressly set forth, and Sublessor shall be indemnified and held harmless by Sublessee from and against such charges, costs, expenses and obligations.

31. AUTHORITY

Each individual executing this Sublease on behalf of Sublessee and the Sublessee (if Sublessee is a corporation or other entity) does hereby covenant and warrant that (i) Sublessee is a duly authorized and validly existing entity, (ii) Sublessee has and is qualified to do business in California, (iii) the entity has full right and authority to enter into this Sublease, and (iv) each person executing this Sublease on behalf of the entity was authorized to do so.

32. SURVIVAL

All obligations of Sublessee under this Sublease, including without limitation the obligations to pay Base Minimum Rent, shall survive the expiration or termination of this Sublease.

33. WAIVER

Sublessee hereby waives any rights it may have under the provisions of [LAW OR CODE], if applicable, and any similar statutes regarding repair of the Leased Premises or termination of this Sublease after destruction of all or any part of the Leased Premises.

34. RECORDATION

Sublessee shall not record this Sublease or a short form memorandum hereof without the prior written consent of the Sublessor.

35. TRANSFER OF MASTER LEASE

In the event of any assignment or transfer of the Master Lease by Sublessor to any other party or entity, Sublessor shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Sublease arising out of any act, occurrence or omission occurring after the consummation of such assignment or transfer; and the assignee or such transferee shall be deemed, without any further agreement between parties or their successors in interest or between the parties and any such assignee or transferee, to have assumed and agreed to carry out any and all of the covenants and obligations of the Sublessor under this Sublease. Sublessee hereby agrees to attorn to any such assignee or trustee. Sublessee agrees to execute any and all documents deemed necessary or appropriate by Sublessor to evidence the foregoing.

36. SUBORDINATION, ATTORNMENT

Without the necessity of any additional document being executed by Sublessee for the purpose of effecting a subordination, this Sublease shall in all respects be subject and subordinate at all times to the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Leased Premises or Sublessor's interest or estate is specified as security. Notwithstanding the foregoing, Sublessor shall have the right to subordinate or cause to be subordinated any lien or encumbrance to this Sublease. In the event that any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Sublessee shall, notwithstanding any subordination, attorn to and become the sublessee of the successor in interest to Sublessor, at the option of such successor in interest. Sublessee covenants and agrees to execute and deliver, upon demand by Sublessor and in the form requested by Sublessor, any additional documents evidencing the priority or subordination of this Sublease.

37. NO MERGER

The voluntary or other surrender of this Sublease by Sublessee, or a mutual cancellation hereof, shall not work a merger, and shall, at the option of Sublessor, terminate all or any existing subleases or subtenancies or may, at the option of Sublessor, operate as an assignment to Sublessor of any or all such subleases or subtenancies.

38. RIGHT OF SUBLESSOR TO PERFORM

All terms, covenants and conditions of this Sublease to be performed or observed by Sublessee shall be performed or observed by Sublessee at its sole cost and expense and without any reduction of rent of any nature payable hereunder. If Sublessee shall fail to pay any sum of money, other than rent required to be paid by it hereunder or shall fail to perform any other term or covenant hereunder on its part to be performed, Sublessor, without waiving or releasing Sublessee from any obligation of Sublessee hereunder, may, but shall not be obligated to, make any such payment or perform any such other term or covenant on Sublessee's part to be performed. All sums so paid by Sublessor and all necessary costs of such performance by Sublessor, together with interest thereon from the date of payment at the rate eighteen percent (18%) or the highest rate permissible by law, whichever is less, shall be paid, and Sublessee covenants to make such payment, to Sublessor on demand, and Sublessor shall have, in addition to any over right or remedy of Sublessor, the same rights and remedies in the event of nonpayment thereof by Sublessee as in the case of failure in the payment of rent hereunder.

39. MODIFICATION FOR LENDER

If, in connection with obtaining any type of financing, Sublessor's lender shall request reasonable modifications to this Sublease as a condition to such financing, Sublessee shall not unreasonably withhold, delay or defer its consent thereto, provided such modifications do not materially adversely affect Sublessee's rights hereunder.

40. SUBLESSOR'S PERSONAL LIABILITY

The liability of Sublessor to Sublessee for any default by Sublessor under the terms of this Sublease shall be limited to the interest of Sublessor in the Leased Premises and Sublessee agrees to look solely to Sublessor's interest in the Leased Premises for the recovery of any judgment from Sublessor, it being intended that Sublessor shall not be personally liable for any judgment or deficiency.

41. BREACH BY LANDLORD

Sublessor shall not be deemed to be in breach in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligation within 5 days after written notice by Sublessee to Sublessor specifying wherein Sublessor has failed to perform such obligation; provided, however, that if the nature of Sublessor's obligation is such that more than 5 days are required for its performance then Sublessor shall not be deemed to be in breach if it shall commence such performance within such 5 day period and thereafter diligently prosecute the same to completion. In any event, Sublessee must bring an action for breach of this Sublease within 2 years of Sublessor's breach or be deemed to have waived the breach and not harmed thereby.

42. SURVIVAL OF INDEMNITIES

The obligations of the indemnifying party under each and every indemnification and hold harmless provision contained in this Sublease shall survive the expiration or earlier termination of this Sublease to and until the last to occur of (a) the last date permitted by law for bringing of any claim or action with respect to which indemnification may be claimed by the indemnified party against the indemnifying party under such provision or (b) the date on which any claim or action for which indemnification may be claimed under such provision is fully and finally resolved and, if applicable, any compromise thereof or judgment or award thereon is paid in full by the indemnifying party and the indemnified party is reimbursed by the indemnifying party for any amounts paid by the indemnified party in compromise thereof or upon a judgment or award thereon and in defense of such action or claim, including attorneys' fees incurred.

43. OPTION TO RENEW

Subject to the receipt by lessee of an extension of the original lease agreement for a sufficient duration to include this renewal, at any time before the commencement of the last calendar month of the first term of this sublease agreement, sublessee is granted the option and privilege of extending and renewing the term of this sublease agreement for an additional [NUMBER]-year period at an annual rental to be agreed on or arbitrated as provided in this sublease agreement.

44. MEANING OF CONSENT

Whenever an act or provision contained in this Sublease is conditioned upon the consent or approval of Sublessor, this shall be interpreted to mean, unless otherwise specified to the contrary, that the Sublessor has the full unconditional right and sole discretion as to whether or not to give its consent, which may only be given in writing.

45. QUIET ENJOYMENT

If sublessee performs the terms of this sublease agreement, lessee will warrant and defend sublessee in the enjoyment and peaceful possession of the demised premises during the term of this sublease agreement without any interruption by lessee or lessor or either of them or any person rightfully claiming under either of them.

46. MASTER LEASE

Notwithstanding anything in this Sublease to the contrary, the rights of Sublessee shall be subject to the terms and conditions contained in the lease ("Master Lease") between Sublessor and the owner of the Leased Premises (the "Master Lessor"), as it may be amended from time to time. Sublessee shall assume and perform and comply with the obligations of the lessee under the Master Lease to the same extent as if references to the Sublessor therein were references to Sublessee (all of which obligations are hereby incorporated herein), including, without limitation, the payment of any and all costs, expenses, charges, fees, taxes, payments or other monetary obligations (except for minimum rent and percentage rent) for which Sublessor is liable or responsible under the Master Lease, as such costs, expenses, charges, fees, taxes, payment or other monetary obligations come due. Sublessee shall not commit or permit to be committed on the Leased Premises any act or omission which shall violate any term or condition of the Master Lease. Notwithstanding anything in this Sublease to the contrary, the effectiveness of this Sublease shall be conditioned upon Sublessor obtaining the written consent of the Master Lessor (if such consent is required under the Master Lease), in form and substance satisfactory to Sublessor, within ten (10) days of the date hereof. If the Master Lease terminates for any reason, this Sublease shall terminate coincidentally therewith without any liability of Sublessor to Sublessee.

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

SUBLESSOR

SUBLESSEE

Authorized Signature

Authorized Signature

Print Name and Title

Print Name and Title

Sublease Agreement

EXHIBIT A
TO SUBLEASE
DESCRIPTION OF LEASED PREMISES

LOCATION: 2399 BATEMAN AVENUE – IRWINDALE, CA 91010

APPROXIMATELY 48,867 SQUARE FOOT FREE-STANDING INDUSTRIAL BUILDING (INCLUDING OFFICE SPACES) SITUATED UPON 2.26 ACRES OF INDUSTRIAL ZONED LAND.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is effective December 1, 2018 ("Effective Date"),

- BETWEEN:** **BizRight, LLC** (the "Company"), a company organized and existing under the laws of the State of California, with its head office located at:
- 2399 Bateman Avenue – Irwindale, California 91010
- AND:** **BZRTH, INC.** (the "Purchaser"), a company organized, incorporated and existing under the laws of the State of Nevada, with its head office located at:
- 2399 Bateman Avenue, Irwindale, California 91010

WHEREAS the Purchaser desires to purchase, and the Company desires to sell its assets (inventory, Prepaid Inventory and Accounts Receivables) of the Company (the "Purchased Assets") and including liabilities (Accounts Payable, Payables to Amazon and Credit Card) in accordance with the terms, conditions and agreements hereinafter contained.

NOW THEREFORE, the parties agree as follows:

1. SALE AND PURCHASE

- 1.1 **Purchased Assets:** Upon and subject to the terms and conditions hereof, the Company sells to the Purchaser and the Purchaser purchases from the Company, as of the Effective Date and conditional upon all liens existing on the Purchased Assets being released, all of the rights, titles, benefits and interests of the Company in the Purchased Assets.
- 1.2 **Documentation:** The Company shall promptly provide the Purchaser with all relevant technical documentation available to the Company regarding the Purchased Assets including, but not limited to, documentation that is necessary to operate the Purchased Assets.
- 1.3 **Purchase Price:** The purchase price payable by the Purchaser to the Company for the Purchased Assets is \$2,611,594.00 (the "Purchase Price"), subject to subsequent adjustments based on audit or correction of errors. See Exhibit A for details.
- 1.3.1 The Purchase Price shall be paid based on cash flow availability of the Purchaser with an interest rate of 8% per annum on outstanding amount.
- 1.4 **Effective Date:** The sale and purchase of the Purchased Assets shall be conditional upon the release of all existing third party liens on the Purchased Assets and shall be effective upon the date of such release (the "Effective Date") which shall be no later than January 1, 2019, failing which this Agreement shall become null and void, the Purchase Price shall be returned to the Purchaser and the Purchased Assets shall be returned to the Company. In such a case, no party shall be entitled to any compensation other than the return of the Purchase Price and Purchased Assets.

- 1.5 **Assumed Obligations:** The Purchaser shall assume and agree to satisfy and discharge, as the same shall become due, all of the following (collectively, the “Assumed Obligations”):
- 1.5.1 All of Company’s obligations under contracts of Company which are identified in Schedule 1.3 and assigned to the Purchaser as of the date hereof, including without limitation any warranty for work performed by the Company before the Effective Date.
 - 1.5.2 The Purchaser will also assume and cover all expenses related to the completion of the projects described in Schedule 1.3 including without limitation fuel, employee costs and contributions, material, equipment rentals and repairs, utility and office expenses and project management.
- 1.6 **Excluded Obligations:** Except for the Assumed Obligations or as expressly provided herein, the Purchaser is not assuming any past, present and future indebtedness, liabilities, obligations, contracts and commitments of the Company, whether arising out of or resulting from the Purchased Assets.
- 1.7 **Sales and Transfer Taxes:** The Purchaser shall pay any and all federal, provincial or local taxes, in the nature of income, sale, use, transfer, gain, recording and any similar tax, fee or duty required to be paid in respect of the assignment or transfer to the Purchaser of the Purchased Assets and the filing and recording thereof, including without limitation tax on the Purchase Price.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants as at the date hereof to the Purchaser as follows and acknowledges that the Purchaser is relying on such representations and warranties in connection with its purchase of the Purchased Assets.

- 2.1 **Organization:** The Company is a corporation duly incorporated and organized and validly subsisting under the laws of the State of California and has the corporate power to own its property and to enter into this Agreement and to perform its obligations hereunder.
- 2.2 **Due Authorization:** The execution of this Agreement has been duly authorized, executed and delivered by the Company and constitutes legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its terms.
- 2.3 **Title To The Assets:** The Purchased Assets are owned by the Company with a good and valid title, free and clear of any encumbrances other than those encumbrances for which the Company is in the process to obtain all appropriate consents to the consummation of the transaction contemplated herein.
- 2.4 **Residency:** The Company is a resident of the United States of America for the purposes of the Income Tax Act of the United States.
- 2.5 **As Is, Where Is:** The Purchaser acknowledges that the Purchased Assets are purchased on an “as is, where is” basis, that it has inspected the Purchased Assets and is relying entirely on its own investigations and its inspections in proceeding with the transactions contemplated hereunder. Save and except only as may be provided in this Agreement, the Purchaser further acknowledges that there are no representations, warranties, terms, conditions, understandings or collateral agreements, expressed or implied, statutory or otherwise, with respect to the merchantability, condition, description, fitness for purpose or quality of the Purchased Assets or as to any other matter or thing. Without limiting the generality of the foregoing, there is no representations or warranties from the Company with respect to the validity of any pending or foreseeable lawsuits and/ or the amounts which may be recoverable, if any, under any pending or existing lawsuits, against any party.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants as at the date hereof to the Company as follows and acknowledges that the Company is relying on such representations and warranties in connection of the sale of the Purchased Assets.

- 3.1 **Organization:** The Purchaser is a corporation duly incorporated and organized and validly subsisting under the laws of the State of Nevada and has the corporate power to own its property and to enter into this Agreement and to perform its obligations hereunder.
- 3.2 **Due Authorization:** The execution of this Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with its terms.
- 3.3 **Outstanding Work:** The Purchaser hereby guarantees to the Company that all outstanding work will be completed and satisfied in accordance with the arrangements agreed to by the Company and such clients and/or customers.

4. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

- 4.1 **Survival of Representations and Warranties.** The representations and warranties contained herein will survive the completion of the sale and purchase of the Purchased Assets herein for a period of one year.

5. ADDITIONAL COVENANTS

- 5.1 **Indemnity:** The Purchaser agrees to indemnify and hold the Company, its affiliates, subsidiaries, and respective directors and employees (the "Indemnified Company") harmless from and against any and all claims, losses, liabilities, damages, expenses and costs (including reasonable legal fees and court costs) which the Indemnified Company may sustain or incur as a result of, in respect of, connected with or arising out of (i) any failure of the Purchaser to perform or fulfill any covenant under this Agreement, at any time, (ii) any breach or inaccuracy of any warranty given by the Purchaser under this Agreement or (iii) the Assumed Obligations.

6. GENERAL

- 6.1 **Independent Contractor:** This Agreement shall not constitute either party the agent or legal representative of the other party for any purpose.
- 6.2 **Entire Agreement:** The parties agree that this Agreement constitutes a complete and exclusive statement of the terms and conditions between them covering the performance thereof and cannot be altered, amended or modified except in writing executed by the parties to be bound thereby. This Agreement supersedes all prior negotiations, agreements and communications, written or oral, between the parties with respect to the subject matter hereof, including the Offer to Purchase.
- 6.3 **Headings:** The headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation hereof.
- 6.4 **Invalidity:** If any of the provision contained in this Agreement are found by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not be in any way affected or impaired thereby.

- 6.5 **Further Assurances:** Each of the parties hereto will cooperate with the other and execute and deliver to the other parties hereto such other instruments and documents and take such other actions as may be reasonably requested from time to time by the other party as necessary to carry-out, evidence and confirm the intended purposes of this Agreement.
- 6.6 **Successors and Assigns:** All obligations set forth in this Agreement will bind and inure to the benefit of the respective successors and permitted assigns of the parties whether expressed or not. This Agreement and any rights pursuant hereto shall not be assignable by the parties without the prior written consent of the other party.
- 6.7 **Notices:** Any notice, report, demand, waiver, consent or other communication given by a party under this Agreement shall be in writing and shall be deemed to be duly given (i) when personally delivered, or (ii) upon delivery by overnight courier service which provides evidence of delivery or (iii) when 3 days have elapsed after its transmittal by registered or certified mail, postage prepaid, return-receipt requested, addressed to the party to whom directed at the party's address as it appears above or another address of which that party has given notice.
- 6.8 **Governing Law:** This Agreement shall be governed by and construed in accordance with the domestic laws of the State of California and the laws of the United States of America. The parties hereto expressly agree that any dispute or controversy arising out of or relating to this Agreement including the interpretation, execution or breach thereof, arising in the course of or following its performance, shall be brought before a competent court located in the State of California, County of Los Angeles.

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed at Duarte, California on the Effective Date indicated above.

THE COMPANY

THE PURCHASER

BIZRIGHT, LLC

BZRTH, INC.

/s/ Allan Huang
ALLAN HUANG
Managing Member

/s/ Allan Huang
ALLAN HUANG
President and Chief Executive Officer

Purchase Price

| Assets Purchased | |
|--|---------------------|
| Inventories | \$ 2,739,899 |
| Prepaid inventories (advance to suppliers) | 123,585 |
| Accounts receivables | 1,097,632 |
| Other receivables | 172,992 |
| Total assets purchased | \$ 4,134,108 |
| Liabilities Assumed | |
| Accounts payable | \$ 1,276,983 |
| Other payables and accrued liabilities | 245,531 |
| Total liabilities assumed | 1,522,514 |
| Purchase Price | \$ 2,611,594 |

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement is dated May 3, 2019, and is entered into between the Borrower identified in the Term Sheet and WFC Fund, LLC (“**Lender**”). Borrower has requested and, subject to the terms and conditions of this Agreement, Lender has agreed to extend, certain Loans to Borrower. The parties therefore agree as follows:

1. The following Term Sheet lists certain of the business terms on which Lender will make Loans to Borrower.

Term Sheet

| | |
|--------------------------------------|---|
| Borrower: | BZRTH, Inc. |
| Borrower’s Entity Type: | Corporation |
| Borrower’s State of Formation: | Nevada |
| Borrower’s Address: | 2399 Bateman Ave, Irwindale, CA 91010 |
| Verified Eligible Account Threshold: | 50.00% |
| Guarantor: | Allan Huang |
| Revolving Loan Limit: | \$2,000,000.00 |
| Agreed Sublimits: | N/A |
| Interest Rate: | Prime Rate plus 4.25% |
| Interest Rate Change Frequency: | Monthly |
| Invoice Fee Rate: | 0.00% |
| Maturity Date: | 1 year from Effective Date |
| Payment Day: | LAST DAY OF THE MONTH |
| Advance Transfer Method: | ACH |
| Wire Transfer Fee: | \$99.00 |
| Origination Fee: | \$0.00 |
| Deposit Account Control Agreement: | Not initially |
| Advance Rate: | 75.00% |
| Termination Fee: | 2% of the Revolving Loan Limit if termination occurs six months or more prior to the Maturity Date; 1% of the Revolving Loan Limit if termination occurs less than six months prior to the Maturity Date. |
| Collateral: | All accounts (including health-care-insurance receivables), goods (including inventory but excluding equipment), documents (including, if applicable, electronic documents), fixtures, instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), money, deposit accounts, and any other contract rights or rights to the payment of money; and all proceeds and products of each of the foregoing, all books, records, files and other data relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Borrower from time to time with respect to any of the foregoing. |

2. The Standard Terms and Conditions set forth on Annex A are incorporated in and made a part of this Loan and Security Agreement.
3. This Loan and Security Agreement contains a waiver of jury trial rights.

[signature page to follow]

Borrower and Lender have duly executed this Agreement to be effective as of the date set forth in the introductory paragraph.

LENDER
WFC Fund, LLC

BORROWER
BZRT, Inc.

By: /s/ Kevin Ehinger

Print Name: Kevin Ehinger

Title: President

By: /s/ Allan Huang

Print Name: Allan Huang

Title: President

ANNEX A – STANDARD TERMS AND CONDITIONS

These Standard Terms and Conditions are incorporated in and form a part of the Loan and Security Agreement between the Borrower identified in the Term Sheet and WFC Fund, LLC, as Lender.

Article 1

BORROWING AND LENDING

1.1 Revolving Loans. Subject to the terms and conditions of the Loan Documents, from time to time prior to the Termination Date, upon Borrower's request, Lender may, in its sole discretion, make revolving loans and advances (the "**Revolving Loans**") to Borrower so long as after giving effect to any requested Revolving Loan, (a) the Total Revolving Outstandings do not exceed the lesser of the Borrowing Base and the Revolving Loan Limit and (b) all Sublimit requirements are met. Borrower may from time to time during the term of this Agreement borrow, partially or wholly repay its outstanding borrowings, and reborrow, in all cases subject to all of the limitations, terms and conditions of this Agreement and of any document executed in connection with or governing this Agreement.

1.2 Interest Payments; Payment upon Termination. Accrued and unpaid interest on the Revolving Loans shall be due and payable on the Payment Day of each calendar month and on the Maturity Date. Borrower shall repay the principal balance of all outstanding Revolving Loans on the Termination Date.

1.3 Overadvances. If at any time Availability is less than \$0.00, or any portion of the Total Revolving Outstandings exceeds any applicable Sublimit (an "**Overadvance**"), Borrower shall immediately, and without the necessity of demand by Lender, pay to Lender such amount as may be necessary to eliminate such Overadvance, and Lender shall apply such payment to the Total Revolver Outstandings so as to eliminate such Overadvance. Borrower hereby irrevocably authorizes Lender to debit any of Borrower's deposit accounts for the amount of any Overadvance though Lender's failure to debit Borrower's deposit account will not relieve Borrower of its obligation to repay any Overadvance in a timely fashion.

1.4 Procedures for Revolving Loan Borrowing. Borrower may request Revolving Loans on any Business Day from the date that the conditions set forth in Article 3 are satisfied until the Termination Date by submitting a proper loan request through the Platform on or before 12:00 p.m. (New York time) two Business Days prior to the date of the requested Revolving Loan. Lender shall review the loan request and accounts submitted to the Platform by 12:00 p.m. (New York time) on the Business Day after submission by Borrower and, subject to the terms of this Agreement, such accounts will be included in the Borrowing Base by 12:00 p.m. (New York time) on the next Business Day. Borrower hereby irrevocably authorizes Lender to disburse the proceeds of each Revolving Loan requested by Borrower by depositing the proceeds in Borrower's bank account as designated by Borrower on the Platform.

1.5 Additional Advances by Lender. Borrower hereby irrevocably authorizes Lender, in Lender's sole discretion, to advance to Borrower, and to pay and charge to Borrower's Loan Account, all sums necessary (a) to pay any interest accrued on the Obligations when due, (b) to pay all fees, costs and expenses and other Obligations owed by Borrower when due, and (c) to protect Lender's interest in Collateral or to perform any of Borrower's obligations under this Agreement. Any amount which is advanced, paid or charged under this Section 1.5 will constitute Revolving Loans (notwithstanding the failure of Borrower to satisfy any of the conditions precedent in Article 3) and Obligations and will bear interest at the Interest Rate or the Default Interest Rate, as the case may be.

1.6 Applicable Interest Rate. Except as otherwise provided in this Agreement, interest shall accrue upon the daily net balance of Total Revolving Outstandings at an annual rate equal to the Interest Rate, which rate shall change upon the Interest Rate Change Frequency and which will compound monthly.

1.7 Default Interest Rate. During a Default Period or at any time following the Termination Date, as applicable, in Lender's sole discretion and without waiving any of its other rights or remedies, interest shall accrue on the daily net balance of Total Revolving Outstandings at an annual rate equal to the Interest Rate plus 5% (the "**Default Rate**") or any lesser rate that Lender may deem appropriate, starting on the day the Default Period begins through the last day of that Default Period.

1.8 Invoice Fees. Borrower shall pay Lender, without duplication, a fee equal to the Invoice Fee Rate multiplied by the sum of (a) the face amount of each Eligible Account included in the Borrowing Base plus (b) the face amount of each other account for which payment is received in the Lock Box (the "**Invoice Fee**"). The Invoice Fee shall be fully earned by Lender for the services of reconciling invoices and providing the Platform and payable monthly in arrears on the Payment Day of each calendar month.

1.9 Usury. No interest rate shall be effective that would result in a rate greater than the highest rate permitted by law. Payments in the nature of interest and other charges made under any Loan Documents or any other document or agreement described in or related to this Agreement that are later determined to be in excess of the limits imposed by applicable usury law will be deemed to be a payment of principal, and the Obligations shall be reduced by that amount so that such payments will not be deemed usurious.

1.10 Calculation of Interest. Interest shall be calculated on the basis of a 360-days-per-year factor applied to the number of actual days elapsed.

1.11 Payments Due on Non-Business Days. If any date on which a payment is due falls on a day that is not a Business Day, payment shall be made on the next Business Day, and interest shall continue to accrue during that time period.

1.12 Application of Payments. All payments on the Loans shall be applied at any time and from time to time in the following order: (a) the payment or reimbursement of any expenses (including late charges), costs or obligations (other than the principal hereof and interest hereon) for which Borrower shall be obligated or Lender entitled pursuant to the provisions of the Loan Documents, (b) the payment of accrued but unpaid interest, and (c) the payment of all or any portion of the principal balance then outstanding, in either the direct or inverse order of maturity, at Lender's option.

1.13 Evidence of Loans and Payments. The Loans made by Lender shall be evidenced by one or more accounts or records maintained by Lender (the "**Loan Account**") in the ordinary course of business. The accounts or records maintained by Lender shall be conclusive absent manifest error of the amount of the Loans made by Lender to Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower hereunder to pay any amount owing with respect to the Loans.

1.14 Taxes. Any and all payments by or on account of any obligation of Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, or, if required by Applicable Law, shall be increased as necessary so that after such deduction or withholding has been made Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made. Borrower shall indemnify Lender, within 10 days after demand therefor, for the full amount of any Taxes (other than income and franchise taxes owing by Lender) payable or paid by Lender or required to be withheld or deducted from a payment to Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Borrower shall timely pay all present or future stamp, court or documentary, intangible, recording, filing or similar taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a Lien under, or otherwise with respect to, any Loan Document.

1.15 Wire Fee. If Borrower elects to be paid by wire transfer, Lender will charge a fee in the amount of the Wire Transfer Fee indicated on the Term Sheet for each wire transfer.

1.16 Termination of Credit Facility. Borrower may not terminate this Agreement except by giving Lender 30 days' prior irrevocable written notice of its intent to terminate the Agreement. Upon termination, Borrower shall pay to Lender all outstanding Obligations and the applicable Termination Fee.

1.17 Extensions of Maturity Date. Lender has no commitment or obligation to extend the Maturity Date. Any extension of the Maturity Date will be made in Lender's sole discretion in writing.

1.18 Origination Fee. On the closing date, Borrower shall pay Borrower a fee in the amount of the Origination Fee indicated on the Term Sheet.

Article 2

SECURITY AGREEMENT AND CASH MANAGEMENT

2.1 Grant of Security Interest. To secure payment and performance of the Obligations, Borrower hereby grants to Lender a continuing security interest in all of its right, title and interest in and to the Collateral, wherever located, whether now existing or hereafter arising or acquired.

2.2 Cash Management.

(a) Unless otherwise agreed by Borrower and Lender, Borrower shall direct all of its account debtors to make all payments on the accounts directly to the Lock Box or, for payments received by wire or ACH, to the Blocked Account, in each such case by delivering to each account debtor an executed notice of security interest in a manner and form and substance acceptable to Lender. Borrower authorizes Lender and its designated agent to seek from account debtors verification of accounts or to otherwise verify such accounts. If Borrower, any Related Party of Borrower, or any other Person acting for or in concert with Borrower shall receive any monies, checks, notes, drafts or other payments relating to or as proceeds of accounts or other Collateral, then Borrower shall receive and shall cause each such Person to receive, all such items in trust for, and as the sole and exclusive property of, Lender and, immediately upon receipt thereof, shall remit the same (or cause the same to be remitted) in kind to the Blocked Account. All checks, drafts, instruments and other items of payment or proceeds of Collateral shall be endorsed by Borrower to Lender, and, if that endorsement of any such item shall not be made for any reason, Lender is hereby irrevocably authorized to endorse the same on Borrower's behalf.

(b) Borrower irrevocably hereby makes, constitutes and appoints Lender (and all Persons designated by Lender for that purpose) as Borrower's true and lawful attorney and agent-in-fact (1) to endorse Borrower's name upon said items of payment and proceeds of Collateral and upon any chattel paper, document, instrument, invoice or similar document or agreement relating to any account of Borrower; (2) to take control in any manner of any item of payment or proceeds thereof and (2) to have access to any lock box or postal box into which any of Borrower's mail is deposited, and open and process all mail addressed to Borrower and deposited therein.

(c) All funds received in the Blocked Account in immediately available funds shall be applied on a daily basis to the Total Revolving Outstandings. All funds received in the Blocked Account that are not immediately available funds (checks, drafts and similar forms of payment) shall be deemed applied by Lender on account of the Obligations (subject to final payment of such items) in accordance with the foregoing sentence the third Business Day after receipt by Lender of such items in the Lock Box. If as the result of such application of funds a credit balance exists, such credit balance shall not accrue interest in favor of Borrower but shall, so long as no Default Period exists, be disbursed to Borrower or otherwise at Borrower's direction, upon Borrower's request. During a Default Period, Lender may, at its option, offset such credit balance against any of the Obligations or hold such credit balance as Collateral for the Obligations.

2.3 Perfection of Security Interest and Further Assurances.

(a) Borrower shall, from time to time, as may be required by Lender with respect to all Collateral, promptly take all actions as may be reasonably requested by Lender to perfect the Lien of Lender in the Collateral, including, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable, Borrower shall promptly take all actions as may be reasonably requested from time to time by Lender so that control of such Collateral is obtained and at all times held by Lender. All of the foregoing shall be at Borrower's sole cost and expense.

(b) Borrower hereby irrevocably authorizes Lender at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Lien granted by Borrower hereunder, without Borrower's signature where permitted by law, including the filing of a financing statement describing the Collateral. Borrower agrees to provide all information required by Lender pursuant to this Section promptly to Lender upon request.

(c) Borrower agrees that at any time and from time to time, at Borrower's expense, Borrower will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that Lender may reasonably request, in order to perfect and protect any Lien granted hereby or to enable Lender to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

2.4 Lender Appointed Attorney-in-Fact. Borrower hereby appoints Lender as Borrower's attorney-in- fact, with full authority in the place and stead of Borrower and in the name of Borrower or otherwise, from time to time during the term of this Agreement, in Lender's discretion to take any action and to execute any instrument which Lender may deem necessary or advisable to accomplish the purposes of this Agreement (but Lender shall not be obligated to and shall have no liability to Borrower or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. Borrower hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof.

2.5 Reasonable Care. Lender shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Lender accords its own property, it being understood that Lender shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not Lender has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Neither this Agreement nor the exercise by Lender of any of its rights and remedies will relieve Borrower from the performance of any obligation on Borrower's part to be performed or observed in respect of any of the Collateral.

2.6 Security Interest Absolute. All rights of Lender and Liens hereunder, and all Obligations of Borrower hereunder, shall be absolute and unconditional irrespective of: (a) any illegality or lack of validity or enforceability of any Obligation or any related agreement or instrument; (b) any change in the time, place or manner of payment of, or in any other term of, the Obligations, or any rescission, waiver, amendment or other modification of the Loan Documents, including any increase in the Obligations resulting from any extension of additional credit or otherwise; (c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Obligations; (d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Obligations; (e) any default, failure or delay, willful or otherwise, in the performance of the Obligations; (f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, Borrower against Lender; or (g) any other circumstance (including any statute of limitations) or manner of administering the Loans or any existence of or reliance on any representation by Lender that might vary the risk of Borrower or otherwise operate as a defense available to, or a legal or equitable discharge of, Borrower or any other grantor, guarantor or surety.

Article 3
CONDITIONS TO LENDING

3.1 Conditions to Initial Loans. All Revolving Loans shall be subject to the condition that Lender has received (a) this Agreement and each of the Loan Documents, and any document, agreement, or other item described in or related to this Agreement, executed and in form and content satisfactory to Lender, (b) payment of all fees and expenses due under this Agreement, (c) current searches of Borrower in appropriate filing offices showing no Liens have been filed and remain in effect except Permitted Liens, (d) evidence that Lender has filed all UCC financing statements necessary to perfect its Lien in the Collateral, (e) a closing certificate, in form and substance reasonably acceptable to Lender, including resolutions authorizing Borrower to enter into and perform the Loan Documents, an incumbency certificate, and Borrower's organizational documents, (f) evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Lender, and where required by Lender, with loss payable endorsements in favor of Lender, and (g) such other documents or information as Lender may reasonably require.

3.2 Conditions to all Loans. All Revolving Loans shall be subject to the further additional conditions:

(a) that the representations and warranties described in Article 4 are correct on the date of the Loan, except to the extent that such representations and warranties relate solely to an earlier date; and (b) that no event has occurred and is continuing, or would result from the requested Loan that would result in an Event of Default.

Article 4
REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants, as of the date of this Agreement and the date of each Loan, to Lender that:

4.1 Organization; Qualification; Power. Borrower is an entity of the type referenced in in the Term Sheet, duly formed and validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement and is qualified to do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify would have a material adverse effect on its financial condition or operations. Borrower has the power and authority to execute, deliver, and perform its obligations under this Agreement and the other Loan Documents to which it is or may become a party.

4.2 Due Authorization; Execution; Enforceability. The execution, delivery and performance by Borrower of this Agreement and the other Loan Documents are within Borrower's powers and have been duly authorized by all necessary action. This Agreement and the other Loan Documents have been duly executed and delivered by Borrower. This Agreement and the other Loan Documents to which Borrower is a party when delivered will be, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

4.3 No Conflict; Compliance with Agreements and Laws. The execution, delivery and performance by Borrower of this Agreement and the other Loan Documents (a) do not contravene Borrower's organizational documents or any law or any contractual restriction binding on or affecting the Borrower, and (b) do not result in or require the creation of any Lien (other than Liens in favor of Lender) upon or with respect to any of its properties. Borrower is in compliance with all provisions of all agreements, licenses, instruments, decrees and orders to which it is a party or by which it or its property is bound or affected, the breach or default of which could have a Material Adverse Effect.

4.4 Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by Borrower of this Agreement and the other Loan Documents, except for such approvals and consents that have been made or obtained.

4.5 Investment Company Act. Borrower is not required to be registered as an “investment company” within the meaning of the Investment Company Act of 1940, as amended. Borrower is not subject to regulation under any Applicable Law which limits its ability to incur debt or otherwise perform its obligations under the Loan Documents.

4.6 Anti-Corruption Laws; Sanctions; Anti-Terrorism Laws.

(a) Neither Borrower nor any of its Subsidiaries nor, to Borrower’s knowledge, any director, officer, employee, agent, Affiliate or representative of Borrower or any of its Subsidiaries has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the “FCPA”) or any other applicable anti-corruption law; and Borrower and its Subsidiaries have instituted and maintain policies and procedures designed to ensure continued compliance therewith.

(b) Neither Borrower nor any of its Subsidiaries nor, to Borrower’s knowledge, any director, officer, employee, agent, Affiliate or representative of Borrower or any of its Subsidiaries, is a Person that is, or is owned or controlled by, a Person that is: (1) subject to any sanctions administered or enforced by OFAC or the U.S. State Department (collectively, “Sanctions”), or (2) located, organized, or resident in a country or territory that is, or whose government is, the subject to Sanctions (including Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

(c) Neither Borrower nor any of its Subsidiaries nor, to Borrower’s knowledge, any director, officer, employee, agent, Affiliate or representative of Borrower or any of its Subsidiaries, is a Person that is, or is owned or controlled by, a Person that is: (1) an “enemy” or an “ally of the enemy” within the meaning of Section 2 of the Trading with the Enemy Act of the United States (50 U.S.C. App. §§ 1 et seq.), or (2) in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V) or any enabling legislation or executive order relating thereto or (C) the PATRIOT Act (collectively, the “Anti-Terrorism Laws”).

4.7 Margin Stock. (a) No proceeds of the Loans will be used to acquire any security in any transaction that is subject to Sections 13 and 14 of the Securities Exchange Act of 1934; (b) Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System) or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of the Board of Governors; and (c) no proceeds of the Loans will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

4.8 Financial Statements; Projections. The financial statements delivered pursuant to Section 5.1 are complete and correct and fairly present on a consolidated basis the assets, liabilities and financial position of Borrower and its Subsidiaries as at such dates, and the results of the operations and changes of financial position for the periods then ended (other than customary year-end adjustments for unaudited financial statements). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. Such financial statements show all material indebtedness and other material liabilities, direct or contingent, of Borrower and its Subsidiaries as of the date thereof, including material liabilities for Taxes, material commitments, and Indebtedness, in each case, to the extent required to be disclosed under GAAP.

4.9 Material Adverse Effect. Since the date of the most recent financial statements provided to Lender, there has been no Material Adverse Effect.

4.10 Litigation. There are no actions, suits or proceedings pending or, to Borrower's knowledge, threatened against or affecting Borrower or any of its Affiliates or the properties of Borrower or any of its Affiliates before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, if determined adversely to Borrower or any of its Affiliates, would have a Material Adverse Effect.

4.11 Taxes. Borrower and its Subsidiaries each has filed, has caused to be filed or has been included in all Federal, state and other Tax returns that are required to be filed, including all income, franchise, employment, property and sales taxes, and has paid all Taxes shown thereon to be due, together with applicable interest and penalties, and all other Taxes imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Borrower or its Subsidiary); no tax Lien has been filed, and, to Borrower's knowledge, no claim is being asserted, with respect to any such Tax. Neither Borrower nor any of its Subsidiaries is party to any tax sharing agreement.

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

4.13 Labor Matters. Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries. Borrower neither is nor has been in violation of the Fair Labor Standards Act or any other Applicable Law dealing with such matters that could reasonably be expected to result in a Material Adverse Effect.

4.14 Solvency. As of, from and after the date of this Agreement, Borrower (a) owns and will own assets the fair saleable value of which are (1) greater than the total amount of liabilities (including contingent liabilities); and (2) greater than the amount that will be required to pay the probable liabilities of its then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to it; (b) has capital that is not unreasonably small in relation to its business as presently conducted or any contemplated or undertaken transaction; and (c) does not intend to incur and does not believe that it will incur debts beyond its ability to pay such debts as they become due.

4.15 Ownership of Property. Borrower and each of its Subsidiaries has good record and marketable title in fee simple to or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Borrower and each of its Subsidiaries has good and marketable title to, valid leasehold interests in, or valid licenses to use all personal property and assets material to the ordinary conduct of its business free and clear of all Liens other than Permitted Liens.

4.16 Casualty. Neither the businesses nor the properties of Borrower or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

4.17 Intellectual Property. Borrower owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted or proposed to be conducted. No material claim has been asserted and is pending by any Person challenging the use, validity or effectiveness of any Intellectual Property, nor is Borrower aware of any valid basis for any such claim. The use of Intellectual Property by Borrower and its Subsidiaries does not materially infringe on the rights of any Person.

4.18 Burdensome Restrictions. Borrower and its Subsidiaries do not presently anticipate that future expenditures needed to meet the provisions of any statutes, orders, rules or regulations of a Governmental Authority will be so burdensome as to have a Material Adverse Effect. No Subsidiary is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its capital stock to Borrower or any Subsidiary or to transfer any of its assets or properties to Borrower or any other Subsidiary in each case other than existing under or by reason of the Loan Documents or Applicable Law.

4.19 No Default. No Event of Default has occurred and is continuing and no default has occurred and is continuing under or with respect to any material contractual obligation of Borrower or any of its Subsidiaries that would reasonably be expected to have a Material Adverse Effect.

4.20 No Broker's Fees. Neither Borrower nor any Subsidiary has any obligation to any Person in respect of any finders', brokers', investment banking or other similar fee in connection with any of the Loans or this Agreement.

4.21 Full Disclosure. Borrower and its Subsidiaries have disclosed to Lender all agreements, instruments and corporate or other restrictions to which Borrower and any Subsidiary thereof are subject, and all other matters known to them, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No financial statement, material report, material certificate or other material information furnished (whether in writing or orally) by or on behalf of Borrower or any Subsidiary thereof to Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), taken together as a whole, contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that, with respect to projected financial information, pro forma financial information, estimated financial information and other projected or estimated information, such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

4.22 Accounts. Each account which Borrower requests Lender to classify as an Eligible Account, as of the time when such request is made, conforms in all respects to the requirements of such classification as set forth in the definition of "Eligible Account".

Article 5
AFFIRMATIVE COVENANTS

Until payment and satisfaction in full of all Obligations (other than contingent indemnification obligations) and the termination of this Agreement, Borrower shall, and shall cause each of its Subsidiaries to:

5.1 Reporting Requirements. Deliver to Lender the following information, compiled where applicable using GAAP, in form and content acceptable to Lender:

(a) **Borrowing Base Certificate.** With each request for a Revolving Loan and upon Lender's request, Borrower shall deliver to Lender a Borrowing Base Certificate in a form and with such specificity as is satisfactory to Lender and containing such additional information concerning accounts as may be requested by Lender including copies of all invoices prepared in connection with such accounts.

(b) **Quarterly Financial Statements.** As soon as available and in any event within 45 days after the end of each calendar quarter, a Borrower prepared balance sheet, income statement, and statement of retained earnings prepared for that month and for the year-to-date period then ended, prepared, if requested by Lender, on a consolidated and consolidating basis to include Borrower's Affiliates, and stating in comparative form the figures for the corresponding date and periods in the prior fiscal year, subject to year-end adjustments. Borrower's obligation to deliver quarterly financial statements may be satisfied through use of third-party software approved by Lender that gives Lender access to Borrower's accounting system.

(c) **Compliance Certificate.** Concurrently with the delivery of the financial statements referred to in Section 5.1(b), a duly completed compliance certificate, in form and substance reasonably acceptable to Lender.

(d) **Tax Returns.** No later than five days after they are required to be filed, copies of signed and dated state and federal income tax returns and all related schedules for Borrower and each Guarantor, and copies of any extension requests.

(e) **Defaults.** No later than three days after learning of the probable occurrence of any Event of Default, a writing notifying Lender of the Event of Default and the steps being taken by Borrower to cure the Event of Default.

(f) **Collateral Reports.** By way of electronic transmission, schedules of Borrower's accounts, in form satisfactory to Lender, and, if requested by Lender, copies of Borrower's invoices to the account debtors in respect of such accounts, such evidence of delivery for all goods covered by such accounts, a detailed aging of Borrower's accounts and its accounts payable, and a calculation of Borrower's accounts and Eligible Accounts refreshed upon each request for a Revolving Loan and such information or documents relating to the Accounts as Lender may require from time to time.

(g) **Other Reports.** From time to time, with reasonable promptness, such other materials, reports, records or information as Lender may reasonably request.

5.2 Existence; Maintenance of Property and Licenses. (a) Preserve, renew and keep in full force and effect its legal existence, (b) maintain in good repair, working order and condition all material assets used in the business of the Borrower, and (c) maintain each and every material license, permit, certification, qualification, approval or franchise issued by any Governmental Authority required to conduct its businesses as presently conducted.

5.3 Books and Records. Maintain proper books of record and accounts in which full, true, and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities.

5.4 Compliance with Laws. Comply with the requirements of all Applicable Laws and regulations, the non-compliance with which would result in a Material Adverse Effect.

5.5 Anti-Corruption Policies. Maintain in effect policies and procedures designed to promote compliance by Borrower, its Subsidiaries, and their respective directors, officers, employees, and agents with the FCPA and any other applicable anti-corruption laws.

5.6 Insurance. Maintain insurance with financially sound and reputable insurance companies against at least such risks and in at least such amounts as are customarily maintained by similar businesses and as may be required by Applicable Law and as are required by any Loan Document (including insuring its assets against loss by fire, explosion, theft and other risks and casualties as are customarily insured against by companies engaged in the same or a similar business, insuring it against liability for personal injury and property damages relating to its assets, such policies to be in such amounts and covering such risks as are usually insured against by companies engaged in the same or a similar business, and insuring such other matters as may from time to time be reasonably requested by Lender, and insuring it against business interruption in such amounts as Lender shall reasonably deem appropriate). All such insurance shall, (a) provide that no cancellation or material modification thereof shall be effective until at least 30 days after receipt by Lender of written notice thereof, (b) name Lender as an additional insured party thereunder and (c) in the case of each casualty insurance policy, name Lender as lender's loss payee. On the date of this Agreement and from time to time thereafter Borrower shall deliver to Lender upon its request information in reasonable detail as to the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

5.7 Taxes and Other Obligations. Pay and perform (a) all Taxes that may be levied or assessed upon it or any of its property and (b) all other indebtedness, obligations and liabilities in accordance with customary trade practices; provided, that Borrower may contest any item described in clause (a) of this Section in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

5.8 Inspections. Permit representatives of Lender, from time to time upon prior reasonable notice and at such times during normal business hours, all at Borrower's expense, to visit and inspect its properties; inspect, audit and make extracts from its books, records and files, including management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial condition, results of operations and business prospects.

5.9 Further Assurances. Make, execute and deliver all such additional and further acts, things, deeds, instruments and documents as Lender may reasonably require for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents.

5.10 Financial Covenants.

(a) Maintain, as of the last day of each month, EBITDA for the trailing-twelve-month period ending on such date greater than \$0.00.

(b) Maintain, as of the last day of each month, a Fixed Charge Coverage Ratio of at least 1.20 to 1.00.

(c) Maintain, as of the last day of each month, a Quick Ratio of at least 1.00 to 1.00.

Article 6
NEGATIVE COVENANTS

Until payment and satisfaction in full of all Obligations (other than contingent indemnification obligations) and the termination of this Agreement, Borrower shall not, and shall not permit any of its Subsidiaries to:

6.1 Indebtedness. Incur, create, assume or permit to exist any Indebtedness, except: (a) the Obligations; (b) Indebtedness existing on the date of this Agreement and disclosed to Lender in writing, and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof; (c) unsecured Indebtedness to trade creditors in the ordinary course of business; and (d) purchase money Indebtedness or capitalized lease obligations.

6.2 Other Liens. Create or suffer to exist, or permit any of its subsidiaries to create or suffer to exist, any Lien, or any other type of preferential arrangement, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its subsidiaries to assign, any right to receive income, other than: (a) the Liens of Lender; (b) mechanics' and materialmen's Liens for immaterial sums which are either (1) not yet due and payable or (2) being contested in good faith by appropriate proceedings which serve to stay the foreclosure of such Liens and as to which appropriate reserves have been established; (c) Liens for Taxes that are not more than 30 days overdue or, if the execution thereof is stayed, which are being contested in good faith by appropriate proceedings diligently pursued and for which adequate reserves have been established; (d) any real estate easements and encumbrances that customarily do not affect the marketable title to real estate or materially impair its use; and (e) Liens securing Indebtedness permitted under Section 6.1(d), *provided* (1) such Liens shall be created substantially simultaneously with the acquisition, repair, improvement or lease, as applicable, of the related property, (2) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (3) the amount of Indebtedness secured thereby is not increased, and (4) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 100% of the original price for the purchase, repair improvement or lease amount (as applicable) of such property at the time of purchase, repair, improvement or lease (as applicable) ("**Permitted Liens**").

6.3 Fundamental Changes. (a) Change its state of organization, name or the location of its chief executive office without the prior written consent of the Lender, (b) consolidate with or merge into any other entity, or permit any other entity to merge into it, (c) engage in any line of business materially different from Borrower's business on the date of this Agreement, (d) amend its organizational documents, (e) acquire all or substantially all of the assets of any other entity, (f) change its fiscal year or make any material change in its accounting treatment and reporting practices except as required by GAAP, or (g) change its tax status (i.e., as a C or S corporation).

6.4 Investments and Loans. Purchase or otherwise acquire, or contract to purchase or otherwise acquire, the obligations or stock of any Person, other than (a) direct obligations of the United States, and (b) obligations insured by the Federal Deposit Insurance Corporation and obligations unconditionally guaranteed by the United States. Borrower shall not lend or otherwise advance funds to any Person except for advances made to employees, officers and directors for travel and other expenses arising in the ordinary course of business.

6.5 Dispositions. Sell, lease or otherwise dispose of any of its assets other than in the ordinary course of business.

6.6 Restricted Payments. Declare or pay any dividend or other distribution (whether in cash or in kind) on any class of its stock or other equity interest, or purchase, redeem, retire, or otherwise acquire any of its stock or other equity interest, either (i) during a Default Period or (ii) that causes an Event of Default.

6.7 Affiliate Transactions. Conduct, permit or suffer to be conducted, transactions with Affiliates other than transactions for the purchase or sale of Inventory or services in the ordinary course of business pursuant to terms that are no less favorable to Borrower than the terms upon which such transactions would have been made had they been made to or with a Person that is not an Affiliate.

6.8 Use of Proceeds. (a) Use the proceeds of each Loan for any purpose other than ordinary business purposes; (b) directly or indirectly apply any part of the proceeds of any Loan to the purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System); (c) use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any Person: (1) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions; or (2) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the Loans, whether as lender, advisor, investor or otherwise); (d) use the proceeds of the Loans, directly or indirectly, in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of the FCPA or any other applicable anti-corruption law; or (e) use the proceeds of the Loans in violation of any Anti-Terrorism Laws.

6.9 Accounts. Unless specifically shown on the invoice for such account, grant or approve any credit, discount, allowance, negotiated term or deduction with respect to any account with Lender's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

Article 7
DEFAULT AND REMEDIES

7.1 Events of Default. An "Event of Default" shall occur if:

- (a) Borrower fails to pay any amount of any Obligations on the date that it becomes due and payable;
- (b) Lender has given Borrower notice of an Overadvance and such Overadvance has not been eliminated within three Business Days after such notice is given;
- (c) Any representation or warranty made by the Borrower or on behalf of any Subsidiary in this Agreement or any other Loan Document is untrue or misleading in any material respect when made or deemed made;
- (d) Borrower or any Subsidiary fails to perform or observe any term, covenant, or agreement contained in any of Section 5.1 (Reporting Requirements), Section 5.2 (Existence; Maintenance of Property and Licenses), Section 5.9 (Inspections), Section 5.10 (Financial Covenants.), or Article 6 (Negative Covenants), or any Guarantor fails to perform or observe any term, covenant, or agreement contained in its Guaranty;
- (e) Borrower or any Subsidiary fails to perform or observe any other term, covenant or agreement (not specified in Section 7.1(a), Section 7.1(c), or Section 7.1(d)) contained in any Loan Document on its part to be performed or observed and such failure continues for 10 Business Days;
- (f) Borrower or any Subsidiary becomes insolvent or admits in writing an inability to pay debts as they mature, or Borrower or any Subsidiary makes an assignment for the benefit of creditors; or Borrower or any Subsidiary applies for or consents to the appointment of any receiver, trustee, or similar officer for the benefit of Borrower or any Subsidiary, or for any of their properties; or any receiver, trustee or similar officer is appointed without the application or consent of Borrower or any Subsidiary; or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against a substantial part of the property of Borrower or any Subsidiary;

(g) Borrower or any Subsidiary files a petition under any chapter of the United States Bankruptcy Code or under the laws of any other jurisdiction naming Borrower or any Subsidiary as debtor; or any such petition is instituted against Borrower or any Subsidiary; or Borrower or any Subsidiary institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, debt arrangement, dissolution, liquidation or similar proceeding under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against Borrower or any Subsidiary;

(h) A final, non-appealable arbitration award, judgment, or decree or order for the payment of money in an amount in excess of \$10,000, which is not insured or subject to indemnity, is entered against Borrower or any Subsidiary which is not immediately stayed or appealed;

(i) Borrower or any Subsidiary is in default with respect to any bond, debenture, note or other evidence of material indebtedness issued by Borrower or any Subsidiary that is held by any third Person other than Lender, or under any instrument under which any such evidence of indebtedness has been issued or by which it is governed, or under any material lease or other contract, and the applicable grace period, if any, has expired, regardless of whether such default has been waived by the holder of such indebtedness;

(j) Borrower or any Subsidiary liquidates, dissolves, terminates or suspends its business operations or otherwise fails to operate its business in the ordinary course, or merges with another Person; or sells or attempts to sell all or substantially all of its assets;

(k) A Change of Control occurs;

(l) Any event or circumstance occurs that Lender in good faith believes may impair the prospect of payment of all or part of the Obligations, or Borrower's or any Subsidiary's ability to perform any of its material obligations under this Agreement or any other Loan Document;

(m) A Material Adverse Effect occurs;

(n) Any Guarantor shall die, repudiate, purport to revoke or fail to perform any obligation under such Guaranty;

(o) The percentage of Eligible Accounts that are Verified Eligible Accounts (determined by the face amount of such accounts and not by the number of such accounts) is below the Verified Eligible Account Threshold;

(p) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$10,000; or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$10,000;

(q) Any Loan Document or any provision thereof, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or the satisfaction in full of all of the Obligations (other than unasserted contingent indemnification obligations) and other than as a result of an action or inaction by Lender, ceases to be in full force and effect other than in accordance with its terms; or any Person (other than Lender) contests in any manner in writing the validity or enforceability of any Loan Document or any provision thereof; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to limit, revoke, terminate or rescind any Loan Document or any provision thereof;

(r) Any security interest purported to be created in Collateral shall cease to be, or shall be asserted by any Loan Party not to be, a valid, perfected, first-priority (except as otherwise expressly provided in this Agreement) security interest in the assets covered thereby, other than in respect of assets that, individually and in the aggregate, are not material to the Loan Parties, taken as a whole, or in respect of which the failure of the security interest therein to be a valid, perfected first-priority (except as otherwise expressly provided in this Agreement) security interest could not in the reasonable judgment of Lender be expected to have a Material Adverse Effect;

(s) Any Loan Party or any of its senior officers is criminally indicted or convicted for (i) a felony, or (ii) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that has resulted in, or could reasonably be expected to lead to, a forfeiture of any material property or any collateral (including the Collateral) upon which such Loan Party has granted a Lien to Lender or the right to conduct any part of its business; or

(t) The uninsured loss, theft, damage or destruction of any of the Collateral in an amount in excess of \$10,000 in the aggregate for all such events during any calendar year as determined by Lender in its sole discretion.

7.2 Rights and Remedies. During any Default Period, Lender may exercise any or all of the following rights and remedies:

(a) Lender may declare the Obligations to be immediately due and payable and accelerate payment of the Loans, and all Obligations shall immediately become due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which Borrower hereby expressly waives; provided that upon the occurrence of an Event of Default described in Section 7.1(f) or 7.1(g), all Obligations shall immediately become due and payable without presentment, demand, protest or notice of any kind;

(b) Lender may, without notice to Borrower, apply any money owing by Lender to Borrower to payment of the Obligations, including any and all balances and deposits of Borrower held by the Lender;

(c) Lender may exercise all rights and remedies of a secured party under the UCC;

(d) Lender may exercise and enforce its rights and remedies under the any of the Loan Documents;

(e) Lender may (1) withhold or cease making Loans, (2) commence accruing interest on the Loans at a rate up to the Default Rate, (3) decrease the Revolving Loan Limit, and (4) decrease the rates of advance and any sublimits (Sublimits or otherwise) under the Borrowing Base; and

(f) Lender may exercise any other rights and remedies available to it by law or agreement.

7.3 No Waiver. Any failure by Lender to insist upon strict performance by Borrower of any of the provisions of this Agreement or any other Loan Document shall not be deemed to be a waiver of any of the terms or provisions of this Agreement or the other Loan Documents, and Lender shall have the right thereafter to insist upon strict performance by Borrower of any and all of the terms and provisions of this Agreement or any other Loan Document.

7.4 Sales of Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to Borrower 10 days prior to the date of such disposition will constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, Lender may sell such Collateral on such terms and to such purchaser as Lender in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, Lender may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, Borrower waives all claims, damages and demands it may acquire against Lender arising out of the exercise by it of any rights hereunder. Borrower hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, Lender or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither Lender nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto.

7.5 Standards for Exercising Rights and Remedies. To the extent that applicable law imposes duties on Lender to exercise remedies in a commercially reasonable manner, Borrower acknowledges and agrees that it is not commercially unreasonable for Lender (a) to fail to incur expenses reasonably deemed significant by Lender to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as Borrower, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to decline to provide credit to any potential purchaser of the Collateral in connection with Lender's disposition of the Collateral, (k) to disclaim disposition warranties, (l) to purchase insurance or credit enhancements to insure Lender against risks of loss, collection or disposition of Collateral or to provide to Lender a guaranteed return from the collection or disposition of Collateral, or (m) to the extent deemed appropriate by Lender, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Lender in the collection or disposition of any of the Collateral. Borrower acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Lender would satisfy Lender's duties under the UCC in Lender's exercise of remedies against the Collateral and that other actions or omissions by Lender shall not be deemed to fail to satisfy such duties solely on account of not being indicated in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to Borrower or to impose any duties on Lender that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

Article 8
MISCELLANEOUS

8.1 Notices. Except as otherwise specified herein, any notice, consent, request or other communication required or permitted to be given hereunder shall be in writing, addressed to the other party as set forth in the Term Sheet for Borrower or below for Lender (or to such other address or person as either party or person entitled to notice may by notice to the other party specify), and shall be: (a) personally delivered; (b) delivered by Federal Express or other comparable overnight delivery service; or (c) transmitted by United States certified mail, return receipt requested with postage prepaid. Unless otherwise specified, all notices and other communications shall be deemed to have been duly given on the first to occur of (1) actual receipt of the same, (2) the date of delivery if personally delivered, (3) one Business Day after depositing the same with the delivery service if by overnight delivery service, and (4) three days following posting if transmitted by mail.

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| Lender's Address: | Water for Commerce Fund Management, LLC 2020 West 89th Street, Suite 200 Leawood, Kansas 66206 |
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8.2 Attorney Fees. In the event that Lender employs attorneys to collect the Obligations, to enforce the provisions of this Agreement or to protect or foreclose the Collateral, Borrower agrees to pay Lender's attorney fees and disbursements, whether or not suit is brought. Such fees shall be immediately due and payable.

8.3 Setoff. Lender may, at any time and without demand or notice to anyone, setoff any liability owed to Borrower by Lender against any Obligations, whether or not due.

8.4 Revival of Obligations. To the extent that any payment or payments made to Lender under this Agreement are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, to Borrower, whether directly or indirectly as a debtor-in-possession, or to a receiver or any other party under any bankruptcy law, or other state or federal law, then the portion of the Obligations of Borrower intended to have been satisfied by such payment or payments will be revived and will continue in full force and effect as if such payment or payments had never been received by Lender.

8.5 No Oral Amendments. This Agreement may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

8.6 Assignment. This Agreement may be freely transferred and assigned by Lender, its successors, endorsees and assigns. Borrower may not transfer its rights and obligations with respect to this Agreement, the Loan Documents, or the Obligations.

8.7 Costs and Expenses. Borrower shall pay on demand all costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the Obligations, this Agreement, any Loan Document or any other document or agreement described in or related to this Agreement, and the transactions contemplated by this Agreement, including all costs, expenses and fees incurred by Lender (a) in connection with the negotiation, preparation, execution, delivery, amendment, and administration of the Loan Documents, (b) to collect any amounts owed to Lender, (c) to enforce the Loan Documents, (d) in connection with the collection, protection, or enforcement of any rights in the Collateral, (e) in any bankruptcy, insolvency, assignment for the benefit of creditors, receivership, or other similar proceeding relating to Borrower or its assets or any Guarantor, (f) in any actual or threatened suit, action, proceeding, or adversary proceeding (including all appeals) by, against, or in any way involving Lender and Borrower or any Guarantor, or in any way arising from this Agreement or Lender's dealings with Borrower, and (g) to retain any payments or transfers of any kind made to Lender by or on account of this Agreement, including the granting of liens, collateral rights, security interests, or payment protection of any type.

8.8 Indemnification. In addition to its obligation to pay Lender's expenses under the terms of this Agreement, Borrower shall indemnify, defend and hold harmless Lender and its Related Parties (each an "**Indemnitee**") from and against any of the following (collectively, "**Indemnified Liabilities**"): (a) any and all transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of the Loan Documents, or any other document or agreement described in or related to this Agreement or the making of the Loans; (b) any claims, loss or damage to which any Indemnitee may be subjected if any representation or warranty contained in this Agreement proves to be incorrect in any respect or as a result of any violation of the covenants contained in this Agreement; and (c) any and all other liabilities, losses, damages, penalties, judgments, suits, claims, costs and expenses of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel) in connection with this Agreement and any other investigative, administrative or judicial proceedings, whether or not such Indemnitee shall be designated a party to such proceedings, which may be imposed on, incurred by or asserted against any such Indemnitee, in any manner related to or arising out of or in connection with the making of the Loans and the Loan Documents, or any other document or agreement described in or related to this Agreement, or the use or intended use of the proceeds of the Loans, with the exception of any Indemnified Liability caused by the gross negligence or willful misconduct of an Indemnitee. If any investigative, judicial or administrative proceeding described in this Section is brought against any Indemnitee, upon the Indemnitee's request, Borrower, or counsel designated by Borrower and satisfactory to the Indemnitee, will resist and defend the action, suit or proceeding to the extent and in the manner directed by the Indemnitee, at Borrower's sole cost and expense. Each Indemnitee will use its best efforts to cooperate in the defense of any such action, suit or proceeding. If this agreement to indemnify is held to be unenforceable because it violates any law or public policy, Borrower shall nevertheless make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities to the extent permissible under Applicable Law. Borrower's obligations under this Section shall survive the termination of this Agreement and the discharge of Borrower's other obligations under this Agreement.

8.9 Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan, or the use of the proceeds thereof. No Indemnitee referred to in Section 8.8 shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

8.10 Severability. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

8.11 Interpretation. For purposes of this Agreement and the other Loan Documents, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole; (d) the term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form; and (e) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including". The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein (x) to articles, sections, and exhibits mean the articles and sections of, and exhibits attached to, this Agreement; (y) to an agreement, instrument or other document mean such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute mean such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. Any exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable). When performance of any covenant, duty or obligation is required on a day which is not a Business Day, the date of such performance shall extend to the immediately succeeding Business Day. Any reference to officers, shareholders, stock, shares, directors, boards of directors, corporate authority, articles of incorporation, bylaws or any other such references to matters relating to a corporation made herein or in any other Loan Document with respect to a Person that is not a corporation shall mean and be references to the comparable terms used with respect to such Person.

8.12 GAAP; Rounding. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP. Any financial ratios required to be maintained by Borrower pursuant to the Loan Documents shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number using the common – or symmetric arithmetic – method of rounding (in other words, rounding-up if there is no nearest number).

8.13 PATRIOT Act Notice. Lender hereby notifies the Loan Parties that, pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow Lender to identify the Loan Parties in accordance with the PATRIOT Act.

8.14 Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all of which counterparts together shall constitute but one agreement. This Agreement and the other Loan Documents constitute the entire contract among the parties with respect to the subject matter of the Loan Documents and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart signature page.

8.15 Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act or any other similar state laws based on the Uniform Electronic Transactions Act.

8.16 Governing Law; Jurisdiction; Etc.

(a) **Governing Law.** The laws of the State of New York will govern this Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby and thereby.

(b) **Submission to Jurisdiction.** Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever, whether in law or equity, or whether in contract or tort or otherwise, against Lender in any way relating to this Agreement or the transactions contemplated hereby, in any forum other than the courts of the State of and City of New York, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that any such action, litigation or proceeding may be brought in any such New York court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein will affect any right that Lender may otherwise have to bring any action or proceeding relating to this Agreement against Borrower or its properties in the courts of any jurisdiction.

(c) **Waiver of Venue.** Borrower irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any such court referred to in Section 8.16(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) **Service of Process.** Borrower irrevocably consents to the service of process in the manner provided for notices in Section 8.1 and agrees that nothing herein will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

(e) **Class Action Waiver.** Borrower waives the right to participate in a class action, either as a class representative or a class member, with respect to any claim relating to this Agreement or the transactions between Borrower and Lender.

8.17 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

8.18 UCC Terms. Terms defined in the UCC in effect on the date of this Agreement and not otherwise defined herein shall, unless the context otherwise indicates, have the meanings provided by those definitions. Subject to the foregoing, the term “UCC” refers, as of any date of determination, to the UCC then in effect.

8.19 Defined Terms. As used in this Agreement, the following terms have the corresponding meanings:

“**Advance Rate**” means the advance rate for Eligible Accounts specified in the Term Sheet.

“**Affiliate**” or “**Affiliates**” means any Person controlled by, controlling or under common control with Borrower, including any subsidiary of Borrower. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” means this Loan and Security Agreement between Borrower and Lender.

“**Anti-Terrorism Laws**” has the meaning set forth in Section 4.6(c).

“**Applicable Law**” means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

“Approved Account Debtor” means each account debtor of Borrower approved by Lender for inclusion in the Borrowing Base, which approval may be provided from time to time in writing (including email).

“Availability” means, at any time, the amount, if any, by which the lesser of the Borrowing Base and the Revolving Loan Limit exceeds the Total Revolving Outstandings.

“Availability Reserve” means, as of any date of determination, an amount or a percent of a specified category or item that Lender establishes from time to time to reduce availability under the Borrowing Base (a) to reflect events, conditions, contingencies or risks which affect the assets, business or prospects of Borrower, or the Collateral or its net value, or the enforceability, perfection or priority of Lender’s Lien in the Collateral, (b) to reflect Lender’s reasonable judgment that any collateral report or financial information relating to Borrower or its account debtors and furnished to Lender may be incomplete, inaccurate or misleading in any material respect, or (c) in respect of any state of facts which does or would with notice or passage of time or both, constitute an Event of Default.

“Blocked Account” means a deposit account established by, and in the name of, Lender at a financial institution chosen by Lender.

“Borrowing Base” means, at any time, the sum of:

(a) the Advance Rate multiplied by Borrower’s Eligible Accounts; provided that if Dilution exceeds 5%, such advance rate will be reduced by one percentage point for each whole or partial percentage point by which Dilution exceeds 5%, except in Lender’s sole discretion minus

(b) the Availability Reserve.

“Borrowing Base Certificate” means a certificate, in form and substance reasonably acceptable to Lender, setting forth the Borrowing Base and the component calculations thereof.

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

“Change of Control” means: (a) the failure of the beneficial owners of the equity of Borrower as of the closing date to own, together with their Affiliates, directly or indirectly, beneficially and of record, 51% of the such equity; or (b) the failure of Borrower to own directly or indirectly, beneficially and of record, at least 51% of the aggregate ordinary voting power and economic interests represented by the issued and outstanding equity of each Subsidiary.

“Collateral” means the Collateral described in the Term Sheet.

“Default Period” means the period of time commencing on the day an Event of Default occurs and continuing through the date the Event of Default has been cured or waived.

“Default Rate” has the meaning set forth in Section 1.7.

“Dilution” means, with respect to any period, the percentage obtained by dividing (a) the sum of non-cash credits against accounts (including, but not limited to returns, adjustments and rebates) of Borrower for such period, plus pending or probable, but not yet applied, non-cash credits against accounts of Borrower for such period, as determined by Lender in its sole discretion by (b) gross invoiced sales of Borrower for such period.

“EBITDA” means, for any period, the sum of Borrower’s and its Subsidiaries’: (a) net income after taxes for such period (excluding extraordinary gains or losses); plus (b) interest expense for such period; plus (c) income tax expense for such period; plus (d) depreciation and amortization for such period; plus or minus (e) any other non-cash charges or gains which have been subtracted or added in calculating net income after taxes for such period, all on a consolidated basis.

“Eligible Account” means an account owing to Borrower by an Approved Account Debtor which is accepted by Lender, net of any discounts, credits, or allowances, but excluding any account having any of the following characteristics:

(a) Any account (i) with a due date that is less than or equal to 180 days from the invoice date that remains unpaid for more than 60 days after its original due date, (ii) with a due date that is more than 180 days from the invoice date that remains unpaid for more than 30 days after its original due date, and (iii) that remains unpaid for more than 360 days after the invoice date;

(b) Any account owing by a single account debtor, including a currently scheduled account, if 25% of the balance owing by said account debtor is ineligible as a result of clause (a) above;

(c) Any account with respect to which the account debtor is a director, officer, employee or agent of Borrower or otherwise Related Parties of Borrower;

(d) Any account with respect to which payment by the account debtor is or becomes conditional upon the account debtor’s approval of the goods or services covered thereby, or is otherwise subject to any repurchase obligation or return right, as with sales made on a, guaranteed sale, sale on approval, sale or return or consignment basis;

(e) Any account with respect to which the account debtor is a Governmental Authority;

(f) The face amount of any account with respect to which Borrower is or may become liable to the account debtor for goods sold or services rendered by such account debtor to Borrower, but only to the extent of the maximum aggregate amount of Borrower’s liability to such account debtor;

(g) Any account with respect to which (1) the goods giving rise thereto have not been shipped and delivered to and accepted as satisfactory by the account debtor, or (2) the services performed have not been completed and accepted as satisfactory by the account debtor;

(h) Any account with respect to which possession or control of the goods covered thereby are held, maintained or retained by Borrower, or by any agent or custodian of Borrower, for the account of or subject to further or future direction from the account debtor as with sales made on a bill-and-hold basis (unless the account debtor has executed a setoff waiver in form and substance acceptable to Lender);

(i) Any account that is owing by any account debtor involved as a debtor in any bankruptcy or other state or federal insolvency proceeding, whether voluntary or involuntary;

(j) Any account that arises in any manner other than the sale of inventory or services in the ordinary course of Borrower's business;

(k) Any account for any account debtor which exceed a credit limit established by Lender for such account debtor, but only to the extent of such excess;

(l) That portion of any account that has been restructured, extended, amended or modified;

(m) Any account that is not subject to a first priority lien in favor of Lender;

(n) Any account as to which Lender, at any time or times hereafter, determines in good faith that the prospect of payment or performance by the account debtor is or will be impaired;

(o) Any account with respect to which the account debtor materially disputes the amount or terms of such account which Lender is seeking to verify;

(p) Any account that is evidenced by an instrument, unless such instrument has been delivered to Lender duly endorsed in blank;

(q) Any account that has been repaid, prepaid, satisfied, subordinated or rescinded or any account with respect to which the account debtor has not been directed to make payments directly to the Blocked Account or Lock Box;

(r) Any account that is subject to any discounts, allowances or setoff against payment thereof, except for any discounts, allowances, dilution or set-offs which conform to customary commercial practices, were created in the ordinary course of business, and were approved by Lender;

(s) Any account that is not a bona fide existing payment obligation of the account debtor; and

(t) Any account that is payable in a currency other than the U.S. Dollar. "ERISA" has the meaning set forth in Section 4.12.

"**ERISA Affiliate**" means any trade or business (whether or not incorporated) under common control with the Borrower or any Subsidiary thereof within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"**ERISA Event**" means any of the following: (a) a Reportable Event with respect to a Pension Plan; (b) the incurrence by Borrower or any ERISA Affiliate of any liability with respect to a withdrawal by Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) the incurrence by Borrower or any ERISA Affiliate of any liability with respect to a complete or partial withdrawal by Borrower or any ERISA Affiliate from a Multiemployer Plan or the receipt by Borrower or any ERISA Affiliate of notification that a Multiemployer Plan is insolvent; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition that constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any ERISA Affiliate.

“**FCPA**” has the meaning set forth in Section 4.6(a).

“**Fixed Charge Coverage Ratio**” means, for any date of determination, the ratio of (a) EBITDA for the trailing- twelve-month period ending on such date of determination, to (b) Fixed Charges for the trailing-twelve-month period ending on such date of determination.

“**Fixed Charges**” means, for any period, without duplication, the sum of: (a) scheduled payments of principal during the applicable period with respect to all Indebtedness of Borrower; plus (b) paid or scheduled payments of principal during the applicable period with respect to all capitalized lease obligations of Borrower; plus (c) cash interest expense; plus (d) any pre-payments of Indebtedness of Borrower.

“**GAAP**” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“**Governmental Authority**” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“**Guarantor**” means the Person or Persons identified as a Guarantor in the Term Sheet and each other party that may now or hereafter guaranty the Obligations.

“**Guaranty**” means each guaranty executed by a Guarantor.

“**Indebtedness**” of a Person means at any time the sum at such time of (a) indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (b) any obligations of such Person in respect of letters of credit, banker’s or other acceptances or similar obligations issued or created for the account of such Person, (c) lease indebtedness, liabilities and other obligations of such Person with respect to capital leases, (d) all liabilities secured by any Lien on any property owned by such Person, to the extent attached to such Person’s interest in such property, even though such Person has not assumed or become personally liable for the payment thereof, (e) obligations of third parties which are being guaranteed or indemnified against by such Person or which are secured by the property of such Person; (f) any obligation of such Person under an employee stock ownership plan or other similar employee benefit plan; (g) any obligation of such Person or a commonly controlled entity to a multi-employer plan; and (h) any obligations, liabilities or indebtedness, contingent or otherwise, under or in connection with, transactions, agreements or documents now existing or hereafter entered into, which provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices; but excluding trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue (as determined in accordance with customary trade practices) or which are being disputed in good faith by such Person and for which adequate reserves are being provided on the books of such Person in accordance with GAAP consistently applied.

“**Indemnified Liabilities**” has the meaning set forth in Section 8.8.

“**Indemnitee**” has the meaning set forth in Section 8.8.

“Intellectual Property” means any and all intellectual property, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, all rights therein, and all rights to sue at law or in equity for any past, present, or future infringement, violation, misuse, misappropriation or other impairment thereof, whether arising under United States, multinational or foreign laws or otherwise, including the right to receive injunctive relief and all proceeds and damages therefrom.

“Interest Rate” means the Interest Rate specified in the Term Sheet.

“Interest Rate Change Frequency” means the frequency at which the Interest Rate changes, which frequency is specified in the Term Sheet.

“Invoice Fee” has the meaning set forth in Section 1.8.

“Invoice Fee Rate” means the Invoice Fee Rate specified in the Term Sheet.

“Lien” means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

“Loan Account” has the meaning set forth in Section 1.13.

“Lock Box” means a post office box designated by, and under the exclusive control of, Lender, at a financial institution acceptable to Lender.

“Loan Documents” means this Agreement, the Security Documents, each Guaranty, and every other agreement, note, document, contract or instrument to which the Borrower now or in the future may be a party and which is required by the Lender.

“Loan Party” means Borrower and each Guarantor.

“Loans” means loans and other extensions of credit made by Lender under this Agreement.

“Material Adverse Effect” means (a) a material adverse effect on the business, assets, property, or condition (financial or otherwise) of Borrower or any of its Subsidiaries, (b) a material impairment of the legality, validity, binding effect or enforceability of any Loan Document or the rights and remedies of Lender under any Loan Document, (c) a material impairment of the ability of Borrower to repay the Obligations or of the Loan Parties to perform their obligations under the Loan Documents, or (d) a material impairment of the perfection or priority of the Liens granted pursuant to the Security Documents.

“Maturity Date” has the meaning set forth in the Term Sheet.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 401(a)(3) of ERISA to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“**Obligations**” is used in its most comprehensive sense and means any debts, obligations and liabilities of Borrower to Lender, whether incurred in the past, present or future, whether voluntary or involuntary, and however arising, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and including all obligations arising under any interest rate swap, interest rate collar, derivative, foreign exchange, deposit, treasury management or similar transaction or arrangement however described or defined that Borrower may enter into at any time with Lender or an Affiliate of Lender, whether or not Borrower may be liable individually or jointly with others, or whether recovery upon such Obligations may subsequently become unenforceable.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**Origination Fee**” has the meaning set forth in the Term Sheet.

“**Overadvance**” has the meaning set forth in Section 1.3.

“**PATRIOT Act**” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute.

“**Payment Day**” has the meaning set forth in the Term Sheet.

“**Permitted Liens**” has the meaning set forth in Section 6.2.

“**Pension Plan**” means any employee pension benefit plan (as that term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by Borrower or any ERISA Affiliate or to which any Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“**Person**” means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of a governmental entity.

“**Plan**” has the meaning set forth in Section 4.12.

“**Platform**” means the online loan and collateral management platform maintained by Lender or its Affiliates or its service provider or its Affiliates.

“**Prime Rate**” means the United States prime rate as published in the “Money Rates” Section of the *Wall Street Journal* as of the applicable determination date.

“**Quick Ratio**” means, for any date of determination, the ratio of (a) the sum of Borrower’s cash, marketable securities, and accounts receivable to (b) Borrower’s current liabilities.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“**Revolving Loan Limit**” has the meaning set forth in the Term Sheet.

“**Revolving Loans**” has the meaning set forth in Section 1.1.

“**Sanctions**” has the meaning set forth in Section 4.6(b).

“**Security Documents**” means, collectively: (a) this Agreement; (b) each deposit account control agreement or securities account control agreement; (c) each pledge agreement; (d) each Intellectual Property security agreement; and (e) any similar document executed in connection with the Loans; each in form and substance reasonably satisfactory to Lender.

“**Sublimit**” means the agreed sublimit specified in the Term Sheet.

“**Subsidiary**” of a Person means any other Person of which a majority of the equity interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of Borrower.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Termination Fee**” has the meaning set forth in the Term Sheet.

“**Termination Date**” means the earlier of (a) the Maturity Date, (b) thirty days after the date on which Lender gives Borrower notice of Lender’s election to terminate this Agreement, (c) the date Lender elects not to make requested Revolving Loans following an Event of Default, (d) the date of acceleration of the Loans pursuant to this Agreement; or (e) the date Borrower or Lender otherwise terminates this Agreement in accordance with the terms hereof.

“**Term Sheet**” means the Term Sheet set forth on the first page of the Agreement.







“**Total Revolving Outstandings**” means the outstanding daily net balance of any moneys remitted, paid, advanced or otherwise charged to Borrower or for Borrower’s account, including all interest accruals, less moneys repaid by Borrower to Lender hereunder, before the payment in full of all Obligations.

“**UCC**” means the Uniform Commercial Code as in effect in the State of New York, as amended or modified from time to time.

“**Verified Eligible Receivable**” means an Eligible Account with respect to which Lender has received and approved (i) an applicable bill of lading, proof of service or other shipping documents or (ii) a verbal, electronic or written confirmation from a responsible employee or other representative of the related account debtor; in each case with results consistent with the information provided by Borrower.



| | |
|-------------|--|
| TITLE | BZRTH Loan Agreement - WFC Fund |
| FILE NAME | BZRTH LA Unsigned.pdf |
| DOCUMENT ID | 500eff6db06b8be7d027538d4726967adc2436c4 |
| STATUS | ● Completed |

Document History

| | | |
|---|-----------------------------------|--|
|  SENT | 05/03/2019 21:45:21 UTC | Sent for signature to Chris Atkins (chris.atkins@c2fo.com), Allan Huang (allan.h@bizrightllc.com) and Kevin Ehinger (kevin.ehinger@c2fo.com) from jordan.nietzel@c2fo.com IP: 4.14.48.138 |
|  VIEWED | 05/03/2019 21:45:37 UTC | Viewed by Chris Atkins (chris.atkins@c2fo.com) IP: 174.234.0.79 |
|  SIGNED | 05/03/2019 21:46:51 UTC | Signed by Chris Atkins (chris.atkins@c2fo.com) IP: 174.234.0.79 |
|  VIEWED | 05/06/2019 22:28:23 UTC | Viewed by Allan Huang (allan.h@bizrightllc.com) IP: 104.152.234.148 |
|  SIGNED | 05/06/2019 22:34:56 UTC | Signed by Allan Huang (allan.h@bizrightllc.com) IP: 104.152.234.148 |
|  VIEWED | 05/06/2019 22:40:16 UTC | Viewed by Kevin Ehinger (kevin.ehinger@c2fo.com) IP: 174.234.3.107 |

| | |
|-------------|--|
| TITLE | BZRTH Loan Agreement - WFC Fund |
| FILE NAME | BZRTH LA Unsigned.pdf |
| DOCUMENT ID | 500eff6db06b8be7d027538d4726967adc2436c4 |
| STATUS | ● Completed |

Document History

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|--|-----------------------------------|---|
|  SIGNED | 05/06/2019 22:41:19 UTC | Signed by Kevin Ehinger (kevin.ehinger@c2fo.com) IP: 174.234.3.107 |
|  COMPLETED | 05/06/2019 22:41:19 UTC | The document has been completed. |



U.S. Small Business Administration

NOTE

| | |
|-------------------|----------------------------|
| SBA Loan # | 46872371-06 |
| SBA Loan Name | BZRTH Inc. |
| Date | 04-13-2020 |
| Loan Amount | \$175,500.00 |
| Interest Rate | 1.00% |
| Borrower | BZRTH Inc. |
| Operating Company | N/A |
| Lender | ROYAL BUSINESS BANK |

1.PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount of **One Hundred Seventy-five Thousand Five Hundred and 00/100** Dollars , interest on the unpaid principal balance, and all other amounts required by this Note.

2.DEFINITIONS:

"Collateral" means any property taken as security for payment of this Note or any guarantee of this Note.

"Guarantor" means each person or entity that signs a guarantee of payment of this Note.

"Loan" means the loan evidenced by this Note.

"Loan Documents" means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.

"SBA" means the Small Business Administration, an Agency of the United States of America.

3.PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

Initial Deferment Period: No payments are due on this loan for 6 months from the date of first disbursement of this loan. Interest will continue to accrue during the deferment period.

Loan Forgiveness: Borrower may apply to Lender for forgiveness of the amount due on this loan in an amount equal to the sum of the following costs incurred by Borrower during the 8-week period beginning on the date of first disbursement of this loan:

- a. Payroll costs
- b. Any payment of interest on a covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation)
- c. Any payment on a covered rent obligation
- d. Any covered utility payment

The amount of loan forgiveness shall be calculated (and may be reduced) in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136). Not more than 25% of the amount forgiven can be attributable to non-payroll costs. Borrower has received an EIDL advance in the amount of \$0.00. That amount shall be reduced from the loan forgiveness amount.

Maturity: This Note will mature two years from date of first disbursement of this loan.

Repayment Terms: The interest rate on this Note is one percent per year. The interest rate is fixed and will not be changed during the life of the loan.

After the loan forgiveness, the outstanding balance will be amortized until Maturity date. Interest will accrue from the date of initial disbursement.

Lender will apply each installment payment first to pay interest accrued to the day Lender received the payment, then to bring principal current, and will apply any remaining balance to reduce principal.

Loan Prepayment: Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note at any time without penalty. Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must: a. Give Lender written notice; b. Pay all accrued interest; and c. If the prepayment is received less than 21 days from the date Lender received the notice, pay an amount equal to 21 days interest from the date Lender received the notice, less any interest accrued during the 21 days and paid under b. of this paragraph. If Borrower does not prepay within 30 days from the date Lender received the notice, Borrower must give Lender a new notice.

Non-Recourse. Lender and SBA shall have no recourse against any individual shareholder, member or partner of Borrower for non-payment of the loan, except to the extent that such shareholder, member or partner uses the loan proceeds for an unauthorized purpose.

All remaining principal and accrued interest is due and payable 2 years from **date of initial disbursement**.

4. DEFAULT: Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

- A. Fails to do anything required by this Note and other Loan Documents;
- B. Defaults on any other loan with Lender;
- C. Does not preserve, or account to Lender's satisfaction for, any of the Collateral or its proceeds;
- D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
- E. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
- F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
- G. Fails to pay any taxes when due
- H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
- I. Has a receiver or liquidator appointed for any part of their business or property;
- J. Makes an assignment for the benefit of creditors;
- K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
- L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
- M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.

5. LENDER'S RIGHTS IF THERE IS A DEFAULT: Without notice or demand and without giving up any of its rights, Lender may:

- A. Require immediate payment of all amounts owing under this Note;
- B. Collect all amounts owing from any Borrower or Guarantor;
- C. File suit and obtain judgment;
- D. Take possession of any Collateral; or
- E. Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

6. LENDER'S GENERAL POWERS: Without notice and without Borrower's consent, Lender may:

- A. Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses;
- B. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
- C. Release anyone obligated to pay this Note;
- D. Compromise, release, renew, extend or substitute any of the Collateral; and
- E. Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES: When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS: Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

- A. All individuals and entities signing this Note are jointly and severally liable.
- B. Borrower waives all suretyship defenses.
- C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
- D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
- E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
- F. If any part of this Note is unenforceable, all other parts remain in effect.
- G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. STATE-SPECIFIC PROVISIONS:

NONE

11. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

BORROWER:

BZRTH Inc.

By /s Chenlong Tan 4/16/2020
Chenlong Tan, Authorized Signer of BZRTH Inc.

CUSTOMER INFORMATION PROFILE

BZRTH Inc.

CUSTOMER INFORMATION

Customer Name: BZRTH Inc.
Customer Type: Corporation
Street Address: 2399 Bateman Ave. Mailing Address:
Duarte, CA 91010
Primary Phone Number: (714) 318-1386
Cell Phone Number:

IDENTIFICATION

Taxpayer ID: 82-5144171 Taxpayer ID Applied For
Primary ID: ID Number: Secondary ID:
Issue Date: Issue Date:
Issued By: Issued By:

ACCOUNT INFORMATION

Branch Location:
Bank Rep. Name:

| | | |
|---------------------|--------------------|---------------------|
| Product Type | Loan Number | Opening Date |
| SBA 7A | 5152698000 | 04-13-2020 |

RESULTS OF DOCUMENTARY VERIFICATION

Customer's Identity has been verified using the above described identification documents
Verification Method:
 Unable to verify customer's identity
Explanation and resolution of discrepancies:

RESULTS OF NON-DOCUMENTARY VERIFICATION

Customer's Identity has been verified using the non-documentary methods described below:
 ChexSystemsSM Verification Logical Verification Other _____
 Credit Report Obtained Fraud/Bad Check Database Checked Other _____
 Financial Statement Reference Check Other _____
 Unable to verify customer's identity (explanation and resolution of discrepancies):

COMPARISON WITH GOVERNMENT LISTS

Does customer's name appear on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency? Yes No

VERIFICATION CONDUCTED BY _____
(Employee Name) (Date)

ROYAL BUSINESS BANK

CUSTOMER INFORMATION PROFILE

Tan, Chenlong

CUSTOMER INFORMATION

Customer Name: Chenlong Tan
Customer Type: Individual
Street Address: 2399 Bateman Ave. Mailing Address:
Duarte, CA 91010
Primary Phone Number: (714) 318-1386
Cell Phone Number:
Employer/Occupation:

IDENTIFICATION

Taxpayer ID: 625-55-0745 Taxpayer ID Applied For
Birth Date:
Primary ID: Secondary ID:
ID Number: ID Number:
Issue Date: Issue Date:
Exp. Date: Exp. Date:
Issued By: Issued By:

ACCOUNT INFORMATION

Branch Location:
Bank Rep. Name:
Product Type Loan Number Opening Date
SBA 7A 5152698000 04-13-2020

RESULTS OF DOCUMENTARY VERIFICATION

Customer's Identity has been verified using the above described identification documents
Verification Method:
 Unable to verify customer's identity
Explanation and resolution of discrepancies:

RESULTS OF NON-DOCUMENTARY VERIFICATION

Customer's Identity has been verified using the non-documentary methods described below:
 ChexSystems™ Verification Logical Verification Other _____
 Credit Report Obtained Fraud/Bad Check Database Checked Other _____
 Financial Statement Reference Check Other _____
 Unable to verify customer's identity (explanation and resolution of discrepancies):

COMPARISON WITH GOVERNMENT LISTS

Does customer's name appear on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency? Yes No

VERIFICATION CONDUCTED BY _____ (Date)
(Employee Name)
ROYAL BUSINESS BANK



515269800082514417104132020

DISBURSEMENT REQUEST AND AUTHORIZATION

| Principal | Loan Date | Maturity | Loan No | Call / Coll | Account | Officer | Initials |
|--------------|------------|------------|------------|-------------|---------|---------|----------|
| \$175,500.00 | 04-13-2020 | 04-01-2022 | 5152698000 | | | | |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: BZRTH Inc.
2399 Bateman Ave.
Duarte, CA 91010

Lender: ROYAL BUSINESS BANK
1055 Wilshire Boulevard, Suite 1220
Los Angeles, CA 90017

LOAN TYPE. This is a Fixed Rate (1.000%) Nondisclosable SBA Loan to a Corporation for \$175,500.00 due on April 1, 2022.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Paycheck Protection Program.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$175,500.00 as follows:

| | |
|---|--------------|
| Amount paid to Borrower directly: | \$175,500.00 |
| \$175,500.00 Deposited to Checking Account # 630282153 (SBA LOAN #46872371-06) | |

| | |
|------------------------|--------------|
| Note Principal: | \$175,500.00 |
|------------------------|--------------|

NOTARY FEE. BORROWER IS RESPONSIBLE TO PAY LENDER NOTARY FEE TO USE LENDER'S NOTARY SERVICE. LENDER WILL DEBIT BORROWER'S CHECKING/SAVING ACCOUNT FOR THE SUBJECT FEE IF NOTARY FEE IS NOT FINANCED FROM LOAN.

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED APRIL 13, 2020.

BORROWER:

BZRTH INC.

04/16/2020

By: _____
Chenlong Tan, Authorized Signer of BZRTH Inc.

FACSIMILE TRANSMITTED AND EMAIL AUTHORIZATION

| Principal | Loan Date | Maturity | Loan No | Call / Coll | Account | Officer | Initials |
|--------------|------------|------------|------------|-------------|---------|---------|----------|
| \$175,500.00 | 04-13-2020 | 04-01-2022 | 5152698000 | | | | |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: BZRTN Inc.
2399 Bateman Ave.
Duarte, CA 91010

Lender: ROYAL BUSINESS BANK
1055 Wilshire Boulevard, Suite 1220
Los Angeles, CA 90017

This FACSIMILE TRANSMITTED AND EMAIL AUTHORIZATION is attached to and by this reference is made a part of the Disbursement Request and Authorization, dated April 13, 2020, and executed in connection with a loan or other financial accommodations between ROYAL BUSINESS BANK and BZRTN Inc.

Your completion of this Facsimile Transmitted and Email Authorization ("Authorization") authorizes Royal Business Bank (hereinafter referred to as "Lender") to execute any services that you may request via facsimile or email for any present or future account established under the account name listed above on this Authorization.

By signing below, you agree to indemnify and hold harmless Lender and each and all of its directors, officers, employees, agents and representatives, and each of them, from any and all claims, demands, liabilities, damages, expenses, attorney's fees, and causes of action, whether known or unknown, arising from Lender's reliance on this Authorization and the performance by Lender of any service requested by you via facsimile or email. You agree that the indemnification set forth on this Authorization ("Indemnification") is unconditional and that you hereby waive any and all defenses to the enforcement of this Indemnification.

You agree that this Authorization shall be binding on your heirs, representatives, successors and assigns, and shall inure to the benefit of Lender and each and all of its successors, representatives and assigns.

If you are signing as a representative of an entity, the entity does hereby represent and warrant that it is duly organized, validly existing and it has all necessary power and authority to execute and deliver this Authorization, and that you are empowered to sign on behalf of such organization.

This Authorization shall be governed by the laws of the State of California.

This Authorization is to remain in full force and effect until Lender has received written or phone notification from you of its termination at such time and in such manner as to give Lender reasonable time and opportunity to act on it.

Please sign below exactly as the account is registered with Lender.

THIS FACSIMILE TRANSMITTED AND EMAIL AUTHORIZATION IS EXECUTED ON APRIL 13, 2020.

BORROWER:

BZRTN INC.



04/16/2020

By: _____
Chenlong Tan, Authorized Signer of BZRTN Inc.

LOAN AUTHORIZATION AND AGREEMENT (LA&A)

***A PROPERLY SIGNED DOCUMENT IS
REQUIRED PRIOR TO ANY
DISBURSEMENT***

CAREFULLY READ THE LA&A:

This document describes the terms and conditions of your loan. It is your responsibility to comply with ALL the terms and conditions of your loan.

SIGNING THE LA&A:

All borrowers must sign the LA&A.

- Sign your name *exactly* as it appears on the LA&A. If typed incorrectly, you should sign with the correct spelling.
- If your middle initial appears on the signature line, sign with your middle initial.
- If a suffix appears on the signature line, such as Sr. or Jr., sign with your suffix.

Your signature represents your agreement to comply with the terms and conditions of the loan.

U.S. Small Business Administration

Economic Injury Disaster Loan

LOAN AUTHORIZATION AND AGREEMENT

Date: 04.18.2020 (Effective Date)

On the above date, this Administration (SBA) authorized (under Section 7(b) of the Small Business Act, as amended) a Loan (SBA Loan #3181567207) to BZRTN Inc. (Borrower) of 2399 Bateman Ave Duarte California 91010 in the amount of five hundred thousand and 00/100 Dollars (\$500,000.00), upon the following conditions:

PAYMENT

- Installment payments, including principal and interest, of \$2,437.00 Monthly, will begin Twelve (12) months from the date of the promissory Note. The balance of principal and interest will be payable Thirty (30) years from the date of the promissory Note.

INTEREST

- Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance.

PAYMENT TERMS

- Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.
- Each payment will be made when due even if at that time the full amount of the Loan has not yet been advanced or the authorized amount of the Loan has been reduced.

COLLATERAL

- Borrower hereby grants to SBA, the secured party hereunder, a continuing security interest in and to any and all "Collateral" as described herein to secure payment and performance of all debts, liabilities and obligations of Borrower to SBA hereunder without limitation, including but not limited to all interest, other fees and expenses (all hereinafter called "Obligations"). The Collateral includes the following property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

GUARANTEE

Borrower will provide the following guarantee(s):

· Guarantee on SBA Form 2128 of: Chenlong Tan (2119 s 5th ave, arcadia, CA)

REQUIREMENTS RELATIVE TO COLLATERAL

- Borrower will not sell or transfer any collateral (except normal inventory turnover in the ordinary course of business) described in the "Collateral" paragraph hereof without the prior written consent of SBA.
- Borrower will neither seek nor accept future advances under any superior liens on the collateral securing this Loan without the prior written consent of SBA.

USE OF LOAN PROCEEDS

- Borrower will use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter and to pay Uniform Commercial Code (UCC) lien filing fees and a third-party UCC handling charge of \$100 which will be deducted from the Loan amount stated above.

REQUIREMENTS FOR USE OF LOAN PROCEEDS AND RECEIPTS

- Borrower will not use, directly or indirectly, any portion of the proceeds of this Loan to relocate without the prior written permission of SBA. The law prohibits the use of any portion of the proceeds of this Loan for voluntary relocation from the business area in which the disaster occurred. To request SBA's prior written permission to relocate, Borrower will present to SBA the reasons therefore and a description or address of the relocation site. Determinations of (1) whether a relocation is voluntary or otherwise, and (2) whether any site other than the disaster-affected location is within the business area in which the disaster occurred, will be made solely by SBA.
- Borrower will, to the extent feasible, purchase only American-made equipment and products with the proceeds of this Loan.
- Borrower will make any request for a loan increase for additional disaster-related damages as soon as possible after the need for a loan increase is discovered. The SBA will not consider a request for a loan increase received more than **two (2)** years from the date of loan approval unless, in the sole discretion of the SBA, there are extraordinary and unforeseeable circumstances beyond the control of the borrower.

DEADLINE FOR RETURN OF LOAN CLOSING DOCUMENTS

- **Borrower will sign and return the loan closing documents to SBA within 2 months of the date of this Loan Authorization and Agreement.** By notifying the Borrower in writing, SBA may cancel this Loan if the Borrower fails to meet this requirement. The Borrower may submit and the SBA may, in its sole discretion, accept documents after 2 months of the date of this Loan Authorization and Agreement.

COMPENSATION FROM OTHER SOURCES

- Eligibility for this disaster Loan is limited to disaster losses that are not compensated by other sources. Other sources include but are not limited to: (1) proceeds of policies of insurance or other indemnifications, (2) grants or other reimbursement (including loans) from government agencies or private organizations, (3) claims for civil liability against other individuals, organizations or governmental entities, and (4) salvage (including any sale or re-use) of items of damaged property.

- Borrower will promptly notify SBA of the existence and status of any claim or application for such other compensation, and of the receipt of any such compensation, and Borrower will promptly submit the proceeds of same (not exceeding the outstanding balance of this Loan) to SBA.
- Borrower hereby assigns to SBA the proceeds of any such compensation from other sources and authorizes the payor of same to deliver said proceeds to SBA at such time and place as SBA shall designate.
- SBA will in its sole discretion determine whether any such compensation from other sources is a duplication of benefits. SBA will use the proceeds of any such duplication to reduce the outstanding balance of this Loan, and Borrower agrees that such proceeds will not be applied in lieu of scheduled payments.

DUTY TO MAINTAIN HAZARD INSURANCE

- Within 12 months from the date of this Loan Authorization and Agreement the Borrower will provide proof of an active and in effect hazard insurance policy including fire, lightning, and extended coverage on all items used to secure this loan to at least 80% of the insurable value. Borrower will not cancel such coverage and will maintain such coverage throughout the entire term of this Loan. **BORROWER MAY NOT BE ELIGIBLE FOR EITHER ANY FUTURE DISASTER ASSISTANCE OR SBA FINANCIAL ASSISTANCE IF THIS INSURANCE IS NOT MAINTAINED AS STIPULATED HEREIN THROUGHOUT THE ENTIRE TERM OF THIS LOAN.** Please submit proof of insurance to: U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.

BOOKS AND RECORDS

- Borrower will maintain current and proper books of account in a manner satisfactory to SBA for the most recent 5 years until 3 years after the date of maturity, including extensions, or the date this Loan is paid in full, whichever occurs first. Such books will include Borrower's financial and operating statements, insurance policies, tax returns and related filings, records of earnings distributed and dividends paid and records of compensation to officers, directors, holders of 10% or more of Borrower's capital stock, members, partners and proprietors.
- Borrower authorizes SBA to make or cause to be made, at Borrower's expense and in such a manner and at such times as SBA may require: (1) inspections and audits of any books, records and paper in the custody or control of Borrower or others relating to Borrower's financial or business conditions, including the making of copies thereof and extracts therefrom, and (2) inspections and appraisals of any of Borrower's assets.
- Borrower will furnish to SBA, not later than 3 months following the expiration of Borrower's fiscal year and in such form as SBA may require, Borrower's financial statements.
- Upon written request of SBA, Borrower will accompany such statements with an 'Accountant's Review Report' prepared by an independent public accountant at Borrower's expense.
- Borrower authorizes all Federal, State and municipal authorities to furnish reports of examination, records and other information relating to the conditions and affairs of Borrower and any desired information from such reports, returns, files, and records of such authorities upon request of SBA.

LIMITS ON DISTRIBUTION OF ASSETS

- Borrower will not, without the prior written consent of SBA, make any distribution of Borrower's assets, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any owner or partner or any of its employees, or to any company directly or indirectly controlling or affiliated with or controlled by Borrower, or any other company.

EQUAL OPPORTUNITY REQUIREMENT

- If Borrower has or intends to have employees, Borrower will post SBA Form 722, Equal Opportunity Poster (copy attached), in Borrower's place of business where it will be clearly visible to employees, applicants for employment, and the general public.

DISCLOSURE OF LOBBYING ACTIVITIES

- Borrower agrees to the attached Certification Regarding Lobbying Activities

BORROWER'S CERTIFICATIONS

Borrower certifies that:

- No fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on SBA Form 5 Business Disaster Loan Application; SBA Form 3501 COVID-19 Economic Injury Disaster Loan Application; or SBA Form 159, 'Compensation Agreement'. All fees not approved by SBA are prohibited.
- All representations in the Borrower's Loan application (including all supplementary submissions) are true, correct and complete and are offered to induce SBA to make this Loan.
- No claim or application for any other compensation for disaster losses has been submitted to or requested of any source, and no such other compensation has been received, other than that which Borrower has fully disclosed to SBA.
- Neither the Borrower nor, if the Borrower is a business, any principal who owns at least 50% of the Borrower, is delinquent more than 60 days under the terms of any: (a) administrative order; (b) court order; or (c) repayment agreement that requires payment of child support.
- Borrower certifies that no fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on the Loan Application. All fees not approved by SBA are prohibited. If an Applicant chooses to employ an Agent, the compensation an Agent charges to and that is paid by the Applicant must bear a necessary and reasonable relationship to the services actually performed and must be comparable to those charged by other Agents in the geographical area. Compensation cannot be contingent on loan approval. In addition, compensation must not include any expenses which are deemed by SBA to be unreasonable for services actually performed or expenses actually incurred. Compensation must not include charges prohibited in 13 CFR 103 or SOP 50-30, Appendix 1. **If the compensation exceeds \$500 for a disaster home loan or \$2,500 for a disaster business loan, Borrower must fill out the Compensation Agreement Form 159D which will be provided for Borrower upon request or can be found on the SBA website**

- Borrower certifies, to the best of its, his or her knowledge and belief, that the certifications and representations in the attached Certification Regarding Lobbying are true, correct and complete and are offered to induce SBA to make this Loan.

CIVIL AND CRIMINAL PENALTIES

- Whoever wrongfully misapplies the proceeds of an SBA disaster loan shall be civilly liable to the Administrator in an amount equal to one-and-one half times the original principal amount of the loan under 15 U.S.C. 636(b). In addition, any false statement or misrepresentation to SBA may result in criminal, civil or administrative sanctions including, but not limited to: 1) fines, imprisonment or both, under 15 U.S.C. 645, 18 U.S.C. 1001, 18 U.S.C. 1014, 18 U.S.C. 1040, 18 U.S.C. 3571, and any other applicable laws; 2) treble damages and civil penalties under the False Claims Act, 31 U.S.C. 3729; 3) double damages and civil penalties under the Program Fraud Civil Remedies Act, 31 U.S.C. 3802; and 4) suspension and/or debarment from all Federal procurement and non-procurement transactions. Statutory fines may increase if amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

RESULT OF VIOLATION OF THIS LOAN AUTHORIZATION AND AGREEMENT

- If Borrower violates any of the terms or conditions of this Loan Authorization and Agreement, the Loan will be in default and SBA may declare all or any part of the indebtedness immediately due and payable. SBA's failure

to exercise its rights under this paragraph will not constitute a waiver.

- A default (or any violation of any of the terms and conditions) of any SBA Loan(s) to Borrower and/or its affiliates will be considered a default of all such Loan(s).

DISBURSEMENT OF THE LOAN

- Disbursements will be made by and at the discretion of SBA Counsel, in accordance with this Loan Authorization and Agreement and the general requirements of SBA.
- Disbursements may be made in increments as needed.
- Other conditions may be imposed by SBA pursuant to general requirements of SBA.
- Disbursement may be withheld if, in SBA's sole discretion, there has been an adverse change in Borrower's financial condition or in any other material fact represented in the Loan application, or if Borrower fails to meet any of the terms or conditions of this Loan Authorization and Agreement.
- **NO DISBURSEMENT WILL BE MADE LATER THAN 6 MONTHS FROM THE DATE OF THIS LOAN AUTHORIZATION AND AGREEMENT UNLESS SBA, IN ITS SOLE DISCRETION, EXTENDS THIS DISBURSEMENT PERIOD.**

PARTIES AFFECTED

- This Loan Authorization and Agreement will be binding upon Borrower and Borrower's successors and assigns and will inure to the benefit of SBA and its successors and assigns.

RESOLUTION OF BOARD OF DIRECTORS

- Borrower shall, within 180 days of receiving any disbursement of this Loan, submit the appropriate SBA Certificate and/or Resolution to the U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.

ENFORCEABILITY

- This Loan Authorization and Agreement is legally binding, enforceable and approved upon Borrower's signature, the SBA's approval and the Loan Proceeds being issued to Borrower by a government issued check or by electronic debit of the Loan Proceeds to Borrower's banking account provided by Borrower in application for this Loan.

/s/ James E. Rivers

James E. Rivera
Associate Administrator
U.S. Small Business Administration

The undersigned agree(s) to be bound by the terms and conditions herein during the term of this Loan, and further agree(s) that no provision stated herein will be waived without prior written consent of SBA. **Under penalty of perjury of the United States of America, I hereby certify that I am authorized to apply for and obtain a disaster loan on behalf of Borrower, in connection with the effects of the COVID-19 emergency.**

BZRTM Inc.

Date: 04.18.2020

Chenlong Tan, Owner/Officer

Note: Corporate Borrowers must execute Loan Authorization and Agreement in corporate name, by a duly authorized officer. Partnership Borrowers must execute in firm name, together with signature of a general partner. Limited Liability entities must execute in the entity name by the signature of the authorized managing person.

CERTIFICATION REGARDING LOBBYING

For loans over \$150,000, Congress requires recipients to agree to the following:

1. Appropriated funds may NOT be used for lobbying.
2. Payment of non-federal funds for lobbying must be reported on Form SF-LLL.
3. Language of this certification must be incorporated into all contracts and subcontracts exceeding \$100,000.
4. All contractors and subcontractors with contracts exceeding \$100,000 are required to certify and disclose accordingly.

**CERTIFICATION REGARDING
LOBBYING**

Certification for Contracts, Grants, Loans, and Cooperative

Agreements

Borrower and all Guarantors certify, to the best of its, his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal loan, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and co-operative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000.00 and not more than \$100,000.00 for each such failure.

This Statement of Policy is Posted

In Accordance with Regulations of the

Small Business Administration

This Organization Practices

Equal Employment Opportunity

We do not discriminate on the ground of race, color, religion, sex, age, disability or national origin in the hiring, retention, or promotion of employees; nor in determining their rank, or the compensation or fringe benefits paid them.

This Organization Practices

Equal Treatment of Clients

We do not discriminate on the basis of race, color, religion, sex, marital status, disability, age or national origin in services or accommodations offered or provided to our employees, clients or guests.

**These policies and this notice comply with regulations of the
United States Government.**

Please report violations of this policy to:

**Administrator
Small Business Administration
Washington, D.C. 20416**

In order for the public and your employees to know their rights under 13 C.F.R Parts 112, 113, and 117, Small Business Administration Regulations, and to conform with the directions of the Administrator of SBA, this poster must be displayed where it is clearly visible to employees, applicants for employment, and the public.

Failure to display the poster as required in accordance with SBA Regulations may be considered evidence of noncompliance and subject you to the penalties contained in those Regulations.

Esta Declaración De Principios Se Publica

De Acuerdo Con Los Reglamentos De La

Agencia Federal Para el Desarrollo de la Pequeña Empresa

Esta Organización Practica

Igual Oportunidad De Empleo

No discriminamos por razón de raza, color, religión, sexo, edad, discapacidad o nacionalidad en el empleo, retención o ascenso de personal ni en la determinación de sus posiciones, salarios o beneficios marginales.

Esta Organización Practica

Igualdad En El Trato A Su Clientela

No discriminamos por razón de raza, color, religión, sexo, estado civil, edad, discapacidad o nacionalidad en los servicios o facilidades prov nuestros empleados, clientes o visitantes.

Estos principios y este aviso cumplen con los reglamentos del Gobierno de los Estados Unidos de América.

Favor de informar violaciones a lo aquí indicado a:

**Administrador
Agencia Federal Para el Desarrollo de la
Pequeña Empresa
Washington, D.C. 20416**

A fin de que el público y sus empleados conozcan sus derechos según lo expresado en las Secciones 112, 113 y 117 del Código de Regulaciones Federales No. 13, de los Reglamentos de la Agencia Federal Para el Desarrollo de la Pequeña Empresa y de acuerdo con las instrucciones del Administrador de dicha agencia,

esta notificación debe fijarse en un lugar claramente visible para los empleados, solicitantes de empleo y público en general. No fijar esta notificación según lo requerido por los reglamentos de la Agencia Federal Para el Desarrollo de la Pequeña Empresa, puede ser interpretado como evidencia de falta de cumplimiento de los mismos y conllevará la ejecución de los castigos impuestos en estos reglamentos.

NOTE

**A PROPERLY SIGNED NOTE IS
REQUIRED PRIOR TO ANY
DISBURSEMENT**

CAREFULLY READ THE NOTE: It is your promise to repay the loan.

- The Note is pre-dated. **DO NOT CHANGE THE DATE OF THE NOTE.**
- **LOAN PAYMENTS** will be due as stated in the Note.
- **ANY CORRECTIONS OR UNAUTHORIZED MARKS MAY VOID THIS DOCUMENT.**

SIGNING THE NOTE: All borrowers must sign the Note.

- Sign your name *exactly* as it appears on the Note. If typed incorrectly, you should sign with the correct spelling.
- If your middle initial appears on the signature line, sign with your middle initial.
- If a suffix appears on the signature line, such as Sr. or Jr., sign with your suffix.
- Corporate Signatories: Authorized representatives should sign the signature page.

U.S. Small Business Administration

NOTE

(SECURED DISASTER LOANS)

Date: 04.18.2020

Loan Amount: \$500,000.00

Annual Interest Rate: 3.75%

1. **PROMISE TO PAY:** In return for a loan, Borrower promises to pay to the order of SBA the amount of **five hundred thousand and 00/100 Dollars (\$500,000.00)**, interest on the unpaid principal balance, and all other amounts required by this Note.
2. **DEFINITIONS:** **A)** “Collateral” means any property taken as security for payment of this Note or any guarantee of this Note. **B)** “Guarantor” means each person or entity that signs a guarantee of payment of this Note. **C)** “Loan Documents” means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.
3. **PAYMENT TERMS:** Borrower must make all payments at the place SBA designates. Borrower may prepay this Note in part or in full at any time, without notice or penalty. Borrower must pay principal and interest payments of **\$2,437.00** every **month** beginning **Twelve (12)** months from the date of the Note. SBA will apply each installment payment first to pay interest accrued to the day SBA receives the payment and will then apply any remaining balance to reduce principal. All remaining principal and accrued interest is due and payable **Thirty (30) years** from the date of the Note.
4. **DEFAULT:** Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower: **A)** Fails to comply with any provision of this Note, the Loan Authorization and Agreement, or other Loan Documents; **B)** Defaults on any other SBA loan; **C)** Sells or otherwise transfers, or does not preserve or account to SBA’s satisfaction for, any of the Collateral or its proceeds; **D)** Does not disclose, or anyone acting on their behalf does not disclose, any material fact to SBA; **E)** Makes, or anyone acting on their behalf makes, a materially false or misleading representation to SBA; **F)** Defaults on any loan or agreement with another creditor, if SBA believes the default may materially affect Borrower’s ability to pay this Note; **G)** Fails to pay any taxes when due; **H)** Becomes the subject of a proceeding under any bankruptcy or insolvency law; **I)** Has a receiver or liquidator appointed for any part of their business or property; **J)** Makes an assignment for the benefit of creditors; **K)** Has any adverse change in financial condition or business operation that SBA believes may materially affect Borrower’s ability to pay this Note; **L)** Dies; **M)** Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without SBA’s prior written consent; or, **N)** Becomes the subject of a civil or criminal action that SBA believes may materially affect Borrower’s ability to pay this Note.
5. **SBA’S RIGHTS IF THERE IS A DEFAULT:** Without notice or demand and without giving up any of its rights, SBA may: **A)** Require immediate payment of all amounts owing under this Note; **B)** Have recourse to collect all amounts owing from any Borrower or Guarantor (if any); **C)** File suit and obtain judgment; **D)** Take possession of any Collateral; or **E)** Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.
6. **SBA’S GENERAL POWERS:** Without notice and without Borrower’s consent, SBA may: **A)** Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses; **B)** Collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney’s fees and costs. If SBA incurs such expenses, it may demand immediate reimbursement from Borrower or add the expenses to the principal balance; **C)** Release anyone obligated to pay this Note; **D)** Compromise, release, renew, extend or substitute any of the Collateral; and **E)** Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. **FEDERAL LAW APPLIES:** When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.
8. **GENERAL PROVISIONS:** **A)** All individuals and entities signing this Note are jointly and severally liable. **B)** Borrower waives all suretyship defenses. **C)** Borrower must sign all documents required at any time to comply with the Loan Documents and to enable SBA to acquire, perfect, or maintain SBA's liens on Collateral. **D)** SBA may exercise any of its rights separately or together, as many times and in any order it chooses. SBA may delay or forgo enforcing any of its rights without giving up any of them. **E)** Borrower may not use an oral statement of SBA to contradict or alter the written terms of this Note. **F)** If any part of this Note is unenforceable, all other parts remain in effect. **G)** To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that SBA did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale. **H)** SBA may sell or otherwise transfer this Note.
9. **MISUSE OF LOAN FUNDS:** Anyone who wrongfully misapplies any proceeds of the loan will be civilly liable to SBA for one and one-half times the proceeds disbursed, in addition to other remedies allowed by law.
10. **BORROWER'S NAME(S) AND SIGNATURE(S):** By signing below, each individual or entity acknowledges and accepts personal obligation and full liability under the Note as Borrower.

BZRTH Inc.

Chenlong Tan, Owner/Officer

SECURITY AGREEMENT

Read this document carefully. It grants the SBA a security interest (lien) in all the property described in paragraph 4.

This document is predated. DO NOT CHANGE THE DATE ON THIS DOCUMENT.

U.S. Small Business Administration
SECURITY AGREEMENT

| | |
|----------------|--|
| SBA Loan #: | 3181567207 |
| Borrower: | BZRTN Inc. |
| Secured Party: | The Small Business Administration, an Agency of the U.S. Government |
| Date: | 04.18.2020 |
| Note Amount: | \$500,000.00 |

1. DEFINITIONS.

Unless otherwise specified, all terms used in this Agreement will have the meanings ascribed to them under the

Official Text of the Uniform Commercial Code, as it may be amended from time to time, ("UCC"). "SBA" means the Small Business Administration, an Agency of the U.S. Government.

2. GRANT OF SECURITY INTEREST.

For value received, the Borrower grants to the Secured Party a security interest in the property described below in paragraph 4 (the "Collateral").

3. OBLIGATIONS SECURED.

This Agreement secures the payment and performance of: (a) all obligations under a Note dated 04.18.2020, made by BZRTN Inc. , made payable to Secured Lender, in the amount of \$500,000.00 ("Note"), including all costs and expenses (including reasonable attorney's fees), incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note; (b) all costs and expenses (including reasonable attorney's fees), incurred by Secured Party in the protection, maintenance and enforcement of the security interest hereby granted; (c) all obligations of the Borrower in any other agreement relating to the Note; and (d) any modifications, renewals, refinancings, or extensions of the foregoing obligations.

4. COLLATERAL DESCRIPTION.

The Collateral in which this security interest is granted includes the following property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

5. RESTRICTIONS ON COLLATERAL TRANSFER.

Borrower will not sell, lease, license or otherwise transfer (including by granting security interests, liens, or other encumbrances in) all or any part of the Collateral or Borrower's interest in the Collateral without Secured Party's written or electronically communicated approval, except that Borrower may sell inventory in the ordinary course of business on customary terms. Borrower may collect and use amounts due on accounts and other rights to payment arising or created in the ordinary course of business, until notified otherwise by Secured Party in writing or by electronic communication.

6. MAINTENANCE AND LOCATION OF COLLATERAL; INSPECTION; INSURANCE.

Borrower must promptly notify Secured Party by written or electronic communication of any change in location of the Collateral, specifying the new location. Borrower hereby grants to Secured Party the right to inspect the Collateral at all reasonable times and upon reasonable notice. Borrower must: (a) maintain the Collateral in good condition; (b) pay promptly all taxes, judgments, or charges of any kind levied or assessed thereon; (c) keep current all rent or mortgage payments due, if any, on premises where the Collateral is located; and (d) maintain hazard insurance on the Collateral, with an insurance company and in an amount approved by Secured Party (but in no event less than the replacement cost of that Collateral), and including such terms as Secured Party may require including a Lender's Loss Payable Clause in favor of Secured Party. Borrower hereby assigns to Secured Party any proceeds of such policies and all unearned premiums thereon and authorizes and empowers Secured Party to collect such sums and to execute and endorse in Borrower's name all proofs of loss, drafts, checks and any other documents necessary for Secured Party to obtain such payments.

7. CHANGES TO BORROWER'S LEGAL STRUCTURE, PLACE OF BUSINESS, JURISDICTION OF ORGANIZATION, OR NAME.

Borrower must notify Secured Party by written or electronic communication not less than 30 days before taking any of the following actions: (a) changing or reorganizing the type of organization or form under which it does business; (b) moving, changing its place of business or adding a place of business; (c) changing its jurisdiction of organization; or (d) changing its name. Borrower will pay for the preparation and filing of all documents Secured Party deems necessary to maintain, perfect and continue the perfection of Secured Party's security interest in the event of any such change.

8. PERFECTION OF SECURITY INTEREST.

Borrower consents, without further notice, to Secured Party's filing or recording of any documents necessary to perfect, continue, amend or terminate its security interest. Upon request of Secured Party, Borrower must sign or otherwise authenticate all documents that Secured Party deems necessary at any time to allow Secured Party to acquire, perfect, continue or amend its security interest in the Collateral. Borrower will pay the filing and recording costs of any documents relating to Secured Party's security interest. Borrower ratifies all previous filings and recordings, including financing statements and notations on certificates of title. Borrower will cooperate with Secured Party in obtaining a Control Agreement satisfactory to Secured Party with respect to any Deposit Accounts or Investment Property, or in otherwise obtaining control or possession of that or any other Collateral.

9. DEFAULT.

Borrower is in default under this Agreement if: (a) Borrower fails to pay, perform or otherwise comply with any provision of this Agreement; (b) Borrower makes any materially false representation, warranty or certification in, or in connection with, this Agreement, the Note, or any other agreement related to the Note or this Agreement; (c) another secured party or judgment creditor exercises its rights against the Collateral; or (d) an event defined as a "default" under the Obligations occurs. In the event of default and if Secured Party requests, Borrower must assemble and make available all Collateral at a place and time designated by Secured Party. Upon default and at any time thereafter, Secured Party may declare all Obligations secured hereby immediately due and payable, and, in its sole discretion, may proceed to enforce payment of same and exercise any of the rights and remedies available to a secured party by law including those available to it under Article 9 of the UCC that is in effect in the jurisdiction where Borrower or the Collateral is located. Unless otherwise required under applicable law, Secured Party has no obligation to clean or otherwise prepare the Collateral for sale or other disposition and Borrower waives any right it may have to require Secured Party to enforce the security interest or payment or performance of the Obligations against any other person.

10. FEDERAL RIGHTS.

When SBA is the holder of the Note, this Agreement will be construed and enforced under federal law, including SBA regulations. Secured Party or SBA may use state or local procedures for filing papers, recording documents, giving notice, enforcing security interests or liens, and for any other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax or liability. As to this Agreement, Borrower may not claim or assert any local or state law against SBA to deny any obligation, defeat any claim of SBA, or preempt federal law.

11. GOVERNING LAW.

Unless SBA is the holder of the Note, in which case federal law will govern, Borrower and Secured Party agree that this Agreement will be governed by the laws of the jurisdiction where the Borrower is located, including the UCC as in effect in such jurisdiction and without reference to its conflicts of laws principles.

12. SECURED PARTY RIGHTS.

All rights conferred in this Agreement on Secured Party are in addition to those granted to it by law, and all rights are cumulative and may be exercised simultaneously. Failure of Secured Party to enforce any rights or remedies will not constitute an estoppel or waiver of Secured Party's ability to exercise such rights or remedies. Unless otherwise required under applicable law, Secured Party is not liable for any loss or damage to Collateral in its possession or under its control, nor will such loss or damage reduce or discharge the Obligations that are due, even if Secured Party's actions or inactions caused or in any way contributed to such loss or damage.

13. SEVERABILITY.

If any provision of this Agreement is unenforceable, all other provisions remain in effect.

14. **BORROWER CERTIFICATIONS.**

Borrower certifies that: (a) its Name (or Names) as stated above is correct; (b) all Collateral is owned or titled in the Borrower's name and not in the name of any other organization or individual; (c) Borrower has the legal authority to grant the security interest in the Collateral; (d) Borrower's ownership in or title to the Collateral is free of all adverse claims, liens, or security interests (unless expressly permitted by Secured Party); (e) none of the Obligations are or will be primarily for personal, family or household purposes; (f) none of the Collateral is or will be used, or has been or will be bought primarily for personal, family or household purposes; (g) Borrower has read and understands the meaning and effect of all terms of this Agreement.

15. **BORROWER NAME(S) AND SIGNATURE(S).**

By signing or otherwise authenticating below, each individual and each organization becomes jointly and severally obligated as a Borrower under this Agreement.

BZRTH Inc.

/s/ Chenlong Tan
Chenlong Tan, Owner/Officer

Date: 04.18.2020

GUARANTEE

The Guarantee is to be signed by the person(s) who is to guarantee your loan.

This document is pre-dated. DO NOT CHANGE THE DATE ON THIS DOCUMENT.

U.S. Small Business Administration
UNCONDITIONAL GUARANTEE
(DISASTER LOANS)

| | |
|---------------|--------------|
| SBA Loan # | 3181567207 |
| Application # | 3600444610 |
| Guarantor(s) | Chenlong Tan |
| Borrower | BZRTN Inc. |
| Date | 04.18.2020 |
| Note Amount | \$500,000.00 |

1. GUARANTEE.

Guarantor(s) unconditionally guarantee(s) payment to SBA of all amounts owing under the Note. This Guarantee remains in effect until the Note is paid in full. Guarantor(s) must pay all amounts due under the Note when SBA makes written demand upon Guarantor(s). SBA is not required to seek payment from any other source before demanding payment from Guarantor(s).

2. NOTE.

The "Note" is the promissory note dated 04.18.2020 in the principal amount of **five hundred thousand and 00/100 Dollars (\$500,000.00.)** from Borrower to SBA. It includes any assumption, renewal, substitution, or replacement of the Note.

3. DEFINITIONS.

"Collateral" means property, if any, taken as security for payment of the Note or any guarantee of the Note.

"Loan" means the loan evidenced by the Note.

"Loan Documents" means the documents related to the Loan signed by Borrower, Guarantor(s) or any other guarantor, or anyone who pledges Collateral.

"SBA" means the Small Business Administration, an Agency of the United States of America.

4. **SBA'S GENERAL POWERS.**

SBA may take any of the following actions at any time, without notice, without Guarantor(s)' consent, and without making demand upon Guarantor(s):

- A. Modify the terms of the Note or any other Loan Document except to increase the amounts due under the Note;
- B. Refrain from taking any action on the Note, the Collateral, or any guarantee;
- C. Release any Borrower or any guarantor of the Note;
- D. Compromise or settle with the Borrower or any guarantor of the Note;
- E. Substitute or release any of the Collateral, whether or not SBA receives anything in return;
- F. Foreclose upon or otherwise obtain, and dispose of, any Collateral at public or private sale, with or without advertisement;
- G. Bid or buy at any sale of Collateral by SBA or any other lienholder, at any price SBA chooses; and
- H. Exercise any rights it has, including those in the Note and other Loan Documents.

These actions will not release or reduce the obligations of Guarantor(s) or create any rights or claims against SBA.

5. **FEDERAL LAW.**

When SBA is the holder, the Note and this Guarantee will be construed and enforced under federal law, including SBA regulations. SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Guarantee, Guarantor(s) may not claim or assert any local or state law against SBA to deny any obligation, defeat any claim of SBA, or preempt federal law.

6. **RIGHTS, NOTICES, AND DEFENSES THAT GUARANTOR(S) WAIVE(S).**

To the extent permitted by law,

I. Guarantor(s) waive(s) all rights to:

- 1) Require presentment, protest, or demand upon Borrower;
- 2) Redeem any Collateral before or after SBA disposes of it;
- 3) Have any disposition of Collateral advertised; and
- 4) Require a valuation of Collateral before or after SBA disposes of it.

J. Guarantor(s) waive(s) any notice of:

- 1) Any default under the Note;
- 2) Presentment, dishonor, protest, or demand;
- 3) Execution of the Note;
- 4) Any action or inaction on the Note or Collateral, such as disbursements, payment, nonpayment, acceleration, intent to accelerate, assignment, collection activity, and incurring enforcement expenses;
- 5) Any change in the financial condition or business operations of Borrower or any guarantor(s);
- 6) Any changes in the terms of the Note or other Loan Documents, except increases in the amounts due under the Note; and
- 7) The time or place of any sale or other disposition of Collateral.

K. Guarantor(s) waive(s) defenses based upon any claim that

- 1) SBA failed to obtain any guarantee;
- 2) SBA failed to obtain, perfect, or maintain a security interest in any property offered or taken as Collateral;
- 3) SBA or others improperly valued or inspected the Collateral;
- 4) The Collateral changed in value, or was neglected, lost, destroyed, or underinsured;

- 5) SBA impaired the Collateral;
- 6) SBA did not dispose of any of the Collateral;
- 7) SBA did not conduct a commercially reasonable sale;
- 8) SBA did not obtain the fair market value of the Collateral;
- 9) SBA did not make or perfect a claim upon the death or disability of Borrower or any guarantor of the Note;
- 10) The financial condition of Borrower or any guarantor was overstated or has adversely changed;
- 11) SBA made errors or omissions in Loan Documents or administration of the Loan;
- 12) SBA did not seek payment from the Borrower, any other guarantor(s), or any Collateral before demanding payment from Guarantor(s);
- 13) SBA impaired Guarantor(s)' suretyship rights;
- 14) SBA modified the Note terms, other than to increase amounts due under the Note. If SBA modifies the Note to increase the amounts due under the Note without Guarantor(s)' consent, Guarantor(s) will not be liable for the increased amounts and related interest and expenses, but remains liable for all other amounts;
- 15) Borrower has avoided liability on the Note; or
- 16) SBA has taken an action allowed under the Note, this Guarantee, or other Loan Documents.

7. DUTIES AS TO COLLATERAL.

Guarantor(s) will preserve the Collateral, if any, pledged by Guarantor(s) to secure this Guarantee. SBA has no duty to preserve or dispose of any Collateral.

8. SUCCESSORS AND ASSIGNS.

Under this Guarantee, Guarantor(s) include(s) successors, and SBA includes successors and assigns.

- L. **GENERAL PROVISIONS. ENFORCEMENT EXPENSES.** Guarantor(s) promise(s) to pay all expenses SBA incurs to enforce this Guarantee, including, but not limited to, attorney's fees and costs.
- M. **SUBROGRATION RIGHT.** Guarantor(s) has/have no subrogation rights as to the Note or the Collateral until the Note is paid in full.
- N. **JOINT AND SEVERAL LIABILITY.** All individuals and entities signing as Guarantor(s) is/are jointly and severally liable.
- O. **DOCUMENT SIGNING.** Guarantor(s) must sign all documents necessary at any time to comply with the Loan Documents and to enable SBA to acquire, perfect, or maintain SBA's liens on Collateral.
- P. **FINANCIAL STATEMENTS.** Guarantor(s) must give SBA financial statements as SBA requires.
- Q. **SBA'S RIGHTS CUMULATIVE, NOT WAIVED.** SBA may exercise any of its rights separately or together, as many times as it chooses. SBA may delay or forgo enforcing any of its rights without losing or impairing any of them.
- R. **ORAL STATEMENTS NOT BINDING.** Guarantor(s) may not use an oral statement to contradict or alter the written terms of the Note or this Guarantee, or to raise a defense to this Guarantee.
- S. **SEVERABILITY.** If any part of this Guarantee is found to be unenforceable, all other parts will remain in effect.

T. CONSIDERATION. The consideration for this Guarantee is the Loan or any accommodation by SBA as to the Loan.

10. GUARANTOR(S) ACKNOWLEDGMENT OF TERMS.

Guarantor(s) acknowledge(s) that Guarantor(s) has/have read and understands the significance of all terms of the Loan Authorization Agreement, Note, this Guarantee, including all waivers, and certifies, to the best of its, his or her knowledge and belief, that the certifications and representations in the attached Certification Regarding Lobbying are true, correct and complete and are offered to induce SBA to make this Loan.

11. GUARANTOR(S) NAME(S) AND SIGNATURE(S).

By signing below, each individual or entity becomes obligated as Guarantor under this Guarantee.

GUARANTOR:

/s/ Chenlong Tan
Chenlong Tan
By: Chenlong Tan, Owner/Officer

**EMPLOYMENT AGREEMENT
CHIEF EXECUTIVE OFFICER**

.....
This EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into as of July 1, 2020 by and between BZRTH INC., a Nevada corporation (the “Company”), and CHENLONG TAN, an individual (the “Executive”).

RECITALS

A. WHEREAS, the Company is mainly engaged in the business of marketing and selling of indoor/outdoor gardening products and other accessories.

B. WHEREAS, the Company desires to engage the Executive as its Chief Executive Officer, and the Executive desires to provide employment services to the Company on all of the terms and conditions herein set forth.

C. WHEREAS, the Company desires to provide the Executive with compensation in recognition of the Executive’s valuable skills and services.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties hereto agree as follows:

ARTICLE I. DEFINITION

In this Agreement, unless the context otherwise requires, the following words shall have the following meaning:

“Board” means the Board of Directors of the Company;

“Company” means BZRTH Inc, a company duly incorporated and validly existing under the laws of the state of Nevada;

“Commencement Date” means the date set forth in Section 3.1 and which is the date on which the Executive’s Employment shall commence;

“Employment” means the employment of the Executive under the terms herein; “Executive” means Chenlong Tan;

“Confidentiality Agreement” means the Confidentiality Agreement to be executed contemporaneously with this Agreement by and between the Company and the Executive.

ARTICLE II. POSITION AND DUTIES

2.1 Employment. The Company hereby employs the Executive as its Chief Executive Officer, and the Executive hereby accepts such engagement with the Company, in accordance with and subject to all of the terms, conditions and covenants set forth in this Agreement. The Executive shall travel to the extent and to the places necessary for the performance of his duties.

2.2 Scope of Duties. The Executive shall be the Chief Executive Officer of the Company, and shall have such other or additional offices or positions with the Company as the Board shall determine from time to time, but subject to the Executive’s consent. The Executive shall have responsibility for directing and managing the operations of the Company.

2.3 Other Business Affiliations. During the term of his Employment, the Executive shall devote his best efforts, full time and attention to his duties under this Agreement.

ARTICLE III. DURATION

3.1 Commencement Date. The Commencement Date shall be July 1, 2020.

3.2 Conditions. Employment shall be conditional upon the Executive obtaining and maintaining any required passport, visa, resident and/or work permits to work at the Company which the Company will, at its expense, take reasonable steps to assist the Executive in securing.

3.3 Term. The Executive's Employment shall commence on the Commencement Date and shall continue for an initial term of 5 years unless otherwise terminated in accordance with Article 8 below. Upon the expiration of the initial term, the Executive's Employment shall be automatically extended for successive periods of twelve (12) months commencing on the date following the expiration of the initial term or of any subsequent extension, unless terminated by either party upon thirty (30) days' notice prior to the expiration of the initial term or any subsequent terms.

ARTICLE IV. COMPENSATION

4.1 Salary. During the term of Employment, the Executive shall be paid an initial gross monthly salary of \$20,000, which shall be paid in equal bi-monthly installments in U.S. dollars in accordance with the Company's normal and customary payroll practices as may be in effect from time to time. The salary to the Executive, after standard state, federal and other governmental deductions required by law, will be paid to the Executive. The salary shall be reviewed and adjusted annually based on performance.

4.2 Incentive Equity Compensation Plan. The Company shall recommend to the Board that the Executive be granted restricted common shares and/or options to purchase shares of the Company's stocks.

4.3 Bonus. During the term of Employment, the Executive shall be eligible to earn an annual performance-based cash bonus to be determined and payable at the end of each fiscal year-end date.

4.4 Motor Vehicle. During the term of Employment, the Company shall lease a motor vehicle for the Executive's daily use.

4.5 Reimbursable Expenses. During the term of Employment, the Company shall reimburse the Executive for all reasonable business expenses incurred in the performance of the Executive's duties hereunder on behalf of the Company.

ARTICLE V. OTHER BENEFITS, VACATION AND HOLIDAYS

5.1 Benefits. During the term of Employment, the Executive shall be eligible to participate in employee benefit plans, including sick leave policies, as the Company may establish for its employees as may be in effect from time to time. At this time, the Company does not offer any Benefits in which Executive would be eligible to participate.

5.2 Vacation. During the term of Employment, the Executive shall be entitled in each calendar year to 15 days of vacation with full salary (in addition to statutory holidays) to be taken at such reasonable time.

5.3 Holidays. The Executive shall be entitled to the statutory public holidays observed in.

ARTICLE VI. CONFIDENTIALITY

6.1 Enforceability. The Executive agrees that, having regard to all the circumstances, the restrictions in this Article 6 are reasonable and necessary but no more than sufficient for the protection of the Company. The Company and the Executive agree that:

(i) each restriction in this Article 6 shall be read and construed independently of the other restrictions so that if one or more are found to be void or unenforceable as an unreasonable restraint of trade or for any other reason, the remaining restrictions shall not be affected; and

(ii) if any restriction is found to be void but would be valid and enforceable if some part of it were deleted or the period thereof were deleted or the range of activities or area dealt with thereby were reduced in scope, the restriction shall apply with such modifications as may be necessary to make it valid and enforceable.

6.2 Injunctive Relief. In the event of the breach or threatened breach by the Executive of this Article 6, the Company, in addition to all other remedies available to it at law or in equity, will be entitled to seek injunctive relief and/or specific performance to enforce this Article 6 in any court of competent jurisdiction worldwide.

ARTICLE VII. TERMINATION

7.1 Termination upon Mutual Agreement. During the term of Employment, the Executive's Employment may be terminated by either party giving the other not less than thirty (30) days' notice in writing provided that the Company shall have the option to pay salary (pro-rated) in lieu of any required period of notice.

7.2 Termination by the Executive. The Executive may terminate his Employment at any time with not less than thirty (30) days' notice in writing to the Company, if (1) there is a material reduction in the Executive's authority, duties and responsibilities, or (2) there is a material reduction in the Executive's annual salary before the next annual salary review.

7.3 Death. Employment under this Agreement shall terminate immediately without action or notice by either party upon death of the Executive during the term of Employment and without further obligation by the Company, except for payment of any salary at the rate contemplated under Section 4.1 that is accrued and unpaid to the effective date of termination.

ARTICLE III. MISCELLANEOUS PROVISIONS

8.1 Warranties. The Executive represents and warrants that he will not improperly use or disclose to the Company for its benefit any confidential information or trade secrets of (i) any former or current employers, (ii) any person to whom he has previously provided consulting services or (iii) any other person to whom the Executive owes an obligation of confidentiality. The Executive undertakes that he shall not bring onto the premises of the Company any unpublished documents or any property belonging to any person referred to in this Section unless consented to in writing by such person.

8.2 Severability. If any term, provision, covenant or condition of this Agreement is held to be invalid, void, or unenforceable, (i) in the case of any such term, provision, covenant or condition set out in Article 6, the provisions of Section 6.4 shall apply, and (ii) in the case of any other provision, the remainder of the provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

8.3 Survival. The rights and obligations of the parties as stated herein shall survive the termination of this Agreement.

8.4 Entire Agreement. This Agreement (including any attachments and exhibits thereto) is the entire agreement between the parties hereto concerning the subject matter hereof and supersedes and replaces all prior or contemporaneous agreements or understandings between the parties.

8.5 Employment Amendments. This Agreement may not be amended or modified in any manner, except by an instrument in writing signed by the Executive and authorized officer of the Company or any other officer duly authorized by the Board.

8.6 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that the Executive may assign any of the Executive's duties hereunder and the Executive may assign any of the Executive's rights or other interest herein to a party without the prior written consent of the Company.

8.7 Waiver. Failure of either party to enforce any of the provisions of this Agreement or any rights with respect thereto or failure to exercise any election provided for herein shall in no way be considered to be a waiver of such provisions, rights or elections or in any way effect the validity of this Agreement. The failure of either party to exercise any of said provisions, rights or elections shall not preclude or prejudice such party from later enforcing or exercising the same or other provisions, rights or elections which it may have under this Agreement.

8.8 Governing Law. This Agreement shall be governed by and construed in all respects in accordance with the laws of the state of California, County of Los Angeles without regard to conflict of law.

8.9 Jurisdiction. Unless otherwise provided for in this Agreement, the courts of the United States of America shall have exclusive jurisdiction to adjudicate any dispute arising out of this Agreement and/or employment relationship or termination thereof and the Executive consents to such jurisdiction and venue.

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

EXECUTIVE;

COMPANY:

/s/ Chenlong Tan
CHENLONG TAN

/s/ Chenlong Tan
CHENLONG TAN, CEO



REXFORD INDUSTRIAL REALTY
STANDARD INDUSTRIAL
MULTI-TENANT LEASE – MODIFIED GROSS

This Lease ("Lease"), dated September 1, 2020, is made by and between Rexford Industrial – Nelson, LLC, a Delaware limited liability company ("**Landlord**"), and the Tenant named below (collectively the "**Parties**," or individually a "**Party**").

1. BASIC LEASE PROVISIONS

- A. **Tenant:** BZRTH Inc, a Nevada corporation
- B. **Premises:** An approximately 22,700 rentable square foot portion of the building located at the street address of 14750 E. Nelson Avenue, Unit I, located in the City of Industry, County of Los Angeles, State of California, with zip code 91744, as shown on Exhibit "A" attached hereto ("**Premises**"). In addition to Tenant's rights to use and occupy the Premises as hereinafter specified, Tenant shall have non-exclusive rights to any Common Areas (as defined in Section 3.A. below) of the building containing the Premises ("**Building**") but shall not have any rights to the roof, or exterior walls of the Building or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are here in collectively referred to as the "**Project**."
- C. **Parking Spaces:** Twenty-Eight (28) unreserved vehicle parking spaces.
- D. **Commencement Date:** September 30, 2020
- E. **Lease Term:** Thirty-Seven (37) full calendar months following the Commencement Date and ending on October 31, 2023 ("**Expiration Date**").
- F. **Security Deposit:** \$95,000.00
- G. **Base Rent:**

| Period | Monthly Base Rent |
|--|-------------------|
| Commencement Date through September 30, 2021 | \$27,921.00* |
| October 1, 2021 through September 30, 2022 | \$28,898.24 |
| October 1, 2022 through October 31, 2023 | \$29,909.68 |

*Subject to Base Rent Credit as set forth in Section 4.D. below.

H. **Tenant's Share:** 11.24% of the Project

I. **Current estimate of Tenant's Share of estimated monthly Operating Expenses** (excluding current Base Real Property Taxes and the Base Premium for the Base Year) (estimate only and subject to adjustment based on actual costs and expenses according to the provisions of this Lease) \$1,816.00

J. **Base Year:** 2020

K. **Base Rent and other Monies Due Upon Execution by Cashier's Check:**

| | |
|--|--------------|
| Base Rent (September 30, 2020 – October 31, 2020) | \$28,851.70 |
| Security Deposit | \$95,000.00 |
| Estimated Operating Expenses (September 30 – October 31, 2020) | \$1,876.53 |
| Total Amount Due on Lease Execution | \$125,728.23 |

L. **Early Possession Date (if applicable):** Upon mutual Lease execution and subject to the terms of Section 2.E.

M. **Permitted Use:** General offices and warehousing for e-commerce sales including gardening tools, home appliances, home tools, pet accessors and food packaging.

N. **Broker(s):** Lee & Associates representing Landlord ("**Landlord's Broker**"). **Pacific Asia Group Realty representing Tenant ("**Tenant's Broker**").**

O. **Guarantor:** Chenlong Tan, an Individual

P. **Exhibits:** Exhibit "A" - Site Plan Depicting the Premises and Project; Exhibit "B" - Rules and Regulations; Exhibit "C" – Tenant Contact Information Form; Exhibit "D" – ACM Notification

Q. **Addenda:** Guaranty of Lease; Coronavirus Acknowledgement; Move-In/Move-Out Checklist

2. Granting and Acceptance of Premises.

A. **Grant of Premises and Term.** In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease. Base Rent set forth in this Lease is not subject to adjustment should the actual size of the Premises be determined to be different than the approximate size described in the Basic Lease provisions. In the event that the size of the Premises and/or the Project are modified during the Lease Term, Landlord may recalculate Tenant's Share to reflect such modification.

B. **Condition.** Tenant shall accept the Premises in its condition as of the Commencement Date, AS-IS AND WITH ALL ITS FAULTS, subject to all applicable laws, ordinances, regulations, covenants and restrictions. Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. In no event shall Landlord have any obligation for any defects in the Premises or any limitation on its use. Tenant is advised to verify the actual size prior to executing this Lease. Tenant acknowledges that it has had the opportunity to inspect the suitability of the Premises for Tenant's intended use (including but not limited to the electrical, the heating, ventilating and air conditioning systems ("HVAC") and fire sprinkler systems, security, environmental aspects, and compliance with any building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Legal Requirements**"), including the Americans with Disabilities Act), and to measure the Premises. **NOTE: Tenant is responsible for determining whether or not the Legal Requirements, and, including, without limitation, the zoning, are appropriate for Tenant's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** Tenant represents and warrants that it has obtained (or will obtain prior to taking possession of the Premises) all required occupancy permits from the applicable municipality and other agencies having jurisdiction over the Premises. The taking of possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken except for items that are Landlord's responsibility under Section 7.B. and any punchlist items agreed to in writing by Landlord and Tenant. No later than 10 days after written demand is made therefor by Landlord of Tenant, Tenant shall execute and deliver to Landlord a Tenant Contact Information Sheet in the form of Exhibit "C", each as attached to and hereby made a part of this Lease. Landlord shall deliver the Premises contained within the Building to Tenant broom clean and free of debris on the Commencement Date or any Early Possession Date, whichever first occurs. Except as otherwise disclosed to Tenant in writing and so long as the required service contracts described in Section 7.A(2) below are obtained by Tenant and in effect within 30 days following the Commencement Date, Landlord warrants (i) the HVAC serving the office portion of the Premises only, for a period of 6 months following the Commencement Date, and (ii) the existing electrical, plumbing, fire sprinkler, lighting, loading doors, sump pumps, if any, and all other such Building systems serving the Premises for a period of 6 months; provided, however, that such warranty shall not be effective for any maintenance, repairs or replacements necessitated due to the misuse of, or damage caused by, Tenant, its employees, contractors, agents, subtenants, or invitees. Landlord does not warranty any existing HVAC or cooling systems at the Premises, Building or Project other than what is intended to exclusively serve the applicable office portion of the Premises. If Tenant does not give Landlord the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Tenant at Tenant's sole cost and expense. No person acting on behalf of Landlord is authorized to make, and Tenant acknowledges and agrees that Landlord has not made and specifically negates and disclaims, any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to the Premises, except as expressly set forth herein.

C. **Compliance.** Except as provided in Section 7.B. below, in no event shall Landlord have any obligation for any defects in the Premises or any limitation on its use. If Legal 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 Material, or other physical modification of the Premises and/or Building ("**Capital Expenditure**"), Landlord and Tenant shall allocate the cost of such work as follows:

(1) Subject to subsection 3 below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Tenant as compared with uses by tenants in general, Tenant shall be fully responsible for the cost thereof.

(2) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Tenant (such as, governmentally mandated seismic modifications), then Landlord shall pay for such Capital Expenditure and Tenant shall only be obligated to pay, each month during the remainder of the term of this Lease (including any extensions or renewals thereof), on the date on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Tenant shall pay interest of ten percent (10%) per annum on the unamortized 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 Landlord reasonably determines that it is not economically feasible or is commercially impracticable to pay its share thereof, Landlord shall have the option to terminate this Lease upon 90 days prior written notice to Tenant unless Tenant notifies Landlord, in writing, within 10 days after receipt of Landlord's termination notice that Tenant will pay for the entire cost of such Capital Expenditure in immediately available funds.

(3) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Legal Requirements. If the Capital Expenditures are instead triggered by Tenant as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then Tenant 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) following Landlord's written demand, complete such Capital Expenditure at its own expense. Tenant shall not have any right to terminate this Lease in accordance with this Section.

D. **Tenant as Prior Owner/Occupant.** The warranties, covenants and agreements made by Landlord in this Section shall be of no force or effect if previously Tenant (or any person or entity with whom Tenant is or was affiliated) was the owner or occupant of the Premises. In such event, Tenant shall be responsible for any necessary corrective work.

E. **Early Possession.** Any provision herein granting Tenant Early Possession of the Premises is subject to and conditioned upon (i) the Premises being available for such possession prior to the Commencement Date, (ii) upon full payment of monies due by cashier's check and (iii) Landlord's receipt of certificates of insurance as required in this Lease. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises subject to the terms of the Lease. During such Early Possession, Tenant shall be bound by its obligations under the Lease but shall not be obligated to pay the Monthly Base Rent or Operating Expenses payable by Tenant to Landlord as set forth in the Lease.

F. **Delay In Possession.** Landlord agrees to use commercially reasonable efforts to deliver possession of the Premises to Tenant by the Commencement Date. If, despite said efforts, Landlord is unable to deliver possession by such date, Landlord shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Tenant shall not, however, be obligated to pay Rent until Landlord delivers possession of the Premises and any period of rent abatement that Tenant would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Tenant would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Tenant.

G. **Tenant Compliance.** Landlord shall not be required to tender possession of the Premises to Tenant until Tenant complies with its obligation to provide evidence of insurance (Section 8.B.). Pending delivery of such evidence, Tenant shall be required to perform all of its obligations under this Lease from and after the Commencement Date, including the payment of Rent, notwithstanding Landlord's election to withhold possession pending receipt of such evidence of insurance. Further, if Tenant is required to perform any other conditions prior to or concurrent with the Commencement Date, the Commencement Date shall occur but Landlord may elect to withhold possession until such conditions are satisfied.

3. Common Areas.

A. **Common Areas.** "Common Areas" shall mean all areas of the Project for the common use or benefit of the tenants of the Project and their employees, agents, and other invitees, including, without limitation: all parking areas, pedestrian walkways, driveways and access roads, and entrances and exits.

B. **Common Areas - Tenant's Rights.** Landlord grants to Tenant, for the benefit of Tenant and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Landlord under the terms hereof or under the terms of any Rules and Regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property (including, without limitation, pallets), temporarily or permanently, in the Common Areas, nor shall Tenant conduct any business from the Common Areas at any time, including without limitation, loading or unloading materials or supplies within or from the Common Areas (unless Landlord has designated loading areas within such Common Areas). Any such storage shall be permitted only by the prior written consent of Landlord, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

C. **Common Areas - Rules and Regulations.** Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current Project Rules and Regulations are attached hereto as Exhibit "B." In the event of any conflict between said Rules and Regulations and other provisions of this Lease, the other terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any Rules or Regulations by other tenants in the Project. Tenant shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Tenant will make use of all of the Common Areas (including, without limitation, all loading and unloading areas) in a cooperative, harmonious fashion, and shall not block or unreasonably interfere with access by others in the Project to their premises or loading areas.

D. **Common Areas – Changes.** Landlord shall have the right, in the Landlord's sole discretion, from time to time, to make changes to the Project, including, without limitation, granting easements, making public dedications, designating and modifying Common Areas and creating restrictions on or about the Project; changing the location, size, shape and number of driveways, entrances, parking spaces and the number of assigned parking spaces proportionately if reduced or reallocated at the Project, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways; temporarily closing any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available; designating other land outside the boundaries of the Project to be a part of the Common Areas; adding additional buildings and improvements to the Common Areas; using the Common Areas while making additional improvements, repairs or alterations to the Project; and performing such other acts and making such other changes in, to or with respect to the Common Areas and Project as Landlord may deem to be appropriate.

E. **Vehicle Parking.** Tenant shall be entitled to use only the number of Parking Spaces specified in the Basic Lease Provisions on those portions of the Common Areas designated from time to time by Landlord for parking. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "**Permitted Size Vehicles.**" Landlord may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in this Lease. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Landlord. The parking areas of the property shall be used for parking of Permitted Size Vehicles and, subject to Landlord's rules and regulations, the loading and unloading of trucks only. The use by Tenant of those areas for storage material (including pallets) is expressly prohibited. All material shall be stored within the Building. Landlord may allocate and assign parking spaces among Tenant and other tenants in the Project if Landlord reasonably determines that such parking facilities are becoming crowded. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. In addition:

(1) Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Landlord for such activities.

(2) Tenant shall not service or store any vehicles in the Common Areas.

(3) Tenant shall not park any vehicles overnight in the Parking Spaces, the Common Areas, or anywhere else in the Project.

(4) If Tenant permits or allows any of the prohibited activities described in this Section, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

4. **Rent.**

A. **Rent Defined.** Any payments or charges due from Tenant (other than the Security Deposit) to Landlord hereunder shall be considered rent for all purposes of this Lease ("**Rent**").

B. **Operating Expenses.** During each month of the Lease Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of the annual cost, as estimated by Landlord from time to time, of Tenant's Share of all Operating Expenses for the Project. Payments thereof for any fractional calendar month shall be prorated. The term "**Operating Expenses**" means all costs and expenses incurred by Landlord with respect to the ownership, maintenance, and operation of the Project including, but not limited to, costs of any of the following if at the Project:

(1) Costs relating to the operation, replacement, repair, maintenance and energy efficiency, in neat, clean, good order and condition, of any of following if incurred by Landlord:

(a) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, exterior walls of the buildings, building systems and roof drainage systems.

(b) Exterior signs and any tenant directories.

(c) Any fire sprinkler systems.

(d) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.

(2) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(3) The cost of pest control services, property management, security services, owner's association dues and fees, the cost to repaint the exterior of any structures and the cost of any environmental inspections.

(4) The cost of trash disposal for any trash receptacles located in the Common Areas and/or available for the use of tenants (if Landlord operates the Project in a manner such that tenants do not directly contract for trash collection services).

(5) Reserves set aside for maintenance and repair of Common Areas and Common Area equipment.

(6) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(7) Auditors', accountants' and attorneys' fees and costs related to the operation, maintenance, repair and replacement of the Project.

(8) The cost of any capital improvement (as opposed to maintenance, repair or replacements) to the Building or the Project not covered under the provisions of Section 2.C; provided, however, that Landlord shall allocate the cost of any such capital improvement over a 12 year period and Tenant shall not be required to pay more than Tenant's Share of 1/144th of the cost of such capital improvement in any given month.

- (9) The cost of any other services to be provided by Landlord that are stated elsewhere in this Lease to be a Common Area Operating Expense.
- (10) Any Real Property Tax Increase (as defined in this Section below).
- (11) Any Insurance Cost Increase (as defined in this Section below).

As referenced in this Lease, the term "**Real Property Tax Increase**" shall mean the Real Property Taxes for the applicable year in excess of the Base Real Property Taxes. As used herein, the term "**Base Real Property Taxes**" shall be the amount of Real Property Taxes (defined in Section 10.A.), which are assessed against the Premises, Building, Project and/or Common Areas in the Base Year; provided, however, in the event the so-called "split roll" property tax ballot initiative or any other initiative or constitutional amendment now or in the future passes in California thereby removing certain Proposition 13 tax protections applicable to the Premises, Building, Project and/or Common Areas (any of the foregoing referred to as the "**Real Property Tax Initiative**"), the Base Real Property Taxes shall not include the amount of any increases in Real Property Taxes resulting from a reassessment triggered by the Real Property Tax Initiative. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common. The "**Insurance Cost Increase**" shall mean the increase in the actual cost of the insurance applicable to the Building and/or the Project (including any deductibles which are paid in connection with any filed insurance claims) carried by Landlord pursuant to Section 8.A. over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The "**Base Premium**" shall be the annual premium for insurance applicable to the Building and/or the Project carried by Landlord pursuant to Section 8.A. during the Base Year. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for such insurance as of the Occupancy Date, assuming the most nominal use possible of the Building.

Any Operating Expenses and Real Property Taxes that are specifically attributable to the Premises, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. Notwithstanding any contrary provision contained in this Lease, Landlord shall have the right, from time to time, to equitably allocate some or all of the Operating Expenses for the Project into separate cost pools as described below (the "**Operating Expense Pools**"), in Landlord's sole discretion. If any line item(s) of Tenant's Share of Operating Expenses are incurred or assessed with respect to a portion of the Project that includes the Premises but does not include the entire Project, the denominator for the purpose of calculating Tenant's Share of the applicable line item(s) of Tenant's Share of Operating Expenses will be adjusted to exclude the square footage of the portions of the Project to which such line item(s) do not relate, thereby creating separate Operating Expense Pools and different Tenant's Shares with respect to each such Operating Expense Pool. Each Operating Expense Pool denominator and, consequently, Tenant's Share, shall be subject to modification each year of the Lease Term, as reasonably determined by Landlord.

Within 60 days after written request (but not more than once each year) Landlord shall deliver to Tenant a reasonably detailed statement showing Tenant's Share of the actual Operating Expenses for the preceding year. If Tenant's payments during such year exceed Tenant's Share, Landlord shall credit the amount of such over-payment against Tenant's future payments of Operating Expenses. If Tenant's payments during such year were less than Tenant's Share, Tenant shall pay to Landlord the amount of the deficiency within 10 days after delivery by Landlord to Tenant of the statement. Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Landlord is otherwise reimbursed by any third party, other tenant, or insurance proceeds.

C. **Payment.** Tenant shall pay Base Rent in the amount set forth in the Basic Lease Provisions of this Lease. The Total Amount Due on Lease Execution, as shown in Section 1.K, shall be due and payable on the date hereof by cashier's check, and Tenant promises to pay to Landlord in advance, without demand, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month succeeding the Commencement Date. Payments of Base Rent and estimated Operating Expenses for any fractional calendar month shall be prorated based on the actual days of said month. All payments required to be made by Tenant to Landlord hereunder (or to such other party as Landlord may from time to time specify in writing) shall be made by check or by Electronic Fund Transfer ("**EFT**") of immediately available federal funds before 5:00 p.m., Pacific Time at such place, as Landlord may from time to time designate to Tenant in writing. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any rent due hereunder except as may be expressly provided in this Lease. If Tenant is delinquent in any monthly installment of Base Rent or of estimated Operating Expenses for more than 5 days after the due date, Tenant shall pay to Landlord on demand a late charge equal to the greater of ten percent (10%) of such delinquent sum or \$100. The provision for such late charge shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as a penalty.

D. **Base Rent Credit.** Notwithstanding anything herein to the contrary but subject to Tenant not being in default and all prior rental payments having been received by Landlord not later than the fifth (5th) of each month, the Base Rent (and only the Base Rent) for the calendar month of November 2020 shall be discounted one hundred percent (100%) (the "**Base Rent Credit**"). Tenant understands and agrees that the foregoing Base Rent Credit is conditioned upon Tenant's not being in breach under this Lease. Accordingly, upon the occurrence of any breach under this Lease, the foregoing Base Rent Credit shall immediately become null and void, and any Base Rent previously credited to Tenant shall immediately become due and payable, and Tenant shall no longer receive any credit on account of such Base Rent Credit.

5. **Security Deposit.** The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. If Tenant fails to pay Rent, or otherwise an Event of Default occurs under this Lease, Landlord may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Landlord, for Rents which will be due in the future, and/or to reimburse or compensate Landlord for any liability, expense, loss or damage which Landlord may suffer or incur by reason thereof. If Landlord uses or applies all or any portion of the Security Deposit, Tenant shall within 10 days after written request therefor deposit monies with Landlord 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, Tenant shall, upon written request from Landlord, deposit additional monies with Landlord 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 Permitted Use be amended to accommodate a material change in the business of Tenant or to accommodate a sublessee or assignee, Landlord shall have the right to increase the Security Deposit to the extent necessary, in Landlord's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. Landlord may use, apply or retain all or any portion of the Security Deposit (i) first, for Tenant's repair obligations, including without limitation, the obligation to restore the Premises to the condition required under this Lease, (ii) second, to the payment of any rent or other sum in default or for the payment of any other sum to which Tenant may become obligated by reason of Tenant's default, and (iii) third, to compensate Landlord for any loss or damage which Landlord may suffer thereby. If a change in control of Tenant occurs during this Lease and following such change the financial condition of Tenant is, in Landlord's reasonable judgment, significantly reduced, Tenant shall deposit such additional monies with Landlord as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Landlord 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, Landlord shall return that portion of the Security Deposit not used or applied by Landlord. Landlord shall upon written request provide Tenant 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 Tenant under this Lease (including, without limitation, Base Rent). Tenant hereby waives California Civil Code Section 1950.7, and all other provisions of law, now or hereafter in force, which may provide that Landlord can claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee or agent of Tenant.

Provided that Tenant has not breached any Lease terms and conditions and has delivered all rental payments to Landlord not later than the fifth (5th) day of each month, the Landlord shall credit (i) \$28,898.24 towards the Base Rent (and only the Base Rent) due for the thirteenth (13th) month of the Lease term, which is October 2021; and (ii) \$29,909.68 towards the Base Rent (and only the Base Rent) due for the twenty-fifth (25th) month of the Lease term, which is October 2022. After such credits, the Security Deposit to be held by Landlord shall be \$36,192.08. Notwithstanding the foregoing, upon any monetary Event of Default, Tenant shall be required to immediately replenish the Security Deposit, upon demand by Landlord, to the original amount, as indicated in Section 1.F.

6. **Use; Hazardous Materials; Compliance.**

A. **Use.** Tenant shall use and occupy the Premises only for the Permitted Use (or a related legal use), and for no other purpose. Tenant 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. Landlord shall not unreasonably withhold or delay its consent to any written request for a modification of the Permitted Use, so long as the same will not impair the structural integrity of the Building or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Project.

B. **Hazardous Materials.**

(1) **Reportable Uses Require Consent.** Except for (a) Hazardous Materials contained in products used by Tenant in de minimis quantities for ordinary cleaning and office purposes, (b) propane used in Tenant's forklifts in the normal course of its business, and (c) Hazardous Materials contained in products stored and/or distributed during Tenant's normal course of business in their original, sealed, and unopened containers, Tenant shall not permit or cause any party to bring any Hazardous Materials upon the Premises or to any capital improvement (as opposed to maintenance, repair or replacements) to the Building or the Project not covered under the provisions of Section 2.C; provided, however, that Landlord shall allocate the cost of any such capital improvement over a 12 year period and Tenant shall not be required to pay more than Tenant's Share of 1/144th of the cost of such transport, store, use, generate, manufacture or release any Hazardous Material in or about the Premises without Landlord's prior written consent. The term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, permits, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "**operator**" of Tenant's "**facility**" and the "**owner**" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom. No cure or grace period provided in this Lease shall apply to Tenant's obligations to comply with the terms and conditions of this Section.

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

(3) **Tenant Remediation.** Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall investigate, mitigate and remediate in a manner satisfactory to Landlord any Hazardous Materials introduced or released on or from the Project by Tenant, its agents, employees, contractors, subtenants or invitees during the Lease Term. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture or release of Hazardous Materials on the Project.

(4) **Tenant Indemnification for Hazardous Materials and Limitation of Liability.** Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all losses (including, without limitation, diminution in value of the Premises or the Project and loss of rental income from the Project), claims, demands, actions, suits, damages (including, without limitation, punitive damages), expenses (including, without limitation, remediation, removal, repair, corrective action, or cleanup expenses), and costs (including, without limitation, actual attorneys' fees, consultant fees or expert fees and including, without limitation, removal or management of any asbestos brought into the property or disturbed in breach of the requirements of this Section, regardless of whether such removal or management is required by law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials for which Tenant is obligated to remediate as provided above or any other breach of the requirements under this Section by Tenant, its agents, employees, contractors, subtenants, assignees or invitees, regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Section shall survive any termination of this Lease. Notwithstanding anything to the contrary in this subsection, Tenant shall have no liability of any kind to Landlord as to Hazardous Materials on the Premises (i) caused by (a) Landlord or its agents, or (b) any other tenants in the Project or their agents, employees, contractors, subtenants, assignees or invitees; or (ii) present at the Premises prior to the date Tenant takes occupancy of the Premises, unless disturbed by Tenant in violation of this Lease.

(5) **Investigations and Remediation.** Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Section, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant. In addition, Tenant shall provide to Landlord copies of all material safety data sheets (**MSDS**) for Hazardous Materials used, handled, stored or generated at the Premises prior to the Commencement Date, with regular updates if and when necessary to reflect current use, handling, storage or generation.

(6) **Landlord Termination Option.** If a condition involving the presence of, or a contamination by, a Hazardous Material at the Premises that requires remediation (a "**Hazardous Material Condition**") occurs or is discovered during the Lease Term and is not Tenant's responsibility under this Lease or the Legal Requirements (in which case Tenant shall make the investigation and remediation thereof required by this Lease and/or the Legal Requirements and this Lease shall continue in full force and effect, but subject to Landlord's rights under Section 6.B(4) and Section 9), and if Landlord elects to remediate such condition and the estimated cost therefor exceeds 12 times the then monthly Base Rent or \$100,000, whichever is less, Landlord may, at Landlord's sole discretion, give written notice to Tenant of Landlord's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Landlord elects to give a termination notice, Tenant may, within 10 days thereafter, give written notice to Landlord of Tenant's commitment to pay the amount by which the cost of the remediation of such Hazardous Material Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is less. Tenant shall provide Landlord 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 Landlord shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Tenant 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 Landlord's notice of termination.

C. **Tenant's Compliance with Legal Requirements.** Except as otherwise provided in this Lease, Tenant shall, at Tenant's sole expense and regardless of the cost therefor or the time remaining on the Lease Term, fully, diligently and in a timely manner, materially comply with all Legal Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Landlord's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Legal Requirements are now in effect or become effective after the date of this Lease. Tenant shall, within 10 days after receipt of Landlord's written request, provide Landlord with copies of all permits, licenses (including but not limited to a valid business license) and other documents, and other information evidencing Tenant's compliance with any Legal Requirements specified by Landlord, and shall immediately upon receipt, notify Landlord 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 Tenant or the Premises to comply with any Legal Requirements. Likewise, Tenant shall immediately give written notice to Landlord 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.


D. **Inspection; Compliance.** Landlord and Landlord's "**Lender**" (as defined in Section 29) and consultants shall have the right to enter into the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease. The cost of any such inspections shall be paid by Landlord, unless a violation of Legal Requirements or Environmental Requirements is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Tenant shall upon request reimburse Landlord for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

E. **Landlord's Disclosure Regarding Hazardous Materials.**

Pursuant to Section 25359.7 of the California Health and Safety Code, Landlord discloses to Tenant the presence of Hazardous Materials arising from a historical underground storage ("UST") tank at the Project consisting of, without limitation, petroleum hydrocarbons, benzene, diesel and lead, which are documented to be present in soil in the subsurface at the Project (the "**Environmental Condition**"). The UST was removed in October 2016 and the City of Los Angeles Department of Public Works issued a determination stating that no further action is required.

By its execution of this Lease, Tenant hereby (i) acknowledges its receipt of the foregoing notice given pursuant to Section 25359.7 of the California Health and Safety Code; (ii) acknowledges that it has had an opportunity to conduct its own independent review and investigation of the Project and Premises prior to the execution of the Lease; (iii) after receiving advice of its legal counsel, waives any and all rights Tenant may have to assert that Landlord has not complied with the requirements of California Health & Safety Code Section 25359.7.

In addition, Tenant acknowledges having received notice under California Proposition 65 (pursuant to California Health and Safety Code section 25249.5 et seq. and 22 CCR 12601(d)(3)(A)-(B)), of the following:

 Warning: Entering this area can expose you to chemicals known to the State of California to cause cancer, including benzene in soil. For more information, go to www.P65Warnings.ca.gov.

The provisions of this Section shall survive the termination of the Lease.

7. **Maintenance; Repairs; Trade Fixtures and Tenant-Made Alterations.**

A. **Tenant's Obligations.**

(1) **In General.** Subject to the provisions of Sections 2.B. (Condition), 2.C. (Compliance), 6.C. (Tenant's Compliance with Legal Requirements), 7.B. (Landlord's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Tenant shall, at Tenant's sole expense, keep the Premises and Tenant-Made Alterations in good order, condition and repair including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, loading doors and skylights but excluding any items which are the responsibility of Landlord pursuant to Section 7.B. Tenant, 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 below. Tenant'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.

(2) **Service Contracts.** Tenant shall, at Tenant's sole expense, procure and maintain contracts, with copies to Landlord, in customary form and substance for HVAC equipment, boiler and pressure vessels, clarifiers, janitorial and trash removal services, and with qualified and experienced contractors. However, Landlord reserves the right, upon notice to Tenant, to procure and maintain any or all of such service contracts, and Tenant shall reimburse Landlord, upon demand, for the cost thereof. The contract for HVAC maintenance shall be performed by a licensed and qualified HVAC contractor, and a copy of the contract must be provided to Landlord upon occupancy of the Premises. The service contract must become effective within 30 days of occupancy, and service visits shall be performed on a quarterly basis.

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

B. **Landlord's Obligations.** Subject to the provisions of Sections 2.A. (Condition), 2.C. (Compliance), 4.B. (Operating Expenses), 6 (Use), 7.A. (Tenant's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Landlord shall, subject to reimbursement pursuant to Section 4.B., keep in good order, condition and repair the foundations, structural elements of the exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system (excluding fire sprinkler systems, if any, installed by or on behalf of Tenant, for which Tenant shall be responsible), Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof. Landlord shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Landlord be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Tenant expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease, including, without limitation, California Civil Code Sections 1941 and 1942, and any other statute providing a right to make repairs and deduct the cost thereof from the rent.

C. **Tenant-Made Alterations; Trade Fixtures.** Any alterations, additions, or improvements made by or on behalf of Tenant to the Premises ("**Tenant-Made Alterations**"), which are interior, non-structural Tenant-Made Alterations shall be subject to Landlord's prior written consent, not to be unreasonably withheld, delayed or conditioned provided that such alteration does not materially affect the structure or the roof of the Building, modify the exterior of the Building, or modify the utility or mechanical systems of the Project. Tenant shall have the right to perform interior, non-structural Tenant-Made Alterations which cost less than \$5,000 per Alteration without obtaining Landlord's prior written consent, by providing a written notice of such Tenant-Made Alterations to Landlord containing sufficient and complete information regarding such Tenant-Made Alterations, provided that such alteration does not materially affect the structure or the roof of the Building, modify the exterior of the Building, or modify the utility or mechanical systems of the Building, and provided further that it shall be the responsibility of Tenant to determine the applicability of Legal Requirements for any such Tenant-Made Alterations, including without limitation laws related to the presence of asbestos containing materials. Tenant shall not perform structural Tenant-Made Alterations without Landlord's prior written consent, which consent may be withheld in Landlord's sole and absolute discretion. Tenant shall give Landlord not less than 10 days' notice prior to the commencement of any work in, on or about the Premises. Tenant shall cause, at its expense, all Tenant-Made Alterations to comply with insurance requirements and with Legal Requirements and shall construct at its expense any alteration or modification required by Legal Requirements as a result of any Tenant-Made Alterations. All Tenant-Made Alterations shall be constructed in a good and workmanlike manner by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Tenant-Made Alterations shall be submitted to Landlord for its approval. Landlord may monitor construction of the Tenant-Made Alterations. Tenant shall reimburse Landlord for its costs in reviewing plans and specifications and in monitoring construction. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable laws, codes, rules and regulations. Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable Legal Requirements. Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for worker's compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. For work which costs an amount in excess of one month's Base Rent, Landlord may condition its consent upon Tenant providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Tenant-Made Alteration and/or upon Tenant's posting an additional Security Deposit with Landlord. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord sworn statements setting forth the names of all contractors and subcontractors who did work on the Tenant-Made Alterations and final lien waivers from all such contractors and subcontractors. Upon surrender of the Premises, all Tenant-Made Alterations and any leasehold improvements constructed by Landlord or Tenant shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at Tenant's expense of any such items or Landlord and Tenant have otherwise agreed in writing in connection with Landlord's consent to any Tenant-Made Alterations. Tenant shall repair any damage caused by the removal of such Tenant-Made Alterations upon surrender of the Premises. Tenant, at its own cost and expense and without Landlord's prior approval, may erect such shelves, racking, bins, machinery and trade fixtures (collectively "**Trade Fixtures**") in the ordinary course of its business provided that such items do not alter the basic character of the Premises, do not overload or damage the Premises, and may be removed without injury to the Premises, and the construction, erection, and installation thereof complies with all Legal Requirements and with Landlord's requirements set forth above. Tenant shall remove its Trade Fixtures and shall repair any damage caused by such removal upon surrender of the Premises.

(1) **Liens; Bonds.** Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon, or in any manner to bind the interest of Landlord or Tenant in, the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises and that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the interest of Landlord in the Premises or under this Lease. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises and cause such lien or encumbrance to be discharged within 20 days of the filing or recording thereof; provided, however, Tenant may contest such liens or encumbrances as long as such contest prevents foreclosure of the lien or encumbrance and Tenant causes such lien or encumbrance to be bonded or insured over in a manner satisfactory to Landlord within such 20 day period.

(2) **Surrender; Restoration.** Upon termination of the Lease Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received (with all Tenant-Made Alterations (including, without limitation, any initial Tenant-Made Alterations), improvements and Trade Fixtures removed except as otherwise expressly agreed in writing by Landlord) ordinary wear and tear, casualty loss and condemnation covered by Sections 9 and 14 excepted and otherwise in accordance with this Section. Without limiting the foregoing, Tenant shall remove any odor which may exist in the Premises resulting from Tenant's occupancy of the Premises upon the termination of the Lease Term or earlier termination of Tenant's right of possession. Any Trade Fixtures, Tenant-Made Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Lease Term shall survive the termination of the Lease Term, including without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and all obligations concerning the condition and repair of the Premises. Without limiting Tenant's obligations under the Lease, Tenant acknowledges that it shall have the affirmative obligation to remove all racking and floor striping from the Premises by or before the expiration or earlier termination of the Lease Term. As guidance to the parties, removal of the aforementioned racking shall include, without limitation, removal of the bolts in concrete associated therewith, all of which cut flush at the surface and pushed into the concrete one inch or more below the slab. Tenant shall clean all resulting holes and shall fill the same with epoxy flush to the floor's surface. Tenant understands that the holes created for any anchor bolts placed by or on behalf of Tenant must be drilled one inch deeper than the length of the anchor bolts themselves to permit removal in the manner provided above. Furthermore, if Tenant places (or causes to be placed) any floor striping in the Premises, then following removal of any such floor striping (i) there shall be no residual staining or other indication that such striping existed and (ii) Tenant must re-seal the floor with a sealant reasonably acceptable to Landlord. If Tenant elects to stripe the floor of the Premises, then Tenant shall utilize a floor striping material which can be removed and which will not permeate into the flooring. The foregoing does not constitute Landlord's consent to Tenant's placement of any racking and/or floor striping in the Premises, which placement shall be governed by the provision of the Lease. Additionally, without limiting Tenant's obligations under the Lease, Tenant acknowledges that it shall have the affirmative obligation to cause all office, warehouse, emergency and exit lights to be fully operational with all bulbs and ballasts functioning; all truck doors, service doors, roll up doors and dock levelers serviced and placed in good operating order (including replacement of any dented truck door panels and adjustment of door tension to insure proper operation, with all door panels that have been replaced painted to match the building standard); dock seals/dock bumpers to be free of tears and broken backboards; all structural steel columns in the warehouse and office to be inspected for damage, with repairs of this nature pre-approved by Landlord prior to implementation; sheetrock (drywall) damage to be patched and fire-taped so that there are no holes in either office or warehouse; walls, carpet and vinyl tiles to be in a clean condition without any holes or chips in them (Landlord will accept normal wear on these items provided they appear to be in a maintained condition); any Tenant-installed equipment to be removed from the roof and roof penetrations properly repaired by licensed roofing contractor approved by Landlord; all exterior signs to be removed and holes patched and paint touched-up as necessary; HVAC systems to be placed in good working order, including the necessary replacement of any parts to return the unit to a well maintained condition; and all electrical and plumbing equipment to be returned in good condition and repair and conforming to code.

8. **Insurance; Indemnity.**

A. **Landlord's Insurance.** Landlord shall maintain all risk or special form property insurance covering the full replacement cost of the Building, or the amount required by any Lender (as defined in Section 29), and commercial general liability insurance on the Project and rent loss insurance for one year with an extended period of indemnity for an additional 180 days, all in forms and amounts customary for properties substantially similar to the Project, subject to customary deductibles. If available and commercially appropriate such property insurance policy or policies shall insure against all risks of direct physical loss or damage, including coverage for debris removal and the enforcement of any Legal Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to earthquake insurance. All such insurance costs shall be included as part of the Operating Expenses charged to Tenant. The Project or Building may be included in a blanket policy (in which case the cost of such insurance allocable to the Project or Building will be determined by Landlord based upon the total insurance cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises. Tenant shall not be named as an additional insured in such policies. Landlord shall not be required to insure Tenant's improvements, property, Trade Fixtures or Tenant-Made Alterations.

B. **Tenant's Insurance.** Tenant, at its expense, shall maintain during the Lease Term the following insurance, at Tenant's sole cost and expense: (1) commercial general liability insurance (and, if necessary, commercial excess liability insurance) applicable to the Premises and its appurtenances providing a minimum combined single limit of not less than \$2,000,000 per occurrence with an annual aggregate of not less than \$2,000,000; and if Tenant stores property of others for a fee, Tenant shall maintain warehouse operator's legal liability insurance for the full value of the property of such customers as determined by the warehouse contract between Tenant and its customer; (2) all risk or special form property insurance covering the full replacement cost of all property, Tenant-Made Alterations, Trade Fixtures, and improvements installed or placed in the Premises by Tenant with a deductible not to exceed \$1,000 per occurrence (unless otherwise agreed in writing by Landlord); (3) business interruption insurance with a limit of liability representing loss of at least approximately 6 months of income; (4) workers' compensation insurance as required by the state in which the Premises is located and in amounts as may be required by applicable statute; (5) employers liability insurance of at least \$1,000,000; and (6) business automobile liability insurance (and, if necessary, commercial excess liability insurance) having a combined single limit of not less than \$2,000,000 per accident insuring Tenant against liability arising out of the ownership maintenance or use of any owned, hired or nonowned automobiles. 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. Any company writing any of Tenant's insurance shall have an A.M. Best rating of not less than A-VII and the general liability policy shall be endorsed to provide primary and noncontributory coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). All commercial general liability and, if applicable, warehouse operator's legal liability insurance policies shall name Tenant as a named insured and Landlord, its property manager, and other designees of Landlord as the interest of such designees shall appear, as additional insureds. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include (a) a waiver of subrogation endorsement and (b) coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. If the general liability insurance contains a general aggregate limit, it shall apply separately to this Premises. The limits and types of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. Tenant shall provide Landlord with certificates of such insurance (including copies of all required endorsements) as required under this Lease prior to the earlier to occur of the Commencement Date or the date Tenant is provided with possession of the Premises, and thereafter upon renewals at least 10 days prior to the expiration of the insurance coverage. Acceptance by Landlord of delivery of any certificates of insurance does not constitute approval or agreement by Landlord that the insurance requirements of this section have been met, and failure of Landlord to identify a deficiency from evidence provided will not be construed as a waiver of Tenant's obligation to maintain such insurance. In the event any of the insurance policies required to be carried by Tenant under this Lease shall be cancelled prior to the expiration date of such policy, or if Tenant receives notice of any cancellation of such insurance policies from the insurer prior to the expiration date of such policy, Tenant shall: (a) immediately deliver notice to Landlord that such insurance has been, or is to be, cancelled, (b) shall promptly replace such insurance policy in order to assure no lapse of coverage shall occur, and (c) shall deliver to Landlord a certificate of insurance (including copies of all required endorsements) for such replacement policy. The insurance required to be maintained by Tenant hereunder are only Landlord's minimum insurance requirements and Tenant agrees and understands that such insurance requirements may not be sufficient to fully meet Tenant's insurance needs.

C. **Waiver of Subrogation.** Without affecting any other rights or remedies, Tenant and Landlord 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 (except as otherwise expressly set forth in this Lease). The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

D. **Indemnity.** Except to the extent of Landlord's gross negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, Landlord's master or ground Landlord, 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, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified.

E. **Exemption of Landlord and its Agents from Liability.** Notwithstanding the negligence (including, without limitation, gross negligence) or breach of this Lease by Landlord or its agents, neither Landlord nor its agents shall be liable under any circumstances (pursuant to any legal or equitable remedy) for: (i) injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant'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, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Landlord or from the failure of Landlord or its agents to enforce the provisions of any other lease in the Project, (iii) injury to Tenant's business or for any loss of income or profit therefrom, or (iv) consequential or punitive damages. Instead, it is intended that Tenant's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Tenant is required to maintain pursuant to the provisions of this Section.

F. **Failure to Provide Insurance.** Tenant acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Landlord to risks and potentially cause Landlord to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. If Tenant shall fail to procure and maintain the insurance required to be carried by it, Landlord may, but shall not be required to, procure and maintain the same, and Tenant shall promptly pay to Landlord a sum equal to 115% of the cost thereof.

G. **Insurance for Vendors.** All vendors, movers and contractors engaged by or on behalf of Tenant to perform work in or about the Premises shall deliver proof of insurance to Landlord before said person or entity will be permitted to commence work, which insurance must name Landlord as an additional insured thereunder and be otherwise reasonably acceptable to Landlord.

9. **Damage or Destruction.**

A. **Restoration.** If at any time during the Lease Term the Premises are damaged by a fire or other casualty covered by insurance carried by Landlord, Landlord shall notify Tenant within 60 days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed 12 months from the casualty date or if Landlord is unable to obtain the necessary permits for restoration within 6 months from the casualty date (a "**Premises Total Destruction**"), either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than 30 days after Landlord's notice; provided, however, if the damage or destruction was caused by the gross negligence or willful misconduct of Tenant, Landlord shall have the right to recover Landlord's damages from Tenant, except as provided in Section 8.C., and Tenant shall have no right to terminate this Lease. If neither party elects to terminate this Lease or if Landlord estimates that restoration will take 12 months or less, then, subject to receipt of sufficient insurance proceeds, Landlord shall diligently pursue the necessary permits and promptly restore the Premises excluding Trade Fixtures and the improvements installed by Tenant or by Landlord and paid by Tenant, subject to delays arising from the collection of insurance proceeds or from Force Majeure events (as defined in Section 47). Tenant at Tenant's expense shall promptly perform, subject to delays arising from the collection of insurance proceeds, or from Force Majeure events, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, either party may terminate this Lease if the Premises are damaged during the last 6 months of the Lease Term and Landlord reasonably estimates that it will take more than one month to repair such damage. Notwithstanding the foregoing, if Tenant at that time has an exercisable option to extend this Lease, then Tenant may preserve this Lease by exercising such option and providing Landlord with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs within 10 days after Tenant's receipt of Landlord's written notice purporting to terminate this Lease. Base Rent and Operating Expenses shall be abated for the period of repair and restoration of an insured casualty commencing on the date of such casualty event in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss, including without limitation those available under California Civil Code Sections 1932 and 1933(4). Notwithstanding anything contained in the Lease to the contrary, to the extent the damage to the Project is attributable to Tenant, Tenant shall pay to Landlord with respect to any damage to the Project the amount of the commercially reasonable deductible under Landlord's insurance policy, not to exceed \$10,000.00, within 30 days after presentment of Landlord's invoice.

B. **Partial Damage - Uninsured Loss.** If at any time during the Lease Term the Premises are damaged by a casualty that is not covered by insurance carried by Landlord and Landlord estimates that the restoration time is estimated to be 12 months or less from the casualty date ("**Premises Partial Damage**"), unless caused by a negligent or willful act of Tenant (in which event Tenant shall make the repairs at Tenant's expense), Landlord may either: (i) repair such damage as soon as reasonably possible at Landlord's expense (subject to reimbursement pursuant to the Operating Expenses provisions), in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Tenant within 30 days after receipt by Landlord of knowledge of the occurrence of such uninsured Premises Partial Damage. Such termination shall be effective 60 days following the date of such notice. In the event Landlord elects to terminate this Lease, Tenant shall have the right within 10 days after receipt of the termination notice to give written notice to Landlord of Tenant's commitment to pay for the repair of such damage without reimbursement from Landlord. Tenant shall provide Landlord 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 Landlord shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Tenant does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice. Premises Partial Damage due to flood or earthquake shall be subject to this subsection, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Landlord or Tenant.

10. **Real Property Taxes.**

A. **Real Property Taxes.** 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 Landlord in the Project, Landlord's right to other income therefrom, and/or Landlord'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 Project address. The term "**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 Project, (ii) triggered by the Real Property Tax Initiative (defined in Section 4.B), (iii) a change in the improvements thereon, and/or (iv) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to this Lease.

B. **Payment of Taxes.** Except as otherwise provided in Section 10.C., Landlord shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Section 4.B.

C. **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other tenants or by Landlord for the exclusive enjoyment of such other tenants. Notwithstanding Section 10.B. hereof, Tenant shall, however, pay to Landlord at the time Operating Expenses are payable under Section 4.B., the entirety of any increase in Real Property Taxes if assessed solely by reason of Tenant-Made Alterations, Trade Fixtures placed upon the Premises by Tenant or at Tenant's request or by reason of any alterations or improvements to the Premises made by Landlord subsequent to the execution of this Lease by the Parties.

D. **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Landlord from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Landlord's reasonable determination thereof shall be conclusive.

E. **Personal Property Taxes.** Tenant shall pay prior to delinquency all taxes assessed against and levied upon Tenant-Made Alterations, Trade Fixtures, furnishings, equipment and all personal property of Tenant contained in the Premises. When possible, Tenant shall cause its Tenant-Made Alterations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord. If any of Tenant's said property shall be assessed with Landlord's real property, Tenant shall pay Landlord the taxes attributable to Tenant's property within 10 days after receipt of a written statement setting forth the taxes applicable to Tenant's property.

11. **Utilities, Services and Trash.** Tenant shall pay for all water, gas, electricity, heat, light, power, telephone, sewer, sprinkler services, and other utilities and services used on the Premises, all maintenance and metering charges for utilities, and any storm sewer charges or other similar charges for utilities imposed by any governmental entity, utility provider or metering service, together with any taxes, penalties, surcharges or the like pertaining to Tenant's use of the Premises. Tenant shall pay for refuse and trash collection services for the Premises if Landlord operates the Project in a manner such that tenants contract directly for trash collection services. Landlord may cause at Tenant's expense any utilities to be separately metered or charged directly to Tenant by the provider in the event Landlord reasonably determines that Tenant's use of such jointly metered utility materially exceeds the use of such jointly metered utility by other tenants in the Building. Tenant shall pay its share of all charges for jointly metered utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of utilities shall result in the termination of this Lease or the abatement of rent. Tenant agrees to limit use of water and sewer for normal restroom use. Tenant shall not use the trash bins of the Project other than for disposal of ordinary refuse. In no event shall Tenant use the bins for the disposal of large items, such as (but not limited to) carpet, packing crates, furniture, cardboard shipping boxes and storage pallets.

12. **Assignment and Subletting.** Without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. It shall be reasonable for the Landlord to withhold, delay or condition its consent, where required, to any assignment or sublease in any of the following instances: (i) the assignee or sublessee does not have a net worth calculated according to generally accepted accounting principles at least equal to the greater of the net worth of Tenant immediately prior to such assignment or sublease or the net worth of the Tenant at the time it executed the Lease; (ii) occupancy of the Premises by the assignee or sublessee would, in Landlord's opinion, violate any agreement binding upon Landlord or the Project with regard to the identity of tenants, usage in the Project, or similar matters; (iii) the identity or business reputation of the assignee or sublessee will, in the good faith judgment of Landlord, tend to damage the goodwill or reputation of the Project; (iv) the assignment or sublease is to another tenant in the Project (or an affiliate thereof) and is at rates which are below those charged by Landlord for comparable space in the Project, or is to a prospective tenant that has been in discussions with Landlord regarding space within the Project; or (v) in the case of a sublease, the subtenant has not acknowledged that the Lease controls over any inconsistent provision in the sublease. The foregoing criteria shall not exclude any other reasonable basis for Landlord to refuse its consent to such assignment or sublease. Any approved assignment or sublease shall be expressly subject to the terms and conditions of this Lease. Tenant shall provide to Landlord all information concerning the assignee or sublessee as Landlord may reasonably request. Landlord may revoke its consent immediately and without notice if, as of the effective date of the assignment or sublease, there has occurred and is continuing any default under the Lease. For purposes of this Section, a transfer of the ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded. Notwithstanding the above, Tenant may assign or sublet the Premises, or any part thereof, to any entity controlling Tenant, controlled by Tenant or under common control with Tenant (a "**Tenant Affiliate**"), without the prior written consent of Landlord. Tenant shall reimburse Landlord for all of Landlord's reasonable expenses in connection with any assignment or sublease not to exceed \$3,000.00. This Lease shall be binding upon Tenant and its successors and permitted assigns. Upon Landlord's receipt of Tenant's written notice of a desire to assign or sublet the Premises, or any part thereof (other than to a Tenant Affiliate), Landlord may, by giving written notice to Tenant within 30 days after receipt of Tenant's notice, terminate this Lease with respect to the space described in Tenant's notice, as of the date specified in Tenant's notice for the commencement of the proposed assignment or sublease. Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignments or sublettings). If Landlord consents to any assignment or subletting of Tenant's interest in this Lease, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of all rent, additional rent or other consideration (including, without limitation, key money or other cash consideration if applicable) payable by such assignee or sublessee in connection with an assignment or subletting in excess of the Base Rent and Operating Expenses payable by Tenant under this Lease during the term of the applicable assignment or subletting on a per rentable area square foot basis if less than all of the Premises is transferred (unless all or a portion of the subject space is subject to different Base Rent and Operating Expenses terms, in which case, to the extent applicable, such different terms shall be applicable), after deducting the reasonable brokerage and improvement costs (including improvement allowances) payable to third parties as necessary to conclude the applicable assignment or subletting. If this Lease be assigned or if the Premises be subleased (whether in whole or in part) or in the event of the mortgage, pledge, or hypothecation of Tenant's leasehold interest or grant of any concession or license within the Premises or if the Premises be occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect rent from the assignee, sublessee, mortgagee, pledgee, party to whom the leasehold interest was hypothecated, concessionee or licensee or other occupant and, except to the extent otherwise set forth herein, apply the amount collected to the next rent payable hereunder; and all such rentals collected by Tenant shall be held in trust for Landlord and immediately forwarded to Landlord. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder. Tenant hereby waives and releases its rights under Section 1995.310 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect.

If Tenant shall be subjected to the provisions of the United States Bankruptcy Code or other law of the United States or any state thereof for the protection of debtors as in effect at such time (each a "**Debtor's Law**") Tenant, Tenant as debtor-in-possession, and any trustee or receiver of Tenant's assets (each a "**Tenant's Representative**") shall have no greater right to assume or assign this Lease or any interest in this Lease, or to sublease any of the Premises than accorded to Tenant this Section of the Lease, except to the extent Landlord shall be required to permit such assumption, assignment or sublease by the provisions of such Debtor's Law. In such case, Tenant's Representative shall (a) remain subject to all of the terms and requirements of this Section; (b) shall have deposited with Landlord as security for the timely payment of rent an amount equal to the larger of: (1) three (3) months' Rent and other monetary charges accruing under this Lease; and (2) any sum specified in Section 1 (Basic Lease Provisions) of this Lease; and (c) shall have provided Landlord with adequate other assurance of the future performance of the obligations of Tenant under this Lease. In the event that an attorney is employed or expenses are incurred to pursue, protect, enforce or litigate the obligations hereunder, whether by suit, action or other proceeding, Tenant's Representative promises to pay all such expenses and reasonable attorneys' fees, including, without limitation, reasonable attorneys' fees incurred in or with respect to any bankruptcy proceeding.

13. **Events of Default; Remedies.**

A. **Event of Default:** Each of the following events shall be an event of default ("**Event of Default**") by Tenant under this Lease:

(1) Tenant shall fail to pay any installment of Base Rent or any other payment required herein when due, and such failure shall continue for a period of 5 days from the date such payment was due.

(2) Tenant or any guarantor or surety of Tenant's obligations hereunder shall (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**proceeding for relief**"); (C) become the subject of any proceeding for relief which is not dismissed within 60 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(3) Any insurance required to be maintained by Tenant pursuant to this Lease shall be cancelled or terminated or shall expire or shall be reduced or materially changed, except, in each case, as permitted in this Lease.

(4) Tenant shall cease to occupy or shall vacate the Premises whether or not Tenant is in monetary or other default under this Lease. Tenant's vacating of the Premises shall not constitute an Event of Default if, prior to vacating the Premises, Tenant has made arrangements reasonably acceptable to Landlord to:

(a) ensure that Tenant's insurance for the Premises will not be voided or cancelled with respect to the Premises as a result of such vacancy,

(b) ensure that the Premises are secured and not subject to vandalism, and

(c) ensure that the Premises will be properly maintained after such vacation, including, but not limited to, keeping the heating, ventilation and cooling systems maintenance contracts required by this Lease in full force and effect and maintaining the utility services. Tenant shall inspect the Premises at least once each month and report monthly in writing to Landlord on the condition of the Premises.

(5) Tenant shall attempt or there shall occur any assignment, subleasing or other transfer of Tenant's interest in or with respect to this Lease except as otherwise permitted in this Lease.

(6) Tenant shall fail to discharge any lien placed upon the Premises in violation of this Lease within 20 days after any such lien or encumbrance is filed against the Premises.

(7) Tenant shall fail to provide to Landlord (i) reasonable written evidence of compliance with Legal Requirements, (ii) the service contracts required under this Lease, (iii) an estoppel certificate or financial statements as required hereunder, (iv) a requested subordination, (v) evidence concerning any guaranty and/or Guarantor, (vi) any document requested under Paragraph 38 (Reservations), (vii) material data safety sheets (MSDS), or (viii) any other documentation or information which Landlord may reasonably require of Tenant under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Tenant.

(8) Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 13.A., and except as otherwise expressly provided herein, such default shall continue for more than 30 days after Landlord shall have given Tenant written notice of such default (said notice being in lieu of, and not in addition to, any notice required as a prerequisite to a forcible entry and detainer or similar action for possession of the Premises).

(9) Tenant shall be delinquent by more than 15 days in the payment of Rent on 3 separate occasions in any 12 month period, or Tenant or Tenant's employees, agents or representatives fail to comply with any of the rules and regulations for the Project more than 2 times in any 12 month period.

Tenant agrees that any notice given by Landlord pursuant to this Section of the Lease shall satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding. Tenant hereby waives any and all rights under California Code of Civil Procedure Section 1174, California Civil Code Section 1511 and Section 1993.

B. Remedies. Upon each occurrence of an Event of Default and so long as such Event of Default shall be continuing, Landlord may at any time thereafter at its election: terminate this Lease or Tenant's right of possession (but Tenant shall remain liable as hereinafter provided), and/or pursue any other remedies at law or in equity. Upon the termination of this Lease or termination of Tenant's right of possession, it shall be lawful for Landlord, without formal demand or notice of any kind, to re-enter the Premises by summary dispossession proceedings or any other action or proceeding authorized by law and to remove Tenant and all persons and property therefrom. If Landlord re-enters the Premises, Landlord shall have the right to keep in place and use, or remove and store, all of the furniture, fixtures and equipment at the Premises. Except as otherwise provided in the next paragraph, if Tenant breaches this Lease and abandoned the Premises prior to the end of the term hereof, or if Tenant's right to possession is terminated by Landlord because of an Event of Default by Tenant under this Lease, this Lease shall terminate. Upon such termination, Landlord may recover from Tenant the following, as provided in Section 1951.2 of the Civil Code of California: (i) the worth at the time of award of the unpaid Base Rent and other charges under this Lease that had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the reasonable value of the unpaid Base Rent and other charges under this Lease which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award by which the reasonable value of the unpaid Base Rent and other charges under this Lease for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or that in the ordinary course of things would be likely to result therefrom. As used herein, the following terms are defined:

(1) The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the lesser of 18 percent per annum or the maximum lawful rate. The "worth at the time of award" of the amount referred to in clause (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent;

(2) The "time of award" as used in clauses (i), (ii), and (iii) above is the date on which judgment is entered by a court of competent jurisdiction;

(3) The "reasonable value" of the amount referred to in clause (ii) above is computed by determining the mathematical product of (i) the "reasonable annual rental value" (as defined herein) and (ii) the number of years, including fractional parts thereof, between the date of termination and the time of award. The "reasonable value" of the amount referred to in clause (iii) above is computed by determining the mathematical product of (1) the annual Base Rent and other charges under this Lease and (2) the number of years including fractional parts thereof remaining in the balance of the term of this Lease after the time of award. Tenant acknowledges and agrees that the term "detriment proximately caused by Tenant's failure to perform its obligations under this Lease" includes, without limitation, the value of any abated or free rent given to Tenant. Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due. This remedy is intended to be the remedy described in California Civil Code Section 1951.4, and the following provision from such Civil Code Section is hereby repeated: "The Lessor has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign subject only to reasonable limitations)." Any such payments due Landlord shall be made upon demand therefor from time to time and Tenant agrees that Landlord may file suit to recover any sums falling due from time to time. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect in writing to terminate this Lease for such previous breach. Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, whether by agreement or by operation of law, it being understood that such surrender and/or termination can be effected only by the written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same. Tenant and Landlord further agree that forbearance or waiver by Landlord to enforce its rights pursuant to this Lease or at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter as provided for in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. The terms "enter," "re-enter," "entry" or "re-entry," as used in this Lease, are not restricted to their technical legal meanings. Any reletting of the Premises shall be on such terms and conditions as Landlord in its sole discretion may determine (including without limitation a term different than the remaining Lease Term, rental concessions, alterations and repair of the Premises, lease of less than the entire Premises to any tenant and leasing any or all other portions of the Project before reletting the Premises). Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting. Tenant hereby waives any and all rights under California Civil Code Section 1951.7.

C. **Interest.** Any amount not paid by Tenant within 5 days after its due date in accordance with the terms of this Lease, regardless of whether an Event of Default exists, shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or fifteen percent (15%) per year. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

D. **Breach by Landlord.** Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease or offset any Rent due under this Lease for breach of Landlord's obligations hereunder.

14. **Condemnation.** If any part of the Premises or the Project should be taken for any public or quasi public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**" or "**Taken**"), and the Taking would materially interfere with or impair Landlord's ownership or operation of the Project, then upon written notice by Landlord this Lease shall terminate and Base Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, the Base Rent payable hereunder during the unexpired Lease Term shall be reduced to such extent as may be fair and reasonable under the circumstances. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights under California Code of Civil Procedure Section 1265.130.

15. **Brokerage Fees.** Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any, set forth in the Basic Lease Provisions) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection with this leasing transaction. Tenant and Landlord 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; Financial Statements.**

A. Tenant agrees, from time to time, within 10 days after request of Landlord, to execute and deliver to Landlord, or Landlord's designee, any estoppel certificate requested by Landlord, stating that this Lease is in full force and effect, the date to which rent has been paid, that Landlord is not in default hereunder (or specifying in detail the nature of Landlord's default), the termination date of this Lease and such other matters pertaining to this Lease as may be requested by Landlord. Tenant's obligation to furnish each estoppel certificate in a timely fashion is a material inducement for Landlord's execution of this Lease. No cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate.

B. If Landlord desires to finance, refinance, or sell the Premises, or any part thereof, or if there is an Event of Default, or if Tenant requests permission to assign the Lease, or if Tenant exercises any renewal/extension option hereunder, Tenant and all Guarantors shall within 10 days after written notice from Landlord deliver to Landlord, any potential lender or purchaser designated by Landlord if applicable, such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Tenant's financial statements for the past 3 years. All such financial statements shall be received by Landlord and any such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Landlord.** The term "**Landlord**" 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 tenant's interest in the prior lease. In the event of a transfer of Landlord's title or interest in the Premises or this Lease, Landlord shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Landlord. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Landlord shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Landlord. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Landlord shall be binding only upon the Landlord as hereinabove defined.

18. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

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.** Any obligation or liability whatsoever of Landlord which may arise at any time under this Lease or any obligation or liability which may be incurred by it pursuant to any other instrument, transaction, or undertaking contemplated hereby shall not be personally binding upon, nor shall the enforcement thereof be against the property of, its trustees, directors, shareholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise. Any liability of Landlord under this Lease shall be limited solely to its interest in the Premises, and in no event shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord. For purposes of determining the value of Landlord's interest in the Premises, the Project shall be deemed to be encumbered by a loan in an amount equal to the greater of the actual encumbrance amount or seventy percent (70%) of the fair market value of the Project, as determined as of the date Tenant's claim arises.
21. **Time of Essence.** Time is of the essence with respect to the performance of Tenant's and Landlord's obligations under this Lease.
22. **Entire Agreement.** This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may not be amended except by an instrument in writing signed by both parties hereto.
23. **Notice.** 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 certified or registered mail or U.S. Postal Service Express Mail or other nationally or regionally recognized overnight courier, with postage prepaid, and shall be deemed sufficiently given if served in a manner specified in this Section. 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 Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice. A copy of all notices to Landlord shall be concurrently transmitted to such party or parties at such addresses as Landlord may from time to time hereafter designate in writing. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon delivery. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.
24. **Waivers.** No waiver by Landlord of the breach of any term, covenant or condition hereof by Tenant or Event of Default, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Event of Default or Tenant breach of any other term, covenant or condition hereof. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to, or approval of, any subsequent or similar act by Tenant, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Landlord shall not be a waiver of any Event of Default by Tenant. Any payment by Tenant may be accepted by Landlord on account of monies or damages due Landlord, notwithstanding any qualifying statements or conditions made by Tenant in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Landlord at or before the time of deposit of such payment. 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. **No Right To Holdover.** If Tenant retains possession of the Premises after the termination of the Lease Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the holdover period, an amount equal to one hundred fifty percent (150%) of the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments shall continue under the terms of this Lease. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section shall not be construed as consent for Tenant to retain possession of the Premises. For purposes of this Section, "**possession of the Premises**" shall continue until, among other things, Tenant has delivered all keys to the Premises to Landlord, Landlord has complete and total dominion and control over the Premises, and Tenant has completely fulfilled all obligations required of it upon termination of the Lease as set forth in this Lease, including, without limitation, those concerning the condition and repair of the Premises. Tenant acknowledges that Landlord utilizes a rental collection system involving the direct deposit of monies received through a financial institution selected by Landlord, which precludes Landlord's ability to exercise rejection of a rental payment before Tenant's check is cashed. Tenant agrees that as a condition of Landlord granting this Lease, Tenant hereby waives any rights it may have under law to force continuation of this Lease due to Landlord having cashed Tenant's rental remittance. Landlord shall have the option of rejecting Tenant's payment by refunding to Tenant the rental amount paid by Tenant, adjusted as set forth in this Lease, and enforcing the termination provisions of this Lease.

26. **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.

27. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Tenant 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.

28. **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 of California. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

29. **Subordination; Attornment.**

A. **Subordination.** This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any first mortgage ("**Lender**"), now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant. Tenant agrees, at the election of the Lender, to attorn to any such holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such Lender. Notwithstanding the foregoing, any such Lender may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such Lender shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Lender and had been assigned to such Lender. The term "**mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**Lender**" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

B. **Attornment.** In the event that Landlord transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a mortgage to which this Lease is subordinated (i) Tenant shall, subject to the non-disturbance provisions hereof, 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 shall automatically become a new lease between Tenant and such new owner, and (ii) Landlord shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Landlord's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior Landlord or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Tenant might have against any prior landlord, (c) be bound by prepayment of more than one month's rent, (d) be liable for the return of any security deposit paid to any prior Landlord which was not paid or credited to such new owner, or (e) be bound by any amendment or modification to this Lease not executed by such new owner, if such new owner previously had a lien secured by the Premises.

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

30. **Attorneys' Fees.** In the event either party hereto initiates litigation to enforce the terms and provisions of this Lease, the non-prevailing party in such action shall reimburse the Prevailing Party for its reasonable attorney's fees, filing fees, and court costs. 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 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 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, Landlord shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Event of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Event of Default or resulting breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

31. **Landlord's Access; Showing Premises; Repairs; Solar.** Landlord and Landlord'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 Landlord may deem necessary or desirable and the erecting, using and maintaining of, among other things desired by Landlord, utilities, services, security systems, communication systems, fire sprinklers or detection systems, solar power systems, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Tenant's use of the Premises. All such activities shall be without abatement of rent or liability to Tenant. Without limiting the generality of the foregoing, Tenant agrees and understands that Landlord shall have the right (provided that the exercise of Landlord's rights does not adversely affect Tenant's use and occupancy of the Premises or subject Tenant to additional costs), without Tenant's consent, to place a solar electric generating system, a satellite system and/or other system and/or equipment on the roof of the Building (together with appurtenances within the Premises as reasonably required) or enter into a lease(s) for the roof of the Building whereby such roof tenant(s) shall have the right to install any such systems on the roof of the Building, and Landlord and its agents shall have access to the Premises and roof to accomplish the foregoing.

32. **Signs; Press Releases.** Tenant shall not make any changes to the exterior of the Premises, install any exterior lights, decorations, balloons, flags, pennants, banners, or painting, or erect or install any signs, windows or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises, without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion. Any signage shall be at Tenant's sole cost and expense. Upon surrender or vacation of the Premises, Tenant shall have removed all signs and repair, paint, and/or replace the building facia surface to which its signs are attached. Tenant shall obtain all applicable governmental permits and approvals for sign and exterior treatments. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Premises shall be subject to Landlord's approval and conform in all respects to Landlord's requirements. Landlord 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. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Tenant shall not place any sign upon the Project without Landlord's prior written consent. All signs must comply with all Legal Requirements. Landlord shall have the right to publicize Landlord and Tenant's relationship regarding this Lease.

33. **Termination; Merger.** Unless specifically stated otherwise in writing by Landlord, the voluntary or other surrender of this Lease by Tenant, the mutual termination or cancellation hereof, or a termination hereof by Landlord for breach by Tenant, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Landlord may elect to continue any one or all existing subtenancies. Landlord'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 Landlord's election to have such event constitute the termination of such interest.

34. **Consents.** 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. Landlord'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 Tenant for any Landlord consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Material or a so-called "landlord-lender" agreement, shall be paid by Tenant upon receipt of an invoice and supporting documentation therefor. The failure to specify herein any particular condition to Landlord's consent shall not preclude the imposition by Landlord 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.

35. Guarantor.

A. **Execution.** The Guarantors, if any, shall each execute Landlord's standard guaranty form.

B. **Event of Default.** It shall constitute an Event of Default of the Tenant 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.

36. **Quiet Possession.** If Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

37. **Security Measures.** Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures. Tenant assumes all responsibility for the protection of the Premises, Tenant, its agents and invitees and their property from the acts of third parties. Tenant acknowledges and agrees that, if Landlord patrols the Project, Landlord is not providing any security services with respect to the Premises and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises.

38. **Reservations.** Landlord reserves the right: (i) to grant, without the consent or joinder of Tenant, such easements, rights and dedications that Landlord deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Tenant. Tenant agrees to sign any documents reasonably requested by Landlord to effectuate such rights.

39. 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 and when included within the term "**Tenant**," as used in this instrument, there is more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant. Additionally, if there be more than one Tenant, then each Tenant hereunder agrees that (i) the act of any one Tenant, acting alone, shall be sufficient to bind all Tenants with respect to their respective rights and obligations under this Lease and (ii) Landlord shall have the unconditional right to rely upon the act of any one Tenant as being binding upon all Tenant's without any obligation to inquire as to the authority of the Tenant with whom Landlord is dealing.

C. This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Lease. Execution copies of this Lease may be delivered by facsimile or email, and the parties hereto agree to accept and be bound by facsimile signatures or scanned signatures transmitted via email hereto, which signatures shall be considered as original signatures with the transmitted Lease having the same binding effect as an original signature on an original Lease. At the request of either party, any facsimile document or scanned document transmitted via email is to be re-executed in original form by the party who executed the original facsimile document or scanned document. Neither party may raise the use of a facsimile machine or scanned document or the fact that any signature was transmitted through the use of a facsimile machine or email as a defense to the enforcement of this Lease. Further, the Parties hereto expressly consent and agree that this Lease may be electronically signed. The Parties agree that electronic signatures appearing on this Lease shall be treated, for purposes of validity, enforceability and admissibility, the same as hand-written signatures.

40. **Conflict.** Any conflict between the Basic Lease Provisions of this Lease and the other Sections of this standard base Lease, the Basic Lease Provisions shall control. All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda and the other terms of the standard base Lease, such exhibits or addenda shall control.

41. **Offer.** This Lease is not intended to be binding until executed and delivered by all Parties hereto. The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

42. **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 Tenant's obligations hereunder, Tenant 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.

43. **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 AGREEMENT.**

44. **Accessibility; Americans with Disabilities Act.**

A. **CASp Statement.** Landlord makes the following statement based on Landlord's actual knowledge in order to comply with California Civil Code Section 1938: The Building and Premises have not undergone an inspection by a Certified Access Specialist (CASp).

B. **No Representation or Warranty.** Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Tenant's specific use of the Premises, Landlord makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Tenant's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Tenant agrees to make any such necessary modifications and/or additions at Tenant's expense.

C. **California Law Disclosure.** 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.

D. **Acknowledgement.** Landlord and Tenant hereby mutually agree that in the event a CASp inspection is requested by Tenant, the fee for the CASp inspection and the cost of making any repairs necessary to correct violations of construction-related accessibility standards noted in the CASp inspection shall be paid by Tenant.

45. **REIT Provisions.** Tenant understands that, in order for an indirect owner of Landlord to qualify as a REIT, the following requirements (the "REIT Requirements") must be satisfied:

A. **Subleasing.** Anything contained in this Lease to the contrary notwithstanding, Tenant shall not sublet the Premises on any basis such that the rent or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (i) the net income or profits derived by the business activities of the proposed sublessee, or (ii) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision hereto.

B. **Personal Property Limitation.** Anything contained in the Lease to the contrary notwithstanding, the average of the fair market values of the items of personal property that are leased to Tenant under the Lease at the beginning and at the end of any year shall not exceed fifteen percent (15%) of the average of the aggregate fair market values of the leased property at the beginning and at the end of such year (the "**Personal Property Limitation**"). If Landlord reasonably anticipates that the Personal Property Limitation will be exceeded with respect to the leased property for any year, Landlord shall notify Tenant, and Tenant either (i) shall purchase at fair market value any personal property anticipated to be in excess of the Personal Property Limitation ("**Excess Personal Property**") either from Landlord or a third party or (ii) shall lease the Excess Personal Property from a third party. In either case, Tenant's Base Rent obligation shall be equitably adjusted. Notwithstanding anything to the contrary set forth above, Tenant shall not be responsible in any way for determining whether Tenant has exceeded or will exceed the Personal Property Limitation and shall not be liable to Landlord or any of its shareholders in the event that the Personal Property Limitation is exceeded, as long as Tenant meets its obligation to acquire or lease any Excess Personal Property as provided above. This section is intended to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

C. **REIT Requirements.** Tenant agrees to use its reasonable efforts to cause its affiliates, to cooperate in good faith with Landlord to ensure that the terms of this Section are satisfied. Tenant agrees to use reasonable efforts to cause its affiliates, upon request by Landlord to take reasonable action necessary to ensure compliance with all REIT Requirements. If Tenant becomes aware that the REIT Requirements are not, or will not be, satisfied, Tenant shall notify, or use reasonable efforts to cause its affiliates to notify Landlord of such noncompliance. Notwithstanding anything herein to the contrary, in the event that Tenant defaults in its obligations under this Section with respect to the REIT Requirements and fails to cure the same within thirty days after written notice from Landlord, then Landlord's sole remedy for Tenant's breach of its obligations under this Section shall be to terminate the Lease (provided, however, that the preceding shall not limit Landlord's right to pursue all other available remedies in connection with an Event of Default by Tenant of any other obligations or provisions under the Lease other than those set forth in this Section).

46. **Interpretation.** This Lease shall be deemed to have been drafted by both parties and shall not be interpreted against any person as drafter. In addition, prior drafts of this Lease or any letters of intent regarding the same shall not be used in any way to interpret the provisions hereof.

47. **Force Majeure.** Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Landlord ("**Force Majeure**").

48. **Arbitration.**

A. Subject to (B) below, in the event of any dispute or disagreement between the parties as to the validity, construction, enforceability or performance of this Lease which cannot be resolved by the mutual agreement of the parties, and mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Lease. Accordingly, the parties do hereby covenant and agree as follows:

- (1) Any controversy, dispute, or claim of whatever nature arising out of, in connection with, or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be determined, at the request of any party to this Lease by binding arbitration before a retired judge of the applicable court of jurisdiction affiliated with Judicial Arbitration & Mediation Services, Inc. ("**J.A.M.S.**") conducted at a location determined by an arbitrator in the County of Los Angeles, State of California administered by and in accordance with the then existing Rules of Practice and Procedure of Judicial Arbitration & Mediation Services (J.A.M.S.), and judgment upon any award rendered by the arbitrator(s) may be entered by any state or federal Court having jurisdiction thereof.

- (2) The provisions of California Code of Civil Procedures Section 1283.05 or its successor section(s) are incorporated in and made a part of this Lease. Depositions may be taken and discovery may be obtained in any arbitration under this Lease in accordance with such section(s).
- (3) The arbitrator shall determine which is the prevailing party and may include in the award that party's costs and reasonable attorneys' fees.
- (4) As soon as practicable after selection of the arbitrator, the arbitrator or such arbitrator's designated representative shall determine a reasonable estimate of anticipated fees and costs of the arbitrator, and render a statement to each party setting forth that party's pro rata share of such fees and costs. Thereafter each party shall, within ten days of receipt of such statement, deposit such sum with the arbitrator. Failure of any party to make such a deposit shall not otherwise serve to abate, stay or suspend the arbitration proceedings.

B. Any party shall have the right to apply for and obtain a temporary restraining order or other temporary or permanent injunctive or equitable relief from a court of competent jurisdiction to enforce the provisions hereof or to otherwise protect its rights under this Section. Notwithstanding the foregoing, the following claims, disputes or disagreements under this Lease are expressly excluded from the arbitration procedures set forth herein: (i) disputes for which a different resolution determination is specifically set forth in this Lease; (ii) all claims by either party which (1) seek anything other than enforcement or determination of rights under this Lease or (2) 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; (iii) claims relating to (1) Landlord's exercise of any unlawful detainer rights pursuant to applicable Legal Requirements or (2) rights or remedies used by Landlord to gain possession of the Premises or terminate Tenant'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 Legal Requirements; and (iv) any claim or dispute that is within the jurisdiction of Small Claims Court.

C. The provisions of this Section shall not limit, require the postponement of, or in any other way preclude the exercise of any right or remedies otherwise enjoyed by any party to this Lease under the provisions hereof.

49. **Miscellaneous.**

A. Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

B. Annually, Tenant at Tenant's sole cost and expense, shall deliver to Landlord data regarding the electricity consumed in the operation of the Premises (the "**Energy Data**") for purposes of regulatory compliance, manual and automated benchmarking, energy management, building environmental performance labeling and other related purposes, including but not limited, to the Environmental Protection Agency's Energy Star rating system and other energy benchmarking systems. Tenant agrees to update such benchmarking information for Tenant's operations conducted during the year. Landlord shall use commercially reasonable efforts to utilize automated data transmittal services offered by utility companies to access the Energy Data.

For any information or inquiries related to sustainability and energy usage, please contact:

Valerie Leith, Paralegal
11620 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90025
vleith@rexfordindustrial.com
424-256-2108 (d)
310-966-1690 (f)

C. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

50. **CCPA Disclosure.** In accordance with the California Consumer Privacy Act (“**CCPA**”), Landlord makes the following disclosure: Landlord collects certain categories of personal information about tenants including identifiers (such as names, email addresses and telephone numbers) and commercial information as set forth on the Tenant Contact Information form attached hereto. Such personal information is collected by Landlord for use in providing services under the Lease and for other internal business purposes. Landlord does not sell personal information. To learn more about Landlord’s privacy policy, please visit <https://www.rexfordindustrial.com/privacy-policy>.

[SIGNATURE PAGE FOLLOWS]

The parties hereto have executed this Lease on the dates specified about their respective signatures.

Landlord:

REXFORD INDUSTRIAL – NELSON, LLC,
a Delaware limited liability company

By: Rexford Industrial Realty, L.P.,
a Maryland limited partnership,
Its Managing Member

By: Rexford Industrial Realty, Inc.,
a Maryland corporation,
Its General Partner

By: /s/ Howard Schwimmer

Printed: Howard Schwimmer

Title: Co-Chief Executive Officer

Date: _____

Address: 11620 Wilshire Boulevard, Suite 1000
Los Angeles, California 90025

Telephone: +1 (310) 966-1680

With a Copy to:

Attn: General Counsel
C/O: Rexford Industrial

Address: 11620 Wilshire Boulevard, Suite 1000
Los Angeles, California 90025

Tenant:

BZRTH INC,
a Nevada corporation

By: /s/ Chenlong Tan

Printed: Chenlong Tan

Title: CEO

Date: Sep 1, 2020 | 5:41 PM PDT

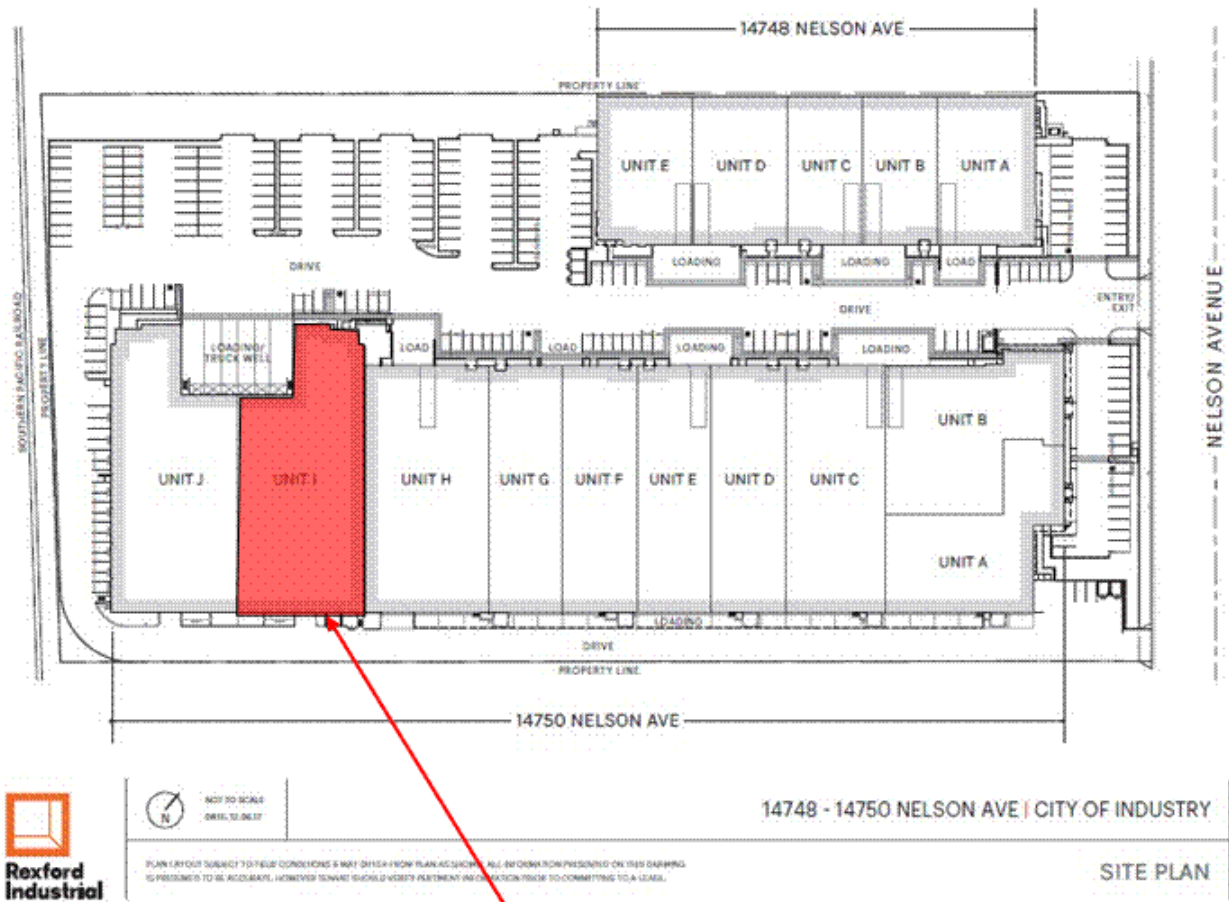
Address: 2399 bateman ave., Irwindale, CA 91010

Telephone: 6268637344

Exhibit "A"

SITE PLAN

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED SEPTEMBER 1, 2020 BETWEEN
REXFORD INDUSTRIAL – NELSON, LLC, A DELAWARE LIMITED LIABILITY COMPANY
and
BZRTH INC, A NEVADA CORPORATION



SUBJECT PREMISES

Not to scale. Does not constitute a representation or warranty regarding the Project or any portion thereof, and Landlord reserves the right to modify any portion of the Project in its sole discretion as provided in the Lease.

EXHIBIT "B"

PROJECT RULES AND REGULATIONS
ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED SEPTEMBER 1, 2020 BETWEEN
REXFORD INDUSTRIAL – NELSON, LLC, A DELAWARE LIMITED LIABILITY COMPANY
and
BZRTN INC, A NEVADA CORPORATION

Rules and Regulations

1. The sidewalk, entries, driveways and drive aisles of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.
2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project without Landlord's prior written consent.
3. Except for guide, signal, or seeing-eye dogs, no animals shall be allowed in the offices, halls, or corridors in the Project.
4. Tenant shall not disturb the occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.
5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how the wires may be introduced; and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.
6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.
7. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Further, parking any type of trucks, trailers or other vehicles in the Building is specifically prohibited. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord or in the Lease.
8. Tenant shall maintain the Premises free from rodents, insects and other pests.
9. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

10. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.
11. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.
12. Tenant shall not permit storage outside the Premises, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.
13. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.
14. No auction, public or private, will be permitted on the Premises or the Project.
15. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.
16. The Premises shall not be used for lodging, sleeping or cooking or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.
17. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.
18. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.
19. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.
20. Tenant shall not permit smoking in the office areas of the Premises.
21. Tenant shall not permit the use of space heaters on the Premises.
22. Tenant shall not conduct any loading or unloading of materials or supplies outside of the areas specifically designated by Landlord for such activities.
23. Tenant shall restrict the use of janitorial work during non-business hours.
24. Tenant shall not permit the use of vending machines at the Premises.

EXHIBIT "C"
FORM OF TENANT CONTACT INFORMATION SHEET

DocuSign Envelope ID: 00B0575E-4CFF-48C5-BD1A-ED48F5EF588C

EXHIBIT "C"

FORM OF TENANT CONTACT INFORMATION SHEET



Tenant Contact Information

Please complete and return this form immediately to:

Rexford Industrial Realty, L.P. Tel (310) 966-1680
11620 Wishire Boulevard, Suite 1000 E-Fax (310) 405-7646
Los Angeles, California 90025

Tenant Contact Information

1. Tenant Full Legal Name: Chenlong Tan
Office Main: () 6268637344 Mobile: () 3107378888
Email Address: Law.t@bztthinc.com
2. Emergency Contact: Alice Wu Emergency Phone Number () 7143181386
Emergency Email: Alice.w@bztthinc.com
3. Leased Premises Address: 14750 E. Nelson Ave, unit I, City of Industry, CA 91744
4. On-Site Contact Name/Title: David Lo
Office Main: () 6268637344 Mobile: () 6266178778
Email Address: david.l@bztthinc.com
5. Accounts Payable Contact Name: Accounting Department
Office Main: () 6268637344 Mobile: () 7143181386
Email Address: af@bztthinc.com
Mailing Address (if different): same address

Tenant Business Information

6. Nature of Business: Retail NAICS (6-digit) Code for Business: 45411
7. Total Number of Employees at this location: 10-20
8. Product or Service is Used by Consumers or by Other Businesses (circle one) Consumers
9. Is any portion of your business involved in producing or selling goods or services via the Internet or Amazon/ eBay/ Craigslist? Yes or No (circle one) YES
If yes, approximately what percent is sold to consumers >90%
If yes, approximately what percent is sold to businesses <10%
10. Is any portion of your business involved in manufacturing/warehousing any products/services that are eventually sold via the Internet? Yes or No (circle one) YES
If yes, approximately what percent close to 100%
11. What percentage of your business do you expect to experience sales growth due to the Internet/e-commerce over the next 1-2 years 20-30%
12. Where does the Product/Service Originate From? USA, CHINA
13. Percent of Product or Service that is Sourced in CA approx 40%
14. Percent of Product or Service that is Sourced in USA but outside CA approx 20%
15. Percent of Product or Service that is Imported from outside USA approx 40%
16. Where is the Product/Service distributed to? USA
17. Percent of Product or Service that is distributed to or consumed in CA 15%
18. Percent of Product or Service that is distributed to or consumed in USA, but outside of CA 80%
19. Percent of Product or Service that is exported to outside of USA 5%

Signature: Chenlong Tan Date: Sep 1, 2020 | 5:41 PM PDT

EXHIBIT "D" ACM NOTIFICATION

This Exhibit is attached to and made a part of this Lease by and between Rexford Industrial – Nelson, LLC, a Delaware limited liability company ("**Landlord**"), and BZRTH Inc, a Nevada corporation ("**Tenant**"), for space in the building located at 14750 E. Nelson Avenue, City of Industry, California, 91744 (the "**Building**").

Asbestos-containing materials ("**ACMs**") were historically commonly used in the construction of commercial buildings across the country. ACMs were commonly used because of their beneficial qualities; ACMs are fire-resistant and provide good noise and temperature insulation.

Some common types of ACMs include surfacing materials (such as spray-on fireproofing, stucco, plaster and textured paint), flooring materials (such as vinyl floor tile and vinyl floor sheeting) and their associated mastics, carpet mastic, thermal system insulation (such as pipe or duct wrap, boiler wrap and cooling tower insulation), roofing materials, drywall, drywall joint tape and drywall joint compound, acoustic ceiling tiles, transits board, base cove and associated mastic, caulking, window glazing and fire doors. These materials are not required under law to be removed from any building (except prior to demolition and certain renovation projects). Moreover, ACMs generally are not thought to present a threat to human health unless they cause a release of asbestos fibers into the air, which does not typically occur unless (1) the ACMs are in deteriorated condition, or (2) the ACMs have been significantly disturbed (such as through abrasive cleaning, or maintenance or renovation activities).

It is possible that some of the various types of ACMs noted above (or other types) are present at various locations in the Building. Anyone who finds any such materials in the Building should assume them to contain asbestos unless those materials are properly tested and found to be otherwise. In addition, under applicable law, certain of these materials are required to be presumed to contain asbestos in the Building if the Building was built prior to 1981 (these materials are typically referred to as "Presumed Asbestos Containing Materials" or "**PACM**"). PACM consists of thermal system insulation and surfacing material found in buildings constructed prior to 1981, and asphalt or vinyl flooring installed prior to 1981. If the Building was built prior to 1981 and any thermal system insulation, asphalt or vinyl flooring or surfacing materials are found to be present in the Building, such materials must be considered PACM unless properly tested and found otherwise. In addition, Landlord has identified the presence of certain ACMs in the Building. For information about the specific types and locations of these identified ACMs, please contact the Building manager. The Building Manager maintains records of the Building's asbestos information including any Building asbestos surveys, sampling and abatement reports. This information is maintained as part of Landlord's asbestos Operations and Maintenance Plan ("**O&M Plan**").

The O&M Plan is designed to minimize the potential of any harmful asbestos exposure to any person in the Building. Because Landlord is not a physician, scientist or industrial hygienist, Landlord has no special knowledge of the health impact of exposure to asbestos. Therefore, Landlord hired an independent environmental consulting firm to prepare an O&M Plan. The O&M Plan includes a schedule of actions to be taken in order to (1) maintain any building ACMs in good condition, and (2) to prevent any significant disturbance of such ACMs. Appropriate Landlord personnel receive regular periodic training on how to properly administer the O&M Plan.

The O&M Plan describes the risks associated with asbestos exposure and how to prevent such exposure. The O&M Plan describes those risks, in general, as follows: asbestos is not a significant health concern unless asbestos fibers are released and inhaled. If inhaled, asbestos fibers can accumulate in the lungs and, as exposure increases, the risk of disease (such as asbestosis and cancer) increases. However, measures taken to minimize exposure and consequently minimize the accumulation of fibers, can reduce the risk of adverse health effects.

The O&M Plan also describes a number of activities which should be avoided in order to prevent a release of asbestos fibers. In particular, some of the activities which may present a health risk (because those activities may cause an airborne release of asbestos fibers) include moving, drilling, boring or otherwise disturbing ACMs. Consequently, such activities should not be attempted by any person not qualified to handle ACMs. In other words, the approval of Building management must be obtained prior to engaging in any such activities. Please contact the Building manager for more information in this regard. A copy of the written O&M Plan is located in the Building Management Office and, upon your request, will be made available to tenants for you to review and copy during regular business hours.

Because of the potential or presumed presence of ACM in the Building, we are also providing the following warning, which is commonly known as a California Proposition 65 warning: **WARNING: This building contains asbestos, a chemical known to the State of California to cause cancer.**

Please contact the Building manager with any questions regarding the contents of this notification.

ADDENDUM ONE

LEASE GUARANTY

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED SEPTEMBER 1, 2020 BETWEEN
REXFORD INDUSTRIAL – NELSON, LLC, A DELAWARE LIMITED LIABILITY COMPANY
and
BZRTH INC, A NEVADA CORPORATION

The undersigned (collectively the "**Guarantor**") hereby absolutely and unconditionally, jointly and severally, guarantees the prompt, complete, and full and punctual payment, observance, and performance of all the terms, covenants, and conditions provided to be paid, kept, and performed by the tenant under that certain Lease Agreement (such lease, as amended, being herein referred to as the "**Lease**"), dated September 1, 2020 between Rexford Industrial – Nelson, LLC, a Delaware limited liability company, as Landlord ("**Landlord**"), and BZRTH Inc, a Nevada corporation, as Tenant ("**Tenant**") covering the premises located at 14750 E. Nelson Avenue, Unit I, City of Industry, California, 91744 and all renewals, amendments, expansions, and modifications of the Lease. This Guaranty shall include any liability of Tenant which shall accrue under the Lease for any period preceding as well as any period following the term of the Lease. Guarantor's liability is not conditioned or contingent upon the genuineness, validity, regularity or enforceability of the Lease and Guarantor waives any and all benefits and defenses under California Civil Code Section 2810 and agrees that by doing so Guarantor is liable even if Tenant had no liability at the time of execution of the Lease or thereafter ceases to be liable. Guarantor expressly waives any and all rights, benefits and defenses under Sections 2809, 2810, 2819, 2820, 2821, 2822, 2845, 2848, 2849 and 2850 of the Civil Code of the State of California, as recodified from time to time (except the right to require contribution from co-sureties as set forth in Section 2848 therein), and agrees that by doing so its liability may be larger in amount and more burdensome than that of Tenant.

The obligation of the Guarantor is primary and independent of Tenant's obligations under the Lease and may be enforced directly against the Guarantor independently of and without proceeding against the Tenant or exhausting or pursuing any remedy against Tenant or any other person or entity. Guarantor waives any requirement that Landlord mitigate damages under the Lease.

This instrument may not be changed, modified, discharged, or terminated orally or in any manner other than by an agreement in writing signed by Guarantor and the Landlord.

The obligations of Guarantor under this Guaranty shall not be released or otherwise affected by reason of any sublease, assignment, or other transfer of the Tenant's interest under the Lease, whether or not Landlord consents to such sublease, assignment, or other transfer.

Any act of Landlord, or the successors or assigns of Landlord, consisting of a waiver of any of the terms or conditions of said Lease, or the giving of any consent to any manner or thing relating to said Lease, or the granting of any indulgences or extensions of time to Tenant, may be done without notice to Guarantor and without releasing the obligations of Guarantor hereunder.

The obligations of Guarantor hereunder shall not be released by Landlord's receipt, application, or release of security given for the performance and observance of covenants and conditions in said Lease contained on Tenant's part to be performed or observed nor by any modification of such Lease; but in case of any such modification the liability of Guarantor shall be deemed modified in accordance with the terms of any such modification of the Lease.

Until all the covenants and conditions in said Lease on Tenant's part to be performed and observed are fully performed and observed, Guarantor (i) shall have no right of subrogation against Tenant by reason of any payments or acts of performance by the Guarantor, in compliance with the obligations of the Guarantor hereunder; (ii) waives any right to enforce any remedy which Guarantor now or hereafter shall have against Tenant by reason of any one or more payments or acts of performance in compliance with the obligations of Guarantor hereunder; and (iii) subordinates any liability or indebtedness of Tenant now or hereafter held by Guarantor to the obligations of Tenant to the Landlord under said Lease.

Additionally, Guarantor waives and relinquishes any rights it may have under California Civil Code Sections 2845, 2849, 2850 and 2856 or otherwise to require Landlord to (a) proceed against Tenant or any other guarantor, pledgor or person liable under the Lease; (b) proceed against or exhaust any security for the Lease or this Guaranty; or (c) pursue any other remedy in Landlord's power whatsoever. In other words, Landlord may proceed against Guarantor for the obligations guaranteed without first taking any action against Tenant or any other guarantor, pledgor or person liable under the Lease and without proceeding against any security. Guarantor shall not have, and hereby waives (1) any right of subrogation, contribution, indemnity and any similar right that Guarantor may otherwise have, (2) any right to any remedy which Landlord now has or may hereafter have against Tenant, and (3) any benefit of any security now or hereafter held by Landlord. Guarantor waives (A) all presentments, demands for performance, notices of non-performance, protests, notices of protests and notices of dishonor; (B) all other notices and demands to which Guarantor might be entitled, including without limitation notice of all of the following: the acceptance hereof; any adverse change in Tenant's financial position; any other fact which might increase Guarantor's risk; any default, partial payment or non-payment under the Lease; any and all agreements and arrangements between Landlord and Tenant and any changes, modifications, or extensions thereof; and any revocation, modification or release of any guaranty of any or all of the Lease by any person (including without limitation any other person signing this Guaranty); (C) any defense arising by reason of any failure of Landlord to obtain, perfect, maintain or keep in force any security interest in any property of Tenant or any other person; (D) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against Tenant or any other guarantor or any person liable under the Lease, including without limitation any discharge of, or bar against collecting, any of the obligations guaranteed hereby in or as a result of any such proceeding, any rejection of the Lease and any limitation on Landlord's claim for rejection damages under 11 U.S.C. § 502(b)(6) (which contains a limitation equal to the greater of one (1) year's rent or fifteen percent (15%) of the rent for the remaining term of the Lease (not to exceed three (3) years)) or otherwise; (E) any defense arising by reason of any disability, lack of authority or power of tenant or other defense of Tenant or any other guarantor or any other person or by reason of the cessation from any cause whatsoever of the liability of Tenant or any other guarantor or any other person; (F) the right to a jury trial in any action under this Guaranty or relating to this Guaranty; and (G) the benefit of any and all statutes of limitation with respect to any action based upon, arising out of or related to this Guaranty. Without limiting the generality of the foregoing or any other provision of this Guaranty, Guarantor expressly waives any and all benefits which might otherwise be available to Guarantor under California Civil Code Sections (i) 2822 (which provides in part that if a surety is liable upon only a portion of an obligation and the principal provides partial satisfaction of the obligation, the principal may designate the portion of the obligation that is to be satisfied); (ii) 2839 (which provides that a surety is exonerated by the performance or the offer of performance of the principal obligation); (iii) 2899 (which provides for the order of resort to different funds held by the creditor); and (iv) 3433 (which provides for the right of a creditor to require that another creditor entitled to resort to several sources of payments first resort to sources not available to the first creditor).

The liability of Guarantor hereunder shall not be released or otherwise affected by (i) the release or discharge of Tenant in any insolvency, bankruptcy, reorganization, receivership, or other debtor relief proceeding involving Tenant (collectively "proceeding for relief"); (ii) the impairment, limitation, or modification of the liability of Tenant or the estate of the Tenant in any proceeding for relief, or of any remedy for the enforcement of Tenant's liability under the Lease, resulting from the operation of any law relating to bankruptcy, insolvency, or similar proceeding or other law or from the decision in any court; (iii) the rejection or disaffirmance of the Lease in any proceeding for relief; or (iv) the cessation from any cause whatsoever of the liability of Tenant.

The Guarantor agrees that upon an event of default under the Lease, the Landlord has the right and option, but is not required to, name the Guarantor in an unlawful detainer proceeding, and that doing so does not constitute an election of remedies against the Guarantor.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment by Tenant to Landlord under the Lease is rescinded or must otherwise be returned by Landlord upon the insolvency, bankruptcy, reorganization, receivership, or other debtor relief proceeding involving Tenant, all as though such payment had not been made.

This Guaranty is executed and delivered for the benefit of Landlord and its successors and assigns, and is and shall be binding upon Guarantor and its successors and assigns, but Guarantor may not assign its obligations hereunder.

Guarantor agrees to pay all costs and expenses, including reasonable attorneys' fees, incurred by Landlord in enforcing the terms of this Guaranty.

This Guaranty shall be governed by and construed in accordance with the internal laws of the State which governs the Lease excluding any principles of conflicts of laws. For the purpose solely of litigating any dispute under this Guaranty, the undersigned submits to the jurisdiction of the courts of said state.

If the Guarantor is more than one person or entity, the liability of each such Guarantor shall be joint and several.

WITNESS THE EXECUTION hereof this 9/1/2020 day of September, 2020

GUARANTOR:

CHENLONG TAN,
an Individual

By: _____

Name: Chenlong Tan

Title: an Individual

ADDENDUM TWO

CORONAVIRUS ACKNOWLEDGEMENT

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED SEPTEMBER 1, 2020 BETWEEN
REXFORD INDUSTRIAL – NELSON, LLC, A DELAWARE LIMITED LIABILITY COMPANY
and
BZRTH INC, A NEVADA CORPORATION

The parties hereby acknowledge that, as of the date of this Lease, the coronavirus outbreak, including, without limitation Covid-19 and any mutations thereof (the “**Coronavirus Situation**”) has resulted in various governmental entities at various levels (federal, state, county, city and local) to issue various laws, ordinances, regulations, orders and controls directly in response to the Coronavirus Situation (collectively and as hereinafter promulgated, the “**Coronavirus Governmental Actions**”), which have included, without limitation, orders that may give tenants the right to withhold or defer rent payments without late fees or interest (“**Coronavirus Rent Deferrals**”). Landlord and Tenant acknowledge that this Lease is being entered into while both parties have knowledge and awareness of the Coronavirus Situation and the ongoing Coronavirus Governmental Actions, and Tenant acknowledges and agrees that Landlord would not lease the Premises to Tenant without Tenant expressly waiving any current or future rights to Coronavirus Rent Deferrals and all other rights now or in the future to withhold any payments to Landlord arising in any way from the Coronavirus Governmental Actions. Therefore, in consideration of the foregoing and Landlord’s willingness to enter into this Lease, to the maximum extent allowed by Legal Requirements, Tenant hereby expressly and irrevocably waives any and all current or future rights to Coronavirus Rent Deferrals and all other rights now or in the future to withhold any payments of Rent to Landlord arising in any way from the Coronavirus Governmental Actions. Tenant acknowledges and agrees that Landlord is under no obligation to provide notice of any incidents of coronavirus infections within the Project, and the presence of coronavirus infected individuals within the Project is not an excuse or basis for not making payments to Landlord otherwise due under this Lease, including, without limitation, Rent.

Notwithstanding the foregoing, in the event Tenant ever seeks to defer or withhold Rent, Tenant shall promptly provide Landlord with the following documentation for Tenant and any Guarantors to substantiate the impact of the Coronavirus Situation, it being understood that failure to provide any such documentation by Tenant while withholding any rent shall be considered an Event of Default by Tenant under this Agreement: (a) projected cash flow statements covering the next six (6) months, showing all sources and uses of cash; (b) summary of all cash receipts and expenditures for the six (6) most recent calendar months, and for the current month to date; (c) schedule of liabilities identifying for each, the nature and amount of the debt, the monthly payment amount, any collateral for the debt, whether and to what extent any defaults, and what relief, if any, was requested or granted by the creditor; (d) current balance sheet along with profit and loss statements for the prior two (2) years and monthly to date; (e) list of all bank and other cash deposit accounts held by (i) Tenant or any Guarantor, (ii) any other entity that is owned or controlled, directly or indirectly, by Tenant or any Guarantor and (iii) the primary owners of the business; (f) six (6) most recent monthly statements for each of the accounts described above; (g) complete tax returns for the prior two (2) years filed by Tenant, any Guarantor and the primary owners of the business; (h) all owners’ or stockholders’ individual monetary contributions in helping to sustain the monthly operations of the Tenant entity during the prior twelve (12) month period; and (i) submission of the applicable Corona Virus Situation disaster assistance program and related materials.

Initials:

Landlord: _____

Tenant: _____



**Rexford
Industrial**

TENANT MOVE-IN/MOVE-OUT CHECKLIST

| | |
|-------------------|-------|
| ENTITY NAME: | _____ |
| TENANT NAME: | _____ |
| PREMISES ADDRESS: | _____ |
| POSSESSION DATE: | _____ |
| MOVE-OUT DATE: | _____ |

Unless otherwise noted, the premises are clean, in good working order and undamaged. Occupant accepts the Premises as-is with the exceptions listed below. This inspection form is made a part of and is subject to the terms and conditions of the Commercial Lease for the above referenced Premises.

| OFFICE AREAS | MOVE-IN CONDITION | MOVE-OUT CONDITION |
|------------------|-------------------|--------------------|
| CARPET | | |
| FLOORING | | |
| CEILING | | |
| DOORS | | |
| HVAC | | |
| LIGHTS | | |
| WALLS | | |
| WINDOW COVERINGS | | |
| KITCHEN AREA | | |

| BESTROOMS | MOVE-IN CONDITION | MOVE-OUT CONDITION |
|-----------|-------------------|--------------------|
| FLOORING | | |
| CEILING | | |
| DOORS | | |
| LIGHTS | | |
| WALLS | | |
| FIXTURES | | |
| MIRRORS | | |
| PLUMBING | | |
| FANS | | |

| WAREHOUSE | MOVE-IN CONDITION | MOVE-OUT CONDITION |
|-------------------------|-------------------|--------------------|
| FLOORING | | |
| CEILING | | |
| MAN DOORS | | |
| LOADING DOORS | | |
| LIGHTS | | |
| WALLS | | |
| SKYLIGHTS | | |
| COLUMNS | | |
| DOCK EQUIPMENT | | |
| FIRE SPRINKLERS | | |
| ELEC PANEL/DISTRIBUTION | | |

| SINGLE TENANT BUILDING | MOVE-IN CONDITION | MOVE-OUT CONDITION |
|------------------------|-------------------|--------------------|
| LANDSCAPE | | |
| PAVING / YARD AREA | | |
| EXTERIOR MISC | | |

| ADDITIONAL COMMENTS | MOVE-IN CONDITION | MOVE-OUT CONDITION |
|---------------------|-------------------|--------------------|
| | | |
| | | |

The "Move-In Condition" portion of this form is to be completed at the time of initial possession of the Premises. Receipt of a copy of this inspection form is hereby acknowledged.

| | |
|---------------------|-------|
| TENANT SIGNATURE: | _____ |
| DATE: | _____ |
| LANDLORD SIGNATURE: | _____ |
| DATE: | _____ |

The "Move-Out Condition" portion of this form is to be completed at the time of Tenant move-out of the Premises. Receipt of a copy of this inspection form is hereby acknowledged.

| | |
|---------------------|-------|
| TENANT SIGNATURE: | _____ |
| DATE: | _____ |
| LANDLORD SIGNATURE: | _____ |
| DATE: | _____ |

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement, dated September 4, 2020 (the "Agreement"), is made and entered into by and between the following parties in California, United States of America.

iPower: iPower Inc. (formerly BZRTN Inc.)

Address: 2399 Bateman Ave., Duarte, CA 91010

Global Product: Global Product Marketing Inc.

Address: 14750 NELSON AVE UNIT I, CITY INDUSTRY CA 91744

Each of iPower and Global Product shall be hereinafter referred to individually as a "Party" and collectively as the "Parties."

Whereas,

iPower is an entity incorporated in the State of Nevada and has the necessary resources to provide technical and management services;

Global Product is an entity incorporated in the State of Nevada and is engaged in the business of marketing and research activities. The businesses conducted by Global Product currently and any time during the term of this Agreement are collectively referred to as the "Principal Business";

iPower is willing to provide Global Product with technical support, management services and other services on an exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, human resources, and information technology, and Global Product is willing to accept such services provided by iPower or iPower's designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

+

1. Services Provided by iPower

- 1.1 Global Product hereby appoints iPower as Global Product's exclusive services provider to provide comprehensive technical support, management services, and other business and business-related services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to the follows:
- (1) Licensing Global Product to use any software legally owned by iPower;
 - (2) Development, maintenance and update of software involved in Global Product's business;
 - (3) Design, installation, daily management, maintenance and updating of network systems, hardware and database design;
 - (4) Technical support and training for employees of Global Product;
 - (5) Assisting Global Product in consultancy, collection and research of technology and market information;
 - (6) Providing business management consultation for Global Product, including but not limited to appointment of officers and directors;
 - (7) Providing marketing and promotion services for Global Product;
 - (8) Providing customer order management and customer services for Global Product;
 - (9) Leasing of equipment or properties; and
 - (10) Other business and business-related services requested by Global Product from time to time to the extent permitted under U.S. federal and state law.
- 1.2 Global Product agrees to accept all the services provided by iPower. Global Product further agrees that without iPower's prior written consent, during the term of this Agreement, Global Product shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationship with any third party regarding the matters contemplated by this Agreement. iPower may appoint other parties, who may enter into certain agreements described in Section 1.3 with Global Product, to provide Global Product with the services under this Agreement.
- 1.3 Provision of Services Methodology
- 1.3.1 iPower and Global Product agree that during the term of this Agreement, where necessary, Global Product may enter into further service agreements with iPower or any other party designated by iPower, which shall provide the specific contents, manner, personnel, and fees for the specific services.
 - 1.3.2 To fulfill this Agreement, iPower and Global Product agree that during the term of this Agreement, where necessary, Global Product may enter into equipment or property leases with iPower or any other party designated by iPower which shall permit Global Product to use iPower's relevant equipment or property based upon the needs of the business of Global Product Global Product also agrees to providGlobal Product, R&D, and other services to iPower upon request.

- 1.3.3 Global Product hereby grants to iPower an irrevocable and exclusive option to purchase from Global Product, at iPower's sole discretion, any or all of the assets and business of Global Product (the "Asset Transfer"), to the extent permitted under U.S. federal and state laws, at the lowest purchase price permitted. The Parties shall then enter into a separate asset or business transfer agreement, specifying the terms and conditions of the transfer of the assets.
- 1.3.4 Notwithstanding the above terms regarding any future Asset Transfer, at any time, upon motion of and at the discretion of iPower's board of directors, the shares of the Global Product shall be transferred to iPower in whole (the "Stock Transfer"), at which time Global Product shall become a wholly-owned subsidiary of iPower.
- 1.3.5 In the event of the death or disability of the owner of Global Product, the Stock Transfer shall occur automatically without any action or direction on the part of Global Product or iPower.
- 1.3.6 Global Product shall provide iPower with monthly bank statements reflecting all payments made by Global Product and the recipients of such payments.

2. **The Calculation and Payment of the Service Fees**

- 2.1 The fees payable by Global Product to iPower during the term of this Agreement shall be calculated as follows:
 - 2.1.1 Global Product shall pay a service fee to iPower on an annual basis (the "Service Fee"). The Service Fee shall consist of a management fee and fee for services provided, which shall be determined by the Parties through negotiation after considering:
 - (1) The complexity and difficulties of the services;
 - (2) Title of and time expended by employees of iPower in providing the services;
 - (3) Contents and value of the services provided by iPower;
 - (4) Market price of the same types of services;
 - (5) Operational conditions of Global Product.
 - 2.1.2 If iPower transfers technology to Global Product or develops software or other technology entrusted to Global Product or leases equipment or properties to Global Product, the technology transfer price, development fees or rent shall be determined by the Parties based on the actual circumstances surrounding such transfer.
 - 2.1.3 iPower agrees to fund Global Product for operational cash flow needs and bear the risk of Global Product's losses from operations and Global Product agrees that iPower has rights to Global Product's net profits, if any.

3. **Intellectual Property Rights and Confidentiality Clauses**

- 3.1 iPower shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others. Global Product shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever actions are deemed necessary by iPower, at its sole discretion, for the purposes of vesting any and all ownership, right or interest of any such intellectual property rights in iPower and/or perfecting the protections for any such intellectual property rights in iPower.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information and, without obtaining the written consent of the other Party, the other Party shall not disclose any relevant confidential information to any third party, except for the information that: (a) is in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under an obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, directors, employees of or third parties engaged by any Party shall be deemed disclosure of such confidential information by such Party, shall be deemed confidential (subject to the above listed exceptions), and such receiving Party shall be held liable for any breach of this Agreement caused by any unauthorized disclosure of such confidential information.

4. **Representations and Warranties**

4.1 iPower hereby represents, warrants and covenants as follows:

4.1.1 iPower is a legally established and validly existing corporation in accordance with the laws of the State of Nevada; iPower or the service providers designated by iPower have obtained or will obtain all government permits and licenses for providing the services under this Agreement before providing such services.

4.1.2 iPower has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. iPower's execution, delivery and performance of this Agreement does not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes a legal, valid and binding obligation of iPower, enforceable against iPower in accordance with its terms.

4.2 Global Product hereby represents, warrants and covenants as follows:

4.2.1 Global Product is an enterprise legally established and validly existing in accordance with the laws of the State of Nevada and has obtained and will maintain all necessary permits and licenses for engaging in the Principal Business in a timely manner.

4.2.2 Global Product has taken all necessary internal actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. Global Product's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3 This Agreement constitutes a legal, valid and binding obligation of Global Product, and shall be enforceable against Global Product in accordance with its terms.

5. **Term of Agreement**

5.1 This Agreement shall become effective upon execution by the Parties. Unless terminated in accordance with the provisions of this Agreement or terminated in writing by iPower, this Agreement shall remain in effect. iPower shall have the right to terminate this Agreement at any time and Global Product may terminate this Agreement only with the consent of iPower.

5.2 During the term of this Agreement, each Party shall maintain good standing in its jurisdictions of organization and operation, such that it may carry on its business and duties and responsibilities under this Agreement and enable this Agreement to remain effective. This Agreement shall be terminated only in the event one of the Parties is unable to renew its licensing and good standing or in the event this Agreement is explicitly terminated pursuant to the affirmative vote of iPower's board of directors.

5.3 The rights and obligations of the Parties under Sections 3, 6, 7 and this Section 5.3 shall survive the termination of this Agreement.

6. Governing Law and Resolution of Disputes

- 6.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by and constructed in accordance with the laws of the State of California in United States of America. The Courts of California will have jurisdiction in relation to any claim, dispute or difference concerning this agreement and any matters arising there from.
- 6.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, only then shall either Party seek to resolve such dispute in a court of law.
- 6.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending resolution of any dispute, except for the matters under dispute, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

7. Breach of Agreement and Indemnification

- 7.1 If Global Product conducts any material breach of any term of this Agreement, iPower shall have right to terminate this Agreement and/or require Global Product to indemnify all damages arising therefrom; this Section 7.1 shall not prejudice any other rights of iPower herein.
- 7.2 Unless otherwise required by applicable laws, Global Product shall not have any right to terminate this Agreement in any event.
- 7.3 Global Product shall indemnify and hold harmless iPower from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against iPower arising from or caused by the services provided by iPower to Global Product pursuant this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of iPower.

8. Force Majeure

- 8.1 In the case of any force majeure events ("Force Majeure") such as earthquake, typhoon, flood, fire, flu, war, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party, which directly or indirectly causes the failure of either Party to perform or completely perform this Agreement, then the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details of such event within 15 days after sending out such notice, explaining the reasons for such failure of, partial or delay of performance.
- 8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof pursuant to the above provision, such Party shall not be excused from the non-performance of its obligations hereunder. The Party so affected by the event of Force Majeure shall use reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever the causes of such excuse are cured. Should the Party so affected by the event of Force Majeure fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.
- 8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

9. Notices

- 9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 9.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.
- 9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 9.2 For the purpose of notices, the addresses of the Parties are as follows:
- iPower:** iPower Inc. (formerly BZRTH Inc.)
Address: 2399 Bateman Ave., Duarte, CA 91010
Attn: Chenlong Tan
Phone: 310-737-8888
Email: law.t@meetipower.com
- Global Product:** Global Product Solution Inc.
Address: 2119 S 5th Ave., Arcadia, CA 91006
Attn: Chenlong Tan
Phone: 310-737-8888
Email: law.tan@gmail.com
- 9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. Assignment

- 10.1 Without iPower's express prior written consent, Global Product shall not assign its rights and obligations under this Agreement to any third party.
- 10.2 Global Product agrees that iPower may assign its obligations and rights under this Agreement to any third party and, in case of such assignment, iPower is only required to give written notice to Global Product and does not need any consent from Global Product in order to make such assignment.

11. Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. Amendments and Supplements

Any amendments and supplements to this Agreement shall be in writing. Such amendments and supplements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

iPower Inc.

By: /s/ Chenlong Tan
Name: Chenlong Tan
Title: CEO

Global Product Solution Inc.

By: /s/ Chenlong Tan
Name: Chenlong Tan
Title: President and Owner

RESTRICTED STOCK PURCHASE AGREEMENT

THIS RESTRICTED STOCK PURCHASE AGREEMENT (the “**Agreement**”) is made as of October 26, 2020 by and between iPOWER INC., a Nevada corporation (the “**Company**”), and Allan Huang (“**Purchaser**”).

| | |
|--|-----------|
| Total shares of Class B Common Stock purchased: | 7,000,000 |
| Purchase Price per share: | \$0.001 |
| Total Purchase Price: | \$7,000 |

1. **PURCHASE AND SALE OF STOCK.** Purchaser agrees to purchase from the Company, and the Company agrees to sell to Purchaser, the number of shares (the “**Shares**”) of Class B common stock, par value \$0.001 per share (the “**Common Stock**”), of the Company for the consideration set forth above. The closing of the transactions contemplated by this Agreement, including payment for and delivery of the Shares, shall occur at the offices of the Company immediately following the execution of this Agreement, or at such other time and place as the parties may mutually agree.

2. **INVESTMENT REPRESENTATIONS.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company’s business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for Purchaser’s own account only and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act of 1933, as amended (the “**Act**”).

(b) Purchaser understands that the Shares have not been registered under the Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser’s investment intent as expressed in this Agreement.

(c) Purchaser further acknowledges and understands that the Shares must be held indefinitely unless the Shares are subsequently registered under the Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the Shares. Purchaser understands that the certificate evidencing the Shares will be imprinted with a restrictive legend that prohibits the transfer of the Shares unless the Shares have been registered under the Act or, in the opinion of counsel for the Company, such Shares are eligible for an exemption from registration.

(d) Purchaser is familiar with the provisions of Rule 144 under the Act, as in effect from time to time, that, in substance, permits limited public resale of “restricted securities” acquired, directly or indirectly, from the issuer of such securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions.

(e) Purchaser further understands that at the time Purchaser wishes to sell the Shares there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, Purchaser may be precluded from selling the Shares under Rule 144 even if the minimum holding period requirement has been satisfied.

(f) Purchaser further warrants and represents that Purchaser has either (i) preexisting personal or business relationships with the Company or any of its officers, directors or controlling persons, or (ii) the capacity to protect Purchaser's own interests in connection with the purchase of the Shares by virtue of the business or financial expertise of Purchaser or of professional advisors to Purchaser who are unaffiliated with and who are not compensated by the Company or any of its affiliates, directly or indirectly.

(g) Purchaser acknowledges that Purchaser has read all tax related sections and further acknowledges Purchaser has had an opportunity to consult Purchaser's own Tax, Legal and Financial Advisors regarding the purchase of common stock under this Agreement.

(h) Purchaser acknowledges and agrees that in making the decision to purchase the Shares under this Agreement, Purchaser has not relied on any statement, whether written or oral, regarding the subject matter of this Agreement, except as expressly provided in this Agreement and in the attachments and exhibits to this Agreement.

(i) If the Purchaser is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "**Code**")), the Purchaser hereby represents that Purchaser has satisfied Purchaser as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares. The Purchaser's subscription and payment for and continued beneficial ownership of the Shares will not violate any applicable securities or other laws of the Purchaser's jurisdiction.

3. **RESTRICTIVE LEGENDS.** All certificates representing the Shares shall have endorsed thereon legends in substantially the following form (in addition to any other legend which may be required by other agreements between the parties to this Agreement):

(a) THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS. HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

(b) Any legend required by appropriate blue sky officials.

4. **MISCELLANEOUS.**

(a) **Notices.** All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed facsimile if sent during normal business hours of the recipient, and if not during normal business hours of the recipient, then on the next business day; (iii) five calendar days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the other party to this Agreement at such party's address hereinafter set forth on the signature page hereof, or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

(b) **Successors and Assigns.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth, be binding upon Purchaser, Purchaser's successors, and assigns.

(c) **Attorneys' Fees.** The prevailing Party in any suit or action hereunder shall be entitled to recover from the losing Party all costs incurred by it in enforcing the performance of, or protecting its rights under, any part of this Agreement, including reasonable costs of investigation and attorneys' fees.

(d) **Governing Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada. The parties agree that any action brought by either party to interpret or enforce any provision of this Agreement shall be brought in, and each party agrees to, and does hereby submit to the jurisdiction and venue of, the appropriate state or federal court for the district encompassing the Company's principal place of business.

(e) **Further Execution.** The parties agree to take all such further actions as may reasonably be necessary to carry out and consummate this Agreement as soon as practicable, and to take whatever steps may be necessary to obtain any governmental approval in connection with or otherwise qualify the issuance of the securities that are the subject of this Agreement.

(f) **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and merges all prior agreements or understandings, whether written or oral, with respect to the subject matter hereof. This Agreement may not be amended, modified or revoked, in whole or in part, except by an agreement in writing signed by each of the parties hereto.

(g) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(h) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

[Remainder of page intentionally left blank]

Additional Terms/Acknowledgements: The undersigned Purchaser acknowledges receipt of, and understands and agrees to, this Restricted Stock Purchase Agreement. Purchaser further acknowledges that as of the Purchase Date, this Restricted Stock Purchase Agreement sets forth the entire understanding between Purchaser and the Company regarding the acquisition of stock in the Company and supersedes all prior oral and written agreements on that subject.

COMPANY:

iPOWER INC.

By: /s/ Chenlong Tan

Name: Chenlong Tan

Title: Chief Executive Officer

Address:

PURCHASER:

/s/ ALLAN HUANG

(SIGNATURE)

Address:

RESTRICTED STOCK PURCHASE AGREEMENT

THIS RESTRICTED STOCK PURCHASE AGREEMENT (the “*Agreement*”) is made as of October 26, 2020 by and between iPOWER INC., a Nevada corporation (the “*Company*”), and Chenlong Tan (“*Purchaser*”).

| | |
|--|-----------|
| Total shares of Class B Common Stock purchased: | 7,000,000 |
| Purchase Price per share: | \$0.001 |
| Total Purchase Price: | \$7,000 |

1. **PURCHASE AND SALE OF STOCK.** Purchaser agrees to purchase from the Company, and the Company agrees to sell to Purchaser, the number of shares (the “*Shares*”) of Class B common stock, par value \$0.001 per share (the “*Common Stock*”), of the Company for the consideration set forth above. The closing of the transactions contemplated by this Agreement, including payment for and delivery of the Shares, shall occur at the offices of the Company immediately following the execution of this Agreement, or at such other time and place as the parties may mutually agree.

2. **INVESTMENT REPRESENTATIONS.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company’s business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for Purchaser’s own account only and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act of 1933, as amended (the “*Act*”).

(b) Purchaser understands that the Shares have not been registered under the Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser’s investment intent as expressed in this Agreement.

(c) Purchaser further acknowledges and understands that the Shares must be held indefinitely unless the Shares are subsequently registered under the Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the Shares. Purchaser understands that the certificate evidencing the Shares will be imprinted with a restrictive legend that prohibits the transfer of the Shares unless the Shares have been registered under the Act or, in the opinion of counsel for the Company, such Shares are eligible for an exemption from registration.

(d) Purchaser is familiar with the provisions of Rule 144 under the Act, as in effect from time to time, that, in substance, permits limited public resale of “restricted securities” acquired, directly or indirectly, from the issuer of such securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions.

(e) Purchaser further understands that at the time Purchaser wishes to sell the Shares there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, Purchaser may be precluded from selling the Shares under Rule 144 even if the minimum holding period requirement has been satisfied.

(f) Purchaser further warrants and represents that Purchaser has either (i) preexisting personal or business relationships with the Company or any of its officers, directors or controlling persons, or (ii) the capacity to protect Purchaser's own interests in connection with the purchase of the Shares by virtue of the business or financial expertise of Purchaser or of professional advisors to Purchaser who are unaffiliated with and who are not compensated by the Company or any of its affiliates, directly or indirectly.

(g) Purchaser acknowledges that Purchaser has read all tax related sections and further acknowledges Purchaser has had an opportunity to consult Purchaser's own Tax, Legal and Financial Advisors regarding the purchase of common stock under this Agreement.

(h) Purchaser acknowledges and agrees that in making the decision to purchase the Shares under this Agreement, Purchaser has not relied on any statement, whether written or oral, regarding the subject matter of this Agreement, except as expressly provided in this Agreement and in the attachments and exhibits to this Agreement.

(i) If the Purchaser is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "**Code**")), the Purchaser hereby represents that Purchaser has satisfied Purchaser as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares. The Purchaser's subscription and payment for and continued beneficial ownership of the Shares will not violate any applicable securities or other laws of the Purchaser's jurisdiction.

3. **RESTRICTIVE LEGENDS.** All certificates representing the Shares shall have endorsed thereon legends in substantially the following form (in addition to any other legend which may be required by other agreements between the parties to this Agreement):

(a) THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS. HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

(b) Any legend required by appropriate blue sky officials.

4. **MISCELLANEOUS.**

(a) **Notices.** All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed facsimile if sent during normal business hours of the recipient, and if not during normal business hours of the recipient, then on the next business day; (iii) five calendar days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the other party to this Agreement at such party's address hereinafter set forth on the signature page hereof, or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

(b) **Successors and Assigns.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth, be binding upon Purchaser, Purchaser's successors, and assigns.

(c) **Attorneys' Fees.** The prevailing Party in any suit or action hereunder shall be entitled to recover from the losing Party all costs incurred by it in enforcing the performance of, or protecting its rights under, any part of this Agreement, including reasonable costs of investigation and attorneys' fees.

(d) **Governing Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada. The parties agree that any action brought by either party to interpret or enforce any provision of this Agreement shall be brought in, and each party agrees to, and does hereby submit to the jurisdiction and venue of, the appropriate state or federal court for the district encompassing the Company's principal place of business.

(e) **Further Execution.** The parties agree to take all such further actions as may reasonably be necessary to carry out and consummate this Agreement as soon as practicable, and to take whatever steps may be necessary to obtain any governmental approval in connection with or otherwise qualify the issuance of the securities that are the subject of this Agreement.

(f) **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and merges all prior agreements or understandings, whether written or oral, with respect to the subject matter hereof. This Agreement may not be amended, modified or revoked, in whole or in part, except by an agreement in writing signed by each of the parties hereto.

(g) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(h) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

[Remainder of page intentionally left blank]

Additional Terms/Acknowledgements: The undersigned Purchaser acknowledges receipt of, and understands and agrees to, this Restricted Stock Purchase Agreement. Purchaser further acknowledges that as of the Purchase Date, this Restricted Stock Purchase Agreement sets forth the entire understanding between Purchaser and the Company regarding the acquisition of stock in the Company and supersedes all prior oral and written agreements on that subject.

COMPANY:

iPOWER INC.

By: /s/ Chenlong Tan

Name: Chenlong Tan

Title: Chief Executive Officer

Address:

PURCHASER:

/s/ CHENLONG TAN

(SIGNATURE)

Address:

Amended and Restated Exclusive Business Cooperation Agreement

This Amended and Restated Exclusive Business Cooperation Agreement, dated October 26, 2020 (the "Agreement"), is amending and restating the Exclusive Business Agreement made and entered into by and between the following parties on March 1, 2020 in California, United States of America.

iPower: iPower Inc. (formerly BZRTN Inc.)

Address: 2399 Bateman Ave., Duarte, CA 91010

E Marketing: E Marketing Solution Inc.

Address: 18351 Colima Rd Apt 335, Rowland Heights, CA 91748

Each of iPower and E Marketing shall be hereinafter referred to individually as a "Party" and collectively as the "Parties."

Whereas,

iPower is an entity incorporated in the State of Nevada and has the necessary resources to provide technical and management services;

E Marketing is an entity incorporated in the State of California and is engaged in the business of marketing and research activities. The businesses conducted by E Marketing currently and any time during the term of this Agreement are collectively referred to as the "Principal Business";

iPower is willing to provide E Marketing with technical support, management services and other services on an exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, human resources, and information technology, and E Marketing is willing to accept such services provided by iPower or iPower's designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. Services Provided by iPower

1.1 E Marketing hereby appoints iPower as E Marketing's exclusive services provider to provide comprehensive technical support, management services, and other business and business-related services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to the follows:

- (1) Licensing E Marketing to use any software legally owned by iPower;
- (2) Development, maintenance and update of software involved in E Marketing's business;
- (3) Design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (4) Technical support and training for employees of E Marketing;

- (5) Assisting E Marketing in consultancy, collection and research of technology and market information;
 - (6) Providing business management consultation for E Marketing, including but not limited to appointment of officers and directors;
 - (7) Providing marketing and promotion services for E Marketing;
 - (8) Providing customer order management and customer services for E Marketing;
 - (9) Leasing of equipment or properties; and
 - (10) Other business and business-related services requested by E Marketing from time to time to the extent permitted under U.S. federal and state law.
- 1.2 E Marketing agrees to accept all the services provided by iPower. E Marketing further agrees that without iPower's prior written consent, during the term of this Agreement, E Marketing shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationship with any third party regarding the matters contemplated by this Agreement. iPower may appoint other parties, who may enter into certain agreements described in Section 1.3 with E Marketing, to provide E Marketing with the services under this Agreement.

1.3 Provision of Services Methodology

- 1.3.1 iPower and E Marketing agree that during the term of this Agreement, where necessary, E Marketing may enter into further service agreements with iPower or any other party designated by iPower, which shall provide the specific contents, manner, personnel, and fees for the specific services.
- 1.3.2 To fulfill this Agreement, iPower and E Marketing agree that during the term of this Agreement, where necessary, E Marketing may enter into equipment or property leases with iPower or any other party designated by iPower which shall permit E Marketing to use iPower's relevant equipment or property based upon the needs of the business of E Marketing. E Marketing also agrees to provide marketing, R&D, and other services to iPower upon request.
- 1.3.3 E Marketing hereby grants to iPower an irrevocable and exclusive option to purchase from E Marketing, at iPower's sole discretion, any or all of the assets and business of E Marketing (the "Asset Transfer"), to the extent permitted under U.S. federal and state laws, at the lowest purchase price permitted. The Parties shall then enter into a separate asset or business transfer agreement, specifying the terms and conditions of the transfer of the assets.
- 1.3.4 Notwithstanding the above terms regarding any future Asset Transfer, at any time, upon motion of and at the discretion of iPower's board of directors, the shares of the E Marketing shall be transferred to iPower in whole (the "Stock Transfer"), at which time E Marketing shall become a wholly-owned subsidiary of iPower.

1.3.5 In the event of the death or disability of the owner of E Marketing, the Stock Transfer shall occur automatically without any action or direction on the part of E Marketing or iPower.

1.3.6 E Marketing shall provide iPower with monthly bank statements reflecting all payments made by E Marketing and the recipients of such payments.

2. **The Calculation and Payment of the Service Fees**

2.1 The fees payable by E Marketing to iPower during the term of this Agreement shall be calculated as follows:

2.1.1 E Marketing shall pay a service fee to iPower on an annual basis (the "Service Fee"). The Service Fee shall consist of a management fee and fee for services provided, which shall be determined by the Parties through negotiation after considering:

- (1) The complexity and difficulties of the services;
- (2) Title of and time expended by employees of iPower in providing the services;
- (3) Contents and value of the services provided by iPower;
- (4) Market price of the same types of services;
- (5) Operational conditions of E Marketing.

2.1.2 If iPower transfers technology to E Marketing or develops software or other technology entrusted to E Marketing or leases equipment or properties to E Marketing, the technology transfer price, development fees or rent shall be determined by the Parties based on the actual circumstances surrounding such transfer.

2.1.3 iPower agrees to fund E Marketing for operational cash flow needs and bear the risk of E Marketing's losses from operations and E Marketing agrees that iPower has rights to E Marketing's net profits, if any.

3. **Intellectual Property Rights and Confidentiality Clauses**

3.1 iPower shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others. E Marketing shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever actions are deemed necessary by iPower, at its sole discretion, for the purposes of vesting any and all ownership, right or interest of any such intellectual property rights in iPower and/or perfecting the protections for any such intellectual property rights in iPower.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information and, without obtaining the written consent of the other Party, the other Party shall not disclose any relevant confidential information to any third party, except for the information that: (a) is in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under an obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, directors, employees of or third parties engaged by any Party shall be deemed disclosure of such confidential information by such Party, shall be deemed confidential (subject to the above listed exceptions), and such receiving Party shall be held liable for any breach of this Agreement caused by any unauthorized disclosure of such confidential information.

4. **Representations and Warranties**

4.1 iPower hereby represents, warrants and covenants as follows:

4.1.1 iPower is a legally established and validly existing corporation in accordance with the laws of the State of Nevada; iPower or the service providers designated by iPower have obtained or will obtain all government permits and licenses for providing the services under this Agreement before providing such services.

4.1.2 iPower has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. iPower's execution, delivery and performance of this Agreement does not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes a legal, valid and binding obligation of iPower, enforceable against iPower in accordance with its terms.

4.2 E Marketing hereby represents, warrants and covenants as follows:

4.2.1 E Marketing is an enterprise legally established and validly existing in accordance with the laws of the State of California and has obtained and will maintain all necessary permits and licenses for engaging in the Principal Business in a timely manner.

4.2.2 E Marketing has taken all necessary internal actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. E Marketing's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3 This Agreement constitutes a legal, valid and binding obligation of E Marketing, and shall be enforceable against E Marketing in accordance with its terms.

5. **Term of Agreement**

5.1 This Agreement shall become effective upon execution by the Parties. Unless terminated in accordance with the provisions of this Agreement or terminated in writing by iPower, this Agreement shall remain in effect. iPower shall have the right to terminate this Agreement at any time and E Marketing may terminate this Agreement only with the consent of iPower.

5.2 During the term of this Agreement, each Party shall maintain good standing in its jurisdictions of organization and operation, such that it may carry on its business and duties and responsibilities under this Agreement and enable this Agreement to remain effective. This Agreement shall be terminated only in the event one of the Parties is unable to renew its licensing and good standing or in the event this Agreement is explicitly terminated pursuant to the affirmative vote of iPower's board of directors.

5.3 The rights and obligations of the Parties under Sections 3, 6, 7 and this Section 5.3 shall survive the termination of this Agreement.

6. Governing Law and Resolution of Disputes

6.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by and constructed in accordance with the laws of the State of California in United States of America. The Courts of California will have jurisdiction in relation to any claim, dispute or difference concerning this agreement and any matters arising there from.

6.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, only then shall either Party seek to resolve such dispute in a court of law.

6.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending resolution of any dispute, except for the matters under dispute, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

7. Breach of Agreement and Indemnification

7.1 If E Marketing conducts any material breach of any term of this Agreement, iPower shall have right to terminate this Agreement and/or require E Marketing to indemnify all damages arising therefrom; this Section 7.1 shall not prejudice any other rights of iPower herein.

7.2 Unless otherwise required by applicable laws, E Marketing shall not have any right to terminate this Agreement in any event.

7.3 E Marketing shall indemnify and hold harmless iPower from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against iPower arising from or caused by the services provided by iPower to E Marketing pursuant this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of iPower.

8. Force Majeure

8.1 In the case of any force majeure events ("Force Majeure") such as earthquake, typhoon, flood, fire, flu, war, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party, which directly or indirectly causes the failure of either Party to perform or completely perform this Agreement, then the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details of such event within 15 days after sending out such notice, explaining the reasons for such failure of, partial or delay of performance.

8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof pursuant to the above provision, such Party shall not be excused from the non-performance of its obligations hereunder. The Party so affected by the event of Force Majeure shall use reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever the causes of such excuse are cured. Should the Party so affected by the event of Force Majeure fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

9. Notices

9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

iPower: iPower Inc. (formerly BZRTN Inc.)

Address: 2399 Bateman Ave., Duarte, CA 91010

Attn: Chenlong Tan

Phone: 310-737-8888

Email: law.t@meetipower.com

E Marketing: E Marketing Solution Inc.

Address: 18351 Colima Rd Apt 335, Rowland Heights, CA 91748

Attn: Shanshan Huang

Phone: 626-271-3277

Email: shanshan.h@meetipower.com

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. Assignment

10.1 Without iPower's express prior written consent, E Marketing shall not assign its rights and obligations under this Agreement to any third party.

10.2 E Marketing agrees that iPower may assign its obligations and rights under this Agreement to any third party and, in case of such assignment, iPower is only required to give written notice to E Marketing and does not need any consent from E Marketing in order to make such assignment.

11. Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. Amendments and Supplements

Any amendments and supplements to this Agreement shall be in writing. Such amendments and supplements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

iPower Inc.

By: /s/ Chenlong Tan _____

Name: Chenlong Tan

Title: CEO

E Marketing Solution Inc.

By: Shanshan Huang _____

Name: Shanshan Huang

Title: President and Owner

RECEIVABLES PURCHASE AGREEMENT

This Receivables Purchase Agreement is dated **November 16, 2020** and is entered into between the Client identified in the Term Sheet and WFC Fund, LLC ("**Factor**"). Client desires to sell Receivables to Factor and Factor desires to purchase certain Receivables from Client. The parties therefore agree as follows:

1. The following Term Sheet lists certain of the business terms on which Factor will purchase Receivables from Client.

Term Sheet

| | |
|------------------------------------|---|
| Client: | iPower Inc. |
| Client's Entity Type: | Corporation |
| Client's State of Formation: | Nevada |
| Client's Address: | 2399 Bateman Ave, Irwindale, CA 91010 |
| Guarantor: | Chenlong (Lawrence) Tan |
| Facility Limit: | \$3,000,000.00 |
| Invoice Fee Rate: | 0.00% |
| Expected Term: | 110 days |
| Discount Rate: | 3.055555% |
| Discount Rate Rebate/Day: | 0.0277% per day |
| Advance Rate: | 70% |
| Term: | 1 year from Effective Date |
| Payment Day: | LAST DAY OF THE MONTH |
| Advance Transfer Method: | ACH |
| Wire Transfer Fee: | \$100.00 |
| Origination Fee: | \$0.00 |
| Deposit Account Control Agreement: | No |
| Termination Fee: | 1.0% of the Facility Limit if termination occurs six months or more prior to the end of the initial Term. |
| Maximum Term: | With respect to a Receivable, the date on which the Receivable becomes 60 days past due, for any reason other than Credit Risk. |

2. The Standard Terms and Conditions set forth on Annex A are incorporated in and made a part of this Receivables Purchase Agreement.
3. This Receivables Purchase Agreement contains a waiver of jury trial rights and an arbitration provision. You may opt out of the arbitration provision, but not the waiver of jury trial rights.

[signature page to follow]

Client and Factor have duly executed this Agreement to be effective as of the date set forth in the introductory paragraph.

FACTOR
WFC Fund, LLC

CLIENT
iPower, Inc.

By: /s/ Chris Atkins

Print Name: Chris Atkins

Title: SVP

By: /s/ Chenlong Tan

Print Name: Chenlong Tan

Title CEO

ANNEX A – STANDARD TERMS AND CONDITIONS

These Standard Terms and Conditions are incorporated in and form a part of the Receivables Purchase Agreement between the Client identified in the Term Sheet and WFC Fund LLC, as Factor.

Article 1

SALE AND PURCHASE OF RECEIVABLES

1.1 Sale and Purchase.

(a) Client agrees to assign and sell to Factor, as absolute owner, all of Client's right, title, and interest in (i) all of its present and future Receivables, (ii) all books and records relating to the Receivables, (iii) all deposits or other security for the obligation of any person relating to the Receivables, (iv) all goods relating to the Receivables, including goods returned by a Customer, (v) all rights against third parties with respect to the Receivables, and (vi) all proceeds of the foregoing.

(b) Factor may purchase such Receivables from Client as Factor determines are Eligible Receivables so long as, at any time, the total outstanding Face Amount of all Purchased Receivables does not exceed the Facility Limit. Factor may decline to purchase any Receivable.

(c) Upon Factor's acceptance of a Receivable for assignment and sale, the Receivable will be deemed sold by Client and purchased by Factor, as absolute owner, without further action or documentation.

(d) Except as set forth in Section 1.4 of this Agreement, all purchases of Eligible Receivables will be without recourse to Client. Upon purchase of an Eligible Receivable, Factor assumes the Credit Risk for such Eligible Receivable but not the risk of non-payment for any other reason.

1.2 Purchase Price. Factor shall pay for each Receivable purchased from Client the Purchase Price as follows:

(a) On the Purchase Date, Factor shall pay to Client, by crediting the Client Account, an amount equal to the Purchase Price for such Receivable multiplied by the Advance Rate.

(b) After collection of the Receivable by Factor, Factor shall pay to Client, by crediting the Client Account, the unpaid balance of the Purchase Price minus any Collection Charges and any fees or expenses owed to Factor.

1.3 Reserve. Factor shall be entitled to withhold a Reserve from the payment of any amount owed to Client, and may revise the Reserve at any time and from time to time if Factor deems it necessary to do so in order to protect Factor's interests. Factor may charge against the Reserve any amount for which Client may be obligated to Factor at any time, whether under the terms of this Agreement, or otherwise, including the payment of any Repurchase Price, any adjustments due, all Obligations and any attorneys' fees, costs and disbursements due. Client recognizes that the Reserve represents bookkeeping entries only and not cash funds. With respect to the balance in the Reserve, Factor is authorized to withhold, without giving prior notice to Client, such payments and credits otherwise due to Client under the terms of this Agreement for reasonably anticipated claims or to adequately satisfy reasonably anticipated obligations Client may owe Factor.

1.4 Disputes and Repurchase.

(a) Client shall immediately notify Factor in writing of any dispute between Client and a Customer concerning a Purchased Receivable. Factor may settle any Dispute with a Customer though Factor has no obligation to do so. Any settlement will not relieve Client of any Obligation (including the obligation to pay the Repurchase Price) under this Agreement.

(b) If a Dispute occurs with respect to a Purchased Receivable, then Client shall immediately repurchase the Purchased Receivable from Factor by paying the Repurchase Price to Factor.

(c) If a Purchased Receivable remains unpaid beyond the Maximum Term for any reason other than Credit Risk, then Client shall immediately repurchase the Purchased Receivable from Factor by paying the Repurchase Price to Factor.

(d) In addition and without limiting Sections 1.4(b) or 1.4(c), upon Factor's demand, Client shall immediately repurchase a Purchased Receivable by paying the Repurchase Price to Factor if (i) Client fails to timely deliver to Factor an assignment schedule for the Eligible Receivable together with copies of the assigned invoices and such other information or documents as reasonably requested by Factor, (ii) any representation or warranty made by Client with respect to the Eligible Receivable is untrue, incorrect, or misleading at any time, (iii) any agreement made by Client under this Agreement with respect to the Eligible Receivable is breached, (iv) Client is required to repurchase the Eligible Receivable under this Agreement, or (v) Client terminates this Agreement.

Article 2

COLLECTIONS AND PAYMENTS

2.1 Collections.

(a) Factor hereby appoints Client as Factor's agent for the purpose of collecting the Receivables and Client hereby accepts such appointment and agrees to perform all necessary and appropriate commercial collection activities in arranging the timely payment of amounts due under a Receivable with reasonable care and diligence. Client shall instruct all Customers to make payments on Receivables to Client at the address or bank account specified by Factor. Client shall not grant or approve any credit, discount, allowance, negotiated term or deduction with respect to any account without Factor's prior written consent.

(b) Upon the occurrence of an Event of Default or as otherwise determined by Factor at any time, Factor may notify all Customers of the assignment of the Eligible Receivables and instruct the Customer to make payments directly to Factor and terminate Client's authority to collect the Receivables Following such termination of Client's authority to collect the Receivables:

(1) Factor will have the exclusive right to collect any and all Receivables (whether or not purchased by Factor) and receive payments on the Receivables. Client shall not attempt to collect or interfere in any manner with the collection of any Receivables. Client shall pay all reasonable out-of-pocket expenses incurred by Factor in collection of the Receivables.

(2) Factor shall make a good faith, commercially reasonable effort to collect the Purchased Receivables. The collection of Receivables in a commercially reasonable manner does not require Factor to commence any legal action, including the sending of an attorney's demand letter, to collect any Receivable. Client hereby waives and releases any and all claims relating to or arising out of any act or omission by Factor in the collection of the Purchased Receivables.

(c) In the event a Customer makes payment to Client on a Purchased Receivable other than at the address or bank account specified by Factor, Client shall immediately deliver the payment to Factor in the form received. Any payments received by Client on Purchased Receivables shall be held in trust by Client for Factor.

(d) Upon Factor's request, Client will cause all payments on all Receivables, whether or not Purchased Receivables, to be sent directly to such address as may be designated by Factor. Factor is authorized to receive and open all such payments and retain such amounts as are owing to Factor. Upon Factor's request, Client will tender to Factor all payments received by Client from a Customer on Receivables created after Client begins offering any Receivables of that Customer to Factor for purchase. Upon such request being made, all such payments received by Client shall be the sole and exclusive property of Factor and shall be held in trust by Client for Factor. All such payments shall be applied on obligations of that Customer to Factor. In the event Factor receives any payment from a Customer on a Receivable which is not a Purchased Receivable, Factor may, subject to any rights of the Customer, apply such payment to any other Obligation of Client owing to Factor.

(e) Once Factor purchases a Receivable, any and all payments from the Customer on the Receivable are the sole property of Factor.

(f) If Factor receives payment on a Receivable that Factor did not purchase, so long as no Default Period exists, Factor will credit the payment to the Client Account.

2.2 Authorization by Client. Client hereby grants to Factor an irrevocable power of attorney authorizing and permitting Factor, at its option, without notice to Client to do any or all of the following: (a) endorse the name of Client on any checks or other evidences of payment whatsoever that may come into the possession of Factor regarding Accounts or Collateral, including checks received by Factor; (b) receive, open and dispose of any mail addressed to Client and put Factor's address on any statements mailed to Customers; (c) pay, settle, compromise, prosecute or defend any action, claim, conditional waiver and release, or proceeding relating to Receivables or Collateral; (d) during a Default Period, notify in the name of the Client, the U.S. Post Office to change the address for delivery of mail addressed to Client to such address as Factor may designate, however, Factor shall turn over to Client all such mail not relating to Receivables or Collateral; (e) file any financing statement deemed necessary or appropriate by Factor to protect Factor's interest in and to the Receivables or Collateral, or under any provision of this Agreement; (f) effect debits to any deposit account or other account that Client or Client's principals who have executed a guaranty agreement maintain at any bank for any sums due to or from the Client under this Agreement; (g) during a Default Period, to prepare and mail all invoices relating to Receivables; and (h) to take all actions necessary and proper in order to carry out this Agreement. The authority granted to Factor herein is irrevocable until this Agreement is terminated and all Obligations are fully satisfied.

2.3 Administration.

(a) Factor shall record all debits, credits, and other entries for all transactions between Client and Factor, including purchases of Eligible Receivables, Purchase Price payments, collections of Receivables, changes to the Reserve, and charges of discount, costs, fees, expenses, and other Obligations. Factor will make available to Client a website or other statement for Client to review the transactions. Each statement will be considered and binding on Client absent manifest error.

(b) Client shall, upon sale of any Receivables to Factor, make proper entries on its books and records disclosing the sale of those Receivables to Factor.

(c) Client unconditionally promises to pay to Factor all Obligations, as and when due, without deduction or setoff, regardless of any defense or counterclaim, in accordance with this Agreement. Client hereby irrevocably authorizes Factor, from time to time and without prior notice to Client, to charge all Obligations, including, without limitation, the amount of any Repurchase Price, all discount, costs, fees, expenses and other charges payable by Client hereunder or under any of the Related Agreements, to the Client Account maintained by Factor.

(d) Factor will credit the Client Account in the amount of the Proceeds of any Receivable three Business Days after Factor receives payment for such Receivable. So long as no Default Period exists, at Client's written request, subject to Factor's right to withhold Reserves, any credit balance in the Client Account shall be released to the Client. During a Default Period, Factor may hold any credit balance in the Client Account as a Reserve or as additional Collateral for the Obligations. Should the Client Account at any time have a deficit balance, Client shall immediately pay to Factor the amount of such deficit plus accrued interest thereon at the Default Rate.

2.4 Payments Generally.

(a) If any date on which a payment is due falls on a day that is not a Business Day, payment shall be made on the next Business Day, and fees shall continue to accrue during that time period.

(b) Any and all payments by or on account of any obligation of Client under any Related Agreement shall be made without deduction or withholding for any Taxes, or, if required by Applicable Law, shall be increased as necessary so that after such deduction or withholding has been made Factor receives an amount equal to the sum it would have received had no such deduction or withholding been made. Client shall indemnify Factor, within 10 days after demand therefor, for the full amount of any Taxes (other than income and franchise taxes owing by Factor) payable or paid by Factor or required to be withheld or deducted from a payment to Factor and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Client shall timely pay all present or future stamp, court or documentary, intangible, recording, filing or similar taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a Lien under, or otherwise with respect to, any Related Agreement.

Article 3 FEES AND CHARGES

3.1 Invoice Fees. Client shall pay Factor a fee equal to the Invoice Fee Rate multiplied by the face amount of each Purchased Receivable (the "**Invoice Fee**"). The Invoice Fee shall be fully earned by Factor for the services of reconciling invoices and providing the Platform and payable monthly in arrears on the Payment Day of each calendar month.

3.2 Wire Fee. If Client elects to be paid by wire transfer, Factor will charge a fee in the amount of the Wire Transfer Fee indicated on the Term Sheet for each wire transfer.

3.3 Collection Charges. If any Purchased Receivable remains unpaid after its Due Date for any reason other than Credit Risk, Client shall pay to Factor a fee equal to the Face Amount of the Purchased Receivable multiplied by the Discount Rate, calculated for each day the Purchased Receivable remains unpaid after its Due Date (the "**Late Collection Charge**").

3.4 Default Fee. During a Default Period or at any time following the Termination Date, as applicable, in Factor's sole discretion and without waiving any of its other rights or remedies, a Default Fee shall accrue on the daily net balance of outstanding Obligations at an annual rate equal to the 15% (the "Default Fee") or any lesser rate that Factor may deem appropriate, starting on the day the Default Period begins through the last day of that Default Period.

3.5 Nonrecourse Sale of Receivables (THIS IS NOT A LOAN). Client is selling Receivables to Factor at a discount, not borrowing money from Factor. There is no interest rate and Factor is assuming the Credit Risk of the Receivables. Client shall not account for the transactions contemplated in this Agreement in any manner other than as a sale of Receivables. Client will not retain any interest in any Receivable sold hereunder and each sale of a Receivable shall be of all of Client's right, title and interest in such sold Receivable.

3.6 Calculation of Discount and Default Rates. The Discount Rate and the Default Rate under this Agreement shall be calculated on the basis of a 360-days-per-year factor applied to the number of actual days elapsed.

3.7 Discount Rate Rebate. As an inducement for Client, Factor will rebate a fixed amount of the Discount that Factor applied in calculating the Purchase Price as set forth in the term sheet based on days paid prior to maturity to Client. THERE SHALL BE NO REBATE ON ACCOUNTS COLLECTED BEYOND THE EXPECTED TERM. ANY REBATE TO WHICH CLIENT IS ENTITLED WILL BE PAID TO CLIENT OR CREDITED TO CLIENT'S ACCOUNT UPON CLEARANCE OF FUNDS AS INVOICE SCHEDULES ARE COLLECTED BY FACTOR.

Article 4
TERM OF AGREEMENT

4.1 Term. Unless terminated in accordance with this section, this Agreement will be in full force and effect for the Term specified in the Term Sheet and will automatically extend for successive 12-month periods, unless 60 days prior to the end of the then-current term, Client notifies Factor of its intention to terminate this Agreement at the end of the then-current term.

4.2 Termination. The parties may terminate this Agreement as follows:

- (a) Client may terminate this Agreement on 60 days' prior written notice to Factor.
- (b) Factor may terminate this Agreement on 30 days' prior written notice to Client.
- (c) Factor may terminate this Agreement at any time during a Default Period.

4.3 Obligations on Termination. Upon termination of this Agreement, all Obligations, including any applicable Termination Fee, will become immediately due and payable in full without further notice or demand.

4.4 Repurchase. Upon termination, Client shall repurchase all outstanding Eligible Receivables purchased by Factor unless outstanding due to Credit Risk, whether or not subject to a Dispute, as may be requested by Factor, by paying the Repurchase Price to Factor for such Eligible Receivables.

Article 5
SECURITY AGREEMENT

5.1 Grant of Security Interest. To secure payment and performance of Seller's obligations under this Agreement, but not the Credit Risk of the Receivables, Client hereby grants to Factor a continuing security interest in all of its right, title and interest in and to the Collateral, wherever located, whether now existing or hereafter arising or acquired.

5.2 Perfection of Security Interest and Further Assurances.

(a) Client shall, from time to time, as may be required by Factor with respect to all Collateral, promptly take all actions as may be reasonably requested by Factor to perfect the Lien of Factor in the Collateral, including, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable, Client shall promptly take all actions as may be reasonably requested from time to time by Factor so that control of such Collateral is obtained and at all times held by Factor. All of the foregoing shall be at Client's sole cost and expense.

(b) Client hereby irrevocably authorizes Factor at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Lien granted by Client hereunder, without Client's signature where permitted by law, including the filing of a financing statement describing the Collateral. Client agrees to provide all information required by Factor pursuant to this Section promptly to Factor upon request.

(c) Client agrees that at any time and from time to time, at Client's expense, Client will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that Factor may reasonably request, in order to perfect and protect any Lien granted hereby or to enable Factor to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5.3 Reasonable Care. Factor shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. Factor shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Factor accords its own property, it being understood that Factor shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not Factor has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Neither this Agreement nor the exercise by Factor of any of its rights and remedies will relieve Client from the performance of any obligation on Client's part to be performed or observed in respect of any of the Collateral.

5.4 Security Interest Absolute. All rights of Factor and Liens hereunder, and all Obligations of Client hereunder, shall be absolute and unconditional irrespective of: (a) any illegality or lack of validity or enforceability of any Obligation or any related agreement or instrument; (b) any change in the time, place or manner of payment of, or in any other term of, the Obligations, or any rescission, waiver, amendment or other modification of the Related Agreements, including any increase in the Obligations; (c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Obligations; (d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Obligations; (e) any default, failure or delay, willful or otherwise, in the performance of the Obligations; (f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, Client against Factor; or (g) any other circumstance (including any statute of limitations) or manner of administering the Receivables or any existence of or reliance on any representation by Factor that might vary the risk of Client or otherwise operate as a defense available to, or a legal or equitable discharge of, Client or any other grantor, guarantor or surety.

Article 6
REPRESENTATIONS AND WARRANTIES

Client represents and warrants, as of the date of this Agreement and the date of each purchase of Receivables by Factor, to Factor that:

6.1 Organization; Qualification; Power. Client is an entity of the type referenced in in the Term Sheet, duly formed and validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement and is qualified to do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify would have a material adverse effect on its financial condition or operations. Client has the power and authority to execute, deliver, and perform its obligations under this Agreement and the other Related Agreements to which it is or may become a party.

6.2 Due Authorization; Execution; Enforceability. The execution, delivery and performance by Client of this Agreement and the other Related Agreements are within Client's powers and have been duly authorized by all necessary action. This Agreement and the other Related Agreements have been duly executed and delivered by Client. This Agreement and the other Related Agreements to which Client is a party when delivered will be, legal, valid and binding obligations of Client enforceable against Client in accordance with their respective terms.

6.3 No Conflict; Compliance with Agreements and Laws. The execution, delivery and performance by Client of this Agreement and the other Related Agreements (a) do not contravene Client's organizational documents or any law or any contractual restriction binding on or affecting the Client, and (b) do not result in or require the creation of any Lien (other than Liens in favor of Factor) upon or with respect to any of its properties. Client is in compliance with all provisions of all agreements, licenses, instruments, decrees and orders to which it is a party or by which it or its property is bound or affected, the breach or default of which could have a Material Adverse Effect.

6.4 Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by Client of this Agreement and the other Related Agreements, except for such approvals and consents that have been made or obtained.

6.5 Anti-Corruption Laws; Sanctions; Anti-Terrorism Laws.

(a) Neither Client nor any of its Subsidiaries nor, to Client's knowledge, any director, officer, employee, agent, Affiliate or representative of Client or any of its Subsidiaries has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA") or any other applicable anti-corruption law; and Client and its Subsidiaries have instituted and maintain policies and procedures designed to ensure continued compliance therewith.

(b) Neither Client nor any of its Subsidiaries nor, to Client's knowledge, any director, officer, employee, agent, Affiliate or representative of Client or any of its Subsidiaries, is a Person that is, or is owned or controlled by, a Person that is: (1) subject to any sanctions administered or enforced by OFAC or the U.S. State Department (collectively, "Sanctions"), or (2) located, organized, or resident in a country or territory that is, or whose government is, the subject to Sanctions (including Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

(c) Neither Client nor any of its Subsidiaries nor, to Client's knowledge, any director, officer, employee, agent, Affiliate or representative of Client or any of its Subsidiaries, is a Person that is, or is owned or controlled by, a Person that is: (1) an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States (50 U.S.C. App. §§ 1 et seq.), or (2) in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V) or any enabling legislation or executive order relating thereto or (C) the PATRIOT Act (collectively, the "Anti-Terrorism Laws").

6.6 Financial Statements; Projections. The financial statements delivered pursuant to Section 7.1 are complete and correct and fairly present on a consolidated basis the assets, liabilities and financial position of Client and its Subsidiaries as at such dates, and the results of the operations and changes of financial position for the periods then ended (other than customary year-end adjustments for unaudited financial statements). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. Such financial statements show all material indebtedness and other material liabilities, direct or contingent, of Client and its Subsidiaries as of the date thereof, including material liabilities for Taxes, material commitments, and Indebtedness, in each case, to the extent required to be disclosed under GAAP.

6.7 Material Adverse Effect. Since the date of the most recent financial statements provided to Factor, there has been no Material Adverse Effect.

6.8 Litigation. There are no actions, suits or proceedings pending or, to Client's knowledge, threatened against or affecting Client or any of its Affiliates or the properties of Client or any of its Affiliates before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, if determined adversely to Client or any of its Affiliates, would have a Material Adverse Effect.

6.9 Taxes. Client and its Subsidiaries each has filed, has caused to be filed or has been included in all Federal, state and other Tax returns that are required to be filed, including all income, franchise, employment, property and sales taxes, and has paid all Taxes shown thereon to be due, together with applicable interest and penalties, and all other Taxes imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Client or its Subsidiary); no tax Lien has been filed, and, to Client's knowledge, no claim is being asserted, with respect to any such Tax. Neither Client nor any of its Subsidiaries is party to any tax sharing agreement.

6.10 Ownership of Property. Client and each of its Subsidiaries has good record and marketable title in fee simple to or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Client and each of its Subsidiaries has good and marketable title to, valid leasehold interests in, or valid licenses to use all personal property and assets material to the ordinary conduct of its business free and clear of all Liens other than Permitted Liens.

6.11 Burdensome Restrictions. Client and its Subsidiaries do not presently anticipate that future expenditures needed to meet the provisions of any statutes, orders, rules or regulations of a Governmental Authority will be so burdensome as to have a Material Adverse Effect. No Subsidiary is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its capital stock to Client or any Subsidiary or to transfer any of its assets or properties to Client or any other Subsidiary in each case other than existing under or by reason of the Related Agreements or Applicable Law.

6.12 No Default. No Event of Default has occurred and is continuing and no default has occurred and is continuing under or with respect to any material contractual obligation of Client or any of its Subsidiaries that would reasonably be expected to have a Material Adverse Effect.

6.13 Full Disclosure. Client and its Subsidiaries have disclosed to Factor all agreements, instruments and corporate or other restrictions to which Client and any Subsidiary thereof are subject, and all other matters known to them, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No financial statement, material report, material certificate or other material information furnished (whether in writing or orally) by or on behalf of Client or any Subsidiary thereof to Factor in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), taken together as a whole, contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that, with respect to projected financial information, pro forma financial information, estimated financial information and other projected or estimated information, such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

6.14 Receivables. Immediately prior to assignment to Factor, Client is the sole owner of each Receivable, free and clear of all Liens, and each Receivable is a valid, bona fide account, representing an undisputed obligation owing by the named Customer for goods actually sold and delivered or for services completely rendered.

Article 7

AFFIRMATIVE COVENANTS

Until payment and satisfaction in full of all Obligations (other than contingent indemnification obligations) and the termination of this Agreement, Client shall, and shall cause each of its Subsidiaries to:

7.1 Reporting Requirements. Deliver to Factor the following information, compiled where applicable using GAAP, in form and content acceptable to Factor:

(a) **Aging Reports.** By way of electronic transmission, schedules of Client's Accounts, in form satisfactory to Factor, and, if requested by Factor, copies of Client's invoices to the Customers in respect of such accounts, such evidence of delivery for all goods covered by such accounts, a detailed aging of Client's Accounts and its accounts payable, and a calculation of Client's accounts refreshed on at least a weekly basis and such information or documents relating to the Receivables as Factor may require from time to time.

(b) **Quarterly Financial Statements.** As soon as available and in any event within 45 days after the end of each calendar quarter, a Client prepared balance sheet, income statement, and statement of retained earnings prepared for that month and for the year-to-date period then ended, prepared, if requested by Factor, on a consolidated and consolidating basis to include Client's Affiliates, and stating in comparative form the figures for the corresponding date and periods in the prior fiscal year, subject to year-end adjustments. Client's obligation to deliver quarterly financial statements may be satisfied through use of third-party software approved by Factor that gives Factor access to Client's accounting system.

(c) **Tax Returns.** No later than five days after they are required to be filed, copies of signed and dated state and federal income tax returns and all related schedules for Client and each Guarantor, and copies of any extension requests.

(d) **Defaults.** No later than three days after learning of the probable occurrence of any Event of Default, a writing notifying Factor of the Event of Default and the steps being taken by Client to cure the Event of Default.

(e) **Other Reports.** From time to time, with reasonable promptness, such other materials, reports, records or information as Factor may reasonably request.

7.2 Existence; Maintenance of Property and Licenses. (a) Preserve, renew and keep in full force and effect its legal existence, (b) maintain in good repair, working order and condition all material assets used in the business of the Client, and (c) maintain each and every material license, permit, certification, qualification, approval or franchise issued by any Governmental Authority required to conduct its businesses as presently conducted.

7.3 Books and Records. Maintain proper books of record and accounts in which full, true, and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities.

7.4 Compliance with Laws. Comply with the requirements of all Applicable Laws and regulations, the non-compliance with which would result in a Material Adverse Effect.

7.5 Anti-Corruption Policies. Maintain in effect policies and procedures designed to promote compliance by Client, its Subsidiaries, and their respective directors, officers, employees, and agents with the FCPA and any other applicable anti-corruption laws.

7.6 Insurance. Maintain insurance with financially sound and reputable insurance companies against at least such risks and in at least such amounts as are customarily maintained by similar businesses and as may be required by Applicable Law and as are required by any Related Agreement (including insuring its assets against loss by fire, explosion, theft and other risks and casualties as are customarily insured against by companies engaged in the same or a similar business, insuring it against liability for personal injury and property damages relating to its assets, such policies to be in such amounts and covering such risks as are usually insured against by companies engaged in the same or a similar business, and insuring such other matters as may from time to time be reasonably requested by Factor, and insuring it against business interruption in such amounts as Factor shall reasonably deem appropriate). All such insurance shall, (a) provide that no cancellation or material modification thereof shall be effective until at least 30 days after receipt by Factor of written notice thereof, (b) name Factor as an additional insured party thereunder and (c) in the case of each casualty insurance policy, name Factor as lender's loss payee. On the date of this Agreement and from time to time thereafter Client shall deliver to Factor upon its request information in reasonable detail as to the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

7.7 Taxes and Other Obligations. Pay and perform (a) all Taxes that may be levied or assessed upon it or any of its property and (b) all other indebtedness, obligations and liabilities in accordance with customary trade practices; provided, that Client may contest any item described in clause (a) of this Section in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

7.8 Inspections. Permit representatives of Factor, from time to time upon prior reasonable notice and at such times during normal business hours, all at Client's expense, to visit and inspect its properties; inspect, audit and make extracts from its books, records and files, including management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial condition, results of operations and business prospects.

7.9 Further Assurances. Make, execute and deliver all such additional and further acts, things, deeds, instruments and documents as Factor may reasonably require for the purposes of implementing or effectuating the provisions of this Agreement and the other Related Agreements.

Article 8
NEGATIVE COVENANTS

Until payment and satisfaction in full of all Obligations (other than contingent indemnification obligations) and the termination of this Agreement, Client shall not, and shall not permit any of its Subsidiaries to:

8.1 Indebtedness. Incur, create, assume or permit to exist any Indebtedness, except: (a) the Obligations; (b) Indebtedness existing on the date of this Agreement and disclosed to Factor in writing, and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof; (c) unsecured Indebtedness to trade creditors in the ordinary course of business; and (d) purchase money Indebtedness or capitalized lease obligations.

8.2 Other Liens. Create or suffer to exist, or permit any of its subsidiaries to create or suffer to exist, any Lien, or any other type of preferential arrangement, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its subsidiaries to assign, any right to receive income, other than: (a) the Liens of Factor; (b) mechanics' and materialmen's Liens for immaterial sums which are either (1) not yet due and payable or (2) being contested in good faith by appropriate proceedings which serve to stay the foreclosure of such Liens and as to which appropriate reserves have been established; (c) Liens for Taxes that are not more than 30 days overdue or, if the execution thereof is stayed, which are being contested in good faith by appropriate proceedings diligently pursued and for which adequate reserves have been established; (d) any real estate easements and easements, covenants and encumbrances that customarily do not affect the marketable title to real estate or materially impair its use; and (e) Liens securing Indebtedness permitted under Section 8.1(d), *provided* (1) such Liens shall be created substantially simultaneously with the acquisition, repair, improvement or lease, as applicable, of the related property, (2) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (3) the amount of Indebtedness secured thereby is not increased, and (4) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 100% of the original price for the purchase, repair improvement or lease amount (as applicable) of such property at the time of purchase, repair, improvement or lease (as applicable) ("**Permitted Liens**").

8.3 Fundamental Changes. (a) Change its state of organization, name or the location of its chief executive office without the prior written consent of the Factor, (b) consolidate with or merge into any other entity, or permit any other entity to merge into it, (c) engage in any line of business materially different from Client's business on the date of this Agreement, (d) amend its organizational documents, (e) acquire all or substantially all of the assets of any other entity, (f) change its fiscal year or make any material change in its accounting treatment and reporting practices except as required by GAAP, or (g) change its tax status (i.e., as a C or S corporation).

8.4 Dispositions. Sell, lease or otherwise voluntarily dispose of any of its assets other than in the ordinary course of business.

8.5 Restricted Payments. Declare or pay any dividend or other distribution (whether in cash or in kind) on any class of its stock or other equity interest, or purchase, redeem, retire, or otherwise acquire any of its stock or other equity interest, either (i) during a Default Period or (ii) that causes an Event of Default.

8.6 Affiliate Transactions. Conduct, permit or suffer to be conducted, transactions with Affiliates other than transactions for the purchase or sale of Inventory or services in the ordinary course of business pursuant to terms that are no less favorable to Client than the terms upon which such transactions would have been made had they been made to or with a Person that is not an Affiliate.

8.7 Use of Proceeds. (a) Use the proceeds of any Advance or Purchase Price payment for any purpose other than ordinary business purposes; (b) directly or indirectly apply any part of the proceeds of any Advance or Purchase Price payment to the purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System); (c) use the proceeds of any Advance or Purchase Price payment, or lend, contribute or otherwise make available such proceeds to any Person: (1) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions; or (2) in any other manner that will result in a violation of Sanctions by any Person; (d) use the proceeds of any Advance or Purchase Price payment, directly or indirectly, in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of the FCPA or any other applicable anti-corruption law; or (e) use the proceeds of any Advance or Purchase Price payment in violation of any Anti-Terrorism Laws.

Article 9
DEFAULT AND REMEDIES

9.1 Events of Default. An “Event of Default” shall occur if:

- (a) Client fails to pay any amount of any Obligations on the date that it becomes due and payable;
- (b) Any representation or warranty made by the Client or on behalf of any Subsidiary in this Agreement or any other Related Agreement is untrue or misleading in any material respect when made or deemed made;
- (c) Client or any Subsidiary fails to perform or observe any term, covenant, or agreement contained in any of Section 7.1 (Reporting Requirements), Section 7.2 (Existence; Maintenance of Property and Licenses), Section 7.9 (Inspections), or Article 8 (Negative Covenants), or any Guarantor fails to perform or observe any term, covenant, or agreement contained in its Guaranty;
- (d) Client or any Subsidiary fails to perform or observe any other term, covenant or agreement (not specified in Section 9.1(a), Section 9.1(b), or Section 9.1(c)) contained in any Related Agreement on its part to be performed or observed and such failure continues for 10 Business Days;
- (e) Client or any Subsidiary becomes insolvent or admits in writing an inability to pay debts as they mature, or Client or any Subsidiary makes an assignment for the benefit of creditors; or Client or any Subsidiary applies for or consents to the appointment of any receiver, trustee, or similar officer for the benefit of Client or any Subsidiary, or for any of their properties; or any receiver, trustee or similar officer is appointed without the application or consent of Client or any Subsidiary; or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against a substantial part of the property of Client or any Subsidiary;
- (f) Client or any Subsidiary files a petition under any chapter of the United States Bankruptcy Code or under the laws of any other jurisdiction naming Client or any Subsidiary as debtor; or any such petition is instituted against Client or any Subsidiary; or Client or any Subsidiary institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, debt arrangement, dissolution, liquidation or similar proceeding under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against Client or any Subsidiary;
- (g) A final, non-appealable arbitration award, judgment, or decree or order for the payment of money in an amount in excess of \$10,000, which is not insured or subject to indemnity, is entered against Client or any Subsidiary which is not immediately stayed or appealed;
- (h) Client or any Subsidiary is in default with respect to any bond, debenture, note or other evidence of material indebtedness issued by Client or any Subsidiary that is held by any third Person other than Factor, or under any instrument under which any such evidence of indebtedness has been issued or by which it is governed, or under any material lease or other contract, and the applicable grace period, if any, has expired, regardless of whether such default has been waived by the holder of such indebtedness;
- (i) Client or any Subsidiary liquidates, dissolves, terminates or suspends its business operations or otherwise fails to operate its business in the ordinary course, or merges with another Person; or sells or attempts to sell all or substantially all of its assets;
- (j) A Change of Control occurs;

(k) Any event or circumstance occurs that Factor in good faith believes may impair the prospect of payment of all or part of the Obligations, or Client's or any Subsidiary's ability to perform any of its material obligations under this Agreement or any other Related Agreement;

(l) A Material Adverse Effect occurs;

(m) Any Guarantor shall die, repudiate, purport to revoke or fail to perform any obligation under such Guaranty;

(n) Any Related Agreement or any provision thereof, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or the satisfaction in full of all of the Obligations (other than unasserted contingent indemnification obligations) and other than as a result of an action or inaction by Factor, ceases to be in full force and effect other than in accordance with its terms; or any Person (other than Factor) contests in any manner in writing the validity or enforceability of any Related Agreement or any provision thereof; or the Client denies that it has any or further liability or obligation under any Related Agreement, or purports to limit, revoke, terminate or rescind any Related Agreement or any provision thereof;

(o) Any security interest purported to be created in Collateral shall cease to be, or shall be asserted by any Client Party not to be, a valid, perfected, first-priority (except as otherwise expressly provided in this Agreement) security interest in the assets covered thereby, other than in respect of assets that, individually and in the aggregate, are not material to the Client Parties, taken as a whole, or in respect of which the failure of the security interest therein to be a valid, perfected first-priority (except as otherwise expressly provided in this Agreement) security interest could not in the reasonable judgment of Factor be expected to have a Material Adverse Effect;

(p) Any Client Party or any of its senior officers is criminally indicted or convicted for (i) a felony, or (ii) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that has resulted in, or could reasonably be expected to lead to, a forfeiture of any material property or any collateral (including the Collateral) upon which such Client Party has granted a Lien to Factor or the right to conduct any part of its business; or

(q) The uninsured loss, theft, damage or destruction of any of the Collateral in an amount in excess of \$10,000 in the aggregate for all such events during any calendar year as determined by Factor in its sole discretion.

9.2 Rights and Remedies. During any Default Period, and subject to arbitration as provided in Section 10.18 of this Agreement, Factor may exercise any or all of the following rights and remedies:

(a) Factor may declare the Obligations to be immediately due and payable and accelerate payment of the Obligations, and all Obligations shall immediately become due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which Client hereby expressly waives; provided that upon the occurrence of an Event of Default described in Section 9.1(e) or 9.1(f), all Obligations shall immediately become due and payable without presentment, demand, protest or notice of any kind;

(b) Factor may, without notice to Client, apply any money owing by Factor to Client to payment of the Obligations, including any and all balances and deposits of Client held by the Factor;

(c) Factor may exercise all rights and remedies of a secured party under the UCC; Agreements;

(d) Factor may exercise and enforce its rights and remedies under the any of the Related

(e) Factor may (1) cease purchasing Receivables, (2) commence accruing interest on the Obligations at a rate up to the Default Rate, (3) decrease the Facility Limit, and (4) decrease the Advance Rate; and

(f) Factor may exercise any other rights and remedies available to it by law or agreement.

9.3 Termination Fee. Upon an Event of Default, the Termination Fee shall be immediately due and payable.

9.4 No Waiver. Any failure by Factor to insist upon strict performance by Client of any of the provisions of this Agreement or any other Related Agreement shall not be deemed to be a waiver of any of the terms or provisions of this Agreement or the other Related Agreements, and Factor shall have the right thereafter to insist upon strict performance by Client of any and all of the terms and provisions of this Agreement or any other Related Agreement.

9.5 Sales of Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under Applicable Law, written notice mailed to Client at least 10 days prior to the date of such disposition will constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, Factor may sell such Collateral on such terms and to such purchaser as Factor in its absolute discretion may choose, without assuming any Credit Risk and without any obligation to advertise or give notice of any kind other than that necessary under Applicable Law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by Applicable Law, Factor may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by Applicable Law, Client waives all claims, damages and demands it may acquire against Factor arising out of the exercise by it of any rights hereunder. Client hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by Applicable Law, Factor or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither Factor nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto.

9.6 Standards for Exercising Rights and Remedies. To the extent that Applicable Law imposes duties on Factor to exercise remedies in a commercially reasonable manner, Client acknowledges and agrees that it is not commercially unreasonable for Factor (a) to fail to incur expenses reasonably deemed significant by Factor to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against Customers or other persons obligated on Collateral or to fail to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against Customers and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as Client, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to decline to provide credit to any potential purchaser of the Collateral in connection with Factor's disposition of the Collateral, (k) to disclaim disposition warranties, (l) to purchase insurance or credit enhancements to insure Factor against risks of loss, collection or disposition of Collateral or to provide to Factor a guaranteed return from the collection or disposition of Collateral, or (m) to the extent deemed appropriate by Factor, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Factor in the collection or disposition of any of the Collateral. Client acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Factor would satisfy Factor's duties under the UCC in Factor's exercise of remedies against the Collateral and that other actions or omissions by Factor shall not be deemed to fail to satisfy such duties solely on account of not being indicated in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to Client or to impose any duties on Factor that would not have been granted or imposed by this Agreement or by Applicable Law in the absence of this Section.

Article 10
MISCELLANEOUS

10.1 Notices. Except as otherwise specified herein, any notice, consent, request or other communication required or permitted to be given hereunder shall be in writing, addressed to the other party as set forth in the Term Sheet for Client or below for Factor (or to such other address or person as either party or person entitled to notice may by notice to the other party specify), and shall be: (a) personally delivered; (b) delivered by Federal Express or other comparable overnight delivery service; or (c) transmitted by United States certified mail, return receipt requested with postage prepaid. Unless otherwise specified, all notices and other communications shall be deemed to have been duly given on the first to occur of (1) actual receipt of the same, (2) the date of delivery if personally delivered, (3) one Business Day after depositing the same with the delivery service if by overnight delivery service, and (4) three days following posting if transmitted by mail.

| | |
|-------------------|--|
| Factor's Address: | Water for Commerce Fund Management, LLC 2020 West 89th Street, Suite 200 Leawood, Kansas 66206 |
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10.2 Attorney Fees. In the event that Factor employs attorneys to collect the Obligations, to enforce the provisions of this Agreement or to protect or foreclose the Collateral, Client agrees to pay Factor's attorney fees and disbursements, whether or not suit is brought. Such fees shall be immediately due and payable.

10.3 Setoff. Factor may, at any time and without demand or notice to anyone, setoff any liability owed to Client by Factor against any Obligations, whether or not due.

10.4 Revival of Obligations. To the extent that any payment or payments made to Factor under this Agreement are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, to Client, whether directly or indirectly as a debtor-in-possession, or to a receiver or any other party under any bankruptcy law, or other state or federal law, then the portion of the Obligations of Client intended to have been satisfied by such payment or payments will be revived and will continue in full force and effect as if such payment or payments had never been received by Factor.

10.5 No Oral Amendments. This Agreement may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Client or Factor, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

10.6 Assignment. This Agreement may be freely transferred and assigned by Factor, its successors, endorsees and assigns. Client may not transfer its rights and obligations with respect to this Agreement, the Related Agreements, or the Obligations.

10.7 Costs and Expenses. Client shall pay on demand all costs and expenses, including reasonable attorneys' fees, incurred by Factor in connection with the Obligations, this Agreement, any Related Agreement or any other document or agreement described in or related to this Agreement, and the transactions contemplated by this Agreement, including all costs, expenses and fees incurred by Factor (a) in connection with the negotiation, preparation, execution, delivery, amendment, and administration of the Related Agreements, (b) to collect any amounts owed to Factor, (c) to enforce the Related Agreements, (d) in connection with the collection, protection, or enforcement of any rights in the Collateral, (e) in any bankruptcy, insolvency, assignment for the benefit of creditors, receivership, or other similar proceeding relating to Client or its assets or any Guarantor, (f) in any actual or threatened suit, action, proceeding, or adversary proceeding (including all appeals) by, against, or in any way involving Factor and Client or any Guarantor, or in any way arising from this Agreement or Factor's dealings with Client, and (g) to retain any payments or transfers of any kind made to Factor by or on account of this Agreement, including the granting of liens, collateral rights, security interests, or payment protection of any type.

10.8 Indemnification. In addition to its obligation to pay Factor's expenses under the terms of this Agreement, Client shall indemnify, defend and hold harmless Factor and its Related Parties (each an "Indemnitee") from and against any of the following (collectively, "Indemnified Liabilities"): (a) any and all transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of the Related Agreements, or any other document or agreement described in or related to this Agreement or the transactions under this Agreement; (b) any claims, loss or damage to which any Indemnitee may be subjected if any representation or warranty contained in this Agreement proves to be incorrect in any respect or as a result of any violation of the covenants contained in this Agreement; and (c) any and all other liabilities, losses, damages, penalties, judgments, suits, claims, costs and expenses of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel) in connection with this Agreement and any other investigative, administrative or judicial proceedings, whether or not such Indemnitee shall be designated a party to such proceedings, which may be imposed on, incurred by or asserted against any such Indemnitee, in any manner related to or arising out of or in connection with the transactions under this Agreement and the Related Agreements, or any other document or agreement described in or related to this Agreement, with the exception of any Indemnified Liability caused by the gross negligence or willful misconduct of an Indemnitee. If any investigative, judicial or administrative proceeding described in this Section is brought against any Indemnitee, upon the Indemnitee's request, Client, or counsel designated by Client and satisfactory to the Indemnitee, will resist and defend the action, suit or proceeding to the extent and in the manner directed by the Indemnitee, at Client's sole cost and expense. Each Indemnitee will use its best efforts to cooperate in the defense of any such action, suit or proceeding. If this agreement to indemnify is held to be unenforceable because it violates any law or public policy, Client shall nevertheless make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities to the extent permissible under Applicable Law. Client's obligations under this Section shall survive the termination of this Agreement and the discharge of Client's other obligations under this Agreement.

10.9 Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, Client shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Related Agreement or any agreement or instrument contemplated hereby, or the transactions contemplated hereby or thereby. No Indemnitee referred to in Section 10.8 shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Related Agreements or the transactions contemplated hereby or thereby.

10.10 Severability. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

10.11 Interpretation. For purposes of this Agreement and the other Related Agreements, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole; (d) the term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form; and (e) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including". The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein (x) to articles, sections, and exhibits mean the articles and sections of, and exhibits attached to, this Agreement; (y) to an agreement, instrument or other document mean such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute mean such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. Any exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable). When performance of any covenant, duty or obligation is required on a day which is not a Business Day, the date of such performance shall extend to the immediately succeeding Business Day. Any reference to officers, shareholders, stock, shares, directors, boards of directors, corporate authority, articles of incorporation, bylaws or any other such references to matters relating to a corporation made herein or in any other Related Agreement with respect to a Person that is not a corporation shall mean and be references to the comparable terms used with respect to such Person.

10.12 GAAP; Rounding. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP. Any financial ratios required to be maintained by Client pursuant to the Related Agreements shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number using the common – or symmetric arithmetic – method of rounding (in other words, rounding-up if there is no nearest number).

10.13 PATRIOT Act Notice. Factor hereby notifies the Client Parties that, pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Client Parties, which information includes the name and address of the Client Parties and other information that will allow Factor to identify the Client Parties in accordance with the PATRIOT Act.

10.14 Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all of which counterparts together shall constitute but one agreement. This Agreement and the other Related Agreements constitute the entire contract among the parties with respect to the subject matter of the Related Agreements and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart signature page.

10.15 Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act or any other similar state laws based on the Uniform Electronic Transactions Act.

10.16 Governing Law; Jurisdiction; Etc.

(a) **Governing Law.** The laws of the State of Kansas will govern this Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby and thereby.

(b) **Submission to Jurisdiction.** Client irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever, whether in law or equity, or whether in contract or tort or otherwise, against Factor in any way relating to this Agreement or the transactions contemplated hereby, in any forum other than the courts of the State of Kansas, and of the United States District Court of the District of Kansas, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that any such action, litigation or proceeding may be brought in any such Kansas court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein will affect any right that Factor may otherwise have to bring any action or proceeding relating to this Agreement against Client or its properties in the courts of any jurisdiction.

(c) **Waiver of Venue.** Client irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any such court referred to in Section 10.16(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) **Service of Process.** Client irrevocably consents to the service of process in the manner provided for notices in Section 10.1 and agrees that nothing herein will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

(e) **Class Action Waiver.** Client waives the right to participate in a class action, either as a class representative or a class member, with respect to any claim relating to this Agreement or the transactions between Client and Factor.

10.17 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.18 Arbitration. This Arbitration Clause (“**Arbitration Clause**”) significantly affects Client’s rights in any dispute with Factor. Client should read this Arbitration Clause carefully before signing this Agreement. This Arbitration Clause is governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq.

In this Arbitration Clause, “**Dispute**” means any disagreement in contract, tort, statutory or other claim or dispute between Client and Factor arising out of or relating to Client’s credit application, Agreement or any resulting transaction or relationship. “**Dispute**” includes any claim or dispute over the interpretation and scope of this Arbitration Clause.

EITHER CLIENT OR FACTOR MAY CHOOSE TO HAVE ANY DISPUTE BETWEEN THEM OR BETWEEN CLIENT AND FACTOR’S AFFILIATES, OWNERS, DIRECTORS, EMPLOYEES, AGENTS, SERVICE PROVIDERS, OR ASSIGNS DECIDED BY ARBITRATION AND NOT IN COURT. IF A DISPUTE IS ARBITRATED, CLIENT WILL GIVE UP CLIENT’S RIGHT TO PARTICIPATE AS A CLASS REPRESENTATIVE OR CLASS MEMBER ON ANY CLASS CLAIM YOU MAY HAVE AGAINST CLIENT, OR CLIENT’S AFFILIATES, OWNERS, DIRECTORS, EMPLOYEES, AGENTS, SERVICE PROVIDERS OR ASSIGNS. ANY DISPUTE IS TO BE ARBITRATED ON AN INDIVIDUAL BASIS AND NOT AS A CLASS ACTION. CLIENT EXPRESSLY WAIVES ANY RIGHT YOU MAY HAVE TO ARBITRATE A CLASS ACTION. THIS IS CALLED THE “CLASS ACTION WAIVER.”

Arbitration will be conducted by and under the rules of the American Arbitration Association (AAA) (www.adr.org), or any other arbitration organization you choose, subject to our approval. Client may obtain AAA rules by visiting the website.

Arbitrators will be attorneys or retired judges and must be selected pursuant to the applicable rules of the chosen arbitration organization. The arbitrator shall apply governing substantive law and the applicable statute of limitations. The arbitration hearing must be conducted in the federal district in which Client is located, or at some other location convenient to Client. Each party will be responsible for its own attorney, expert and other fees, unless otherwise awarded by the arbitrator under applicable law.

Client retains the right to sue on an individual basis in small claims court for a Dispute within that court's jurisdiction, unless such action is transferred, removed or appealed to a different court. Neither Client nor Factor waive the right to arbitrate by filing suit. Factor does not waive our right to arbitrate by seeking non-judicial recovery of any collateral securing this Agreement.

The arbitrator's award is final and binding on all parties, subject to any right of appeal available under the Federal Arbitration Act. Any court within jurisdiction may enter judgment on the arbitrator's award. This Arbitration Clause shall survive any termination, payoff or assignment of the Agreement. If any part of this Arbitration Clause, other than the class action waiver, is deemed or found to be unenforceable for any reason, the remainder is enforceable. If the class action waiver is deemed or found to be unenforceable, then this entire Arbitration Clause will be unenforceable.

Client may opt out of this Arbitration Clause by doing so in writing to the following address and sent by registered mail, postmarked no later than 10 days from the date Client signs this Agreement: [address].

10.19 UCC Terms. Terms defined in the UCC in effect on the date of this Agreement and not otherwise defined herein shall, unless the context otherwise indicates, have the meanings provided by those definitions. Subject to the foregoing, the term "UCC" refers, as of any date of determination, to the UCC then in effect.

10.20 No Novation. Client (formerly known as BZRTH, Inc.) and Factor previously entered into a Receivables Purchase Agreement (the "Prior Agreement") pursuant to which, among other things, Factor extended credit to Client and Client granted Factor a security interest in its assets. This Agreement constitutes an amendment and restatement of, and replacement and substitution for, the Prior Agreement. The indebtedness evidenced by the Prior Agreement is not extinguished or discharged by this Agreement. This Agreement is not intended to be and shall not be deemed to constitute a payment, settlement or novation of the Prior Agreement, or to release or otherwise adversely affect any Lien securing such indebtedness or any rights of Factor against any Person liable for such indebtedness.

10.21 Defined Terms. As used in this Agreement, the following terms have the corresponding meanings:

"Advance" means, with respect to any Receivable, an amount equal to the Advance Rate multiplied by the gross face amount of the Receivable, net of any discounts, credits, or allowances offered by Client to the Customer.

"Advance Rate" means the advance rate specified in the Term Sheet.

"Affiliate" or **"Affiliates"** means any Person controlled by, controlling or under common control with Client, including any subsidiary of Client. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Receivables Purchase Agreement between Client and Factor.

"Anti-Terrorism Laws" has the meaning set forth in Section 6.5(c).

"Applicable Law" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

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

“**Change of Control**” means: (a) the failure of the beneficial owners of the equity of Client as of the closing date to own, together with their Affiliates, directly or indirectly, beneficially and of record, 51% of the such equity; or (b) the failure of Client to own directly or indirectly, beneficially and of record, at least 51% of the aggregate ordinary voting power and economic interests represented by the issued and outstanding equity of each Subsidiary.

“**Client**” means the party identified as the Client in the Term Sheet.

“**Client Account**” means a bookkeeping account on Factor’s books and records of Factor’s transactions with Client and the Customers under this Agreement.

“**Client Party**” means Client and each Guarantor.

“**Collateral**” means all accounts (including health-care-insurance receivables), goods (including inventory but excluding equipment), documents (including, if applicable, electronic documents), fixtures, instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), money, deposit accounts, and any other contract rights or rights to the payment of money; and all proceeds and products of each of the foregoing, all books, records, files and other data relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Client from time to time with respect to any of the foregoing.

“**Credit Risk**” means, with respect to a Receivable, the risk of loss on such Receivable resulting solely and exclusively from the financial inability of the applicable Customer to pay the Receivable in full when due or the applicable Customer being the subject of an Insolvency Proceeding.

“**Customer**” means any Person who is obligated on a Receivable.

“**Default Period**” means the period of time commencing on the day an Event of Default occurs and continuing through the date the Event of Default has been cured or waived.

“**Default Rate**” has the meaning set forth in Section 3.4.

“**Discount**” means, with respect to any Receivable purchased or proposed to be purchased by Factor, an amount equal to Face Amount of the Receivable multiplied by the Discount Rate, calculated for the number of dates between the Purchase Date and the Due Date of such Receivable.

“**Discount Rate**” means the discount rate specified in the Term Sheet.

“**Dispute**” means any dispute, deduction, setoff, defense, claim, or counterclaim of any kind by a Customer against Client relating to goods or services giving rise to a Receivable.

“**Due Date**” means, with respect to any Receivable, the original due date of such Receivable.

“**Eligible Receivable**” means a Receivable which is accepted by Factor at Factor’s sole discretion, but excluding any Receivable having any of the following characteristics:

- (a) Any Receivable with a Due Date that is more than or equal to 120 days from the invoice date;
- (b) Any Receivable owing by a single Customer, including a currently scheduled Receivable, if 25% of the balance owing by said Customer is ineligible as a result of clause (a) above;
- (c) Any Receivable with respect to which the Customer is a director, officer, employee or agent of Client or otherwise Related Parties of Client;
- (d) Any Receivable with respect to which payment by the Customer is or becomes conditional upon the Customer’s approval of the goods or services covered thereby, or is otherwise subject to any repurchase obligation or return right, as with sales made on a, guaranteed sale, sale on approval, sale or return or consignment basis;
- (e) Any Receivable with respect to which the Customer is a Governmental Authority;
- (f) The face amount of any Receivable with respect to which Client is or may become liable to the Customer for goods sold or services rendered by such Customer to Client, but only to the extent of the maximum aggregate amount of Client’s liability to such Customer;
- (g) Any Receivable with respect to which (1) the goods giving rise thereto have not been shipped and delivered to and accepted as satisfactory by the Customer, or (2) the services performed have not been completed and accepted as satisfactory by the Customer;
- (h) Any Receivable with respect to which possession or control of the goods covered thereby are held, maintained or retained by Client, or by any agent or custodian of Client, for the Receivable of or subject to further or future direction from the Customer as with sales made on a bill-and-hold basis (unless the Customer has executed a setoff waiver in form and substance acceptable to Factor);
- (i) Any Receivable that arises in any manner other than the sale of inventory or services in the ordinary course of Client’s business;
- (j) Any Receivable for any Customer which exceed a credit limit established by Factor for such Customer, but only to the extent of such excess;
- (k) That portion of any Receivable that has been restructured, extended, amended or modified;
- (l) Any Receivable that is not subject to a first priority lien in favor of Factor;
- (m) Any Receivable with respect to which the Customer materially disputes the amount or terms of such Receivable which Factor is seeking to verify;

(n) Any Receivable that is evidenced by an instrument, unless such instrument has been delivered to Factor duly endorsed in blank;

(o) Any Receivable that has been repaid, prepaid, satisfied, subordinated or rescinded or any Receivable with respect to which the Customer has not been directed to make payments directly to Factor;

(p) Any Receivable that is subject to any discounts, allowances or setoff against payment thereof, except for any discounts, allowances, dilution or set-offs which conform to customary commercial practices, were created in the ordinary course of business, and were approved by Factor;

(q) Any Receivable that is not a bona fide existing payment obligation of the Customer; and

(r) Any Receivable that is payable in a currency other than the U.S. Dollar.

“Expected Term” means the Expected Term specified in the Term Sheet, which represents the maximum number of days that Factor expects a Receivable to be outstanding. The Expected Term is determined by Factor based on its review of Client’s historical financial information and may extend beyond the Due Date for any Receivable.

“Face Amount” means the gross face amount of the invoice or invoices giving rise to the Receivable *minus* (a) all returns, (b) any discounts, credits, or allowances claimed by, or granted to, Customers, and (c) finance charges included in the invoice amount. Discounts shall be calculated on the shortest terms granted to Customer.

“Facility Limit” means the Facility Limit specified in the Term Sheet.

“FCPA” has the meaning set forth in Section 6.5(a).

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantor” means the Person or Persons identified as a Guarantor in the Term Sheet and each other party that may now or hereafter guaranty the Obligations.

“Guaranty” means each guaranty executed by a Guarantor.

“Indebtedness” of a Person means at any time the sum at such time of (a) indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (b) any obligations of such Person in respect of letters of credit, banker’s or other acceptances or similar obligations issued or created for the account of such Person, (c) lease indebtedness, liabilities and other obligations of such Person with respect to capital leases, (d) all liabilities secured by any Lien on any property owned by such Person, to the extent attached to such Person’s interest in such property, even though such Person has not assumed or become personally liable for the payment thereof, (e) obligations of third parties which are being guaranteed or indemnified against by such Person or which are secured by the property of such Person; (f) any obligation of such Person under an employee stock ownership plan or other similar employee benefit plan; (g) any obligation of such Person or a commonly controlled entity to a multi-employer plan; and (h) any obligations, liabilities or indebtedness, contingent or otherwise, under or in connection with, transactions, agreements or documents now existing or hereafter entered into, which provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices; but excluding trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue (as determined in accordance with customary trade practices) or which are being disputed in good faith by such Person and for which adequate reserves are being provided on the books of such Person in accordance with GAAP consistently applied.

“Indemnified Liabilities” has the meaning set forth in Section 10.8.

“Indemnitee” has the meaning set forth in Section 10.8.

“Insolvency Proceeding” means any proceeding under Title 11 of the United States Code or under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies’ Creditors Arrangement Act* (Canada) or any other federal, state or provincial proceeding instituted by or against a Person seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or any proceeding seeking the entry of an order for relief by the appointment of a receiver, trustee, custodian or similar official for its or a substantial part of its property.

“Invoice Fee” has the meaning set forth in Section 3.1.

“Invoice Fee Rate” means the Invoice Fee Rate specified in the Term Sheet.

“Collection Charge” has the meaning set forth in Section 3.3.

“Lien” means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

“Material Adverse Effect” means (a) a material adverse effect on the business, assets, property, or condition (financial or otherwise) of Client or any of its Subsidiaries, (b) a material impairment of the legality, validity, binding effect or enforceability of any Related Agreement or the rights and remedies of Factor under any Related Agreement, (c) a material impairment of the ability of Client to repay the Obligations or of the Client Parties to perform their obligations under the Related Agreements, or (d) a material impairment of the perfection or priority of the Liens granted pursuant to this Agreement.

“**Obligations**” is used in its most comprehensive sense and means any debts, obligations and liabilities of Client to Factor, whether incurred in the past, present or future, whether voluntary or involuntary, and however arising, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and including all obligations arising under any interest rate swap, interest rate collar, derivative, foreign exchange, deposit, treasury management or similar transaction or arrangement however described or defined that Client may enter into at any time with Factor or an Affiliate of Factor, whether or not Client may be liable individually or jointly with others, or whether recovery upon such Obligations may subsequently become unenforceable.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**PATRIOT Act**” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute.

“**Payment Day**” has the meaning set forth in the Term Sheet.

“**Permitted Liens**” has the meaning set forth in Section 8.2.

“**Person**” means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of a governmental entity.

“**Platform**” means the online loan and collateral management platform maintained by Factor or its Affiliates or its service provider or its Affiliates.

“**Purchase Date**” means, for any Receivable, the date on which Factor purchases the Receivable.

“**Purchase Price**” means, for any Receivable, the Face Amount of the Receivable minus the Discount.

“**Purchased Receivable**” means any Receivable purchased by Factor which has not been repurchased by Client.

“**Receivables**” means all accounts (as that term is defined in the UCC), contract rights, documents, notes, drafts, and other obligations owed to or owned by Client arising from the sale of goods or the rendering of services by Client, all general intangibles relating to these obligations, all proceeds of these obligations, all guaranties for these obligations, and all goods and rights represented by these obligations.

“**Related Agreements**” means this Agreement, each Guaranty, and every other agreement, note, document, contract or instrument to which the Client now or in the future may be a party and which is required by the Factor.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“**Repurchase Price**” means, for any Receivable, the sum of (a) the Advance, plus (b) all fees, costs, and expenses associated with the Receivable, minus (c) amounts collected from the Customer on the Receivable.

“**Reserve**” means a bookkeeping account on the books of the Factor representing an unpaid portion of the Purchase Price and such other amounts as Factor deems advisable as security for the payment and performance by Client of its Obligations.

“**Sanctions**” has the meaning set forth in Section 6.5(b).

“**Subsidiary**” of a Person means any other Person of which a majority of the equity interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of Client.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Term Sheet**” means the Term Sheet set forth on the first page of the Agreement.

“**Termination Date**” means the date this Agreement terminates in accordance with Article 4.

“**Termination Fee**” means the Termination Fee specified in the Term Sheet.

“**UCC**” means the Uniform Commercial Code as in effect in the State of Kansas, as amended or modified from time to time.











iPower Inc Receivables Purchase Agreement 11-16-2020

Final Audit Report

2020-11-17

| | |
|-----------------|--|
| Created: | 2020-11-16 |
| By: | Rachel Oberholzer (rachel.oberholzer@c2fo.com) |
| Status: | Signed |
| Transaction ID: | CBJCHBCAABAAISJQmAxXHsEL_GNuAT5qQ9aecLhwUYTz |

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