

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
OR

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

For the transition period from _____ to _____

COMMISSION FILE NO. 001-38180

HF Foods Group Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
19319 Areth Ave.
City of Industry, CA
(Address of Principal Executive Offices)

81-2717873
(I.R.S. Employer
Identification No.)

91748
(Zip Code)

(Registrant's Telephone Number, Including Area Code): (626) 338-1090

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

Title of each Class
Common Stock, par value \$0.0001 per share

Trading Symbols
HFFG

Name of each Exchange on which registered
Nasdaq Capital Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. □

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No X

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$318,678,000 based on the closing price of \$9.05 per share as reported on the Nasdaq Capital Market on June 30, 2020.

As of March 15, 2021, the registrant had 51,913,411 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this Annual Report on Form 10-K incorporates by reference certain portions of the registrant's definitive proxy statement for its 2020 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report.

HF FOODS GROUP INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2020

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

This Annual Report on Form 10-K for HF Foods Group Inc. ("HF Group," the "Company," "we," "us," or "our") contains forward-looking statements. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "will" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. These risks and uncertainties include, but are not limited to, the following risks, uncertainties and other factors:

- Unfavorable macroeconomic conditions in the United States;
- Competition in the food service distribution industry particularly the entry of new competitors into the Chinese/Asian restaurant market niche;
- Increases in fuel costs;
- Increases in commodity prices;
- Disruption of relationships with vendors and increases in product prices;
- US government tariffs on products imported into the United States, particularly from China;
- Changes in consumer eating and dining out habits, including as a result of pandemics such as COVID-19;
- Disruption of relationships with or loss of customers;
- Our ability to execute our acquisition strategy;
- A availability of financing to execute our acquisition strategy;
- Our success at integrating B&R Global Holdings, Inc. ("B&R Global") into HF Group;
- Our ability to renew or replace our current leases;
- Failure to retain our senior management and other key personnel particularly;
- Our ability to attract, train and retain employees;
- Changes in and enforcement of immigration laws;
- Failure to comply with various federal, state and local rules and regulations regarding food safety, sanitation, transportation, minimum wage, overtime and other health and safety laws;
- Product recalls, voluntary recalls or withdrawals if any of the products we distribute are alleged to have caused illness, been mislabeled, misbranded or adulterated or to otherwise have violated applicable government regulations;
- Failure to protect our intellectual property rights;
- Any cyber security incident, other technology disruption or delay in implementing our information technology systems;
- The development of an active trading market for our common stock; and
- Other factors discussed in "Item 1A. Risk Factors." and "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the Securities and Exchange Commission (the "SEC") and public communications. We caution you that the important factors referenced above may not contain all of the risks, uncertainties (some of which are beyond our control) or other assumptions that are important to you. These risks and uncertainties include, but are not limited to, those factors described under the heading "Risk Factors" beginning on page 13.

In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. Except as otherwise required by law, we undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise.

PART I.

ITEM 1. BUSINESS.

Overview

HF Foods Group Inc. acting through its subsidiaries ("HF Group," the "Company," "we," "us," or "our"), is a leading food service distributor to Asian restaurants, primarily Chinese restaurants located in the Southeastern, Pacific and Mountain West regions of the United States. HF Group is the result of a merger between two complementary market leaders, HF Foods Group Inc. and B&R Global Holdings, Inc. ("B&R Global") on November 4, 2019.

We currently have 13 distribution centers strategically located across the east and west coasts of the United States in California, Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Oregon, Utah, and Washington, and a fleet of over 300 refrigerated vehicles. Capitalizing on our deep understanding of the Chinese culture and with over 780 employees and subcontractors, and supported by two call centers in China, we have become a trusted partner serving approximately 10,000 Asian restaurants in 22 states, providing round-the-clock sales and service support to customers who mainly converse in Mandarin or Chinese dialects. Operating through its subsidiaries, the Company is dedicated to serve the vast array of Asian and Chinese restaurants in need of high-quality and specialized food ingredients at competitive prices.

We are committed to providing excellent customer service by delivering a distinctive product portfolio built from an indelible partnership with both foreign and domestic suppliers. These relationships, coupled with our proprietary centralized inventory procurement system, ensure that we deliver an outstanding array of products at competitive prices. The centralized procurement system provides the Company with great negotiating power with suppliers resulting in competitive prices for our customers. This proprietary system also helps to better manage customer relationships and inventory while providing a solid platform for expansion from acquisition of smaller companies in this fast growing yet fragmented niche market.

Recent Developments

Business Combination with B&R Global

On November 4, 2019, the Company completed the transactions contemplated by that certain merger agreement dated as of June 21, 2019 (the "Merger Agreement") by and among the Company, B&R Merger Sub Inc., a Delaware corporation ("Merger Sub"), B&R Global, the stockholders of B&R Global (the "B&R Global Stockholders"), and Xiao Mou Zhang (aka Peter Zhang), as representative of the stockholders (the "Business Combination"). Capitalized terms used herein without definition have the meaning given to them in the Merger Agreement.

Pursuant to the Merger Agreement, Merger Sub merged with and into B&R Global, resulting in B&R Global becoming a wholly owned subsidiary of HF Group. In connection with the closing, HF Group issued 30.7 million of its shares of common stock to the B&R Global Stockholders.

Pursuant to the Amendment to HF Group's certificate of incorporation, HF Group currently has authorized share capital of 101,000,000 shares consisting of 100,000,000 shares of common stock with a par value of \$0.0001 per share and 1,000,000 shares of preferred stock with a par value of \$0.0001 per share.

Immediately after the Business Combination, HF Group's pre-Business Combination public shareholders owned approximately 12% of HF Group, HF Group's pre-Business Combination directors, officers and affiliates owned approximately 29.1% of HF Group, and the B&R Global Stockholders owned approximately 58.9% of HF Group.

In connection with the Business Combination:

- HF Group, Xiao Mou Zhang, as representative of the stockholders of B&R Group, and Loeb & Loeb LLP, as escrow agent, entered into an Escrow Agreement pursuant to which HF Group deposited shares of HF Group common stock representing 5% of the aggregate amount of shares issued to the B&R Global Stockholders pursuant to the Merger, to secure the indemnification obligations of the B&R Global Stockholders as contemplated by the Merger Agreement ("Escrow Shares"). The Escrow Shares have since been released on November 25, 2020, one year after the closing of the Business Combination.

- Certain shareholders of HF Group and certain of the B&R Global Stockholders entered into a Tag-Along Agreement, which provides the stockholder parties thereto with tag-along rights in the event any such stockholder desires to sell his or her HF Group securities in a private transaction, or enter into any transaction that would have the same effect as a sale, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such shares, or to enter into any transaction, swap, hedge or other arrangement, or engage in any short sales with respect to any such securities ("Tag-Along Agreement"). The Tag-Along Agreement has since been rescinded in May 2020.
- HF Group and the B&R Global Stockholders entered into a Registration Rights Agreement to provide for the registration of the common stock issued to the B&R Global Stockholders in connection with the Business Combination. The B&R Global Stockholders will be entitled to "piggy-back" registration rights with respect to registration statements filed following the consummation of the Business Combination, and will have certain demand rights for registration. HF Group will bear the expenses incurred in connection with the filing of any such registration statements.
- HF Group, B&R Global, and certain of the B&R Global Stockholders entered into a five year Voting Agreement, which provided that, immediately after the closing of the Business Combination, (i) Zhou Min Ni, the former Chief Executive Officer of HF Group, would continue to serve as a director and the chairman of the board of the Company and as Co-CEO; (ii) Xiao Mou Zhang, the pre-Business Combination Chief Executive Officer of B&R Global, would begin serving as a director of HF Group and Co-CEO; (iii) Zhou Min Ni would select one person to serve as an independent director of the Company; (iv) Xiao Mou Zhang would select one person to serve as an independent director; and (v) Zhou Min Ni and Xiao Mou Zhang would jointly select one person to serve as an independent director.
- Pursuant to our 8-K filing on February 25, 2021, Zhou Min Ni has voluntarily resigned as the chairman of the board of directors, Co-CEO and any positions he holds with any of the Company's subsidiaries, effective February 23, 2021. The Company entered into a separation agreement with Zhou Min Ni which amended certain terms of the Voting Agreement mentioned above. In particular, Zhou Min Ni has agreed on behalf of himself and the other parties related to him and which he controls, that the provisions of Sections 2.1(b) (naming Mr. Ni to the Board as the Company Designee), 2.1(d) (allowing Mr. Ni to designate the Company Independent Designee) and 2.1(e) (allowing Mr. Ni to join in the nomination of the Joint Independent Designee) and Section 2.4 (requiring Mr. Ni to be named to the position of Co-Chief Executive Officer) of the Voting Agreement (as it relates only to Mr. Ni and not Xiao Mou Zhang) are no longer applicable or enforceable. On the same date, Xiao Mou Zhang has been promoted to become the sole CEO of Company. The board of directors have also appointment Russell Libby as the new chair of the Company's board of directors. See Note 19 Subsequent Events.

Acquisition of Warehouse Facilities

On January 17, 2020, the Company completed the transactions contemplated by that certain membership interest purchase agreement dated the same date (the "Purchase Agreement") by and among its subsidiary B&R Global, B&R Group Realty, and nine subsidiary limited liability companies wholly owned by B&R Group Realty (the "B&R Realty Subsidiaries") (the "Acquisition"). Capitalized terms used herein without definition have the meaning given to them in the Purchase Agreement.

Pursuant to the Purchase Agreement, B&R Global acquired all equity membership interests in the B&R Realty Subsidiaries, which own warehouse facilities that were being leased by the Company for its operations in California, Arizona, Utah, Colorado, Washington, and Montana. Co-CEO of the Company, Peter Zhang, managed and owned an 8.91% interest in B&R Group Realty. The total purchase price for the Acquisition was set at \$101,269,706. Financing for the Acquisition was provided under the Second Amended and Restated Credit Agreement, the terms of which are set forth below, and the lender parties thereto relied upon the appraisals in determining to provide such financing. Based in part on the foregoing, the special transactions review committee, composed of the Company's independent directors, reviewed and approved the Acquisition and the related financing on behalf of HF Group's board.

Consideration for the Acquisition was funded by (i) \$75.6 million in mortgage-backed term loans financed under the Second Amended and Restated Credit Agreement, (ii) issuance by B&R Global of a \$7.0 million Unsecured Subordinated Promissory Note (the "Note") to B&R Group Realty, and (iii) payment of \$18.7 million from funds drawn from the Company's revolving credit facility. The restatement of the mortgage-backed term loans released B&R Group Realty from its obligations to the lenders under the First Amended Credit Agreement and predecessor financing arrangements.

Amendment to Credit Facility

On November 4, 2019, the Company, B&R Global, and certain of the wholly-owned subsidiaries and affiliates of the Company (collectively with the Company, the "Borrowers"), as borrowers, and certain material subsidiaries of the Company as

guarantors, entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan"), as Administrative Agent, and certain lender parties thereto. The Amended Credit Agreement provided for (a) a \$100 million asset-secured revolving credit facility maturing on November 4, 2022, and (b) mortgage-secured Term Loans of \$55.4 million, and amended and restated the existing \$75 million secured revolving credit facility and \$60 million of real estate term loans evidenced by that certain Credit Agreement, dated as of November 6, 2017, among B&R Global, its affiliates and JP Morgan Chase Bank, N.A., as the sole lender.

On January 17, 2020, the Borrowers, and certain material subsidiaries of the Company as guarantors, entered into a Second Amended and Restated Credit Agreement (the "Second Amended Credit Agreement") by and among JPMorgan, as Administrative Agent, and certain lender parties thereto, including Comerica Bank. The Second Amended Credit Agreement provided for (a) a \$100 million asset-secured revolving credit facility maturing on November 4, 2022 (the "Facility"), and (b) mortgage-secured Term Loans of \$75.6 million. The Second Amended Credit Agreement amended and restated the existing \$55.0 million of real estate term loans under the Amended Credit Agreement. As of January 17, 2020, the existing balance of revolving debt under the Amended Credit Agreement, \$41.2 million, was rolled over, and an additional \$18.7 million available to the Company under the Facility was drawn. The Company used the \$75.6 million in mortgage-secured term loans and \$18.7 million drawn from the revolving credit facility to fund in part the Acquisition.

Borrowings under the Second Amended Credit Agreement may be used for, among other things, working capital and other general corporate purposes of the Company and its subsidiaries (including permitted acquisitions). The Borrowers have the ability to increase the amount of the Facility, which increases may take the form of increases to the revolving credit commitments, by an aggregate amount of up to \$30 million upon satisfaction of customary conditions precedent for such increases, or incremental loans and receipt of additional commitments by one or more existing or new lenders.

Borrowings under the Facility bear interest at a floating rate which will be, at the Borrowers' option, either LIBOR plus 1.375%, or a base rate of prime rate minus 1.125%. The Term Loans bear interest at a floating rate which will be, at the Borrowers' option, either LIBOR plus 1.875%, or a base rate of prime rate minus 0.625%. A commitment fee of 0.15% is payable monthly in arrears based on the daily amount of the undrawn portion of each lender's revolving credit commitments under the Facility.

Business Model and Competitive Advantage

We are committed to providing our customers with a wide range of products at competitive prices. Since inception, we have differentiated ourselves from our competitors with our distinctive product portfolio, supplier relationships, strategic locations, and technology. Our wide range of Asian Specialty product offerings sets us apart from other mainstream competitors such as Sysco Corporation and US Foods Holding Corp., as many of the items we offer are specific to the Chinese restaurant industry. More importantly, our relationships with our suppliers allow us to procure a large variety of products in volume at a low cost. We also import specialized items that would be difficult to procure domestically. With fourteen warehouses and over three hundred trucks executing daily routes within 300 miles of our distribution centers, we offer our customers prompt delivery of high-quality products.

We believe that the following elements of our business model provide us with a competitive advantage and has contributed greatly to our success:

- We offer a wide array of specialty products that are not commonly provided by large distributors serving the mainstream market.
- We have a deep understanding of Chinese culture and most of our employees can speak the native language of our customers.
- We lower our sales and administrative expenses by outsourcing our telephone-based sales and customer service directly to two call centers located in China, which serves our customers with Mandarin and Chinese dialects (Fuzhounese) speaking agents.
- We capitalize on economies of scale and have strong negotiating power with our suppliers.
- We have strategically located distribution centers supported by trucking fleets with most routes limited to 3 to 5 hours driving time, ensuring prompt delivery of our customers orders.

- With our self-developed proprietary inventory management system, we are able to manage our customer relationships and inventory efficiently and reduce operating expenses.
- Employees' bilingual capabilities provide a competitive advantage against other major providers in the industry.

We aim to be a nationwide foodservice supplier by expanding geographically into new key markets in the United States where we currently do not have a presence, as well as to strategically consolidate our market leadership position in existing markets through acquisitions. We will also explore potential vertical expansion, both upstream and downstream of the foodservice value chain, including providing value-added items such as semi-prepared food products to help our customers upgrade their service. We continue to build on technological advancement to develop state-of-the-art management information and operating systems to further improve our operational efficiency, accuracy and customer satisfaction.

Industry and Market Analysis

We distribute food and supplies to Asian/Chinese restaurants, primarily Chinese restaurants that mainly serve non-Chinese Americans, which is a niche market segment of the foodservice distribution industry. The U.S. Food Service Market is one of the largest, valued at USD \$3.1 Trillion in 2018 and is projected to reach USD 4.5 Trillion by 2026 (www.verifiedmarketresearch.com). There are several large distributors such as Sysco Corporation, US Foods Holding Corp. and Performance Food Group Company, each capturing a significant market share of the industry by offering food related products and services, or carrying specific products for large chains. However, the Chinese restaurant segment is unique and the restaurants are generally not well served by these mainstream players, thereby create opportunities for specialty players like HF Foods Group to fill the gap.

Features of Chinese Restaurants

Set forth below are the principal characteristics of the Asian/Chinese restaurants we serve.

Primarily Serving Non-Chinese Americans. There are tens of thousands of Chinese restaurants spread throughout the U.S., primarily serving non-Chinese American customers. Although the dishes they serve cater to the preferences of American mainstream customers and are more simply and quickly prepared as compared to traditional full-service Chinese restaurant cuisine, they still require specialized and unique Chinese ingredients with traditional Chinese cooking styles.

Operated by Chinese Individual Families. Most Chinese restaurants serviced by HF Group are generally family-owned with very few workers, who are usually immigrants from China or second generation Chinese Americans. These restaurant owners, especially the founders are generally less sophisticated, with limited education and very limited resources and appreciate value-added services from suppliers to help them improve their operational efficiency. The owners and workers in the Chinese restaurants usually speak Mandarin or other regional dialects of the Chinese language. Understanding the Chinese culture and language is paramount to facilitating efficient communications with customers.

Close-Knit Chinese American Community. Second or third generation Chinese Americans living in the U.S. inherit their traditional cultural, and ethnic languages, and our experience has been that people in these communities prefer to do business with Chinese Americans as opposed to other ethnic groups.

Unique Cooking Style and Ingredients for Chinese Cuisines. Chinese cuisine requires unique cooking techniques such as steaming and stir-frying in Chinese wok, and requires specialty ingredients and vegetables such as bitter melons, Chinese yams, vine spinach, Chinese cabbage and winter melon. It also requires Chinese and Asian seasonings and spices, including peanut oil, cooking wine, vinegar, dark soy source, black bean sauce, pepper oil and chili oil. Most of the unique ingredients for Chinese cuisine are staple supplies of HF Group that are not widely available from mainstream U.S. suppliers.

Growth Potential

Growing Consumption Trend for Food-Away-from-Home (FAFH). According to U.S. Department of Agriculture (USDA), the percentage of Consumers' spending on FAFH increased dramatically from approximately 27% in 1950 to about 52% in 2015, outpacing spending on Food-At-Home (FAH) for the first time in America history. This powerful trend continued through 2019 which saw FAFH spending accounted for 54.8% of total food expenditures. Although it reversed in 2020 due to the outbreak of COVID-19, we believe this long-term trend of increasing FAFH consumption will resume and continue to be the key driver of demand for Asian/Chinese restaurants.

Increased Recognition of Chinese Cuisines by Americans. With the growing influence of China's economy and the Chinese culture globally, and increased tourism and investment into Asia and China from the Western world, more and more Americans are exposed to, and have shown an increased preference for Chinese and Asian cuisine. According to Euromonitor and article published by The Washington Post, Asian food is the fastest growing cuisine in U.S., registering a blistering cumulative growth rate of 135% since 1999 to 2014, outpacing others like Latino and Middle Eastern cuisines.

We believe that the above-mentioned powerful trends will result in expanded opportunities for Asian/Chinese restaurants, and thus represent tremendous growth opportunity for specialized Asian food distributors like HF Group.

Current Industry Landscape and Opportunities

Natural Culture Barriers to Entry. Understanding Chinese cooking culture is important to run a Chinese restaurant and, therefore, most Chinese restaurants are operated by Chinese Americans. It is very difficult for mainstream food distributors to serve these restaurants because of various cultural and language barriers.

Highly Fragmented Market Segment. The market is currently highly fragmented with many unsophisticated competitors. Most participants are small players such as wholesalers, specialty import brokers, farmers markets, and local produce retailers without the support of sophisticated logistics infrastructure. We believe we are the only Chinese food distributor operating in the United States with such a well-developed logistics infrastructure and experienced management team and that the fragmented market gives us the opportunity to consolidate supply and further develop a dominant market position.

Infrastructure Barriers for New Entrants. The food distribution industry requires large capital investments and resources to build the necessary logistics infrastructure including warehouses and a fleet of trucks to cover its distribution network. In addition, the size of HF Group gives us greater negotiating power with vendors, resulting in price advantages for our customers which we believe are simply not easily achievable by smaller suppliers.

Demand for Value-Added Services. Our customers are Asian/Chinese restaurants, primarily takeout restaurants. These customers are price and quality sensitive and prefer large suppliers with economies of scale to provide them with competitive prices and quality products. Given the limited labor forces and resources of these restaurants, most desire to have more value-added services from the suppliers to help them to operate more efficiently.

In summary, we believe we have numerous advantages to address the current market imperfections and become a national leader in this unique market. With economies of scale, we can provide high quality products at competitive prices in an efficient way.

Business Model

Our business model features an integrated structure with thirteen distribution centers with over one million square feet of total storage space, a fleet of over 300 vehicles for primarily short-distance delivery, and a centralized inventory management and procurement system, supported by two outsourced call centers located in China for customer relationship management. We offer a variety of high-quality products at competitive prices to our customers. Customers can benefit from our efficient supply chain to support their own growth.

We offer one-stop service to Chinese restaurants with over 1,500 types of products, including mainstream products like fresh and frozen meats, frozen seafoods and general commodities, as well as Chinese specialty products like Chinese vegetables, sauces, and packaging materials for takeout restaurants. Chinese restaurants, especially small or takeout restaurants, can find virtually all the products they needed in our product offerings, which can help minimize the effort involved in managing their purchase of inventory. We utilize outsourced call centers in Fuzhou, China, with 24-hour availability for sales and marketing, order placement and post-sales service, which reduces our operating costs, and offers service to our customers in Mandarin, Cantonese and regional Chinese dialects, in addition to English.

We have established a large supplier network and we continue to maintain long-term relationships with many major suppliers. The procurement team was led by Zhou Min Ni and Peter Zhang, co-CEOs of the Company in both 2019 and 2020, who have a deep insight of the industry. Since assuming the role of sole CEO in 2021, Peter Zhang continues to oversee the procurement team. The centralized procurement management system gives us increased negotiating power given the large procurement quantities, improves our turnover of inventory and account payables, and reduces our operating costs.

Products

We offer over 1,500 different products for our clients, which includes virtually all items needed to operate their business. Products range from perishable produce to takeout food packaging materials. To meet our customers' demands, we have a large variety and a complete line of products in our inventory. Eighty percent of our sales volume currently consists of domestic goods such as frozen meat and vegetables, which are procured through large suppliers or directly from the producers. The remaining twenty percent are imported specialty products. We provide a full service one-stop-shop for our customers by providing most or all of the products they need, from order placement to delivery and post-sales services. Services to customers are supported by our plentiful physical facilities, vehicles, material handling equipment and techniques, and administrative and operating staffs.

The products we distribute include:

- **Asian specialty food items:** Asian specialty encompasses any product that has an Asian flair or flavor, including noodles, rice, dry goods (such as dried mushrooms, and dried beans), specialty sauces/seasonings, spring rolls, and canned products (such as preserved vegetables, bamboo shoots and water chestnut).
- **Meat and Poultry:** We provide our customers with a variety of beef, pork, chicken and duck products with different brands to choose from, such as Smithfield, Teys Australia and Tyson.
- **Seafood:** We are committed to providing our customers with the freshest possible seafood. We provide our clients with a variety of seafood including lobster, shrimp, crab, scallops and flavorful fish such as tuna and Alaskan salmon, with different brands to choose from, like Asian Star and Atlantic Bay.
- **Fresh Produce:** We offer fresh, seasonal fruits and vegetables such as celery, Chinese cabbage, and winter melon, which are widely used in Chinese cuisines.
- **Packaging and Other Items:** We offer a wide range of take-out accessories for customers, from bamboo chopsticks to takeout containers, plastic cups and sushi combo boxes.
- **Commodities:** True commodity products such as regular rice, flour, sugar and oil are classified as "commodity".

The following table sets forth sales percentage by category for the year ended December 31, 2020:

Category	Percentage
Asian Specialty	30 %
Meat and Poultry	26 %
Seafood	14 %
Fresh Produce	13 %
Packaging and Others	11 %
Commodity	6 %

Customer Service

We utilize outsourced call centers located in China to manage our sales order, customer development, sales promotion and post-sales services. The outsourced call centers are located in Fuzhou, the capital city of Fujian Province of China, with local employees speaking Mandarin, Cantonese, regional Chinese dialects (Fuzhouese) and English. By offering the customer service in their native language, the sales staff can communicate smoothly and efficiently with our clients and understand their needs. With cultural understanding and a common language, the sales team can design a product portfolio for our customers and use a precision marketing strategy to promote our products. China, where our two call centers are located, has lower prevailing wages compared to the US. The strategic decision to outsource customer service to China not only enables the Company to provide around the clock service in our customer's native tongue, but also allows the Company to better manage costs. One of the call centers, Hanfeng (Fujian) Information Technology Co., Ltd ("HFFIT"), is a related party to our former Chairman and Co-CEO, Zhou Min Ni. Refer to Note 16 for more details.

We also have a domestic sales team in the U.S., with sales agents that make on-site visits to customers' restaurants, in order to gain a better understanding of customers' operations and needs.

Currently, we maintain our sales department, which involves decision-making for sales strategies and supervision of sales performance by our key sales managers, in our corporate headquarters in City of Industry, California and regional office in

Greensboro, North Carolina. The sales managers work closely with the sales staff in China to ensure our market strategies are implemented effectively. Our plan is to further integrate our operating model with the outsourced call centers to expand our business and operate even more efficiently.

A proprietary information system is used to maintain each customer's records, including location, size, contact information, purchasing history, preferences, orders and payment records. Customers can directly call the outsourced call centers in China or our domestic sales team to inquire about products and to place orders. Once orders are confirmed, electronic sales orders are generated by the information system and sent to the distribution center designated to the customer. Upon receipt of the sales orders, products are pulled from the shelves and moved to a staging area at the loading docks. Products are then loaded into delivery vehicles in preparation for delivery. Products are generally delivered to customers within only two days of an order. Customer analysis can be generated through the information system and prompts the salesperson to follow up with customers for product promotion, post-sales services and the taking of new orders.

We offer a refund policy for non-satisfaction without penalty, which many of our small competitors in the market segment are unable to provide. We provide a 100% satisfaction guarantee to our customer. When a shipment is made and the products are not to the standards of the customer, we allow our customers to reject the order in whole or in part with no penalty within 24 hours. The non-penalty refund policy works to help us earn the trust and loyalty of our customers.

Inventory Procurement

The Company utilizes centralized procurement on bulk and frequently sold items. Subsidiaries send their inventory procurement requests to headquarters and regional offices where the operation team is responsible for fulfillment in the most cost-effective way. The centralized procurement allows HF Group to establish a meaningful vendor relationship under one brand.

We maintain a large supplier network through a vendor pool with a carefully selected group of suppliers to ensure product quality, availability and competitive pricing. Eighty percent of sales volume currently consists of domestic goods such as frozen meat and vegetables, which are procured through large suppliers or directly from the producers. The remaining twenty percent are imported specialty products. To minimize costs, the procurement team directly manages our major vendors for large and frequent purchases and engages brokers for our smaller suppliers of specialty goods. Utilizing brokers allows us to maintain lower costs due to the brokers' volume.

The key procurement team members closely monitor the supply market for seasonal products such as vegetables and make procurement adjustments according to market conditions. In addition, they use a dual-sourcing method for their suppliers and can negotiate lower prices for comparable products.

Each distribution center reviews the inventory level in the information system daily and submits purchase requests as needed to the procurement team at headquarters and regional offices. The procurement team at headquarter and regional office also can alter or adjust purchasing decisions based on an analysis of the inventory data in the system. Upon receipt of ordered products, the delivery schedule is determined based on the needs of each location. The lead-time for products is dependent on the product category and need. For perishable goods, products are usually delivered by suppliers within 72 hours of placing the order. Products that are ordered through import brokers have lead times of up to seven days.

None of our suppliers accounted for more than 10% of our aggregate purchases during the years ended December 31, 2019 and December 31, 2020.

Warehousing

We use our information system for warehouse management with daily inventory monitoring. The system allows us to manage our inventory in an efficient way. It optimizes the inventory level and turnover, reducing waste, and helps to reduce labor costs to track and record the inventory.

Inventory levels are maintained based on the category of products. Perishable goods are kept in the refrigerated warehouse for a period of no more than 7 days. This includes fresh produce and fresh meat products. Frozen produce, seafood and meat products are kept in the freezer to extend shelf life. Frozen products usually turn over between 30 and 60 days. Non-perishable goods are held in greater quantities of inventory based on the pricing of the market. Non-perishable items are carefully monitored for pricing changes. As they have an extended shelf life, there is an advantage to ordering larger quantities of stock. Non-perishable goods generally turn over in approximately 3 weeks, which we believe is average for distributors of similar size. Maintaining this level of inventory allows us to manage any surges in demand.

Products are stored in warehouses through our various distribution centers. A routine inventory count is taken to ensure stock quantity and replenishment needs. Forty percent of the inventory consists of fresh meats and produce, of which is counted daily. The other sixty percent consists of frozen and dry goods with cycle counts every two weeks. Non-perishable items are stored on racks until their shelf life is reached or the product is sold, whichever comes first. Products are broken down from their pallets and sold in their original packaging. Items stored in the warehouses are not removed from their original packaging. Each package is sold as one unit and priced accordingly.

Locations

We currently have thirteen distribution centers with a total of over one million square feet of storage, including refrigerated storage of over 320,000 square feet. The distribution centers are located on the route of many of our suppliers; product delivery can be made seamlessly to each location with one large order. Each warehouse is equipped with multiple loading docks, allowing simultaneous parallel loading of products onto the trucks. Warehouse locations are also located in industrial regions, allowing large delivery trucks to enter without the need of acquiring permits.

It is important for us to strategically place our warehouses within certain markets to maximize our market share. We currently strategically place our warehouses within markets that are not saturated and have limited competitors. This allows us to quickly penetrate the market and develop customer relationships that will assist in promotion of products and provide post-sales services. Upon penetrating the market, we seek to expand our warehouses into regional areas in order to streamline our distribution network. This strategy is designed to improve the delivery routes and maximize the utilization of our delivery vehicles.

The table below summarizes certain details of our distribution centers:

Location	Total Size (Square Feet)	Size of Cooler and Refrigerated Storage (Square Feet)	Year Established	Number of Trucks
Phoenix, AZ	68,000	14,000	2011	17
City of Industry, CA	128,000	35,000	2013	52
Fresno, CA	10,000	3,000	2011	9
Hayward, CA	108,000	36,000	2012	27
Irwindale, CA	85,000	45,000	2006	17
West Sacramento, CA	25,000	8,000	2011	17
Aurora, CO	55,000	16,000	2010	21
Ocala, FL	130,000	30,000	2008	39
Atlanta, GA	100,000	25,000	2006	20
Greensboro, NC	170,000	45,000	2002	46
Murray, UT	59,000	14,000	2013	29
West Jordan, UT	34,000	10,000	2006	—
Renton, WA	70,000	40,000	2015	19
Total:	<u>1,042,000</u>	<u>321,000</u>		<u>313</u>

Fleet Management

We currently operate a fleet of over 300 refrigerated vehicles. Vehicles range from vans, 16-foot semi-delivery trucks, to 53-foot refrigerated trucks and trailer units. These vehicles are maintained by both in-house and external mechanics and follow a strict maintenance schedule. Each vehicle has a 7-year life cycle of approximately 250,000 miles. Each vehicle is refueled daily upon return from its delivery route.

Promotion and Marketing

We do not advertise in the media or magazines. We believe that it is more efficient and cost effective to promote our business through telemarketing, online platform and have our drivers promote our business while executing deliveries. Our drivers visit the Chinese/Asian restaurants along their delivery routes and are trained to market our products and our online ordering.

platform to both existing customers and non-customers along their routes. Telemarketing is conducted by salespersons from the outsourced call centers in China.

Competitive Strengths

- A Large Array of Products to Meet the Demands of Customers.
- Cultural Understanding and Language Advantages.
- Outsourced Customer Call Centers with Low Costs.
- Cost Efficiency with Economies of Scale.
- Strong Negotiation Power with Vendors.
- Developed Logistics Infrastructure.
- Proprietary Information System.
- Experienced Management and Proven Growth.

Competition

The foodservice distribution industry is large and highly competitive. There are a few very large distributors serving the mainstream U.S. market. However, with natural cultural and language barriers, it has been a challenge for the the mainstream foodservice distributors to capture a meaningful market share for Chinese restaurants. Management believes that the market participants in the niche market segment that we are serving is highly fragmented and immature. With the continuing growth of demand for Chinese cuisine, we believe that this industry sector has significant opportunity for consolidation.

The competitors serving the industry sector for Chinese restaurants include a large number of small wholesalers, some medium-sized distributors, as well as large established market players. However, we believe there is no dominating market provider in this segment. Our customers also make purchases from local farms, retailers and grocery stores. Small wholesalers sometimes supply the same specialized items such as spices, specialized sauces, and specialty foods, which we carry, but these small suppliers are not able to offer the same broad base and wide array of products that we do. Compared with the medium-sized distributors and large mainstream market players, we have the advantages of offering a broad line of both staple and niche products, efficient operation infrastructure, and cultural understanding to maintain our market position and continue to grow our business.

Trademarks and Other Intellectual Property

We own several registered trademarks, including the following design/combined marks. Trademarks registrations are subject to renewal. Below is a summary of the Company's trademarks.

Trademark	U.S. Registration Number	Next Renewal Date
<333>	5543532	8/20/2023
HF [B/W Logo]	5985676	2/9/2025
HF [Color Logo]	5888817	10/10/2024
Rong	5619958	12/3/2023
Rong GREEN LEAF	5609442	11/19/2023
SEA333	5713248	3/31/2024
SEA888	5520118	7/16/2023

Insurance

We use insurance to provide coverage for potential liability for workers compensation, automobile and general liability, product liability, director and officer's liability, employee health care benefits and other casualty and property risks coverage. Changes

in legal trends and interpretations, variability in inflation rates, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency or insurance carriers, and changes in discount rates could all affect the ultimate settlements of various claims. We evaluate our insurance requirements on an ongoing basis to ensure we maintain adequate levels of coverage.

Employees

As of December 31, 2020, we had a workforce over 780 persons, including both our employees and workers engaged through agency placements. Over 99% are full-time associates and over 5% of our employees have worked for the Company for ten or more years. Our workforce is not unionized and we are not aware of any plans for them to unionize. We have never experienced a strike or significant work stoppage. We regard our employee relations to be good.

Government Regulation

Legal compliance is important to our operations. We are required to comply, and it is our policy to comply, with all applicable laws in the numerous jurisdictions in which we do business.

As a marketer and distributor of food products in the United States, we are subject to the Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the U.S. Food and Drug Administration (FDA). The FDA regulates food safety and quality through various statutory and regulatory mandates, including manufacturing and holding requirements for foods through good manufacturing practice regulations, hazard analysis and critical control point (HACCP) requirements for certain foods, and the food and color additive approval process. The agency also specifies the standards of identity for certain foods, prescribes the format and content of information required to appear on food product labels, regulates food contact packaging and materials, and maintains a Reportable Food Registry for the industry to report when there is a reasonable probability that an article of food will cause serious adverse health consequences. For certain product lines, we are also subject to the Federal Meat Inspection Act, the Poultry Products Inspection Act, the Perishable Agricultural Commodities Act, the Packers and Stockyard Act and regulations promulgated by the U.S. Department of Agriculture (USDA) to interpret and implement these statutory provisions. The USDA imposes standards for product safety, quality and sanitation through the federal meat and poultry inspection program. The USDA reviews and approves the labeling of these products and also establishes standards for the grading and commercial acceptance of produce shipments from our suppliers. We are also subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, which imposes certain registration and record keeping requirements on facilities that manufacture, process, pack or hold food for human or animal consumption.

The recently published and pending rules under the Food Safety Modernization Act (FSMA) will significantly expand food safety requirements, including those of the Company. Among other things, FDA regulations implementing the FSMA require us to establish and maintain comprehensive, prevention-based controls across the food supply chain that are both verified and validated. The FSMA also imposes new requirements for food products imported into the U.S. and provides the FDA with mandatory recall authority.

The Company and our products are also subject to state and local regulation through such measures as the licensing of our facilities; enforcement by state and local health agencies of state and local standards for our products; and regulation of our trade practices in connection with the sale of our products. Our facilities are subject to regulations issued pursuant to the U.S. Occupational Safety and Health Act by the U.S. Department of Labor. These regulations require us to comply with certain manufacturing, health and safety standards to protect employees from accidents and to establish hazard communication programs to transmit information on the hazards of certain chemicals which may be present in products that we distribute.

Our distribution facilities must be registered with the FDA biennially and are subject to periodic government agency inspections by the FDA and USDA. Our facilities are generally inspected at least annually by federal and/or state authorities. Further, we are required to establish communication programs to transmit information about the hazards of certain chemicals present in some of the products we distribute.

Our business and employment practices are also subject to regulation by numerous federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Labor, which sets employment practice standards for workers, and the U.S. Department of Transportation, as well as its agencies, the Surface Transportation Board, the Federal Highway Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration, which collectively regulate our trucking business through the regulation of operations, safety, insurance and hazardous materials. We must comply with the safety and fitness regulations promulgated by the Federal Motor Carrier Safety Administration, including those relating to drug and alcohol testing and hours-of-service. Such matters as weight and dimension of equipment also fall under federal and state regulations. In addition, we are subject to the U.S. False Claims Act, and similar

state statutes, which prohibit the submission of claims for payment to the government that are false and the knowing retention of overpayments.

Our operations are also subject to a broad range of U.S. federal, state, and local environmental laws and regulations, as well as zoning and building regulations. Environmental laws and regulations cover a variety of procedures, including appropriately managing wastewater and stormwater; complying with clean air laws, including those governing vehicle emissions; properly handling and disposal of solid and hazardous wastes; protecting against and appropriately investigating and remediating spills and releases; and monitoring and maintaining underground and aboveground storage tanks for diesel fuel and other petroleum products. As of December 31, 2020, the costs of managing our compliance with environmental laws and regulations was nominal.

The U.S. Foreign Corrupt Practices Act (FCPA) prohibits bribery of public officials to obtain or retain business in foreign jurisdictions. The FCPA also requires us to keep accurate books and records and to maintain internal accounting controls to detect and prevent bribery and to ensure that transactions are properly authorized. We have implemented appropriate policy and will continue to maintain a robust anti-corruption compliance program applicable to our operations.

For the purchase of items produced, harvested or manufactured outside of the United States, we are subject to applicable customs laws regarding the import and export of various products. Certain activities, including working with customs brokers and freight forwarders, are subject to applicable regulation by U.S. Customs and Border Protection, which is a part of the Department of Homeland Security.

ITEM 1A. RISK FACTORS.

The following are significant factors known to us that could materially adversely affect our business, reputation, operating results, industry, financial position and/or future financial performance.

Risk Factors Relating to Our Business

Global health developments and economic uncertainty resulting from the COVID-19 pandemic have adversely affected, and are expected to continue to adversely affect, our business, financial condition and results of operations.

Public health crises, pandemics and epidemics, such as the recent outbreak of COVID-19, have impacted our operations directly and are expected to continue to impact us directly, or may continue to disrupt the operations of our business partners, suppliers and customers in ways that could have an adverse effect on our business, results of operations and financial condition. Fear of such events may further alter consumer confidence, behavior and spending patterns, and could adversely affect the economies and financial markets of many countries (or globally), resulting in an economic downturn that could affect customers' demand for our products.

In response to the recent outbreak of COVID-19 and its development into a pandemic, governmental authorities have imposed mandatory closures, sought voluntary closures and imposed restrictions on, or advisories with respect to, travel, business operations and public gatherings or interactions. Among other matters, these actions have required or strongly urged various venues where foodservice products are served, including restaurants, schools, hotels and cruise liners, to reduce or discontinue operations, which have adversely affected and will continue to adversely affect demand in the foodservice industry, including demand for our products and services.

In addition, some consumers are choosing to stay home due to the perceived risk of infection and health risk associated with COVID-19, which is adversely affecting demand in the food service industry, including demand for our products and services. These events have had, and could continue to have, an adverse impact on numerous aspects of our business, financial condition and results of operations including, but not limited to, our growth, product costs, supply chain disruptions, labor shortages, logistics constraints, customer demand for our products and industry demand generally, difficulties in collecting our accounts receivables and corresponding increases in our bad debt exposure, consumer spending, our liquidity, the price of our securities and trading markets with respect thereto, our ability to access capital markets, and the global economy and financial markets generally.

A prolonged or deeper economic downturn that adversely affects our business, financial condition or results of operations could affect our ability to access the credit markets for additional liquidity. Adverse conditions may increase the cost of borrowing for us or limit our access to capital. As a result, we may be unable to continue to comply with the debt covenants, which could result in an event of default.

Unfavorable macroeconomic conditions in the U.S. may adversely affect the results of operations and financial condition of the Company.

The operating results of the Company are substantially affected by the operating and economic conditions in the regions in which we operate. Economic conditions can affect us in the following ways:

- A reduction in discretionary spending by consumers could adversely impact sales of Chinese/Asian restaurants, and their purchases from us. Future economic conditions affecting disposable consumer income, such as employment levels, business conditions, changes in housing market conditions, the availability of consumer credit, interest rates, tax rates and fuel and energy costs, could reduce overall consumer spending.
- Food cost and fuel cost inflation experienced by consumers can lead to reductions in the frequency of and the amount spent by consumers for food-away-from-home purchases, which could negatively impact our business by reducing demand for our products.
- Heightened uncertainty in the financial markets negatively affects consumer confidence and discretionary spending, which can cause disruptions with our customers and suppliers.
- Liquidity issues and the inability of our customers to consistently access credit markets to obtain cash to support their operations can cause temporary interruptions in our ability to conduct day-to-day transactions involving the collection of funds from such customers.
- Liquidity issues and the inability of suppliers to consistently access credit markets to obtain cash to support their operations can cause temporary interruptions in our ability to obtain the foodservice products and supplies needed by us in the quantities and at the prices requested.

In addition, our existing operations are mainly located in the Southeastern and Western United States. The geographic concentration of our operations creates an exposure to the economic conditions in those regions and any financial downturn in these areas could materially adversely affect our financial condition and results of operations.

Competition may increase intensively in the future, which may adversely impact our margins and ability to retain customers, and make it difficult to maintain our market share, growth rate and profitability.

The foodservice distribution industry in the United States is fragmented and highly competitive, with local, regional, multi-regional distributors, and specialty competitors. However, we believe that the market participants serving Chinese restaurants are highly fragmented. Currently, we face competition from smaller and/or dispersed competitors focusing on the niche market serving Chinese/Asian restaurants, especially Chinese takeout restaurants. However, with the growing demand for Chinese cuisines, others may also begin operating in this niche market in the future. Those potential competitors include: (i) national and regional foodservice distributors, (ii) local wholesalers and brokers, (iii) food retailers, and (iv) farmers' markets. The national and regional distributors are experienced in operating multiple distribution locations and expanding management, and they have greater marketing and financial resources than we do. Even though they currently offer only a limited selection of Chinese and Asian specialty foods, they may be able to devote greater resources to sourcing, promoting and selling their products if they choose to do so. Conversely, the local wholesalers and brokers are small in size with a deep understanding of local preferences, but their lack of scale results in high risk and limited growth potential.

If more competitors enter this market segment aiming to serve Chinese/Asian restaurants in the future, our operating results may be negatively impacted through a loss of sales, reduction in margins from competitive price changes, and/or greater operating costs, such as marketing costs, due to the increase of competition.

We may not be able to fully compensate for increases in fuel costs when fuel prices experience high volatility, and our operating results would be adversely affected.

Volatile fuel prices have a direct impact on the industry served by us. We require significant quantities of fuel for delivery vehicles and are exposed to the risk associated with fluctuations in the market price for fuel. The price and supply of fuel can fluctuate significantly based on international, political and economic circumstances, as well as other factors outside our control, such as actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, regional production patterns, weather conditions and environmental concerns. The cost of fuel affects the price paid by us for products, as well as the costs we incur to deliver products to the customers. Although we have been able to pass along a portion of increased fuel costs to our customers in the past, there is no guarantee that we will be able to do so in the future. If fuel costs

increase in the future, we may experience difficulties in passing all or a portion of these costs along to our customers, which may have a negative impact on our results of operations.

Disruption of relationships with vendors could negatively affect our business. Suppliers may increase product prices, which could increase our product costs.

We purchase our food items and related products from third-party suppliers. Although our purchasing volume can provide benefits when dealing with suppliers, suppliers may not provide the products and supplies needed by us in the quantities and at the prices requested. The cancellation of our supply arrangement with any of our suppliers or the disruption, delay and/or inability to supply the requested products by our suppliers could adversely affect our sales. If our suppliers fail to comply with food safety or other laws and regulations, or face allegations of non-compliance, their operations may be disrupted. We cannot assure you that we would be able to find replacement suppliers on commercially reasonable terms.

In addition, we purchase seasonal Chinese vegetables and fruits from farms and other vendors. Increased frequency or duration of extreme weather conditions could impair production capabilities, disrupt our supply chain or impact demand for our products. Input costs could increase at any point in time for a large portion of the products that we sell for a prolonged period. Our inability to obtain adequate supplies of food items and related products as a result of any of the foregoing factors or otherwise could mean that we are unable to fulfill our obligations to customers, and customers may turn to other distributors.

The purchase prices of our products vary from time to time, which is subject to market conditions and negotiation with our suppliers. The prices of some of our products, especially seasonal products, such as vegetables and fruits, have significant fluctuation. We can mitigate the risk of fluctuation in the purchasing and distribution costs by either fixing a price for a certain supply period through negotiation with our suppliers, streamlining our inventory turnover, and passing portions of the price fluctuation to our customers. However, we may not always be able to do that if there are significant and frequent fluctuations. If we are unable to mitigate these price fluctuations, our performance results will be adversely affected.

As a foodservice distributor, it is necessary for us to maintain an inventory of products that may have declines in product pricing levels between the time we purchase the product from suppliers and the time we sell the product to customers, which could reduce the margin on that inventory, adversely affecting our results of operations.

Our relationships with customers may be materially diminished or terminated. The loss of customers could adversely affect our business, financial condition, and results of operations.

We have maintained long-standing relationships with a number of our customers. However, those customers could unilaterally terminate their relationship with us or materially reduce the amount of business they conduct with us at any time. Our customers may shift their purchase orders from us to other competitors due to market competition, change of customer requirements and preferences, or because of the customer's financial condition. There is no guarantee that we will be able to maintain relationships with any of our customers on acceptable terms, or at all. The loss of a number of customers could adversely affect our business, financial condition, and results of operations.

Changes in consumer eating habits could materially and adversely affect our business, financial condition, and results of operations.

We provide foodservice distribution to Chinese/Asian restaurants, primarily Chinese takeout restaurants, which focus on serving Chinese food to non-Chinese Americans. Changes in consumer eating habits (such as a decline in consuming food away from home, a decline in portion sizes, or a shift in preferences toward western foods) could reduce demand for our products. Consumer eating habits could be affected by a number of factors, including attitudes regarding diet and health or new information regarding the health effects of consuming certain foods. If consumer eating habits change significantly, we may be required to modify or discontinue sales of certain items in our product portfolio, and we may experience higher costs and/or supply shortages associated with our efforts to accommodate those changes as our suppliers adapt to new eating preferences. Additionally, changes in consumer eating habits may result in the enactment or amendment of laws and regulations that impact the ingredients and nutritional content of our food products, or laws and regulations requiring us to disclose the nutritional content of our food products. Compliance with these laws and regulations, as well as others regarding the ingredients and nutritional content of food products, may be costly and time-consuming. We cannot make any assurances regarding our ability to effectively respond to changes in consumer culture preference, health perceptions or resulting new laws or regulations or to adapt our product offerings to trends in eating habits.

We may be unable to protect or maintain our intellectual property, which could result in customer confusion, a negative perception of our brand and adversely affect our business.

We believe that our intellectual property has substantial value and has contributed significantly to the success of our business. In particular, our "HF" logo trademarks and the name "Han Feng," are valuable assets that reinforce our customers' favorable perception of our products. Our trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect our trademark rights could cause customer confusion or negatively affect customers' perception of our brand and products, and eventually adversely affect our sales and profitability. Moreover, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether we are successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject us to liability, force us to cease use of certain trademarks or other intellectual property or force us to enter into licenses with others. Any one of these occurrences may have a material adverse effect on our business, results of operations and financial condition.

If we are unable to renew or replace our current leases on favorable terms, or any of our current leases are terminated prior to expiration of their stated terms, and we cannot find suitable alternate locations, our operations and profitability could be negatively impacted.

We currently have leases for some of our warehouses. Our ability to re-negotiate favorable terms on an expiring lease or to negotiate favorable terms for a suitable alternate location, and our ability to negotiate favorable lease terms for additional locations, could depend on conditions in the real estate market, competition for desirable properties, our relationships with current and prospective landlords, and/or other factors that are not within our control. Any or all of these factors and conditions could negatively impact our growth and profitability.

Failure to retain our senior management and other key personnel may adversely affect our operations.

Our success is substantially dependent on the continued service of our senior management and other key personnel. These executives have been primarily responsible for determining the strategic direction of our business and for executing our growth strategy and are integral to our brand and culture, and the reputation the Company enjoys with suppliers and consumers. The loss of the services of any of these executives and other key personnel could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed in a negative light by investors and analysts, which may cause our stock price to decline. The loss of key employees could negatively affect our business.

If we are unable to attract, train and retain employees, we may not be able to grow or successfully operate our business.

The foodservice distribution industry is labor intensive. Our success depends in part upon our ability to attract, train and retain a sufficient number of employees who understand and appreciate our culture and are able to represent our brand effectively and establish credibility with our business partners and customers. Our ability to meet our labor needs, while controlling wage and labor-related costs, is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the regions in which we are located, unemployment levels within those regions, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing our wages could cause our profits to decrease. If we are unable to hire and retain employees capable of meeting our business needs and expectations, our business and brand image may be impaired. Any failure to meet our staffing needs or any material increase in turnover rates of our employees may adversely affect our business, results of operations and financial condition.

Changes in and enforcement of immigration laws could increase our costs and adversely affect our ability to attract and retain qualified employees.

Federal and state governments from time to time implement immigration laws, regulations or programs that regulate our ability to attract or retain qualified foreign employees. Some of these changes may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome or reduce the availability of potential employees. Although we have implemented, and are in the process of enhancing, procedures to ensure our compliance with the employment eligibility verification requirements, there can be no assurance that these procedures are adequate and some of our employees may, without our knowledge, be unauthorized workers. The employment of unauthorized workers may subject us to fines or civil or criminal penalties, and if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and makes it more difficult to hire and keep qualified

employees. We may be required to terminate the employment of certain of our employees who are determined to be unauthorized workers. The termination of a significant number of employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in adverse publicity. Our financial performance could be materially harmed as a result of any of these factors.

Potential labor disputes with employees and increases in labor costs could adversely affect our business.

A considerable amount of our operating costs are attributable to labor costs and, therefore, our financial performance is greatly influenced by increases in wage and benefit costs. As a result, we are exposed to risks associated with a competitive labor market. Rising health care costs and the nature and structure of work rules will always be important issues. Any work stoppages or labor disturbances as a result of employee dissatisfaction with their current employment terms could have a material adverse effect on our financial condition, results of operations and cash flows. We also expect that in the event of a work stoppage or labor disturbance, we could incur additional costs and face increased competition.

If we fail to comply with requirements imposed by applicable law and other governmental regulations, we could become subject to lawsuits, investigations and other liabilities and restrictions on our operations that could significantly and adversely affect our business.

We are subject to regulation by various federal, state, and local governments, applicable to food safety and sanitation, ethical business practices, transportation, minimum wage, overtime, other wage payment requirements, employment discrimination, immigration, and human health and safety. While we attempt to comply with all applicable laws and regulations, we cannot represent that we are in full compliance with all applicable laws and regulations or interpretations of these laws and regulations at all times or that we will be able to comply with any future laws, regulations or interpretations of these laws and regulations. If we fail to comply with applicable laws and regulations, we may be subject to investigations, criminal sanctions or civil remedies, including fines, injunctions, and prohibitions on exporting. The cost of compliance or the consequences of non-compliance, including debarments, could have an adverse effect on our results of operations. In addition, governmental units may make changes in the regulatory frameworks within which we operate that may require us to incur substantial increases in costs in order to comply with such laws and regulations.

If the products distributed by us are alleged to have caused injury or illness, or to have failed to comply with governmental regulations, we may need to recall our products and may experience product liability claims.

We, like any other foodservice distributor, may be subject to product recalls, including voluntary recalls or withdrawals, if the products we distribute are alleged to have caused injury or illness, to have been mislabeled, misbranded, or adulterated or to otherwise have violated applicable governmental regulations. We may also choose to voluntarily recall or withdraw products that we determine do not satisfy our quality standards, whether for taste, appearance, or otherwise, in order to protect our brand and reputation. Any future product recall or withdrawal that results in substantial and unexpected expenditures, destruction of product inventory, damage to our reputation, and/or lost sales due to the unavailability of the product for a period of time, could materially adversely affect our results of operations and financial condition.

We also face the risk of exposure to product liability claims in the event that the use of products sold by us are alleged to have caused injury or illness. We cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Further, even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image.

With respect to product liability claims, we believe we have sufficient insurance coverage. However, this insurance may not continue to be available at a reasonable cost or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying products to us, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insured limits of any insurance provided by such suppliers. If we do not have adequate insurance or contractual indemnification available, product liability relating to defective products could materially adversely affect our results of operations and financial condition.

We may incur significant costs to comply with environmental laws and regulations, and we may be subject to substantial fines, penalties and/or third-party claims for non-compliance.

Our operations are subject to various federal, state, and local laws, rules and regulations relating to the protection of the environment, including those governing:

- the discharge of pollutants into the air, soil, and water;
- the management and disposal of solid and hazardous materials and wastes;
- employee exposure to hazards in the workplace; and
- the investigation and remediation of contamination resulting from releases of petroleum products and other regulated materials.

In the course of business, we operate, maintain, and fuel vehicles; store fuel in on-site above ground containers; operate refrigeration systems; and use and dispose of hazardous substances and food waste. We could incur substantial costs, including fines or penalties and third-party claims for property damage or personal injury, as a result of any violations of environmental or workplace safety laws and regulations or releases of regulated materials into the environment. In addition, we could incur investigation, remediation and/or other costs related to environmental conditions at our currently or formerly owned or operated properties.

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

Our operations carry an exposure to litigation risk from consumers, customers, our labor force and others, and may be a party to individual personal injury, product liability and/or other legal actions in the ordinary course of our business, including litigation arising from food-related illness. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend future litigation may be significant. There may also be adverse publicity associated with litigation that may decrease consumer confidence in our businesses, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may materially adversely affect our businesses, financial condition, results of operations and cash flows.

Increased commodity prices and availability may impact profitability.

Many of our products include ingredients such as wheat, corn, oils, sugar, and other commodities. Commodity prices worldwide have been increasing. While commodity price inputs do not typically represent the substantial majority of our product costs, any increase in commodity prices may cause our vendors to seek price increases from us. Although we are typically able to mitigate vendor efforts to increase our costs, we may be unable to continue to do so, either in whole or in part. In the event we are unable to continue mitigating potential vendor price increases, we may in turn consider raising our prices, and our customers may be deterred by any such price increases. Our profitability may be impacted through increased costs to us which may affect our gross margins, or through reduced revenue as a result of a decline in the number and average size of customer transactions.

The U.S. government is currently imposing increased tariffs on certain products imported into the U.S., including products imported from China, which may have an adverse impact on our future operating results.

We sell our products based on the cost of such products plus a percentage markup. We import approximately 20% of our products from other countries, including China. The U.S. government is currently imposing and proposing increased tariffs on certain products imported into the U.S., including products imported from China. Some of our imported products may be subject to these increased tariffs and accordingly, our purchase costs will be increased. We may determine to increase our sales prices in order to pass these increased costs to our customers. In the event we determine to take such action, our customers may reduce their orders from us, which could negatively affect our profitability and operating results.

Severe weather, natural disasters and adverse climate changes may materially adversely affect our financial condition and results of operations.

Severe weather conditions and other natural disasters in areas where our distribution network covers or from which we obtain the products we sell may materially adversely affect our operations and our product offerings and, therefore, our results of operations. Such conditions may result in physical damage to, or temporary or permanent closure of, one or more of our distribution centers, an insufficient work force in our market regions and/or temporary disruption in the supply of products, including delays in the delivery of goods to our warehouses and/or a reduction in the availability of products in our offerings. In addition, adverse climate conditions and adverse weather patterns, such as drought or flood, that impact growing conditions and the quantity and quality of crops may materially adversely affect the availability or cost of certain products within our supply.

chain. Any of these factors may disrupt our businesses and materially adversely affect our financial condition, results of operations and cash flows.

We rely on technology in our business and any cybersecurity incident, other technology disruption or delay in implementing new technology could negatively affect our business and our relationships with customers.

We use technology in our business operations, and our ability to serve customers most effectively depends on the reliability of our technology systems. We use software and other technology systems, among other things, to generate and select orders, to make purchases, to manage warehouses and to monitor and manage our business on a day-to-day basis. Further, our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' personal information, private information about employees, and financial and strategic information about the company and its business partners.

These technology systems are vulnerable to disruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, espionage, cyber-attacks, viruses, theft and inadvertent releases of information. Any such disruption to these software and other technology systems, or the technology systems of third parties on which we rely, the failure of these systems to otherwise perform as anticipated, or the theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage, any or all of which could potentially adversely affect our customer service, decrease the volume of our business and/or result in increased costs and lower profits.

Further, as we pursue our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technology, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Information technology systems continue to evolve and, in order to remain competitive, we need to implement new technologies in a timely and efficient manner. If our competitors implement new technologies more quickly or successfully than we do, such competitors may be able to provide lower cost or enhanced services of superior quality compared to those we provide, which could have an adverse effect on our results of operations.

Our current indebtedness may adversely affect our liquidity position and ability of future financing.

As of December 31, 2020, we have \$18.3 million of debt borrowed from bank credit lines, \$100.7 million of long-term mortgage and equipment loans, which could adversely affect our cash flow, our ability to raise additional capital or obtain financing in the future, react to changes in business and repay other debts. These bank loans contain covenants that restrict our ability to incur additional debt and operate our business. We may not be able to generate a sufficient amount of cash needed to pay interest and principal on our debt facilities or refinance all or a portion of our indebtedness, due to a number of factors, including significant change of economic conditions, market competition, weather conditions, natural disaster, and failure to execute our business plan.

Risk Factors Relating to our Acquisition Strategy

Our continued growth depends on future acquisitions of other distributors or wholesalers and enlarging our customer bases. The failure to achieve these goals could negatively impact our results of operations and financial condition.

Historically, a portion of our growth has come through acquisitions, and our growth strategy depends, in large part, on acquiring other distributors or wholesalers to access untapped market regions and enlarge our customer base. Successful implementation of this strategy is dependent on sufficient capital support from financing, finding suitable targets to acquire, identifying suitable locations and negotiating acceptable acquisition prices and terms. There can be no assurance that we will continue to grow through acquisitions. We may not be able to obtain sufficient capital support for our expansion plan, or successfully implement the plan to acquire other competitors timely or within budget or operate those businesses successfully.

If we are unable to integrate acquired businesses successfully (including B&R Global) or realize anticipated economic, operational and other benefits and synergies in a timely manner, our earnings may be materially adversely affected. A significant expansion of our business and operations, in terms of geography or magnitude (such as with the Business Combination), could strain our administrative and operational resources. Significant acquisitions may also require the issuance of material additional amounts of debt or equity, which could materially alter our debt-to-equity ratio, increase our interest

expense and decrease net income, and make it difficult for us to obtain favorable financing for other acquisitions or capital investments.

Our operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

There is a scarcity of and competition for acquisition opportunities.

There are a limited number of operating companies available for acquisition that we deem to be desirable targets. In addition, there is a very high level of competition among companies seeking to acquire these operating companies. Many established and well-financed entities are active in acquiring interests in companies that we may find to be desirable acquisition candidates. Many of these entities have significantly greater financial resources, technical expertise and managerial capabilities than we do. Consequently, we will be at a competitive disadvantage in negotiating and executing possible acquisitions of such businesses. Even if we are able to successfully compete with these larger entities, this competition may affect the terms of the transactions we are able to negotiate and, as a result, we may pay more or receive less favorable terms than we expected for potential acquisitions. We may not be able to identify operating companies that complement our strategy, and even if we identify a company that does so, we may be unable to complete an acquisition of such a company for many reasons, including:

- failure to agree on necessary terms, such as the purchase price;
- incompatibility between our operational strategies and management philosophies with those of the potential acquiree;
- competition from other acquirers of operating companies;
- lack of sufficient capital to acquire a profitable company; and
- unwillingness of a potential acquiree to work with our management.

Risks related to acquisition financing.

We have a limited amount of financial resources and our ability to make additional acquisitions without securing additional financing from outside sources is limited. In order to continue to pursue our acquisition strategy, we may be required to obtain additional financing. We may obtain such financing through a combination of traditional debt financing and/or the placement of debt and equity securities. We may finance some portion of our future acquisitions by either issuing equity or by using shares of our common stock for all or a portion of the purchase price for such businesses. In the event that our common stock does not attain or maintain a sufficient market value, or potential acquisition candidates are otherwise unwilling to accept our common stock as part of the purchase price for the sale of their businesses, we may be required to use more of our cash resources, if available, in order to maintain our acquisition program. If we do not have sufficient cash resources, we will not be able to complete acquisitions and our growth could be limited unless we are able to obtain additional capital through debt or equity financings. The terms of our credit facility require that we obtain the consent of our lenders prior to securing additional debt financing. There could be circumstances in which our ability to obtain additional debt financing could be constrained if we are unable to secure such consent.

To the extent we make any material acquisitions, our earnings may be adversely affected by non-cash charges relating to the amortization of intangible assets.

Under applicable accounting standards, purchasers are required to allocate the total consideration paid in a business combination to the identified acquired assets and liabilities based on their fair values at the time of acquisition. The excess of the consideration paid to acquire a business over the fair value of the identifiable tangible assets acquired must be allocated among identifiable intangible assets including goodwill. The amount allocated to goodwill is not subject to amortization. However, it is tested at least annually for impairment. The amount allocated to identifiable intangible assets, such as customer relationships and the like, is amortized over the life of these intangible assets. We expect that this will subject us to periodic charges against our earnings to the extent of the amortization incurred for that period. Because our business strategy focuses, in part, on growth through acquisitions, our future earnings may be subject to greater non-cash amortization charges than a company whose earnings are derived solely from organic growth. As a result, we may experience an increase in non-cash charges related to the amortization of intangible assets acquired in our acquisitions. Our financial statements will show that our intangible assets are diminishing in value, even if the acquired businesses are increasing (or not diminishing) in value.

We are not obligated to follow any particular criteria or standards for identifying acquisition candidates.

We are not obligated to follow any particular operating, financial, geographic or other criteria in evaluating candidates for potential acquisitions or business combinations. We will determine the purchase price and other terms and conditions of acquisitions. Our stockholders will not have the opportunity to evaluate the relevant economic, financial and other information that our management team will use and consider in deciding whether or not to enter into a particular transaction.

We may be required to incur a significant amount of indebtedness in order to successfully implement our acquisition strategy.

Subject to the restrictions contained under our current credit facilities, we may be required to incur a significant amount of indebtedness in order to complete future acquisitions. If we are not able to generate sufficient cash flow from the operations of acquired businesses to make scheduled payments of principal and interest on the indebtedness, then we will be required to use our capital for such payments. This will restrict our ability to make additional acquisitions. We may also be forced to sell an acquired business in order to satisfy indebtedness. We cannot be certain that we will be able to operate profitably once we incur this indebtedness or that we will be able to generate a sufficient amount of proceeds from the ultimate disposition of such acquired businesses to repay the indebtedness incurred to make these acquisitions.

We may experience difficulties in integrating the operations, personnel and assets of acquired businesses that may disrupt our business, dilute stockholder value and adversely affect our operating results.

A core component of our business plan is to acquire businesses and assets in the food distribution industry. There can be no assurance that we will be able to identify, acquire or profitably manage businesses or successfully integrate acquired businesses into the Company without substantial costs, delays or other operational or financial problems. Such acquisitions also involve numerous operational risks, including:

- difficulties in integrating operations, technologies, services and personnel;
- the diversion of financial and management resources from existing operations;
- the risk of entering new markets;
- the potential loss of existing or acquired strategic operating partners following an acquisition;
- the potential loss of key employees following an acquisition and the associated risk of competitive efforts from such departed personnel;
- possible legal disputes with the acquired company following an acquisition; and
- the inability to generate sufficient revenue to offset acquisition or investment costs.

As a result, if we fail to properly evaluate and execute any acquisitions or investments, our business and prospects may be seriously harmed.

Risk Factors Relating to our Common Stock

A trading market for our common stock may not be sustained and our common stock prices could decline.

Although our common stock is listed on the Nasdaq Capital Market under the symbol "HFFG", an active trading market for the shares of our common stock may not be sustained. Accordingly, no assurance can be given as to the following:

- the likelihood that an active trading market for shares of our common stock will be sustained;
- the liquidity of any such market;
- the ability of our stockholders to sell their shares of common stock; or
- the price that our stockholders may obtain for their common stock.

In addition, our common stock has experienced price and volume volatility over the past year. The market price and volume of our common stock may continue to experience fluctuations not only due to general stock market conditions but also due to

government regulatory action, tax laws, interest rates, the condition of the U.S. economy and a change in sentiment in the market regarding our industry, operations or business prospects. In addition to other factors, the price and volume volatility of our common stock may be affected by:

- factors influencing consumer food choices;
- the operating and securities price performance of companies that investors consider comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors;
- changes in global financial markets and global economies and general market conditions, such as tariffs, interest rates, commodity and equity prices and the value of financial assets;
- additions or departures of key personnel;
- operating results that vary from the expectations of securities analysts and investors;
- sales of our equity securities by stockholders or management or sales of additional equity securities by us;
- actions by stockholders; and
- passage of legislation or other regulatory developments that adversely affect us or our industry.

If an active market is not maintained, or if our common stock continues to experience price and volume volatility, the market price of our common stock may decline.

Stockholders of a public company sometimes bring securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our results of operations and financial condition.

Furthermore, our ability to raise funds through the issuance of equity securities or otherwise by using our common stock as consideration is impacted by the price of our common stock. A low stock price may adversely impact our ability to reduce our financial leverage, as measured by the ratio of total debt to total capital. Continued high levels of leverage or significant increases may adversely affect our credit ratings and make it more difficult for us to access additional capital. These factors may limit our ability to implement our operating and growth plans.

Our current management does not have extensive corporate governance experience, and we may need to recruit expertise on corporate governance to comply with the regulations and effectively communicate with the capital markets, which may increase our operating expenses.

We have identified material weaknesses in our internal control over financial reporting, which could affect our ability to ensure timely and reliable financial reports, affect the ability of our auditors to attest to the effectiveness of our internal controls, and weaken investor confidence in our financial reporting.

The Sarbanes-Oxley Act of 2002 requires, among other things, that we design, implement and maintain adequate internal controls and procedures over financial reporting. Our management has concluded that (1) our internal controls over financial reporting were not effective as of December 31, 2020, (2) there existed material weaknesses in our internal control over financial reporting as of December 31, 2020, and (3) our disclosure controls and procedures were not effective as of December 31, 2020. Please see the discussion of these conclusions below under Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K.

We have taken and will continue to take appropriate actions to remediate such material weakness and inadequate disclosure controls and procedures; however, such measures may not be sufficient to address the material weaknesses identified or ensure that our disclosure controls and procedures are effective. We may also discover other material weaknesses in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in the implementation of

such controls, could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements and affect the ability of our auditors to attest to the effectiveness of our internal controls over financial reporting. In addition, substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our common stock could decline significantly, and our business and financial condition could be adversely affected.

We are not required to obtain an attestation report on our assessment of our internal control over financial reporting from an independent registered public accounting firm, which may cause investors to lose confidence in us and cause the price of our common stock to be negatively impacted.

Under rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are not required to obtain from our independent registered public accounting firm an attestation report on our assessment of our internal control over financial reporting, and we have not voluntarily sought such a report in the past. If we do not voluntarily seek to obtain an unqualified attestation report on our assessment of our internal control over financial reporting from our independent registered public accounting firm in the future, or if we seek to obtain such a report but our independent registered public accounting firm is unable to provide one to us, investors may have less confidence in us and the price of our common stock may be negatively impacted.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company", as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies which do not meet the definition of an "emerging growth company", 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 intend to take advantage of these reporting exemptions until we are no longer an emerging growth company. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company for up to five years, until such time when we have more than \$1.07 billion of revenues in a fiscal year, have more than \$700 million in market value of our common stock held by non-affiliates as of any June 30 or issue more than \$1.0 billion of non-convertible debt over a rolling three-year period, whichever is earlier.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies.

Future sales of our common stock may cause our stock price to decline.

As of March 15, 2021, there were [51,193,411] shares of our common stock outstanding. Of this number, approximately 37.7 million shares of common stock were freely tradable without restriction, unless the shares are purchased by our affiliates. The remaining shares of common stock were "restricted securities" as that term is defined under Rule 144 of the Securities Act. None of our directors, executive officers or employees are subject to lock-up agreements or market stand-off provisions that limit their ability to sell shares of our common stock. The sale of a large number of shares of our common stock, or the belief that such sales may occur, could cause a drop in the market price of our common stock.

If securities analysts do not publish, or cease publishing, research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, the price of our common stock and trading volume could decline.

The trading market for our common stock could be influenced by any research and reports that securities or industry analysts publish about us, our business or our market. If one or more of the analysts who covers us downgrades our common stock or

publishes inaccurate or unfavorable research about us, our business or our market, the price of our common stock would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause the price of our common stock and trading volume to decline.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have not declared or paid dividends on our common stock and we do not intend to do so in the near term. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock in the near term, and capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES.

We utilize a mix of leased (23%) and owned (77%) properties for distribution, warehousing inventory, service and administrative functions. Our real estate includes our corporate headquarters in City of Industry, California, which is owned. Below is a summary of distribution centers by geographical location, number of facilities, total square feet, and trucks servicing the site as of December 31, 2020.

Location	Number of Facilities	Total Square Feet	Number of Trucks
Arizona	1	68,000	17
California	5	356,000	122
Colorado	1	55,000	21
Florida	2	130,000	39
Georgia	1	100,000	20
North Carolina	1	170,000	46
Utah	2	93,000	29
Washington	1	70,000	19
Totals	14	1,042,000	313

For additional information about our material properties, please see section entitled "BUSINESS – Locations" above.

ITEM 3. LEGAL PROCEEDINGS.

A labor and employment lawsuit was filed by a former employee against FUSO, alleging it failed to provide proper meal and rest breaks, as well as other related violations. FUSO believes there is no merit to the case and vigorously defending against all the allegations. Therefore, the Company did not accrue any loss contingency for these matters on its consolidated financial statements as of December 31, 2020. The Court has entered orders dismissing the claim in 2021. See Note 19 - Subsequent Events, for additional information concerning this lawsuit.

On March 29, 2020, plaintiff Jesus Mendoza ("Mendoza") filed a putative shareholder securities class action lawsuit (the Class Action Lawsuit) in the United States District Court for the Central District of California against the Company and certain of its present and former officers (collectively, the "Class Action Defendants") for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 styled *Mendoza v. HF Foods Group Inc., et al.*, Civil Action No. 2:20-CV-2929-ODW-JPR (C.D. Cal.).

On April 30, 2020, plaintiff Walter Ponce-Sanchez ("Ponce-Sanchez") filed a substantially similar putative shareholder securities class action lawsuit (the "Ponce-Sanchez Lawsuit") in the United States District Court for the Central District of California against the same defendants named in the Class Action Lawsuit (collectively, the "Ponce-Sanchez Defendants" and with the Class Action Defendants, the "Defendants") styled *Ponce-Sanchez v. HF Foods Group Inc., et al.*, Civil Action No. 2:20-CV-3967-ODW-JPR (C.D. Cal.). The Ponce-Sanchez Lawsuit has now been consolidated with the Class Action Lawsuit and both cases will proceed under the Class Action Lawsuit docket. The complaints both allege that the Defendants made

materially false and or misleading statements that caused losses to investors. Additionally, the complaints both allege that the Defendants failed to disclose in public statements that the Company engaged in certain related party transactions, that insiders and related parties were enriching themselves by misusing shareholder funds, and that the Company masked the true number of free-floating shares. Neither complaint quantifies any alleged damages, but, in addition to attorneys' fees and costs, they seek to recover damages on behalf of themselves and other persons who purchased or otherwise acquired Company stock during the putative class period from August 23, 2018 through March 23, 2020 at allegedly inflated prices and purportedly suffered financial harm as a result. On October 13, 2020, the Court appointed Yun F. Yee as lead plaintiff and approved Mr. Yee's counsel as lead counsel in the consolidated Class Action Lawsuit. On October 28, 2020, the Court entered a scheduling order setting December 4, 2020 as the deadline for lead plaintiff to file the Consolidated Amended Complaint and setting a schedule for Defendants' anticipated motion to dismiss. Thereafter, an amended complaint was filed, which purports to expand the putative class period from August 23, 2018 to November 9, 2020. The Defendants filed their motion to dismiss the amended complaint on January 19, 2021, which is pending. The Class Action Lawsuit does not quantify any alleged damages. The Company intends to defend the consolidated Class Action Lawsuit vigorously.

On June 15, 2020, Mendoza filed a shareholder derivative lawsuit on behalf of the Company as a nominal defendant (the "Mendoza Derivative Lawsuit") in the United States District Court for the Central District of California against certain of the Company's present and former directors and officers (collectively, the "Mendoza Derivative Defendants") styled *Mendoza v. Zhou Min Ni, et al.*, Civil Action No. 2:20-CV-5300-ODW-JPR (C.D. Cal.). The complaint in the Mendoza Derivative Lawsuit is based largely on the same allegations as set forth in the Class Action Lawsuit discussed above and alleges violations of Sections 10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Mendoza Derivative Lawsuit does not quantify any alleged damages, but, in addition to attorneys' fees and costs, Mendoza seeks to recover damages on behalf of the Company for purported financial harm and to have the court order changes in the Company's corporate governance. The Mendoza Derivative Defendants and the Company intend to defend the Mendoza Derivative Lawsuit vigorously. On July 8, 2020, the Court ordered that all proceedings in the Mendoza Derivative Lawsuit be stayed until such time as the Court has finally resolved the Defendants' motion to dismiss the Class Action Lawsuit.

At this stage, the Company is unable to determine whether a future loss will be incurred due to the consolidated Class Action Lawsuit or the Mendoza Derivative Lawsuit, or estimate a range of loss, if any; accordingly, no amounts have been accrued in the Company's financial statements as of December 31, 2020.

On August 21, 2020, plaintiff Jim Bishop ("Bishop") filed a putative shareholder derivative lawsuit (the "Bishop Lawsuit") in the United States District Court for the District of Delaware against certain of the Company's present and former directors and officers, as well as the Company (collectively, the "Bishop Defendants") styled *Jim Bishop v. Zhou Min Ni, et al.*, Civil Action No. 1:20-cv-01103-RGA (D. Del.). The Bishop Lawsuit complaint alleges claims that are virtually the same as those alleged in the Mendoza Derivative Lawsuit. The Bishop Lawsuit does not quantify any alleged damages. But in addition to attorneys' fees and costs, Bishop seeks to recover damages on behalf of the Company for purported financial harm and to have the Court order changes to the Company's corporate governance.

The Bishop Defendants and the Company intend to defend vigorously the allegations in the Bishop Lawsuit, assuming it proceeds. On October 20, 2020, Bishop and the Bishop Defendants filed a Joint Stipulation to Stay Litigation with the Court. On November 19, 2020, the Bishop Lawsuit was transferred to the United States District Court for the Central District of California, as case number 2:20-CV-10657-ODW-JPR (C.D. Cal.). Motions to consolidate the Mendoza Derivative Lawsuit and the Bishop Lawsuit, and to designate a lead plaintiff and lead plaintiff's counsel in the consolidated cases are pending in both cases. The Court further ordered that the Bishop Defendants do not need to respond to the complaint until the consolidation and appointment of lead plaintiff/lead plaintiff's counsel are resolved. The Bishop Defendants will seek to have the Bishop Lawsuit stayed until such time as the Court has finally resolved the Mendoza Defendants' anticipated motion to dismiss the claims in the consolidated Class Action Lawsuit. This case remains in early procedural stage. At this stage, the Company is unable to determine whether a future loss will be incurred due to the Bishop Lawsuit or estimate a range of loss, if any; accordingly, no amounts have been accrued in the Company's consolidated financial statements as of December 31, 2020.

The United States Securities and Exchange Commission ("SEC") has initiated a formal, non-public investigation of the Company, and the SEC issued a subpoena for a variety of documents and other information. The subpoena relates to a range of matters including, but not limited to, the matters identified in the Class Action Lawsuit, the Mendoza Derivative Lawsuit, and the Bishop Lawsuit. The Company is cooperating with the SEC in its investigation.

Prior to receiving the document request from the SEC, the Company's board of directors appointed a special committee of independent directors to investigate the matters identified in the Class Action Lawsuit and the Mendoza Derivative Lawsuit.

The SEC and independent committee investigations are ongoing.

On October 14, 2020, a labor and employment lawsuit was filed by a former employee against Happy FM Group, Inc., alleging it engaged in unlawful discrimination and wrongfully discharged the employee, as well as other related violations. We believe there is no merit to the case and are vigorously defending against all the allegations. Therefore, the Company did not accrue any loss contingency for these matters on its consolidated financial statements as of December 31, 2020.

On October 19, 2020, a purported class action labor and employment lawsuit was filed by a former employee against Happy FM Group, Inc., alleging it failed to provide minimum wages and overtime wages, proper meal and rest breaks, as well as other related violations. We believe there is no merit to the case and are vigorously defending against all the allegations. Therefore, the Company did not accrue any loss contingency for these matters on its consolidated financial statements as of December 31, 2020.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Shares of our common stock are listed for trading on The Nasdaq Capital Market ("Nasdaq") under the symbol "HFFG," and have been publicly traded since August 8, 2017. Prior to that date, there was no public market for our stock.

Holder of Record

As of March 15, 2021, there were 51,193,411 shares of our common stock outstanding and held by 57 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

Dividends

We have not paid any cash dividends on our common stock to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and our general financial condition. The payment of any dividends will be within the discretion of our board of directors at such time. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board of directors does not anticipate declaring any dividends in the foreseeable future. In addition, our board of directors is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future. Further, if we incur any indebtedness, our ability to declare dividends may be limited by restrictive covenants we may agree to in connection therewith.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical consolidated statements of operations data for fiscal years 2020 and 2019 and the related selected consolidated balance sheet data as of the end of fiscal years 2020 and 2019, have been derived from our consolidated financial statements and related notes contained elsewhere in this Form 10-K. The selected historical consolidated statements of operations data for fiscal years 2018, 2017 and 2016, and the related selected consolidated balance sheet data as of the end of fiscal years 2018, 2017, and 2016, have been derived from our consolidated financial statements not included in this Form 10-K Report.

The following selected consolidated financial data should be read together with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included in Item 8.

The following tables set forth our selected financial data for the periods and as of the dates indicated:

	For the twelve months ended December 31,				
	2020	2019 (2)	2018	2017 (1)	2016 (1)
Net Revenue	\$ 566,831,075	\$ 388,162,281	\$ 291,006,698	295,549,980	\$ 279,500,235
Net Income (Loss)	(342,680,799)	5,895,286	6,353,695	10,078,070	4,831,285
Net Income (Loss) Attributable to HF Foods Group Inc.	(342,974,059)	5,389,677	6,286,455	9,646,071	4,715,163
Earnings (Loss) per common share - basic and diluted	\$ (6.58)	\$ 0.22	\$ 0.30	\$ 0.48	\$ —

Balance Sheet Data:	As of December 31,				
	2020	2019	2018	2017	2016
Cash	\$ 9,580,853	\$ 14,538,286	\$ 5,489,404	\$ 6,086,044	\$ 5,956,145
Working Capital	22,343,869	40,973,863	25,454,459	10,932,809	13,199,477
Total Assets	484,285,083	802,843,794	82,476,407	80,657,900	72,616,118
Non Current Liabilities					
Long-term debt, net	88,008,803	18,535,016	13,109,854	14,249,579	9,889,198
Promissory note payable - related party	7,000,000	—	—	—	—
Obligations under finance leases, non-current	766,885	1,053,166	120,705	118,535	—
Obligations under operating leases, non-current	623,482	12,833,081	—	—	—
Deferred tax liabilities	46,382,704	52,320,045	1,196,061	436,212	26,236
Total Stockholders' equity	\$ 264,801,432	\$ 607,656,732	\$ 34,461,482	\$ 26,898,112	\$ 24,358,220

(1) Financial data for the years ended December 31, 2016 and 2017 derived from legacy HF's books and records and were not part of the Company's previous 10-K filings. The Company previously filed under the name Atlantic Acquisition Corp., a special acquisition company.

(2) The Company completed business combination with B&R Global Holdings, Inc. on November 4, 2019. Net revenue, net income, net income attributable to HF Foods Group, Inc. included operating results from B&R Global Holdings, Inc. from November 4, 2019 to December 31, 2019.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following description of our results of operations and financial condition in conjunction with our audited consolidated financial statements for the years ended December 31, 2020 and 2019.

Overview

The Company was originally incorporated in Delaware on May 19, 2016 as a special purpose acquisition company under the name Atlantic Acquisition Corp. in order to acquire, through a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or similar business combination, one or more businesses or entities.

Effective August 22, 2018, Atlantic consummated the transactions contemplated by the Atlantic Merger Agreement, dated as of March 28, 2018, by and among Atlantic, HF Merger Sub, a Delaware subsidiary formed by Atlantic, HF Holding, the stockholders of HF Holding, and Zhou Min Ni, as representative of the stockholders of HF Holding. Pursuant to the Atlantic Merger Agreement, HF Holding merged with HF Merger Sub and HF Holding became the surviving entity and a wholly-owned subsidiary of Atlantic. Additionally, upon the closing of the transactions contemplated by the Atlantic Merger Agreement, the stockholders of HF Holding became the holders of a majority of the shares of common stock of Atlantic, and Atlantic changed its name to HF Foods Group Inc.

Effective November 4, 2019, HF Group consummated the transactions contemplated by the B&R Global Merger Agreement, dated as of June 21, 2019, by and among the Company, Merger Sub, B&R Global, the B&R Global Stockholders, and Xiao Mou Zhang, as representative of the B&R Global Stockholders (the "Business Combination"). Upon the closing of the transactions contemplated by the B&R Global Merger Agreement, Merger Sub merged with and into B&R Global, resulting in

B&R Global becoming a wholly owned subsidiary of HF Group. HF Group acquired 100% of the controlling interest of B&R Global, in exchange for 30,700,000 shares of HF Group Common Stock. The aggregate fair value of the consideration paid by HF Group in the Business Combination was approximately \$576,699,494, based on the closing share price of HF Group at the date of Closing.

On January 17, 2020, B&R Global acquired all equity membership interests in nine real estate holding companies, which own warehouse facilities that were being leased to the Company for its operations in California, Arizona, Utah, Colorado, Washington, and Montana. Xiao Mou Zhang, managed and owned an 8.91% interest in the acquired entities. The total purchase price for the acquisition was \$101,269,706, which was based on third-party fair market value appraisals of the properties acquired.

The Company notes that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar assets (land and buildings used for warehousing and distribution purposes). As such, the acquisition of the nine real estate holdings companies would not be deemed a business combination under ASC 805 but as an asset acquisition. The total purchase price is allocated on a relative fair value basis to the net assets acquired.

Due to timing of the acquisition of B&R Global, the financial information of the Company for the twelve month period ended December 31, 2020 is not comparable to the same period of 2019. As such, the Company has presented our results of operations for the twelve month period ended December 31, 2020 and 2019, as well as the unaudited pro forma combined results of operations for the twelve month period ended December 31, 2019. For more information, see section titled "Supplemental Unaudited Pro Forma Combined Financial Information".

Financial Overview

Our net revenue for the twelve months ended December 31, 2020 was \$566.8 million, an increase of \$178.6 million, or 46.0%, from \$388.2 million for the twelve months ended December 31, 2019. The increase was attributed primarily to additional \$259.4 million net revenues generated from the B&R Global reporting segment, which was acquired on November 4, 2019. Offsetting the increase was legacy HF segment's 26.7% loss in business volume, or \$80.8 million in 2020 as a result of the COVID-19 pandemic.

Net loss attributable to HF Group's stockholders for the twelve months ended December 31, 2020 was \$343.0 million, a decrease of \$348.4 million, or 6,463.5%, compared to net income attributable to HF Group's stockholders of \$5.4 million for the twelve months ended December 31, 2019. This is mainly due to a significant goodwill impairment of \$338.2 million taken in the first quarter of 2020 (see Note 9 to our financial statements for additional information) prompted by the impact of the COVID-19 pandemic. There were also new charges in other non-cash items, such as amortization of intangible assets resulting from the acquisition of B&R Global, which did not exist before the Business Combination. Adjusted EBITDA for the twelve months ended December 31, 2020 was \$19.7 million, an increase of \$2.8 million, or 16.9%, from \$16.9 million for the twelve months ended December 31, 2019. For additional information on Adjusted EBITDA, see the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS— EBITDA and Adjusted EBITDA" below.

On a pro-forma basis, assuming that the Business Combination took place on January 1, 2019, comparing with the actual results of fiscal year 2020, our net revenue for the twelve months ended December 31, 2020 was \$566.8 million, a decrease of \$261.2 million, or 31.5% from \$828.0 million for the twelve months ended December 31, 2019. Net loss attributable to HF Group's stockholders for the twelve months ended December 31, 2020 was \$343.0 million, a decrease of \$348.7 million, or 6,156.9%, from net income attributable to HF Group's stockholder of \$5.7 million for the twelve months ended December 31, 2019. Adjusted EBITDA for the twelve months ended December 31, 2020 was \$19.7 million, a decrease of \$13.2 million, or 39.9%, from \$32.9 million for the twelve months ended December 31, 2019. For additional information on our pro-forma results, see the section entitled "SUPPLEMENTAL UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION" below.

COVID-19 Impact

For the first two months of 2020, the outbreak of COVID-19 did not have a significant impact on our business. However, we began to experience a gradual decline in sales towards the end of February and the impact began to intensify in March, especially in the final two weeks of the month.

By late March, almost all states across the country had issued some form of stay-at-home orders. As such, the operations of our restaurant customers were severely disrupted due to the "cliff-like" decline in consumer demand for food away from home. The

government mandates forced many of our restaurant customers to temporarily close or convert to take-out or delivery-only operations. As a result, there was a significant decline in net sales the last two weeks of March, negatively impacting our overall net income and adjusted EBITDA for the first quarter ended March 31, 2020. Our net sales during the last two weeks of the first quarter of 2020 decreased approximately 67% compared to pro-forma sales in the same period ended March 31, 2019.

The impact of COVID-19 continued to worsen in April 2020, resulting in as much as a 75% decrease in net weekly sales compared to pro-forma sales in the comparable prior year period and resulting in the Company making the decision to temporarily shut down the operation of a few distribution centers in North Carolina, Georgia and Florida, which were reopened on April 27, 2020. In response to the COVID-19 pandemic, beginning in late March 2020, we swiftly pivoted our business strategy and cost structure to reduce operating costs, strengthen our liquidity position, and secure new revenue sources. Some of the notable actions include:

- actively managing our variable costs to better align with prevailing sales volumes by instituting temporary furloughs, reducing our delivery schedules and temporarily shutting down the operation of several distribution centers, resulting in approximately 40% overall cost reduction since April 2020 as compared to pre-COVID-19 levels;
- improving working capital by focusing on receivables collection efforts while working with our vendors on temporarily extended terms;
- suspending capital expenditures and limiting maintenance and information technology projects;
- developing our proprietary e-commerce platform (www.rongchengmarkets.com) with very minimal investment to cater to consumers and meet the increasing demand for online grocery shopping in larger quantities at wholesale prices; and
- securing new partnerships with other online grocery retailers.

The above decisive actions have resulted in an overall improvement of our available line of credit that had enabled the Company to navigate through this unprecedented pandemic. Cost cutting measures and more efficient operations ensured that the Company had positive cash flow to pay down the revolving credit. With increased revolving credit availability, the Company is more prepared for future unexpected turns during the pandemic. Following the lowest monthly sales volume in April, weekly sales recovered to over 50% and 60% of pre-COVID-19 levels in the months of May and June, respectively. From July 2020 to the time of this report, we have been experiencing relatively stabilized sales volume of about 70% of pre-COVID-19 levels on an aggregated basis. Based on current sales volumes and adjusted cost structures, the company is generating weekly positive operating cash flows and does not have immediate liquidity concerns, especially if sales volume continues to remain stable or improve further.

The impact of the COVID-19 pandemic continues to evolve and the country recently saw a resurgence of COVID-19 in various areas, therefore, we are currently unable to fully predict the extent to which our business, results of operations, or financial condition, will ultimately be impacted. We do not expect economic and operating conditions for our business to recover to pre-COVID-19 levels until consumers are once again feeling safe, willing and able to resume consumption of food away from home on a regular basis. This may not occur until well after the pandemic abates and the broader economy begins to improve. Any future resurfacing and worsening of the COVID-19 pandemic may adversely impact our sales and liquidity position.

We remain optimistic on the long-term prospects for our business. Although the timetable for returning to normalcy is unknown, we believe that our current level of sales volume will increase over time as the effects of the COVID-19 pandemic slowly dissipate and consumer demand for food away from home increases.

As the market leader in servicing the Asian/Chinese restaurant sector, we believe we are well-positioned for long-term success. The fragmented nature of the Asian/Chinese food service industry and the current environment create opportunities for a company like HF Group, which has the necessary expertise and deep understanding of our unique customer base. We believe we are differentiated from our competitors given our extensive footprint, strong vendor and customer relationships, and value-added service offerings, all of which have allowed and will continue to allow us to better serve our customers in these unprecedented conditions.

How to Assess HF Group's Performance

In assessing our performance, the Company considers a variety of performance and financial measures, including principal growth in net revenue, gross profit, distribution, selling and administrative expenses, EBITDA and adjusted EBITDA. The key measures that the Company uses to evaluate the performance of our business are set forth below:

Net Revenue

Net revenue is equal to gross sales minus sales returns, sales incentives that the Company offers to our customers, such as rebates and discounts that are offsets to gross sales; and certain other adjustments. Our net sales are driven by

changes in number of customers and average customer order amount, product inflation that is reflected in the pricing of our products and mix of products sold.

Gross Profit

Gross profit is equal to net sales minus cost of revenue. Cost of revenue primarily includes inventory costs (net of supplier consideration), inbound freight, custom clearance fees and other miscellaneous expenses. Cost of revenue generally changes as the Company incurs higher or lower costs from suppliers and as the customer and product mix changes.

Distribution, Selling and Administrative Expenses (DSA Expenses)

Distribution, selling and administrative expenses consist primarily of salaries and benefits for employees and contract laborers, trucking and fuel expenses, utilities, maintenance and repair expenses, insurance expenses, depreciation and amortization expenses, selling and marketing expenses, professional fees and other operating expenses.

EBITDA and Adjusted EBITDA

The Company uses EBITDA to measure operating performance, defined as net income before interest expense, income taxes, and depreciation and amortization. In addition, management uses Adjusted EBITDA, defined as net income before interest expense, interest income, income taxes, and depreciation and amortization, further adjusted to exclude certain unusual, non-cash, non-recurring expenses. Management believes that Adjusted EBITDA is less susceptible to variances in actual performance resulting from non-recurring expenses, extraordinary charges, and other non-cash charges and more reflective of other factors that affect our operating performance. Management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial performance with other companies in the same industry, many of which present similar non-GAAP financial measures to investors. The Company presents EBITDA and Adjusted EBITDA in order to provide supplemental information that the Company considers relevant for the readers of our consolidated financial statements included elsewhere in this report, and such information is not meant to replace or supersede U.S. GAAP measures.

The definition of EBITDA and Adjusted EBITDA may not be the same as similarly titled measures used by other companies in the industry. EBITDA and Adjusted EBITDA are not defined under U.S. GAAP and are subject to important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of HF Group's results as reported under U.S. GAAP. For example, Adjusted EBITDA:

- excludes certain tax payments that may represent a reduction in cash available to the Company;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect changes in, or cash requirements for, our working capital needs; and
- does not reflect the significant interest expense, or the cash requirements, necessary to service our debt.

For additional information on EBITDA and Adjusted EBITDA, see the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — EBITDA and Adjusted EBITDA" below.

Results of Operations for the years ended December 31, 2020 and 2019

The following table sets forth a summary of our consolidated results of operations for the years ended December 31, 2020 and 2019. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the years ended December 31		Changes	
	2020	2019	Amount	%
Net revenue	\$ 566,831,075	\$ 388,162,281	\$ 178,668,794	46.0%
Cost of revenue	466,539,492	324,953,758	141,585,734	43.6%
Gross profit	100,291,583	63,208,523	37,083,060	58.7%
Distribution, selling and administrative expenses	106,126,392	54,931,157	51,195,235	93.2%
Income (loss) from operations	(5,834,809)	8,277,366	(14,112,175)	(170.5)%
Interest income	529	418,530	(418,001)	(99.9)%
Interest expenses	(3,922,191)	(1,661,454)	(2,260,737)	136.1%
Goodwill impairment loss	(338,191,407)	—	(338,191,407)	100.0%
Other income, net	1,355,706	1,057,936	297,770	28.1%
Change in fair value of interest rate swap contracts	(920,358)	—	(920,358)	100.0%
Income (loss) before income tax provision	(347,512,530)	8,092,378	(355,604,908)	(4,394.3)%
Provision (benefit) for income taxes	(4,831,731)	2,197,092	(7,028,823)	(319.9)%
Net income (loss)	(342,680,799)	5,895,286	(348,576,085)	(5,912.8)%
Less: net income attributable to noncontrolling interest	293,260	505,609	(212,349)	(42.0)%
Net income (loss) attributable to HF Foods Group Inc.	\$ (342,974,059)	\$ 5,389,677	\$ (348,363,736)	(6,463.5)%

Net Revenue

Net revenue was mainly derived from sales to independent restaurants (Chinese/Asian restaurants) and wholesale sales to smaller distributors.

The following table sets forth the breakdown of net revenue:

	For the years ended December 31,					
	2020		2019		Changes	
	Amount	%	Amount	%	Amount	%
Net revenue						
Sales to independent restaurants	\$ 539,958,127	95.3%	\$ 366,432,448	94.4%	\$ 173,525,679	47.4%
Wholesale	26,872,948	4.7%	21,729,833	5.6%	5,143,115	23.7%
Total	\$ 566,831,075	100.0%	\$ 388,162,281	100.0%	\$ 178,668,794	46.0%

Net revenue increased by \$178.7 million, or 46.0%, during the twelve months ended December 31, 2020 as compared to the twelve months ended December 31, 2019. This was attributable primarily to the acquisition of B&R Global, which brought in additional \$259.4 million of total revenue comprised of \$12.4 million in sales to wholesale customers and \$247.0 million in sales to independent restaurants. The increase was offset by a decrease in revenue of \$80.7 million comprised of \$73.4 million in sales to independent restaurants and \$7.3 million in sales to wholesale customers of legacy HF due to lower sales resulting from COVID-19 pandemic. The negative impact of the pandemic on our restaurant customers beginning in the last two weeks of March 2020 through the end of December 2020 has led to a significant decline in the net revenue for both HF and B&R Global for the twelve months ended December 31, 2020. See the section entitled "SUPPLEMENTAL UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION" below.

We conduct wholesale operations as a supplemental business to foodservice distribution by purchasing full truckloads of products from suppliers and redistributing to smaller distributors who are typically lacking the business volume to place large orders directly with suppliers, or prefer to replenish inventory on an as-needed basis due to space or capital sources limitations.

Large volume purchases enable the Company to achieve economies of scale and improve overall bargaining power with suppliers. Net revenue from wholesale for the twelve months ended December 31, 2020 increased by \$5.1 million, or 23.7%, as compared to the twelve months ended December 31, 2019, due to the acquisition of B&R Global.

Cost of Revenue and Gross Profit

The following table sets forth the calculation of cost of revenue, gross profit and gross margin for sales to independent restaurants, wholesale, and total net revenue:

	For the years ended December 31,		Changes	
	2020	2019	Amount	%
Sales to independent restaurants				
Net revenue	\$ 539,958,127	\$ 366,432,448	\$ 173,525,679	47.4 %
Cost of revenue	441,164,552	304,139,896	137,024,656	45.1 %
Gross profit	\$ 98,793,575	\$ 62,292,552	\$ 36,501,023	58.6 %
Gross Margin	18.3 %	17.0 %	1.3 %	
Wholesale				
Net revenue	\$ 26,872,948	\$ 21,729,833	\$ 5,143,115	23.7 %
Cost of revenue	25,374,940	20,813,862	4,561,078	21.9 %
Gross profit	\$ 1,498,008	\$ 915,971	\$ 582,037	63.5 %
Gross Margin	5.6 %	4.2 %	1.4 %	
Total sales				
Net revenue	\$ 566,831,075	\$ 388,162,281	\$ 178,668,794	46.0 %
Cost of revenue	466,539,492	324,953,758	141,585,734	43.6 %
Gross profit	\$ 100,291,583	\$ 63,208,523	\$ 37,083,060	58.7 %
Gross Margin	17.7 %	16.3 %	1.4 %	

Cost of revenue was \$466.5 million for the twelve months ended December 31, 2020, an increase of \$141.5 million, or 43.6%, from \$325.0 million for the twelve months ended December 31, 2019. The increase was mainly attributable to the acquisition of B&R Global, with \$203.3 million and \$11.6 million in cost of revenue for sales to independent restaurants and wholesale customers, respectively. This increase was offset by decrease of \$73.4 million cost of revenue from legacy HF due to reduced sales resulting from the COVID-19 pandemic.

Gross profit was \$100.3 million for the twelve months ended December 31, 2020, an increase of \$37.1 million, or 58.7%, from \$63.2 million for the twelve months ended December 31, 2019. The increase was attributable primarily to the acquisition of B&R Global, which contributed \$43.7 million and \$0.8 million in gross profit derived from sales to independent restaurants and wholesale customers, respectively. This increase was offset by a decrease of \$7.4 million gross profit from legacy HF due to reduced sales resulting from the COVID-19 pandemic.

Gross margin increased from 16.3% for the twelve months ended December 31, 2019 to 17.7% for the twelve months ended December 31, 2020, attributable mainly to margin increase in the second and third quarter of 2020 due to two primary factors: (1) elimination of lower margin sales to the buffet restaurants still impacted by the outbreak of COVID-19, a segment of our customers on the West Coast region which typically have higher sales volume but at a lower margin; and (2) sell-through of existing lower cost inventories at a higher gross margin in the second and third quarter of 2020 in line with the general increase in food prices.

Distribution, Selling and Administrative Expenses

Distribution, selling and administrative expenses were \$106.1 million and \$54.9 million for the twelve months ended December 31, 2020 and 2019, respectively, representing a \$51.2 million, or 93.2%, increase. The increase was mainly

attributable to the Business Combination with B&R Global, which contributed an aggregate cost of \$59.8 million comprised of \$42.2 million of B&R Global's distribution, selling and administrative expenses, and the amortization expense of \$10.9 million relating to the intangible assets acquired from the Business Combination, \$6.2 million of non-recurring legal expenses associated with the defense of the securities class action lawsuit (See Note 18 to our financial statements) and special internal investigation, and \$0.5 million attributed to special accounts receivable reserve accrual. The overall increase was offset by a decrease of \$8.6 million cost reduction in deliveries charges, contract labor and fuel charges as a result of the outbreak of COVID-19.

Interest Expenses and Bank Charges

Interest expenses are primarily generated from our utilization of lines of credit, capital leases, and long-term debt. Interest expenses were \$3.9 million for the twelve months ended December 31, 2020, an increase of \$2.2 million, or 136.1%, compared with \$1.7 million for the twelve months ended December 31, 2019. The increase was mainly attributable to increased lines of credit usage after the Business Combination with B&R Global and additional long-term debt with B&R Realty Subsidiaries, with total interest expenses of \$3.0 million for the twelve months ended December 31, 2020.

Goodwill Impairment Loss

Goodwill impairment loss was \$338.2 million for the twelve months ended December 31, 2020 and nil for the twelve months ended December 31, 2019. See Note 9 to our financial statements for additional information.

Other Income

Other income consists primarily of non-operating income and rental income. Other income was \$1.4 million for the twelve months ended December 31, 2020, an increase of \$0.3 million, or 28.1%, compared with \$1.1 million for the twelve months ended December 31, 2019.

Change in Fair Value of Interest Rate Swap Contracts

Change in fair value of interest rate swap contracts stemmed from mark to market fair value change of four interest rate swap contracts. See note 10 to our financial statements for more detail.

Income Tax Provision (Benefit)

Provision(benefit) for income taxes decreased by \$7.0 million, or 319.9%, from income tax expenses of \$2.2 million for the twelve months ended December 31, 2019 to a tax benefit of \$4.8 million for the twelve months ended December 31, 2020, as a result of lower taxable income and the amortization of deferred tax liabilities related to the intangible assets in the twelve months ended December 31, 2020.

Net Income Attributable to Noncontrolling interests

Net income attributable to noncontrolling interests was derived from four minority owned subsidiaries and decreased by \$0.2 million, or 42.0%, from \$0.5 million for the twelve months ended December 31, 2019 to \$0.3 million for the twelve months ended December 31, 2020. The decrease was mainly due to the \$0.3 million decrease of net income attributable to noncontrolling interest from Kimland for the twelve months ended December 31, 2020.

Net Income (Loss) Attributable to Our Stockholders

As a result of all analysis above, net loss attributable to our stockholders was \$343.0 million and net income attributable to our stockholders was \$5.4 million for the twelve months ended December 31, 2020 and 2019, respectively.

EBITDA and Adjusted EBITDA

The following table sets forth of the calculation of EBITDA and adjusted EBITDA and reconciliation to net income (loss), the closest U.S. GAAP measure:

	For the years ended December 31,		Changes	
	2020	2019	Amount	%
Net income (loss)	(342,680,799)	5,895,286	(348,576,085)	(5,912.8)%
Interest expense	3,922,191	1,661,454	2,260,737	136.1%
Income tax provision (benefit)	(4,831,731)	2,197,092	(7,028,823)	(319.9)%
Depreciation & Amortization	17,483,346	6,754,508	10,728,838	158.8%
EBITDA	(326,106,993)	16,508,340	(342,615,333)	(2,075.4)%
Goodwill and asset impairment charges	338,191,407	—	338,191,407	100.0%
Change in fair value of interest rate swap contracts	920,358	—	920,358	100.0%
COVID-19 bad debt reserve	544,672	—	544,672	100.0%
Non-recurring expenses*	6,179,956	375,000	5,804,956	1,548.0%
Adjusted EBITDA	\$ 19,729,400	\$ 16,883,340	\$ 2,846,060	16.9%
Percentage of revenue	3.5%	4.3%	(0.9)%	

* For the twelve months ended December 31, 2019, non-recurring expenses represented an expense accrued for potential loss contingency relating to negligence claim(s) for damages. This claim was settled in November 2019 in the amount of \$0.4 million. For the twelve months ended December 31, 2020, non-recurring expenses comprised of \$6.2 million of legal fees related to the defense of the class action lawsuit and internal investigation stemming from the lawsuit (see Note 18 to our financial statements for additional information).

Adjusted EBITDA was \$19.7 million for the twelve months ended December 31, 2020, an increase of 16.9%, or \$2.8 million, compared to \$16.9 million for the twelve months ended December 31, 2019. Primary contributors for the movement in Adjusted EBITDA are goodwill and asset impairment charges due to COVID-19 impact to business, acquisition of B&R Global and BRGR subsidiaries, legal defense of class action lawsuit and associated internal investigation, and fair value change in interest rate swap contracts.

Business restrictions stemming out of the COVID-19 outbreak, which started in late March of 2020 and is still ongoing, caused severe detrimental impact to our customers and consequently our business volumes, resulting in a \$10.4 million decrease in net income (excluding goodwill impairment loss), a \$7.0 million decrease in income tax provision due to the Company reflecting an income tax benefit as a result of lower taxable income and the amortization of deferred tax liabilities related to the intangible assets, and an increase of \$0.5 million in reserve for doubtful accounts receivable related to COVID-19 (see COVID-19 impact section under Overview of this section.)

The Company's recent acquisitions of B&R Global and BRGR subsidiaries resulted in a \$10.7 million increase in depreciation and amortization from intangible and fixed assets, and \$2.3 million in interest expenses.

There is a \$6.2 million increase in non-recurring expenses associated with the legal defense of the class action lawsuit and related internal investigation. Change in fair value of interest rate swaps resulted in a \$0.9 million add back to the adjusted EBITDA.

Supplemental Unaudited Pro Forma Combined Financial Information

As described above, the Company completed the Business Combination with B&R Global on November 4, 2019. For comparative purposes, the Company is presenting supplemental unaudited pro forma combined statements of operations for the twelve month period ended December 31, 2019. The unaudited pro forma combined statements of operations for these periods present our consolidated results of operations giving pro forma effect to the Business Combination as if it had occurred on January 1, 2019. The pro forma combined adjustments give effect to the items identified in the unaudited pro forma combined tables below in connection with the Business Combination.

The unaudited pro forma combined adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma combined basis, the impact of the Business Combination on our historical financial information, as applicable.

The B&R Global financial statements and our financial statements have been adjusted in the pro forma financial information to give effect to events that are (1) directly attributable to the Business Combination, (2) factually supportable, and (3) expected to have a continuing impact on the combined company.

The unaudited pro forma combined financial information has been prepared for informational purposes only and is not necessarily indicative of or intended to represent what the combined company's financial position or results of operations actually would have been had the Business Combination occurred as of the dates indicated. In addition, the unaudited pro forma combined financial information does not purport to project the future financial position or operating results of the combined company. The unaudited pro forma adjustments are based on information available at the time of the preparation of the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information does not reflect cost savings, synergies or revenue enhancements that the Company may achieve with respect to combining the companies or costs to integrate the B&R Global business or the impact of any non-recurring activity and any one-time transaction related costs. Synergies and integration costs have been excluded from consideration because they do not meet the criteria for unaudited pro forma adjustments.

Unaudited Pro Forma Results of Operations

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma financial statements:

	For the year ended December 31, 2019				Pro Forma Combined
	HF	B&R Global	Adjustments		
Net revenue	\$ 302,103,038	\$ 525,942,665	\$ —	\$	828,045,703
Net income	5,864,471	11,825,523	(10,890,300) (1)		6,799,694
Net Income Attributable to HF Foods Group Inc.	\$ 5,406,526	\$ 11,146,273	\$ (10,890,300)	\$	5,662,499

(1) Includes intangible asset amortization expense of \$10,890,300 for the year ended December 31, 2019

Liquidity and Capital Resources

As of December 31, 2020, we had cash of approximately \$9.6 million. We have funded working capital and other capital requirements primarily by equity contributions from shareholders, cash flow from operations, and bank loans. Cash is required to pay cost of inventory, salaries, fuel and trucking expenses, selling expenses, rental expenses, income taxes, professional fees, other operating expenses and to service debts.

On April 18, 2019, we and our operating subsidiaries Han Feng, NSF and Kimland entered into a credit agreement with East West Bank, which provided a \$25,000,000 revolving credit facility due August 18, 2021, accrued interest based on the prime rate less 0.375%, or 2.20% above LIBOR, but in no event less than 4.214% per annum, and was secured by virtually all assets of the Company and our domestic subsidiaries. On November 4, 2019, the East West Bank revolving credit facility loan was paid off from borrowings under the First Amended and Restated Credit Agreement entered into in connection with the merger with B&R, as described below.

On November 4, 2019, we entered into the First Amended Credit Agreement with JP Morgan. The First Amended Credit Agreement provided for a \$100 million asset-secured revolving credit facility maturing on November 4, 2022, and mortgage-secured term loans of \$55.4 million.

On January 17, 2020, the Company, B&R Global, and certain of the wholly-owned subsidiaries and affiliates of the Company (collectively with the Company, the "Borrowers"), as borrowers, and certain material subsidiaries of the Company as guarantors, entered into the Second Amended Credit Agreement by and among JP Morgan, as Administrative Agent, and certain lender parties thereto, including Comerica Bank. The Second Amended Credit Agreement provided for a \$100 million asset-secured revolving credit facility maturing on November 4, 2022, and mortgage-secured Term Loans of \$75.6 million. The Second Amended Credit Agreement amended and restated the existing \$55.0 million of real estate term loans under the First Amended Credit Agreement. As of January 17, 2020, the existing balance of revolving debt under the First Amended Credit Agreement in the amount of \$41.2 million was rolled over and an additional \$18.7 million available to the Company under the

Facility was drawn. The Company used the \$75.6 million in mortgage-secured term loans and \$18.7 million drawn from the revolving credit facility to fund in part the acquisition of the B&R Realty Subsidiaries, as noted above. Borrowings under the Second Amended Credit Agreement may be used for, among other things, working capital and other general corporate purposes of the Company and its subsidiaries (including permitted acquisitions). As of December 31, 2020, \$91.0 million was outstanding under the Second Amended Credit Agreement. Borrowings under the Facility bear interest at a floating rate, which will be, at the Borrowers' option, either LIBOR plus 1.375%, or a base rate of prime rate minus 1.125%. The mortgage-secured Term Loans bear interest at a floating rate which will be, at the Borrowers' option, either LIBOR plus 1.875%, or a base rate of prime rate minus 0.625%. A commitment fee of 0.15% is payable monthly in arrears based on the daily amount of the undrawn portion of each lender's revolving credit commitments under the Facility. The Borrowers are obligated to pay monthly installments on the mortgage-secured Term Loans in the amount of \$252,000, with a final installment of the remaining principal balance of the Term Loans due on January 17, 2030, the Term Loan Maturity Date.

Although management believes that the cash generated from operations will be sufficient to meet our normal working capital needs for at least the next twelve months, our ability to repay our current obligations will depend on the future realization of our current assets. Management has considered the historical experience, the economy, the trends in the food service distribution industry, the expected collectability of accounts receivable and the realization of the inventories as of December 31, 2020. Based on the above considerations, management is of the opinion that we have sufficient funds to meet our working capital requirements and debt obligations as they become due. However, there is no assurance that management will be successful in our plan. There are a number of factors that could potentially arise which might result in shortfalls to what is anticipated, such as the demand for our products, economic conditions, competitive pricing in the food service distribution industry, and our bank and suppliers being able to provide continued support. If the future cash flow from operations and other capital resources is insufficient to fund our liquidity needs, we may be forced to reduce or delay our expected acquisition plan, sell assets, obtain additional debt or equity capital, or refinance all or a portion of our debt.

We, however, make no assurance that we will be able to raise any additional capital in the future on satisfactory terms or at all. Our continued access to sources of liquidity depends on multiple factors, including economic conditions, the condition of financial markets, the availability of sufficient amounts of financing, our operating performance and our credit ratings. In addition, the effect of COVID-19 on the capital markets could significantly impact our cost of borrowing and the availability of capital to us.

The following table summarizes cash flow data for the years ended December 31, 2020 and 2019:

	For the years ended December 31,	
	2020	2019
Net cash provided by operating activities	\$ 44,131,286	\$ 4,666,528
Net cash provided by (used) in investing activities	(94,411,446)	2,775,115
Net cash provided by in financing activities	45,322,727	1,607,239
Net increase (decrease) in cash and cash equivalents	\$ (4,957,433)	\$ 9,048,882

Operating Activities

Net cash provided by operating activities consists primarily of net income (loss) adjusted for non-cash items, including goodwill impairment loss, depreciation and amortization, changes in deferred income taxes and others, and adjusted for the effect of working capital changes. Net cash provided by operating activities was approximately \$44.1 million for the twelve months ended December 31, 2020, an increase of \$39.4 million, or 845.7%, compared to net cash provided by operating activities of \$4.7 million for the twelve months ended December 31, 2019. The increase was primarily the result of newly acquired B&R Global with total net cash provided by operating activities of \$20.6 million. The remaining increase is a combined result of an increase of \$27.8 million from changes in working capital items mainly resulting from changes in gain from disposal of equipment, loss from derivative instruments, accounts receivable, inventories, income tax recoverable, accrued expenses, income tax payable and depreciation and amortization expense which were offset by a decrease of \$8.9 million in net income, advances to suppliers – related parties, deferred tax benefit, other current other long term assets, accounts payable, and accounts payable - related parties.

Investing Activities

Net cash used in investing activities was approximately \$94.4 million for the twelve months ended December 31, 2020, an increase of \$97.2 million or 3,502.1%, compared to \$2.8 million net cash provided by investing activities for the twelve months

ended December 31, 2019. The increase was primarily due to the payment made to acquire B&R Realty Subsidiaries of \$94.0 million. The increase was offset by a combined result of a decrease in cash paid for the purchase of property and equipment of \$4.2 million, decrease in cash received from notes receivable to third parties and related parties of \$0.3 million.

Financing Activities

Net cash provided by financing activities was approximately \$45.3 million for the twelve months ended December 31, 2020, an increase of \$43.7 million, or 2,719.9%, compared with \$1.6 million of net cash provided by financing activities for the twelve months ended December 31, 2019. The increase was a result of the newly acquired \$75.6 million in mortgage-backed term loans to fund B&R Realty Acquisition. The increase was offset by a net decrease of \$20.5 million utilization of lines of credit, a decrease in proceeds of \$8.1 million of long term debt, and an increase of \$2.98 million in repayment of bank overdrafts.

Commitments and Contractual Obligations

The following table presents our material contractual obligations as of December 31, 2020:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 Years
Lines of credit	\$ 18,279,062	\$ 18,279,062	\$ —	\$ —	\$ —
Long-term debt	93,650,062	5,641,259	9,607,982	7,418,242	70,982,579
Promissory note payable - related party	7,000,000	—	—	—	7,000,000
Finance lease liabilities	1,210,060	359,635	635,061	215,364	—
Operating lease obligations	1,090,262	382,047	555,687	152,528	—
Total	\$ 121,229,446	\$ 24,662,003	\$ 10,798,730	\$ 7,786,134	\$ 77,982,579

On July 2, 2018, AnHeart Inc., a wholly-owned subsidiary of HF Holding ("AnHeart"), entered into two separate leases for two properties located in Manhattan, New York, at 273 Fifth Avenue and 275 Fifth Avenue, for 30 years and 15 years, respectively. The leases were on triple net basis, meaning AnHeart is required to pay all costs associated with the properties, including taxes, insurance, utilities, maintenance and repairs. HF Holding provided a guaranty for all rent and related costs of the leases, including costs associated with the planned construction of a two-story structure at 273 Fifth Avenue and rehabilitation of the building at 275 Fifth Avenue. Under the lease for 273 Fifth Avenue, the fixed rent costs over 30 years commence at \$325,000 for the first year and escalate every year during the term to \$1,047,000 in year 30. Under the lease for 275 Fifth Avenue, the fixed rent costs over 15 years commence at \$462,000 for the first year and escalate every year during the term to approximately \$760,878 in year 15. The 275 Fifth Avenue lease includes an option to extend the term for an additional 10 years. Under the leases, HF Holding delivered two letters of credit in favor of the Landlord, one in the amount of \$213,000 as security for AnHeart's obligations under the lease at 273 Fifth Avenue, and the second in the amount of \$115,500 with respect to 275 Fifth Avenue. The Company entered into the leases with the planned purpose of expanding its product lines to include Chinese herb supplements and to use the sites to develop into a hub for such products. The Company has since determined to cease this business expansion.

On February 23, 2019, the Company executed an agreement to divest all of the ownership interest in AnHeart to Ms. Jianping An, a resident of New York, for the sum of \$20,000. The transfer of ownership was disclosed and landlord consent was obtained. However, the divestment of ownership did not release HF Holding's guaranty of AnHeart's obligations or liabilities under the original lease agreements. Under the terms of the sale of AnHeart stock to Ms. An, and in consideration of the Company's ongoing guaranty of AnHeart's performance of the lease obligations, AnHeart executed a security agreement which grants HF Holding a security interest in AnHeart assets and contains a covenant to assign the leases to HF Group if AnHeart defaults on the original lease agreements. Further, Ms. An has tendered an unconditional guaranty of all liabilities arising under the leases, in favor of the Company, executed by Minsheng Pharmaceutical Group Company, Ltd., a Chinese manufacturer and distributor of herbal medicines.

On February 10, 2021, 273 Co, a newly established Delaware limited liability company and wholly owned subsidiary of the Company, completed the closing of an Assignment and Assumption of Lease Agreement ("Assignment"), dated effective as of January 21, 2021, pursuant to which it has assumed the lease of the premises at 273 Fifth Avenue, New York, New York (the "273 Lease Agreement") dated as of July 2, 2018, by and between AnHeart and Premier 273 Fifth, LLC ("Landlord"). On the same date, the closing documents were delivered to effectuate the amendment of the 273 Lease Agreement pursuant to an Amendment to Lease (the "Lease Amendment"). The Assignment and the 273 Lease Amendment were negotiated pursuant to guarantee obligations of the Company's wholly owned subsidiary, HF Holding as guarantor under the Lease Agreement. 273

Co has agreed to observe all the covenants and conditions of the Lease Agreement, as amended, including the payment of all rents due. Under the terms of the Lease Agreement and the Assignment, 273 Co has undertaken to construct, at Company's expense, a building on the premises, at a minimum cost of \$2,500,000. The 273 Lease Agreement and the Lease Amendment provide for a term of 30 years, with option to renew for 10 additional years, at an annual rent starting at \$325,000 and escalating annually throughout the term, with the annual rent in the final year of the initial term of \$1,047,974. The 273 Lease Amendment further granted certain rent abatement to the premises for 2020 and 2021, including a 20% reduction of annual rent in 2021. The Lease Amendment permits subletting of the premises.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements that currently have or are reasonably likely to have a material effect on our consolidated financial position, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. These principles require our management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, cash flow and related disclosure of contingent assets and liabilities. The estimates include, but are not limited to, accounts receivable, revenue recognition, impairment of long-lived assets and income taxes. The Company bases our estimates on historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and the actual results, future financial statements will be affected.

The Company believes that among our significant accounting policies, which are described in Note 2 to the audited consolidated financial statements included in this report, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, the Company believes these are the most critical to fully understand and evaluate our financial condition and results of operations.

Accounts receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Receivables are presented net of the allowance for doubtful accounts in the accompanying unaudited condensed consolidated balance sheets. The Company evaluates the collectability of our accounts receivable and determines the appropriate allowance for doubtful accounts based on a combination of factors. When the Company becomes aware of a customer's inability to meet its financial obligation, a specific allowance for doubtful accounts is recorded, reducing the receivable to the net amount the Company reasonably expects to collect. In addition, allowances are recorded for all other receivables based on historic collection trends, write-offs and the aging of receivables. The Company uses specific criteria to determine when uncollectible receivables are to be written off, including, e.g., bankruptcy filings, the referral of customer accounts to outside parties for collection, and the length that accounts remain past due. As of December 31, 2020, and December 31, 2019, the allowances for doubtful accounts were \$909,182 and \$623,970, respectively.

Revenue recognition

The Company recognizes revenue from the sale of products when title and risk of loss passes and the customer accepts the goods, which occurs at delivery. Sales taxes invoiced to customers and remitted to government authorities are excluded from net sales.

The Company follows ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The Company recognizes revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfer to a customer. The majority of the Company's contracts have one single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct. The Company's revenue streams are recognized at a specific point in time.

For the years ended December 31, 2020 and 2019, revenue recognized from performance obligations related to prior periods was insignificant. Revenue expected to be recognized in any future periods related to remaining performance obligations is insignificant.

Impairment of Long-lived Assets

The Company assesses our long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Factors which may indicate potential impairment include a significant underperformance related to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows which the assets are expected to generate. If property and equipment are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds their fair value.

Income taxes

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

The Company recognizes deferred tax assets to the extent that the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize our deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not believe that there were any uncertain tax positions at December 31, 2020, and 2019.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 was further amended in November 2019, Codification Improvements to Topic 326, Financial Instruments-Credit losses. This guidance is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. For emerging growth companies, the effective date has been extended to fiscal years beginning after December 31, 2022. The Company will adopt this ASU within the annual reporting period of December 31, 2023. The Company is currently assessing the impact of adopting this standard, but based upon its preliminary assessment, does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company will adopt this ASU within the annual reporting period of December 31, 2021. The Company is currently assessing the impact of adopting this standard, but based on its preliminary assessment, does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

Our debt exposes us to risk of fluctuations in interest rates. Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the

instrument, exposes us to changes in market interest rates reflected in the fair value of the debt and to the risk that we may need to refinance maturing debt with new debt at higher rates. We manage our debt portfolio to achieve an overall desired proportion of fixed and floating rate debts and may employ interest rate swaps as a tool from time to time to achieve that position.

As of September 30, 2020, our aggregate floating rate debt's outstanding principal balance was \$100.8 million, consisting of long-term debt and revolving lines of credit (See Notes 11 and 12). Given the historically low interest rate environment triggered by the COVID-19 pandemic, the Company adopted a more active cash flow hedge strategy to capitalize on the multi-year low interest rate and to mitigate potential rate increases through an interest rate swap contract executed with JP Morgan Chase Bank on June 24, 2020 (the "JPM IRS"). The JPM IRS contract effectively locked in the Company's future interest rate expense at aggregate rate of 2.288% per annum on the prevailing balance of the above-mentioned term loan and 1.788% per annum for a portion of the revolving line of credit up to an aggregate amount of \$80 million during the contract period (see Note 11 and 12). As of December 31, 2020, 100% of our floating rate debts have been effectively hedged for the period from June 30, 2021 to June 30, 2025, inclusive (See Note 10).

Fuel Price Risk

We are also exposed to fluctuations risk in the price and availability of diesel fuel. We require significant quantities of diesel fuel for our vehicle fleet, and the inbound delivery of the products we sell is also dependent upon shipment by diesel-fueled vehicles. We currently are able to obtain adequate supplies of diesel fuel, and prices in the current quarter are lower than in the comparable period of 2019. However, it is impossible to predict the future availability or price of diesel fuel. The price and supply of diesel fuel fluctuates based on external factors not within our control, including geopolitical developments, supply and demand for oil and gas, regional production patterns, weather conditions and environmental concerns. Increases in the cost of diesel fuel could increase our cost of goods sold and operating costs to deliver products to our customers. The Company does not actively hedge the price fluctuation of diesel fuel in general. Instead, we seek to minimize fuel cost risk through delivery route optimization and improving fleet utilization.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

HF Foods Group Inc.
Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2020 and December 31, 2019
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
HF Foods Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of HF Foods Group Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 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 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 financial statement. We believe that our audits provide a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company's auditor since 2017.

New York, New York
March 16, 2021

HF Foods Group Inc.
Consolidated Balance Sheets

	December 31, 2020	As of	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash	\$ 9,580,853	\$	14,538,286
Accounts receivable, net	24,852,212		50,027,134
Accounts receivable - related parties, net	1,266,573		4,202,870
Inventories, net	58,535,040		77,531,854
Advances to suppliers - related parties	196,803		745,135
Other current assets	4,614,164		4,374,338
TOTAL CURRENT ASSETS	99,045,645		151,419,617
Property and equipment, net	136,869,085		37,538,147
Security deposits - related parties	—		591,380
Operating lease right-of-use assets	931,630		17,155,584
Long-term investments	2,377,164		2,296,276
Intangible assets, net	175,797,650		186,687,950
Goodwill	68,511,941		406,703,348
Deferred tax assets	57,478		78,993
Other long-term assets	694,490		372,499
TOTAL ASSETS	\$ 484,285,083	\$	802,843,794
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Bank overdraft	\$ 14,839,747	\$	14,952,510
Lines of credit	18,279,062		41,268,554
Accounts payable	28,391,136		39,689,911
Accounts payable - related parties	1,783,861		4,521,356
Current portion of long-term debt, net	5,641,259		2,726,981
Current portion of obligations under finance leases	286,903		280,243
Current portion of obligations under operating leases	308,148		4,322,503
Accrued expenses and other liabilities	6,178,144		2,610,538
Obligation under interest rate swap contracts	993,516		73,158
TOTAL CURRENT LIABILITIES	76,701,776		110,445,754
Long-term debt, non-current	88,008,803		18,535,016
Promissory note payable - related party	7,000,000		—
Obligations under finance leases, non-current	766,885		1,053,166
Obligations under operating leases, non-current	623,482		12,833,081
Deferred tax liabilities	46,382,704		52,320,045
TOTAL LIABILITIES	219,483,650		195,187,062
SHAREHOLDERS' EQUITY:			
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized, no shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	—		—
Common Stock, \$0.0001 par value, 100,000,000 shares authorized, 51,913,411 shares issued and outstanding as of December 31, 2020, and 53,050,211 shares issued and 52,145,096 shares outstanding as of December 31, 2019, respectively	5,191		5,305
Treasury Stock, at cost, — shares as of December 31, 2020, and 905,115 shares at December 31, 2019, respectively	—		(12,038,030)
Additional paid-in capital	587,579,093		599,617,009
Retained earnings (accumulated deficit)	(327,150,398)		15,823,661
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO HF FOODS GROUP INC.	260,433,886		603,407,945
Noncontrolling interest	4,367,547		4,248,787
TOTAL SHAREHOLDERS' EQUITY	264,801,433		607,656,732
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 484,285,083	\$	802,843,794

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

HF Foods Group Inc.
Consolidated Statements of Operations

	For the years ended December 31	
	2020	2019
Net revenue - third parties	\$ 553,408,528	\$ 368,809,865
Net revenue - related parties	13,422,547	19,352,416
TOTAL NET REVENUE	566,831,075	388,162,281
Cost of revenue - third parties	453,706,426	306,370,972
Cost of revenue - related parties	12,833,066	18,582,786
TOTAL COST OF REVENUE	466,539,492	324,953,758
GROSS PROFIT	100,291,583	63,208,523
DISTRIBUTION, SELLING AND ADMINISTRATIVE EXPENSES	106,126,392	54,931,157
INCOME (LOSS) FROM OPERATIONS	(5,834,809)	8,277,366
Other Income (Expenses)		
Interest income	529	418,530
Interest expense	(3,922,191)	(1,661,454)
Goodwill impairment loss	(338,191,407)	—
Other income	1,355,706	1,057,936
Change in fair value of interest rate swap contracts	(920,358)	—
Total Other Income (Expenses), net	(341,677,721)	(184,988)
INCOME (LOSS) BEFORE INCOME TAX PROVISION	(347,512,530)	8,092,378
PROVISION (BENEFIT) FOR INCOME TAXES	(4,831,731)	2,197,092
NET INCOME (LOSS)	(342,680,799)	5,895,286
Less: net income attributable to noncontrolling interest	293,260	505,609
NET INCOME (LOSS) ATTRIBUTABLE TO HF FOODS GROUP INC.	\$ (342,974,059)	\$ 5,389,677
Earnings (loss) per common share – basic and diluted	\$ (6.58)	\$ 0.22
Weighted average shares – basic and diluted	52,095,585	27,113,288

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

HF Foods Group Inc.
Consolidated Statements of Cash Flows

	For the years ended December 31	
	2020	2019
Cash flows from operating activities:		
Net Income (Loss)	\$ (342,680,799)	\$ 5,895,286
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	17,868,596	6,754,508
Goodwill impairment loss	338,191,407	—
Gain (loss) from disposal of equipment	(151,676)	65,624
Allowance for doubtful accounts	1,564,321	72,359
Allowance for inventory obsolescence	129,150	(16,928)
Deferred tax benefit	(5,915,827)	(250,705)
Income from equity method investment	(80,888)	(6,886)
Change in fair value of interest rate swap contracts	920,358	—
Changes in operating assets and liabilities:		
Accounts receivable, net	23,425,562	(4,758,186)
Accounts receivable - related parties, net	2,936,297	1,483,211
Inventories, net	18,867,664	1,112,728
Advances to suppliers - related parties	548,332	781,347
Other current assets	(204,859)	(271,098)
Other long-term assets	(298,209)	142,426
Accounts payable	(11,391,797)	(2,668,541)
Accounts payable - related parties	(2,737,495)	(929,903)
Operating lease liability	(385,250)	(1,601,678)
Accrued expenses and other liabilities	3,526,399	(1,137,036)
Net cash provided by operating activities	44,131,286	4,666,528
Cash flows from investing activities:		
Cash received from acquisition of B&R Global	—	7,017,467
Purchase of property and equipment	(664,750)	(4,835,929)
Proceeds from disposal of equipment	257,372	286,831
Cash received from long-term notes receivable	—	290,071
Payment made for notes receivable	—	(108,750)
Proceeds from long-term notes receivable to related parties	—	386,358
Payment made for long-term notes receivable to related parties	—	(260,933)
Payment made for acquisition of B&R Realty	(94,004,068)	—
Net cash provided by (used in) investing activities	(94,411,446)	2,775,115
Cash flows from financing activities:		
Proceeds from bank overdraft	5,367,468	2,870,416
Repayment of bank overdraft	(5,480,231)	—
Proceeds from lines of credit	553,192,068	144,045,699
Repayment of lines of credit	(576,312,758)	(146,661,467)
Proceeds from long-term debt	75,600,006	8,378,467
Repayment of long-term debt	(6,589,704)	(6,338,525)
Repayment of obligations under finance leases	(279,622)	(384,851)
Cash distribution paid to shareholders	(174,500)	(302,500)
Net cash provided by financing activities	45,322,727	1,607,239
Net increase (decrease) in cash	(4,957,433)	9,048,882
Cash at beginning of the year	14,538,286	5,489,404
Cash at end of the year	\$ 9,580,853	\$ 14,538,286

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

HF Foods Group Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity Attributable to HF Foods Group Inc	Noncontrolling Interest	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount					
Balance at December 31, 2018	22,167,486	\$ 2,217	—	\$ —	\$ 22,920,603	\$ 10,433,984	\$ 33,356,804	\$ 1,104,678	\$ 34,461,482
Net income	—	—	—	—	—	5,389,677	5,389,677	505,609	5,895,286
Exercise of Stock Options	182,725	18	—	—	(18)	—	—	—	—
Buyback of common stock from a shareholder in exchange for notes receivable	—	—	(905,115)	(12,038,030)	—	—	(12,038,030)	—	(12,038,030)
Acquisition of B&R Global by issuance of common stock	30,700,000	3,070	—	—	576,696,424	—	576,699,494	2,941,000	579,640,494
Distribution to shareholders	—	—	—	—	—	—	—	(302,500)	(302,500)
Balance at December 31, 2019	53,050,211	\$ 5,305	(905,115)	\$ (12,038,030)	\$ 599,617,009	\$ 15,823,661	\$ 603,407,945	\$ 4,248,787	\$ 607,656,732
Net income (loss)	—	—	—	—	—	(342,974,059)	(342,974,059)	293,260	(342,680,799)
Escrow shares transferred to and recorded as treasury stock by the Company	—	—	(231,685)	—	—	—	—	—	—
Retirement of treasury stock	(1,136,800)	(114)	1,136,800	12,038,030	(12,037,916)	—	—	—	—
Distribution to shareholders	—	—	—	—	—	—	—	(174,500)	(174,500)
Balance at December 31, 2020	51,913,411	\$ 5,191	—	\$ —	\$ 587,579,093	\$ (327,150,398)	\$ 260,433,886	\$ 4,367,547	\$ 264,801,433

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

**HF FOODS GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION AND BUSINESS DESCRIPTION

Organization and General

HF Foods Group Inc. and subsidiaries (collectively "HF Group", or the "Company") markets and distributes fresh produce, frozen and dry food, and non-food products to primarily Asian restaurants and other foodservice customers throughout the Southeast, Pacific and Mountain West regions of the United States.

The Company was originally incorporated in Delaware on May 19, 2016 as a special purpose acquisition company ("SPAC") under the name Atlantic Acquisition Corp. ("Atlantic"), in order to acquire, through merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or similar business combination with one or more businesses or entities.

Reorganization of HF Holding

HF Group Holding Corporation ("HF Holding") was incorporated in the State of North Carolina on October 11, 2017. Effective January 1, 2018, HF Holding entered into a Share Exchange Agreement (the "Agreement") whereby the controlling shareholders of the following eleven entities contributed their respective stocks to HF Holding in exchange for all of HF Holding's outstanding shares. Upon completion of the share exchanges, these entities became either wholly-owned or majority-owned subsidiaries of HF Holding.

- Han Feng, Inc. ("Han Feng")
- Truse Trucking, Inc. ("TT")
- Morning First Delivery, Inc. ("MFD")
- R&N Holdings, LLC ("R&N Holdings")
- R&N Lexington, LLC ("R&N Lexington")
- Kimsway Manufacturing, Inc. ("Kimsway")
- Chinesetg, Inc. ("Chinesetg")
- New Southern Food Distributors, Inc. ("NSF")
- B&B Trucking Services, Inc. ("BB")
- Kimland Food Distribution, Inc. ("Kimland")
- HG Realty, LLC ("HG Realty")

In accordance with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 805-50-25, the transaction consummated through the Agreement has been accounted for as a transaction among entities under common control since the same shareholders controlled all these eleven entities prior to the execution of the Agreement. Furthermore, ASC 805-50-45-5 indicates that the financial statements and financial information presented for prior years also shall be retrospectively adjusted to furnish comparative information.

In accordance with ASC 805-50-30-5, when accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests should initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of the transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, then the financial statements of the receiving entity should reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Accordingly, the Company has recorded the assets and liabilities transferred from the above entities at their carrying amount.

The following table summarizes the entities under HF Foods Group Inc. after the above-mentioned reorganization, together with new entities formed after the Atlantic Transactions as described below:

Name	Date of formation / incorporation	Place of formation / incorporation	Percentage of legal ownership by HF Group	Principal activities
Parent:				
HF Holding	October 11, 2017	North Carolina, USA	100%	Holding Company
Subsidiaries:				
Han Feng	January 14, 1997	North Carolina, USA	100%	Foodservice distributor
TT	August 6, 2002	North Carolina, USA	100%	Logistic service provider
MFD	April 15, 1999	North Carolina, USA	100%	Logistic service provider
R&N Holdings	November 21, 2002	North Carolina, USA	100%	Real estate holding company
R&N Lexington	May 27, 2010	North Carolina, USA	100%	Real estate holding company
R&N Charlotte, LLC ("R&N Charlotte")	July 10, 2019	North Carolina, USA	100%	Real estate holding company
Kimsway	May 24, 2006	North Carolina, USA	100%	Design and printing services provider
Chinesetg	July 12, 2011	New York, USA	100%	Design and printing services provider
NSF	December 17, 2008	Florida, USA	100%	Foodservice distributor
BB	September 12, 2001	Florida, USA	100%	Logistic service provider
Kimland	April 11, 2006	Georgia, USA	66.7%	Foodservice distributor
HG Realty	May 11, 2012	Georgia, USA	100%	Real estate holding company
HF Foods Industrial, L.L.C. ("HF Foods Industrial")	December 10, 2019	North Carolina, USA	60.0%	Food processing company
273 Fifth Avenue, L.L.C. ("273 Co")	October 10, 2020	Delaware, USA	100%	Real estate lease holding company

Reverse Acquisition of HF Holding

Effective August 22, 2018, Atlantic consummated the transactions contemplated by a merger agreement (the "Atlantic Merger Agreement"), dated as of March 28, 2018, by and among Atlantic, HF Group Merger Sub, Inc. ("HF Merger Sub"), a Delaware subsidiary formed by Atlantic, HF Holding, the stockholders of HF Holding, and Company's former director and Co-CEO, Zhou Min Ni, as representative of the stockholders of HF Holding. Pursuant to the Atlantic Merger Agreement, HF Holding merged with HF Merger Sub and HF Holding became the surviving entity (the "Atlantic Merger") and a wholly-owned subsidiary of Atlantic (the "Atlantic Acquisition"). Additionally, upon the closing of the transactions contemplated by the Atlantic Merger Agreement, the stockholders of HF Holding became the holders of a majority of the shares of common stock of Atlantic, and Atlantic changed its name to HF Foods Group, Inc. (Collectively, these transactions are referred to as the "Atlantic Transactions").

At closing on August 22, 2018, Atlantic issued the HF Holding stockholders an aggregate of 19,969,831 shares of its common stock, equal to approximately 88.5% of the aggregate issued and outstanding shares of Atlantic's common stock. The pre-Atlantic Transactions' stockholders owned the remaining 11.5% of the issued and outstanding shares of common stock of the combined entity.

Following the consummation of the Atlantic Transactions on August 22, 2018, there were 22,167,486 shares of common stock issued and outstanding, consisting of (i) 19,969,831 shares issued to HF Holding's stockholders pursuant to the Atlantic Merger Agreement, (ii) 400,000 shares redeemed by one of Atlantic's shareholders in conjunction with the Atlantic Transactions, (iii)

10,000 restricted shares issued to one of Atlantic's shareholders in conjunction with the Atlantic Transactions, and (iv) 2,587,655 shares originally issued to the pre-Atlantic Transactions stockholders of Atlantic.

The Atlantic Transactions was treated as a reverse acquisition under the acquisition method of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). For accounting purposes, HF Holding was considered to be acquiring Atlantic in this transaction. Therefore, the aggregate consideration paid in connection with the business combination was allocated to Atlantic's tangible and intangible assets and liabilities based on their fair market values. The assets and liabilities and results of operations of Atlantic were consolidated into the results of operations of HF Holding as of the completion of the Atlantic Transactions.

HF Holding Entities Organized Post-Atlantic Transactions

On July 10, 2019, the Company, through its subsidiary Han Feng, formed a new real estate holding company, R&N Charlotte. R&N Charlotte owns a 4.66 acre tract of land with appurtenant 115,570 square foot of office, warehouse, and industrial facility located in Charlotte, North Carolina.

On December 10, 2019, the Company, through its subsidiary Han Feng, formed a new food processing company, HF Foods Industrial, as owner of 60% of membership interest.

On October 1, 2020, the Company, through its subsidiary HF Group Holding, formed a wholly-owned new real estate lease holding company, 273 Co.

Business Combination with B&R Global

Effective November 4, 2019, HF Group consummated the transactions contemplated by a merger agreement (the "B&R Merger Agreement"), dated as of June 21, 2019, by and among the Company, B&R Merger Sub, Inc., a Delaware corporation ("Merger Sub"), B&R Global Holdings, Inc. ("B&R Global"), the stockholders of B&R Global (the "B&R Global Stockholders"), and Xiao Mou Zhang, as representative of the stockholders (the "Business Combination"). Upon the closing of the transactions contemplated by the B&R Merger Agreement (the "Closing"), Merger Sub merged with and into B&R Global, resulting in B&R Global becoming a wholly owned subsidiary of HF Group. HF Group acquired 100% of the controlling interest of B&R Global, in exchange for 30,700,000 shares of HF Group Common Stock. Pursuant to the B&R Merger Agreement, the aggregate fair value of the consideration paid by HF Group in the Business Combination was \$576,699,494, based on the closing share price of the Company's common stock at the date of Closing.

Formed in 2014 as a holding company to acquire and consolidate the various operating entities (listed below) under one roof, B&R Global, through its subsidiaries, supplies foodservice items to approximately 5,000 restaurants across 11 Western states, and combined with HF Group, creates what the Company believes is the largest food distributor to Asian restaurants in the United States. The combined entity now has 13 distribution centers strategically located in 8 states across the Southeast, Pacific and Mountain West regions of the United States and operates a fleet of over 300 refrigerated vehicles. With over 780 employees and subcontractors supported by two call centers in China, HF Group now serves around 10,000 restaurants in 22 states and provides round-the-clock sales and service support to its customers, who mainly converse in Mandarin or Chinese dialects.

The following table summarizes the entities under B&R Global in the Business Combination:

Name	Date of formation / incorporation	Place of formation / incorporation	Percentage of legal ownership by B&R Global	Principal activities
Parent:				
B&R Global	January 3, 2014	Delaware, USA	—	Holding Company
Subsidiaries:				
Rongcheng Trading, LLC ("RC")	January 31, 2006	California, USA	100%	Foodservice distributor
Capital Trading, LLC ("UT")	March 10, 2003	Utah, USA	100%	Foodservice distributor
Win Woo Trading, LLC ("WW")	January 23, 2004	California, USA	100%	Foodservice distributor
Mountain Food, LLC ("MF")	May 2, 2006	Colorado, USA	100%	Foodservice distributor
R & C Trading L.L.C. ("RNC")	November 26, 2007	Arizona, USA	100%	Foodservice distributor
Great Wall Seafood LA, LLC ("GW")	March 7, 2014	California, USA	100%	Foodservice distributor
B&L Trading, LLC ("BNL")	July 18, 2013	Washington, USA	100%	Foodservice distributor
Min Food, Inc. ("MIN")	May 29, 2014	California, USA	60.25%	Foodservice distributor
B&R Group Logistics Holding, LLC ("BRGL")	July 17, 2014	Delaware, USA	100%	Logistic service provider
Ocean West Food Services, LLC ("OW")	December 22, 2011	California, USA	67.5%	Foodservice distributor
Monterey Food Service, LLC ("MS")	September 14, 2017	California, USA	65%	Foodservice distributor
Irwindale Poultry, LLC ("IP")	December 27, 2017	California, USA	100%	Poultry processing company
Best Choice Trucking, LLC ("BCT")	January 1, 2011	California, USA	100%	Logistic service provider
KYL Group, Inc. ("KYL")	April 18, 2014	Nevada, USA	100%	Logistic service provider
American Fortune Foods Inc. ("AF")	February 19, 2014	California, USA	100%	Logistic and import service provider
Happy FM Group, Inc. ("HFM")	April 9, 2014	California, USA	100%	Logistic service provider
GM Food Supplies, Inc. ("GM")	March 22, 2016	California, USA	100%	Logistic service provider
Lin's Distribution, Inc., Inc. ("LIN")	February 2, 2010	Utah, USA	100%	Logistic service provider
Lin's Farms, LLC ("LNF")	July 2, 2014	Utah, USA	100%	Poultry processing company
New Berry Trading, LLC ("NBT")	September 5, 2012	California, USA	100%	Logistic service provider
Hayward Trucking, Inc. ("HRT")	September 5, 2012	California, USA	100%	Logistic service provider
Fuso Trucking Corp. ("FUSO")	January 20, 2015	California, USA	VIE*	Logistic service provider
Yi Z Service LLC ("YZ")	October 2, 2017	California, USA	100%	Logistic service provider
Golden Well Inc. ("GWT")	November 8, 2011	California, USA	100%	Logistic service provider
Kami Trading Inc. ("KAMI")	November 20, 2013	California, USA	100%	Import service provider
Royal Trucking Services, Inc. ("RTS")	May 19, 2015	Washington, USA	100%	Logistic service provider
Royal Service Inc. ("RS")	December 29, 2014	Oregon, USA	100%	Logistic service provider
MF Food Services Inc. ("MFS")	December 21, 2017	California, USA	100%	Logistic service provider

* At the acquisition date and as of December 31, 2020, B&R Global consolidates FUSO, which is considered as a variable interest entity ("VIE") under U.S. GAAP, due to its pecuniary and contractual interest in this entity as a result of the funding arrangements outlined in the entity.

Acquisition of Real Estate Companies

On January 17, 2020, the Company completed the transactions contemplated by that certain membership interest purchase agreement dated the same date (the "Purchase Agreement") by and among its subsidiary B&R Global, B&R Group Realty

Holding, LLC ("BRGR"), and nine subsidiary limited liability companies wholly owned by BRGR (the "BRGR Subsidiaries") (the "Realty Acquisition"). Pursuant to the Purchase Agreement, B&R Global acquired all equity membership interests in the BRGR Subsidiaries, which own 10 warehouse facilities that were being leased by the Company for its operations in California, Arizona, Utah, Colorado, Washington, and Montana for purchase consideration of \$ 101,269,706. Consideration for Realty Acquisition was funded by (1) \$75.6 million in mortgage-backed term loans financed under the Second Amended Credit Agreement (see Note 11 for additional information), (2) issuance by B&R Global of a \$7.0 million Unsecured Subordinated Promissory Note (the "Note") to BRGR, and (iii) payment of \$18.7 million from funds drawn from the Company's revolving credit facility.

The following table summarizes B&R Global's additional wholly owned subsidiaries as a result of the Realty Acquisition:

Name	Date of formation / incorporation	Place of formation / incorporation	Percentage of legal ownership by B&R Global	Principal activities
A & Kie, LLC ("AK")	March 26, 2010	Arizona, USA	100%	Real estate holding company
B & R Realty, LLC ("BRR")	August 28, 2013	California, USA	100%	Real estate holding company
Big Sea Realty, LLC ("BSR")	April 3, 2013	Washington, USA	100%	Real estate holding company
Fortune Liberty, LLC ("FL")	November 22, 2006	Utah, USA	100%	Real estate holding company
Genstar Realty, LLC ("GSR")	February 27, 2012	California, USA	100%	Real estate holding company
Hardin SI Properties, LLC ("HIP")	December 5, 2012	Montana, USA	100%	Real estate holding company
Lenfa Food, LLC ("LF")	February 14, 2002	Colorado, USA	100%	Real estate holding company
Lucky Realty, LLC ("LR")	September 3, 2003	California, USA	100%	Real estate holding company
Murray Properties, LLC ("MP")	February 27, 2013	Utah, USA	100%	Real estate holding company

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP. The consolidated financial statements include the financial statements of HF Group, its subsidiaries and the VIE. The VIE has been accounted for at historical cost and prepared on the basis as if common control had been established as of the beginning of the first period presented in the accompanying consolidated financial statements. All inter-company balances and transactions have been eliminated upon consolidation.

U.S. GAAP provides guidance on the identification of VIE and financial reporting for entities over which control is achieved through means other than voting interests. The Company evaluates each of its interests in an entity to determine whether or not the investee is a VIE and, if so, whether the Company is the primary beneficiary of such VIE. In determining whether the Company is the primary beneficiary, the Company considers if the Company (1) has power to direct the activities that most significantly affect the economic performance of the VIE, and (2) receives the economic benefits of the VIE that could be significant to the VIE. If deemed the primary beneficiary, the Company consolidates the VIE.

As of December 31, 2020 and 2019, FUSO is considered to be a VIE. FUSO was established solely to provide exclusive services to the Company. The entity lacks sufficient equity to finance its activities without additional subordinated financial support from the Company, and the Company has the power to direct the VIE's activities. In addition, the Company receives the economic benefits from the entity and has concluded that the Company is a primary beneficiary.

The carrying amounts of the assets, liabilities, the results of operations and cash flows of the VIE is included in the Company's consolidated balance sheets, statements of income (loss) and statements of cash flows are as follows:

	December 31, 2020	December 31, 2019
Current assets	\$ 47,822	\$ 158,184
Non-current assets	115,934	301,803
Total assets	\$ 163,756	\$ 459,987
Current liabilities	\$ 496,234	\$ 805,666
Non-current liabilities	39,475	69,321
Total liabilities	\$ 535,709	\$ 874,987
	For the year ended December 31	
	2020	2019
Net revenue	\$ 2,020,416	\$ 420,163
Net income	\$ 43,046	\$ 68,449
	For the year ended December 31	
	2020	2019
Net cash provided by operating activities	\$ 246,153	\$ 201,885
Net cash used in financing activities	(265,004)	(207,159)
Net decrease in cash and cash equivalents	\$ (18,851)	\$ (5,274)

Noncontrolling Interests

U.S. GAAP requires that noncontrolling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet. In addition, the amounts attributable to the net income (loss) of those subsidiaries are reported separately in the consolidated statements of income.

As of December 31, 2020 and 2019, noncontrolling interest equity consisted of the following:

Name of Entity	Percentage of Ownership of noncontrolling interest	December 31, 2020	December 31, 2019
Kimland	33.33 %	\$ 1,384,780	\$ 1,292,623
MIN	39.75 %	889,596	896,980
MS	35.00 %	459,816	459,126
OW	32.50 %	1,633,355	1,600,058
Total		\$ 4,367,547	\$ 4,248,787

Uses of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include, but are not limited to, allowance for doubtful accounts, useful lives of property and equipment, lease assumptions, impairment of long-lived assets, long-term investments, goodwill, the purchase price allocation and fair value of noncontrolling interests with respect to business combinations, realization of deferred tax assets, and uncertain income tax positions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three or fewer months to be cash equivalents. As of December 31, 2020 and 2019, the Company had no cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Receivables are presented net of the allowance for doubtful accounts in the accompanying consolidated balance sheets. The Company evaluates the collectability of its accounts receivable and determines the appropriate allowance for doubtful accounts based on a combination of factors. When the Company is aware of a customer's inability to meet its financial obligation, a specific allowance for doubtful accounts is recorded, reducing the receivable to the net amount the Company reasonably expects to collect. In addition, allowances are recorded for all other receivables based on historic collection trends, write-offs and the aging of receivables. The Company uses specific criteria to determine uncollectible receivables to be written off, including, e.g., bankruptcy filings, the referral of customer accounts to outside parties for collection, and the length that accounts remain past due. As of December 31, 2020 and 2019, allowances for doubtful accounts were \$909,182 and \$623,970, respectively.

Inventories

The Company's inventories, consisting mainly of food and other food service-related products, are primarily considered as finished goods. Inventory costs, including the purchase price of the product and freight charges to deliver it to the Company's warehouses, are net of certain cash or non-cash consideration received from vendors. The Company assesses the need for valuation allowances for slow-moving, excess and obsolete inventories by estimating the net recoverable value of such goods based upon inventory category, inventory age, specifically identified items, and overall economic conditions. Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. As of December 31, 2020 and 2019, the valuation allowance was \$146,078 and \$16,928, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Following are the estimated useful lives of the Company's property and equipment:

	Estimated useful lives (years)	
Automobiles	3	7
Buildings and improvements	7	39
Furniture and fixtures	4	10
Machinery and equipment	3	10

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of income in other income or expenses.

Business Combinations

The Company accounts for its business combinations using the purchase method of accounting in accordance with ASC 805 ("ASC 805"), *Business Combinations*. The purchase method of accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities the Company acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over, (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

The Company estimates the fair value of assets acquired and liabilities assumed in a business combination. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, its

estimates are inherently uncertain and subject to refinement. Significant estimates in valuing certain intangible assets include, but are not limited to future expected revenues and cash flows, useful lives, discount rates, and selection of comparable companies. Although the Company believes the assumptions and estimates it has made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired companies and are inherently uncertain. During the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. On the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations.

Transaction costs associated with business combinations are expensed as incurred, and are included in distribution, selling and administrative expenses in the Company's consolidated statements of operations. The results of operations of the businesses that the Company acquired are included in the Company's consolidated financial statements from the date of acquisition.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. The Company tests goodwill for impairment at least annually, in the fourth quarter, or whenever events or changes in circumstances indicate that goodwill might be impaired.

The Company reviews the carrying values of goodwill and identifiable intangibles whenever events or changes in circumstances indicate that such carrying values may not be recoverable and annually for goodwill and indefinite lived intangible assets as required by ASC Topic 350 ("ASC 350"), *Intangibles—Goodwill and Other*. This guidance provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company performs a quantitative analysis. If the quantitative analysis indicates the carrying value of a reporting unit exceeds its fair value, the Company measures any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company opted the early adoption of Accounting Standards Update ("ASU") 2017-4, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The standard simplifies the subsequent measurement of goodwill by removing Step 2 of the current goodwill impairment test, which requires a hypothetical purchase price allocation. Under the new standard, an impairment loss will be recognized in the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

Intangible Assets

Intangible assets are carried at cost and amortized on a straight-line basis over their estimated useful lives. The Company determines the appropriate useful life of its intangible assets by measuring the expected cash flows of acquired assets. The estimated useful lives of intangible assets are as follows:

	Estimated useful lives (years)
Tradenames	10
Customer relationships	20

Long term investments

The Company's investments in unconsolidated entities consist of equity investments and investment without readily determinable fair value.

The Company follows ASC Topic 321 ("ASC 321"), *Investments – Equity Securities*, using the measurement alternative to measure investments in investees that do not have readily determinable fair value and over which the Company does not have significant influence at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The Company makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Company has to estimate the investment's fair value in accordance with the principles of ASC Topic 820 ("ASC 820"), *Fair*

Value Measurements and Disclosures. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Topic 323 ("ASC 323"), *Investments-Equity Method and Joint Ventures*. Under the equity method, the Company initially records its investment at cost and the difference between the cost and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the consolidated balance sheets. The equity method goodwill is not subsequently amortized and is not tested for impairment under ASC 350. The Company subsequently adjusts the carrying amount of the investment to recognize the Company's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Company evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

The Company did not record any impairment loss on its long term investments as of December 31, 2020 and 2019.

Impairment of Long-lived Assets other than goodwill

The Company assesses its long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Factors which may indicate potential impairment include a significant underperformance related to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If property and equipment, and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds their fair value. The Company did not record any impairment loss on its long-lived assets as of December 31, 2020 and 2019.

Revenue Recognition

The Company recognizes revenue from the sale of products when title and risk of loss passes and the customer accepts the goods, which occurs at delivery. Sales taxes invoiced to customers and remitted to government authorities are excluded from net sales.

The Company follows ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Company recognizes revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfer to a customer. The majority of the Company's contracts have one single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct. The Company's revenue streams are recognized at a specific point in time.

For the years ended December 31, 2020 and 2019, revenue recognized from performance obligations related to prior periods was insignificant. Revenue expected to be recognized in any future periods related to remaining performance obligations is insignificant.

The following table summarizes disaggregated revenue from contracts with customers by geographic locations:

	For the Years Ended	
	December 31, 2020	December 31, 2019
Arizona	\$ 34,952,390	\$ 7,196,217
California	192,998,208	54,877,209
Colorado	34,908,440	6,658,931
Florida	65,415,191	91,173,814
Georgia	46,985,078	65,173,052
North Carolina	108,954,235	145,756,172
Utah	52,458,685	8,249,684
Washington	30,158,848	9,077,202
Total	\$ 566,831,075	\$ 388,162,281

Shipping and Handling Costs

Shipping and handling costs, which include costs related to the selection of products and their delivery to customers, are presented in distribution, selling and administrative expenses. Shipping and handling costs were \$6,813,693 and \$4,443,967 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

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

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 ("ASC 740"), *Income Taxes*, on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not believe that there were any uncertain tax positions at December 31, 2020 and 2019.

Leases

On January 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)* ("Topic 842"). For all leases that were entered into prior to the effective date of ASC 842, the Company elected to apply the package of practical expedients. Based on this guidance the Company will not reassess the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases. The adoption of Topic 842 did not have a material impact on the Company's consolidated balance sheets or on its consolidated statements of operations.

The adoption of Topic 842 resulted in the presentation of \$21.2 million of operating lease assets and operating lease liabilities on the consolidated balance sheet as of January 1, 2019. See Note 11 for additional information. As a result of the Realty Acquisition (see Note 8 for additional information), nine leases previously included in the operating lease asset and liabilities balance were eliminated during consolidation. As of December 31, 2020 and 2019, the balances for operating lease assets and liabilities were \$931,630 and \$17,155,584, respectively. See Note 13 for additional information.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of obligations under operating leases, and obligations under operating leases, non-current on the Company's consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of finance lease liabilities, and finance lease liabilities, non-current on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Earnings Per Share

The Company computes earnings per share ("EPS") in accordance with ASC Topic 260 ("ASC 260"), *Earnings per Share*. ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. There is no anti-dilutive effect for the years ended December 31, 2020 and 2019.

Fair Value of Financial Instruments

The Company follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions about what assumptions market participants would use in pricing the asset or liability based on the best available information.

Any transfers of assets or liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy will be recognized at the end of the reporting period in which the transfer occurs. There were no transfers between fair value levels in any of the periods presented herein.

The carrying amounts reported in the balance sheets for cash, accounts receivable, advances to suppliers, other current assets, accounts payable, bank overdraft, income tax payable, current portion of long-term debt, current portion of obligations under finance and operating leases, and accrued expenses and other liabilities approximate their fair value based on the short-term maturity of these instruments.

Derivative Financial Instrument

In accordance with the guidance in ASC Topic 815 ("ASC 815"), *Derivatives and Hedging*, derivative financial instruments are recognized as assets or liabilities on the consolidated balance sheets at fair value. The Company has not designated its interest rate swap ("IRS") contracts as hedges for accounting treatment. Pursuant to U.S. GAAP, income or loss from fair value changes for derivatives that are not designated as hedges by management are reflected as income or loss on the statement of operations. Net amounts received or paid under the interest rate swap contracts are recognized as an increase or decrease to interest expense when such amounts are incurred. The Company is exposed to credit loss in the event of nonperformance by the counterparty.

Concentrations and Credit Risk

Credit risk

Accounts receivable are typically unsecured and derived from revenue earned from customers, and thereby exposed to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances.

Concentration risk

There were no receivables from any one customer representing more than 10% of the Company's consolidated gross accounts receivable at December 31, 2020 and 2019.

For the years ended December 31, 2020 and 2019, no supplier accounted for more than 10% of the total cost of revenue. As of December 31, 2020, two suppliers accounted for 22% and 18% of total advance payments outstanding and one suppliers accounted for 96% of advance payments to related parties, respectively. As of December 31, 2019, two suppliers accounted for 34% and 15% of total advance payments outstanding and these two suppliers accounted for 70% and 30% of advance payments to related parties, respectively.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13 ("ASU 2016-13"), *Measurement of Credit Losses on Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 was further amended in November 2019 in "Codification Improvements to Topic 326, Financial Instruments-Credit losses". This guidance is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. For emerging growth companies, the effective date has been extended to fiscal years beginning after December 31, 2022. The Company will adopt this ASU within the annual reporting period of December 31, 2023. The Company is currently assessing the impact of adopting this standard, but based upon its preliminary assessment, does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 ("ASU 2019-12"), *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to managerial accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company will adopt this ASU within the annual reporting period of December 31, 2021. The Company is currently assessing the impact of adopting this standard, but based on its preliminary assessment, does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	As of December 31, 2020	As of December 31, 2019
Accounts receivable	\$ 25,761,394	\$ 50,651,104
Less: allowance for doubtful accounts	(909,182)	(623,970)
Accounts receivable, net	<u>\$ 24,852,212</u>	<u>\$ 50,027,134</u>

Movement of allowance for doubtful accounts is as follows:

	For the Years Ended	
	December 31, 2020	December 31, 2019
Beginning balance	\$ 623,970	\$ 658,104
Provision for doubtful accounts	1,337,820	(4,515)
Less: write off/recovery	(1,052,608)	(29,619)
Ending balance	\$ 909,182	\$ 623,970

NOTE 4 - NOTES RECEIVABLE

As of December 31, 2018, the Company's records reflected that there was a promissory note agreement with Feilong Trading, Inc. ("Feilong"). The relationship between Feilong and HF is within the scope of our internal investigation. Pursuant to the promissory note agreement, Feilong was permitted to borrow up to \$4,000,000 from time to time. The note bore interest at the rate of 5% per annum on the unpaid balance, compounded monthly. The Company's former Chairman and Co-CEO, Zhou Min Ni agreed to personally guarantee the repayment of all outstanding balances relating to this note receivable.

On September 30, 2019, the Company and Mr. Ni entered into a Loan Purchase and Sale Agreement (the "Loan Sale Agreement"). Pursuant to the Loan Sale Agreement, the entire outstanding balance of \$ 3,622,505 owed by Feilong to the Company was sold to Mr. Ni in exchange for 272,369 shares of common stock of the Company, which shares were received and recorded as treasury stock by the Company as of September 30, 2019. In connection with the sale of this note receivable, the Company also required 89,882 additional shares of common stock of the Company owned by Mr. Ni to be placed in an escrow account for a period of one year until September 30, 2020 (the "Escrow Period"), which would then be delivered to the Company in part or in full, if the volume weighted average price ("VWAP") of the Company's common stock for the 250-trading-day period immediately preceding the expiration of the Escrow Period was less than \$13.30.

On October 9, 2020, in accordance with the terms of the Loan Sale Agreement, the Company and Mr. Ni determined and agreed that the 250-day VWAP immediately preceding September 30, 2020 was \$ 10.59, and consequently, 69,719 of the Escrow Shares were transferred to and recorded as treasury stock by the Company, and the remaining 20,163 Escrow Shares were returned to Mr. Ni. Following this event, the balance due from Feilong to the Company is considered fully settled. The Company has retired all treasury stocks as of December 31, 2020.

NOTE 5 - LONG TERM INVESTMENTS

Long term investments consisted of the following:

	Ownership as of December 31, 2020	As of December 31, 2020	As of December 31, 2019
Asahi Food, Inc.	49%	\$ 577,164	\$ 496,276
Pt. Tamron Akuatik Produk Industri	12%	1,800,000	1,800,000
Long term investments		\$ 2,377,164	\$ 2,296,276

The investment in Pt. Tamron Akuatik Produk Industri is accounted for using the measurement alternative under ASC321, which is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments, if any. The investment in Asahi Food, Inc. is accounted for under the equity method due to the fact that the Company has significant influence but does not exercise full control over this investee. The Company believes there was no impairment as of December 31, 2020 and 2019 for these investments.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of December 31, 2020	As of December 31, 2019
Automobiles	\$ 24,544,094	\$ 24,340,652
Building	71,285,127	17,721,292
Building improvements	9,807,234	9,079,737
Furniture and fixtures	223,996	220,169
Land	52,125,900	3,391,858
Machinery and equipment	13,498,211	11,414,764
Subtotal	171,484,562	66,168,472
Less: accumulated depreciation	(34,615,477)	(28,630,325)
Property and equipment, net	<u>\$ 136,869,085</u>	<u>\$ 37,538,147</u>

The Company acquired \$102,331,567 of property and equipment resulting from an acquisition of assets from B&R Realty Group on January 17, 2020. See Note 8 for additional information.

Depreciation expense was \$6,393,309 and \$3,251,162 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 - BUSINESS COMBINATION WITH B&R GLOBAL

Effective November 4, 2019, HF Group acquired 100% of the controlling interest of B&R Global, in exchange for 30,700,000 shares of HF Group Common Stock. HF Group is considered as both the legal and accounting acquirer based on the fact that there was no change of control in connection with this Business Combination. The aggregate fair value of the consideration paid by HF Group in the Business Combination is \$576,699,494 and is based on the closing share price of the Company's common stock at the date of Closing.

The information included herein has been prepared based on the allocation of the purchase price using estimates of the fair value of assets acquired and liabilities assumed which were determined using quoted market prices, discounted cash flow, and estimates made by management. The purchase price allocation was subject to further adjustment until all pertinent information regarding the assets and liabilities acquired are fully evaluated by the Company, not to exceed one year as permitted under ASC 805.

The following table presents the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash	\$	7,017,467
Accounts receivable, net		30,934,831
Accounts receivable - related parties, net		3,393,930
Inventories, net		56,451,885
Other current assets		2,332,063
Other current assets - related parties		498,211
Advances to suppliers, net		97,964
Property and equipment, net		11,042,601
Deposit		281,282
Deposit -- related parties		591,380
Long-term investments		2,289,389
Right-of-use assets		17,791,681
TANGIBLE ASSETS ACQUIRED		132,722,684
Line of credit		35,567,911
Accounts payable		24,884,247
Accounts payable - related parties		1,528,139
Bank overdraft		12,082,094
Accrued expenses		778,779
Other payables		185,938
Other payables -- related party		733,448
Customer deposits		38,510
Long-term debt		3,284,159
Lease liabilities		17,791,680
Deferred tax liabilities arising from acquired intangible assets		51,413,633
TANGIBLE LIABILITIES ASSUMED		148,288,538
NET TANGIBLE LIABILITIES ASSUMED		(15,565,854)
Identifiable intangible assets		188,503,000
Goodwill		406,703,348
INTANGIBLE ASSETS ACQUIRED		595,206,348
Noncontrolling interests		2,941,000
Total consideration	\$	576,699,494

The Company recorded acquired intangible assets of \$188,503,000. These intangible assets include tradenames valued at \$29,303,000 and customer relationships valued at \$159,200,000. The associated goodwill and intangible assets are not deductible for tax purposes.

The following table presents the Company's unaudited pro forma results for the year ended December 31, 2019, as if the B&R Global Acquisition had occurred on January 1, 2019. The unaudited pro forma financial information presented includes the effects of adjustments related to the amortization of acquired intangible assets, and excludes other non-recurring transaction

costs directly associated with the acquisition such as legal and other professional service fees. Statutory rates were used to calculate income taxes.

	For the Year Ended December 31, 2019	
Pro forma net revenue	\$	828,045,703
Pro forma net income		6,799,694 (1)
Pro forma net income attributable to HF Group		5,662,499 (1)
Pro forma earnings per common share - basic and diluted	\$	0.11
Pro forma weighted average shares - basic and diluted		53,293,566

(1) Includes intangibles asset amortization expense of \$10,890,300 for the year ended December 31, 2019.

NOTE 8 - ACQUISITION OF B&R REALTY SUBSIDIARIES

On January 17, 2020, B&R Global acquired 100% equity membership interests of the subsidiaries of BRGR, which own warehouse facilities that were being leased to B&R Global for its operations in California, Arizona, Utah, Colorado, Washington, and Montana. Co-CEO of the Company, Xiao Mou Zhang, managed and owned an 8.91% interest in BRGR. The total purchase price for the acquisition was \$101,269,706, based on independent appraisals of the fair market value of the properties.

The Company notes that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar assets (land and buildings all used for warehousing and distribution purposes). As such, the acquisition of BRGR Subsidiaries would be deemed an asset acquisition under ASC 805-10-55, and the total purchase price is allocated on a relative fair value basis to the net assets acquired.

Consideration for the acquisition was funded by (1) \$75.6 million in mortgage-backed term loans financed under the Second Amended Credit Agreement (see Note 12 for additional information), (2) issuance by B&R Global of a \$7.0 million Unsecured Subordinated Promissory Note to BRGR maturing on January 17, 2030, and (3) payment of \$18.7 million from funds drawn from the Company's revolving credit facility. The reissuance of the mortgage-backed term loans released BRGR from its obligations to the lenders under the First Amended Credit Agreement (See Note 11 for additional information) and predecessor financing arrangements.

Capitalizable tangible net assets acquired are depreciated on a straight-line basis over the estimated useful lives, ranges from 3 years to 39 years. Depreciation expense for property and equipment acquired was \$1,268,753 for the year ended December 31, 2020.

The following table presents the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash	\$	265,639
Automobile		33,690
Prepays		39,193
Land		48,734,042
Buildings		53,563,835
Total assets acquired		<u>102,636,399</u>
Accounts payable and Accrued Expenses		1,366,693
Total liabilities assumed		<u>1,366,693</u>
Net assets acquired	\$	<u>101,269,706</u>

NOTE 9 - GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill

The changes in HF Group's carrying amount of goodwill by segment are presented below:

	HF	B&R Global	Total
Balance at December 31, 2019	\$ —	\$ 406,703,348	\$ 406,703,348
Impairment Loss	—	(338,191,407)	(338,191,407)
Balance at December 31, 2020	<u>\$ —</u>	<u>\$ 68,511,941</u>	<u>\$ 68,511,941</u>

The Company recorded approximately \$406.7 million of goodwill on December 31, 2019, resulting from the completion of the Business Combination with B&R Global, which represents the excess of the purchase price over the fair value of net assets acquired. HF Group acquired 100% of the controlling interest of B&R Global, in exchange for 30,700,000 consideration shares of HF Group Common Stock, valued at \$576,699,494 based upon the closing share price of the Company's common stock at the date of Closing on November 4, 2019. The Company's policy is to test goodwill for impairment annually in the fourth quarter, or more frequently if certain triggering events or circumstances indicate it could be impaired. Potential impairment indicators include (but are not limited to) macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events, specific events affecting the reporting unit, or sustained decrease in share price.

Towards the end of first quarter of fiscal year 2020, the Company experienced significant decline in business volume due to mandatory stay-at-home orders issued by governmental authorities in response to the intensification of the COVID-19 pandemic. The Company determined that the B&R Global reporting unit was very sensitive to these declines and that it was more likely than not that an impairment may exist. The Company, therefore, performed an analysis of the fair value of the B&R Global reporting unit as of March 31, 2020 using a discounted cash flow method for goodwill impairment testing purposes. Based upon the analysis, the Company concluded that the carrying value of its B&R Global reporting unit exceeded its fair value by approximately \$338.2 million. As a result, the company recorded the amount as impairment loss during the first quarter of fiscal year 2020.

The Company estimated the fair values of the B&R Global reporting unit using the income approach, discounting projected future cash flows based upon management's expectations of the current and future operating environment. The calculation of the impairment charge includes substantial fact-based determinations and estimates including weighted average cost of capital ("WACC"), future revenue, profitability, perpetual growth rates and fair values of assets and liabilities. The fair value conclusions as of March 31, 2020 for the reporting unit are highly sensitive to changes in the WACC, which consider observable data about guideline publicly traded companies, an estimated market participant's expectations about capital structure and risk premiums. The Company corroborated the reasonableness of the estimated reporting unit fair values by reconciling to its enterprise value and market capitalization. The Company also observed that the WACC applied on March 31, 2020 increased significantly from the original WACC value as of the acquisition date, mainly driven by the increased risk and volatility observed in the market. Volatility has primarily been due to concerns about demand for food distribution services, as restaurant activity in much of the country has been reduced to takeout and delivery offerings. Continued uncertainty about the removal or perpetuation of these restrictions and levels of consumer spending cause ongoing volatility.

In addition, the fair value of the goodwill is sensitive to the changes in the assumptions used in the projected cash flows, which include forecasted revenues and perpetual growth rates, among others, all of which require significant judgment by management. The Company has used recent historical performance, current forecasted financial information, and broad-based industry and economic statistics as a basis to estimate the key assumptions utilized in the discounted cash flow model. These key assumptions are inherently uncertain and require a high degree of estimation and judgment and are subject to change based on future conditions, industry and global economic and geo-political factors, and the timing and success of the Company's implementation of current strategic initiatives.

Using historic monthly sales run rate and forecasted sales run rates for the next year, the Company performed goodwill impairment assessment and concluded no further impairment is required as of December 31, 2020.

Acquired Intangible Assets

In connection with the Business Acquisition, HF Group acquired \$188,503,000 of intangible assets, primarily representing tradenames and customer relationships, which have an estimated amortization period of approximately 10 years and 20 years respectively. The components of the intangible assets are as follows:

	As of December 31, 2020			As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradenames	\$ 29,303,000	\$ (3,418,683)	\$ 25,884,317	\$ 29,303,000	\$ (488,383)	\$ 28,814,617
Customer relationships	159,200,000	(9,286,667)	149,913,333	159,200,000	(1,326,667)	157,873,333
Total	\$ 188,503,000	\$ (12,705,350)	\$ 175,797,650	\$ 188,503,000	\$ (1,815,050)	\$ 186,687,950

Since COVID-19 has had an adverse impact on the Company's business volume, which was a triggering event, the Company performed long-lived asset quantitative impairment tests as of December 31, 2020. All intangible assets were tested for recoverability at the asset group level. ASC Topic 360, *Property, Plant and Equipment* ("ASC 360") defines the recoverability of these assets as measured by comparison of their (or asset group) carrying amounts to future undiscounted cash flows the assets (or asset group) are expected to generate. Based on the test for recoverability using undiscounted cash flows attributable to the asset (or asset group), the sum of the undiscounted cash flows exceeded the carrying value of the measured asset (or asset group). As such, no impairment was recorded for the finite lived assets as of December 31, 2020.

HF Group's amortization expense for intangible assets was \$10,890,300 in 2020 and \$1,815,050 in 2019, respectively. Estimated future amortization expense for intangible assets is presented below:

Twelve months ending December 31,		Amount
2021		\$ 10,890,300
2022		10,890,300
2023		10,890,300
2024		10,890,300
2025		10,890,300
Thereafter		121,346,150
Total		\$ 175,797,650

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes interest rate swaps for the sole purpose of mitigating interest rate fluctuation risk associated to floating rate debt instruments (as defined in Note 11 Lines of Credit, and Note 12 Long-Term Debt). The Company does not use any other derivative financial instruments for trading or speculative purposes.

On August 20, 2019, HF Group entered into two IRS contracts with East West Bank (the "EWB IRS") for initial notional amounts of \$1.05 million and \$2.625 million, respectively. The EWB IRS contracts were entered into in conjunction with two mortgage term loans of corresponding amount that were priced at USD 1-month LIBOR (London Interbank Offering Rate) plus

2.25% per annum for the entire duration of the term loans. The EWB IRS contracts have fixed the two term loans at 4.23% per annum until maturity in September 2029.

On December 19, 2019, HF Group entered into an IRS contract with Bank of America (the "BOA IRS") for an initial notional amount of \$2.74 million in conjunction with a newly contracted mortgage term loan of corresponding amount. The term loan was contracted at USD 1-month LIBOR plus 2.15% per annum but was fixed at 4.25% per annum resulting from the corresponding BOA IRS contract. The term loan and corresponding BOA IRS contract matures in December, 2029.

On June 24, 2020, HF Group entered into a forward starting IRS contract with JP Morgan Chase Bank (the "JPM IRS") for a fixed \$80 million notional amount, effective from June 30, 2021 and expiring on June 30, 2025, as a means to partially hedge its existing floating rate loans exposure. The Company has an existing term loan as of December 31, 2020 of approximately \$73.5 million which was pegged to a floating rate of 1-month LIBOR plus 1.875% per annum, as well as a revolving line of credit with an outstanding balance of \$18.3 millions as of December 31, 2020 that was pegged to 1-month LIBOR plus 1.375% per annum. Under the terms of the JPM IRS contract, the Company will receive interest at prevailing 1-month LIBOR and pay fixed interest at 0.413% plus the agreed bank spread starting from July 31, 2021 through July 31, 2025 inclusive.

On March 3, 2021, the Company unwind the JPM IRS. The contract was unwound with a view that 1-month LIBOR will continue to remain low in the foreseeable future despite the spike at the long end of the yield curve. The Company recorded a gain of \$718,600 in the first quarter of 2021.

The Company evaluated the above mentioned interest rate swap contracts currently in place and did not designate those as cash flow hedges. Hence, the fair value change on the aforementioned interest rate swap contracts are accounted for and recognized as change in fair value of interest rate swap contracts in the unaudited condensed consolidated statements of operations.

As of December 31, 2020 and December 31, 2019, the Company has determined that the fair value of the interest rate swap obligations was \$993,516 and \$73,158, respectively. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in its assessment of fair value. The interest rate swaps are classified as Level 3 liabilities and fair value was obtained from the respective counterparties.

NOTE 11 - LINES OF CREDIT

On April 18, 2019, the Company, Han Feng, NSF and Kimland entered into a Credit Agreement with East West Bank (the "EWB Credit Agreement"). The EWB Credit Agreement provided for a \$ 25 million secured line of credit available to be used in one or more revolving loans to the Company's domestic subsidiaries that were parties to the EWB Credit Agreement for working capital and general corporate purposes. Han Feng, NSF and Kimland (the "Borrowing Subsidiaries") were the borrowers and the Company and each of its other material subsidiaries were guarantors of all the obligations under the EWB Credit Agreement. The original maturity of the line of credit was August 18, 2021. Under the EWB Credit Agreement, the Borrowing Subsidiaries were to pay interest on the principal amounts drawn on the line of credit at a rate per annum equal to (a) 0.375% below the Prime Rate in effect from time to time, or (b) 2.20% above the LIBOR Rate in effect from time to time, depending on the rate elected at the time a borrowing request is made, but in no event less than 4.214% per annum. The EWB Credit Agreement contained certain financial covenants which, among other things, required Han Feng to maintain certain financial ratios. On November 4, 2019, the outstanding balance of \$13,864,481 (including accrued interest) under the EWB Credit Agreement was fully paid off from borrowings under a Credit Agreement entered into with JPMorgan Chase Bank, N.A. ("JPMorgan") in connection with the closing of the merger with B&R Global as described below (the "JPM Credit Agreement").

The JPM Credit Agreement provides for a \$100 million asset-secured revolving credit facility maturing on November 4, 2022, with an option to renew at the bank's discretion. The credit facility was collateralized by all assets of the Company and was also guaranteed by B&R Group Realty and B&R Realty Subsidiaries, which B&R Realty Subsidiaries were subsequently acquired by the Company on January 17, 2020 (See Note 8 for additional information). The JPM Credit Agreement was later superseded by a Second Amended and Restated Credit Agreement ("Second Amended Credit Agreement") as described below.

On January 17, 2020, the Company, its wholly-owned subsidiary, B&R Global, and certain of the wholly-owned subsidiaries and affiliates of the Company as borrowers (collectively with the Company, the "Borrowers"), and certain material subsidiaries of the Company as guarantors, entered into the Second Amended Credit Agreement with JPMorgan, as Administrative Agent, and certain lender parties thereto, including Comerica Bank. The Second Amended Credit Agreement, provides for (i) a \$ 100 million asset-secured revolving credit facility maturing on November 4, 2022 (the "Revolving Facility"), and (ii) mortgage-secured term loan of \$75.6 million ("Term Loan").

The existing revolving credit facility balance of \$41.2 million under the First Amended Credit Agreement, was rolled over to the Revolving Facility on January 17, 2020. On the same day, B&R Global utilized the \$ 75.6 million Term Loan and additional \$18.7 million drawdown from the Revolving Facility to fund in part the acquisition of ten warehouse facilities owned by the selling BRGR Subsidiaries, which B&R Global had been leasing for its operations in California, Arizona, Utah, Colorado, Washington, and Montana. The Second Amended Credit Agreement contained certain financial covenants and as of December 31, 2020, the Company was in compliance with the covenants. The outstanding principal balance on the line of credit as of December 31, 2020 was \$18.3 million.

NOTE 12 - LONG-TERM DEBT

Long-term debt at December 31, 2020 and 2019 is as follows:

Bank name	Maturity	Interest rate at December 31,		As of December 31,	As of December 31,
		2020	2020	2020	2019
Bank of America – (a)	April 2021 - December 2029	3.73%	- 5.51%	\$ 5,905,472	\$ 4,263,663
BMO Harris Bank N.A. – (b)	April 2022 - January 2024	5.87%	- 5.99%	280,164	508,564
East West Bank – (c)	August 2027 - September 2029	3.83%	- 4.25%	6,802,271	6,989,016
First Horizon Bank – (d)	October 2027		3.85%	4,773,378	4,967,075
J.P. Morgan Chase – (e)	February 2023 - January 2030	2.02%	- 2.15%	74,687,806	2,702,371
Peoples United Bank – (b)	December 2022 - January 2023	6.69%	- 7.53%	725,282	1,114,993
Other finance institutions – (b)	March 2021 - March 2024	3.90%	- 6.14%	475,689	716,315
Total debt				93,650,062	21,261,997
Less: current portion				(5,641,259)	(2,726,981)
Long-term debt				\$ 88,008,803	\$ 18,535,016

The terms of the various loan agreements related to long-term bank borrowings require the Company to comply with certain financial covenants. As of December 31, 2020, the Company was in compliance. As of December 31, 2019, the Company was in violation of one covenant and a waiver was obtained from Bank of America for the covenant violation.

The loans outstanding were guaranteed by the following properties, entities or individuals, or otherwise secured as shown:

- (a) Guaranteed by two subsidiaries of the Company, NSF and BB, and also secured by real property, equipment and fixtures, inventories, receivables and all other personal property owned by NSF. Balloon payment for this long-term debt is \$1,382,046.
- (b) Secured by vehicles.
- (c) Guaranteed by five subsidiaries of the Company, Han Feng, TT, MFD, R&N Holdings and R&N Lexington, in part by one shareholder and spouse, and also secured by assets of Han Feng and R&N Lexington and R&N Holdings, two real properties of R&N Holdings, and a parcel of real property owned by R&N Lexington. Balloon payment of \$2,293,751 is due in 2027 and another balloon payments of \$3,007,239 is due in 2029.
- (d) Guaranteed by one shareholder and spouse, as well as Han Feng. Also secured by a real property owned by HG Realty. Balloon payment for this debt is \$3,116,687.
- (e) Real estate term loan with a principal balance of \$72,761,598 as of December 31, 2020 is secured by assets held by nine subsidiaries of the Company, AK, BRR, BSR, FL, GSR, HP, LF, LR, and MP. Equipment term loan with a principal balance of \$ 1,926,208 as of December 31, 2020 is secured by specific vehicles and equipment as defined in loan agreements.

The future maturities of long-term debt as of December 31, 2020 are as follows:

Twelve months ending December 31,	Amount
2021	\$ 5,641,259
2022	5,347,017
2023	4,260,965
2024	3,706,449
2025	3,711,793
Thereafter	70,982,579
Total	\$ 93,650,062

NOTE 13 - LEASES

The Company leases office space and warehouses under non-cancelable operating leases, with terms typically ranging from one to five years, as well as operating and finance leases for vehicles and delivery trucks, forklifts and computer equipment with various expiration dates through 2021. The Company determines whether an arrangement is or includes an embedded lease at contract inception.

Operating lease assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Lease expense is recognized on a straight-line basis over the lease term. For finance leases, the Company also recognizes finance lease assets and finance lease liabilities at inception, with lease expense recognized as interest expense and amortization of the lease payment.

Operating Leases

The components of lease expense were as follows:

	For the Year Ended			
	December 31, 2020		December 31, 2019	
Operating lease cost	\$	1,326,746	\$	1,601,678
Weighted Average Remaining Lease Term (Months)				
Operating leases		39		51
Weighted Average Discount Rate				
Operating leases		4.0	%	4.0

Finance Leases

The components of lease expense were as follows:

	For the Year Ended			
	December 31, 2020		December 31, 2019	
Finance leases cost:				
Amortization of right-of-use assets	\$	538,188	\$	571,130
Interest on lease liabilities		94,093		110,274
Total finance leases cost	\$	632,281	\$	681,404

Supplemental cash flow information related to finance leases was as follows:

	For the Year Ended	
	December 31, 2020	December 31, 2019
Operating cash flows from finance leases	\$ 94,093	\$ 110,274

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020	December 31, 2019
<i>Finance Leases</i>		
Property and equipment, at cost	\$ 2,793,731	\$ 2,793,731
Accumulated depreciation	(1,831,318)	(1,293,130)
Property and equipment, net	\$ 962,413	\$ 1,500,601
<i>Weighted Average Remaining Lease Term (Months)</i>		
Finance leases	43	54
<i>Weighted Average Discount Rate</i>		
Finance leases	7.56 %	7.51 %

Maturities of lease liabilities were as follows:

Twelve months ending December 31,	Operating Leases	Finance Leases
2021	\$ 382,047	\$ 359,635
2022	336,103	322,456
2023	219,584	312,605
2024	85,797	215,364
2025	66,731	—
Total Lease Payments	1,090,262	1,210,060
Less Imputed Interest	(158,632)	(156,272)
Total	\$ 931,630	\$ 1,053,788

On July 2, 2018, AnHeart Inc. ("AnHeart"), a former wholly-owned subsidiary of HF Holding, entered into two separate leases for two properties located in Manhattan, New York, at 273 Fifth Avenue and 275 Fifth Avenue, for 30 years and 15 years, respectively. The leases were on a triple net basis, meaning AnHeart is required to pay all costs associated with the properties, including taxes, insurance, utilities, maintenance and repairs. HF Holding provided a corporate guaranty for all rent and related costs of the leases, including costs associated with the planned construction of a two-story structure at 273 Fifth Avenue and rehabilitation of the building at 275 Fifth Avenue. The Company entered into the leases back then with the planned purpose of expanding its product lines to include Chinese herb supplements, and to use the sites to develop into a hub for such products. The Company has since determined to cease this business expansion in early 2019.

On February 23, 2019, HF Holding executed an agreement to divest all of its ownership interest in AnHeart to Ms. Jianping An, a resident of New York, for the sum of \$20,000. The transfer of ownership was completed on May 2, 2019. However, the divestment does not release HF Holding's guaranty of AnHeart's obligations or liabilities under the original lease agreements. Under the terms of the sale of AnHeart stock to Ms. An, and in consideration of the Company's ongoing guaranty of AnHeart's performance of the lease obligations, AnHeart granted to the Company a security interest in all AnHeart assets, together with a covenant that the Company will be assigned the leases, to be exercised if AnHeart defaults on the original lease agreements. Further, Ms. An has tendered an unconditional guaranty of all AnHeart liabilities arising from the leases, in favor of the Company, executed by Minsheng Pharmaceutical Group Company, Ltd., a Chinese manufacturer and distributor of herbal medicines. See Note 19 - Subsequent Events for additional information concerning the AnHeart leases.

In January 2021, the Company's subsidiary, Kimland signed a new 5-year operating lease agreement with a related party, Yoan to continue to lease the warehouse space that Kimland has been operating in at 36 - 40 Enterprise Blvd, Atlanta, Georgia

("Warehouse Lease"). Pursuant to the Warehouse Lease, effective January 1, 2021 and maturing on December 31, 2025, Kimland will pay an initial monthly rental rate of \$23,495 with standard annual rent escalation of 3% per annum. See Note 19 - Subsequent Events.

NOTE 14 - SUPPLEMENTAL CASH FLOWS INFORMATION

Supplemental cash flow disclosures and noncash investing and financing activities are as follows:

	For the Years Ended	
	December 31, 2020	December 31, 2019
Supplemental disclosure of cash flow data:		
Cash paid for interest	\$ 4,123,832	\$ 1,520,545
Cash paid for income taxes	\$ 804,147	\$ 2,677,205
Supplemental disclosure of non-cash investing and financing activities		
Right of use assets obtained in exchange for operating lease liabilities	\$ 331,239	\$ 767,323
Property and equipment obtained in exchange for finance lease liabilities	\$ —	\$ 1,432,662
Property and equipment purchases from notes payable	\$ 2,528,554	\$ 1,080,153
Notes receivable sold to shareholder in exchange of common stock	\$ —	\$ 12,038,030
Common Stock issued for consideration of acquisition of B&R Global	\$ —	\$ 576,699,494
Issuance of promissory note for the acquisition of B&R Realty Subsidiaries	\$ 7,000,000	\$ —

NOTE 15 - TAXES

Corporate Income Taxes ("CIT")

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act"), which significantly changed U.S. tax law. The Act lowered the Company's U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018, while also imposing a deemed repatriation tax on deferred foreign income. The Act also created a new minimum tax on certain future foreign earnings. The Company expects the new federal income tax rate will significantly lower the Company's income tax expenses going forward. The Company does not expect the repatriation tax and new minimum tax on certain future foreign earnings to have any impact on the Company's operations since it currently has no foreign income and does not expect to generate any foreign income in the future.

(i) The provision for income taxes of the Company for the years ended December 31, 2020 and 2019 consists of the following:

	For the Years Ended	
	December 31, 2020	December 31, 2019
Current:		
Federal	\$ 1,138,966	\$ 1,907,309
State	(54,870)	540,488
Current income taxes	1,084,096	2,447,797
Deferred income taxes (benefit):		
Federal	(2,916,501)	(156,892)
State	(2,999,326)	(93,813)
Deferred income taxes (benefit)	(5,915,827)	(250,705)
Total provision (benefit) for income taxes	\$ (4,831,731)	\$ 2,197,092

(ii) Temporary differences and carryforwards of the Company that created significant deferred tax assets and liabilities are as follows:

	As of December 31, 2020	As of December 31, 2019
Deferred tax assets:		
Allowance for doubtful accounts	\$ 443,151	\$ 373,438
Inventories	481,016	594,628
Federal net operating loss	101,828	228,637
State net operating loss	257,490	80,514
Fair value change in interest rate swap contracts	244,622	—
Accrued expenses	268,813	80,100
Total deferred tax assets	<u>1,796,920</u>	<u>1,357,317</u>
Deferred tax liabilities:		
Property and equipment	(2,660,874)	(3,270,536)
Intangibles assets	(45,461,272)	(50,327,833)
Total deferred tax liabilities	<u>(48,122,146)</u>	<u>(53,598,369)</u>
Net deferred tax liabilities	<u>\$ (46,325,226)</u>	<u>\$ (52,241,052)</u>

The net deferred tax liabilities presented in the Company's Consolidated Balance Sheets were as follows:

	As of December 31, 2020	As of December 31, 2019
Deferred tax assets	\$ 57,478	\$ 78,993
Deferred tax liabilities	(46,382,704)	(52,320,045)
Net deferred tax liabilities	<u>\$ (46,325,226)</u>	<u>\$ (52,241,052)</u>

(iii) Reconciliations of the statutory income tax rate to the effective income tax rate are as follows:

	For the Years Ended	
	December 31, 2020	December 31, 2019
Federal statutory tax rate	21.0 %	21.0 %
State statutory tax rate	0.7 %	4.0 %
Impact of goodwill impairment loss – permanent difference	(20.5) %	1.0 %
Other	0.2 %	1.2 %
Effective tax rate	<u>1.4 %</u>	<u>27.2 %</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The Company makes regular purchases from and sales to various related parties. Related party affiliations were attributed to transactions conducted between the Company and those business entities partially or wholly owned by Company officers. The related party affiliations described in this note, including the bona fides and fairness of certain transactions with related parties, are among the issues that are being scrutinized as part of an ongoing internal investigation, and disclosures concerning particular transactions are subject to the outcome of, and conclusions that may ultimately be reached in, this ongoing investigation. Mr. Zhou Min Ni and Mr. Xiao Mou Zhang were the Co-Chief Executive Officers as of December 31, 2020 and 2019. Mr. Ni subsequently resigned from all of his official posts on February 23, 2021. Upon resignation, Mr. Ni owned 10.7% of outstanding shares of common stock. Mr. Xiao Mou Zhang became the sole Chief Executive Officer on February 23, 2021. (See subsequent event section). The related party transactions as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 are identified as follows:

α. Purchase - related parties

Below is a summary of purchases of goods and services from related parties recorded for the year ended December 31, 2020 and 2019, respectively:

Name of Related Party	For the Years Ended	
	December 31, 2020	December 31, 2019
(a) Allstate Trading Company, Inc.	\$ 308,865	\$ 111,213
(b) Best Food Services, LLC	5,829,680	2,136,388
(c) Eagle Food Service, LLC	100,892	232,566
(d) Eastem Fresh NJ, LLC	4,508,507	6,678,704
(e) Enson Group, Inc. (formerly "Enson Group, LLC")	142,711	174,711
(f) Enson Seafood GA, Inc. (formerly "GA-GW Seafood, Inc.")	—	181,985
(g) First Choice Seafood, Inc.	454,606	2,092,599
(h) Fujian RongFeng Plastic Co., Ltd	3,617,121	6,207,379
(i) Hanfeng (Fujian) Information Technology Co., Ltd.	997,395	3,032,984
(j) Hanfeng Information Technology (Jinhua), Inc.	1,134,620	—
(k) N&F Logistics, Inc.	368,529	1,428,294
(l) North Carolina Good Taste Noodle, Inc.	—	4,607,652
(m) Ocean Pacific Seafood Group, Inc.	567,836	598,286
(n) Revolution Industry, LLC	2,362,131	2,822,561
(o) UGO USA, Inc.	644,410	724,486
(p) Union Foods, LLC	1,246,720	9,003,455
(q) Winfar Foods, Inc.	622,417	—
Others	84,965	354,737
Total	\$ 22,991,405	\$ 40,388,000

- (a) Mr. Zhou Min Ni owns 40% equity interest in this entity.
- (b) Mr. Xiao Mou Zhang previously owns 10.38% equity interest in this entity indirectly through its parent company as of 10/31/2020. Mr. Zhang's children owns 10.38% equity interest in this entity indirectly from 11/1/2020.
- (c) Tina Ni, one of Mr. Zhou Min Ni's family members, owns 26.5% equity interest in this entity indirectly through its parent company.
- (d) Mr. Zhou Min Ni owns 30% equity interest in this entity.
- (e) Mr. Zhou Min Ni owns 25% equity interest in this entity.
- (f) Mr. Zhou Min Ni owns 50% equity interest in this entity.
- (g) Mr. Zhou Min Ni owns 25% equity interest in this entity indirectly through its parent company.
- (h) Mr. Zhou Min Ni owns 40% equity interest in this entity indirectly through its parent company.
- (i) Mr. Zhou Min Ni owns 100% equity interest in this entity.
- (j) Mr. Zhou Min Ni owns 37% equity interest in this entity.
- (k) Mr. Zhou Min Ni owns 25% equity interest in this entity.
- (l) Mr. Jian Ming Ni, former Chief Financial Officer owns 29% equity interest in this entity. Mr. Zhou Min Ni previously owned 37.34% equity in this entity as of 12/31/2019. We have been told that Mr Ni's equity interest was disposed of on 1/1/2020. For comparison purpose, the total purchase in year 2020 was \$3,986,069.
- (m) Mr. Zhou Min Ni owns 26% equity interest in this entity.
- (n) Raymond Ni, one of Mr. Zhou Min Ni's family members, owns 100% equity interest in this entity. On 2/25/2021, Han Feng executed an asset purchase agreement to acquire the machinery and equipment from Revolution Industry, LLC. Going forward, Han Feng takes the egg roll production business in house and ceases vendor relationship with Revolution Industry, LLC. See Footnote 19 Subsequent Events for additional information.
- (o) Mr. Zhou Min Ni owns 30% equity interest in this entity.
- (p) Tina Ni, one of Mr. Zhou Min Ni's family members, owns 30% equity interest in this entity. Anthony Zhang, one of Mr. Xiao Mou Zhang's family member, owns 10% of equity interest in this entity.
- (q) Mr. Xiao Mou Zhang owns 5.2% equity interest in this entity indirectly through its parent company.

b. Sales - related parties

Below is a summary of sales to related parties recorded for the year ended December 31, 2020 and 2019, respectively:

Name of Related Party	For the Years Ended	
	December 31, 2020	December 31, 2019
(a) ABC Food Trading, LLC	\$ 1,870,728	\$ 416,392
(b) Asahi Food, Inc.	465,069	70,700
(c) Best Food Services, LLC	336,800	—
(d) Eagle Food Service, LLC	4,604,894	7,172,063
(e) Eastem Fresh NJ, LLC	1,602,479	4,470,618
(f) Enson Group, Inc. (formerly "Enson Group, LLC")	307,585	635,078
(g) Enson Philadelphia, Inc.	125,684	142,193
(h) Enson Seafood GA, Inc. (formerly "GA-GW Seafood, Inc.")	492,679	1,481,776
(i) First Choice Seafood, Inc.	1,378,207	—
(j) Fortune One Foods, Inc.	310,635	787,700
(k) Heng Feng Food Services, Inc.	668,844	1,601,546
(l) N&F Logistics, Inc.	1,027,427	2,364,820
(m) The Big Catch Alhambra, LLC	57,048	60,842
(n) UGO USA, Inc.	66,448	75,393
Others	108,020	73,295
Total	\$ 13,422,547	\$ 19,352,416

- (a) Mr. Xiao Mou Zhang previously owns 10.38% equity interest in this entity indirectly through its parent company as of 10/31/2020. Mr. Zhang's children owns 10.38% equity interest in this entity indirectly from 11/1/2020.
- (b) The Company, through its subsidiary MF, owns 49% equity interest in this entity.
- (c) Mr. Xiao Mou Zhang previously owns 10.38% equity interest in this entity indirectly through its parent company as of 10/31/2020. Mr. Zhang's children owns 10.38% equity interest in this entity indirectly from 11/1/2020.
- (d) Tina Ni, one of Mr. Zhou Min Ni's family members, owns 26.5% equity interest in this entity indirectly through its parent company.
- (e) Mr. Zhou Min Ni owns 30% equity interest in this entity.
- (f) Mr. Zhou Min Ni owns 25% equity interest in this entity.
- (g) Mr. Zhou Min Ni owns 23.33% equity interest in this entity.
- (h) Mr. Zhou Min Ni owns 50% equity interest in this entity.
- (i) Mr. Zhou Min Ni owns 25% equity interest in this entity indirectly through its parent company.
- (j) Mr. Zhou Min Ni owns 17.5% equity interest in this entity indirectly through its parent company.
- (k) Mr. Zhou Min Ni owns 45% equity interest in this entity.
- (l) Mr. Zhou Min Ni owns 25% equity interest in this entity.
- (m) Mr. Xiao Mou Zhang owns 10% equity interest in this entity.
- (n) Mr. Zhou Min Ni owns 30% equity interest in this entity.

c. Lease Agreements - Related Parties

The Company leases various facilities to related parties.

R&N Holdings leases a facility to North Carolina Good Taste Noodle Inc under an operating lease agreement expiring in 2024. Rental income for the year ended December 31, 2019 was 45,600. We have been told that Mr. Ni disposed his equity interest on January 1, 2020. Therefore, North Carolina Good Taste Noodle Inc is no longer a related party as of January 1, 2020. For comparison purpose, the rental income for the years ended December 31, 2020 was \$45,600.

R&N Holdings also leases a facility to UGO USA Inc. under an operating lease agreement expiring in 2022. Rental income recorded for the year ended December 31, 2020 and 2019 was \$161,000 and nil, respectively. Rental income recorded for 2020 represented \$119,000 of retroactive billing from March 1, 2017 to December 31, 2019, and \$42,000 for the year ended December 31, 2020.

HG Realty leases a warehouse to Enson Seafood GA Inc. (formerly "GA-GW Seafood, Inc.") under an operating lease agreement expiring on September 21, 2027. Rental income recorded for the years ended December 31, 2020 and 2019 was \$480,000 and \$480,000, respectively.

Han Feng leases a production area to Revolution Industry, LLC under a \$3,000 month-to-month lease agreement. Rental income recorded for the years ended December 31, 2020 and 2019 was \$39,000 and \$33,000, respectively. The lease agreement was terminated as a result of the asset purchase agreement executed on February 25, 2021. See Footnote 19 Subsequent Events for additional information.

B&R Global leased warehouses from related parties owned by the majority shareholder of B&R Global prior to the Realty Acquisition on January 17, 2020. Rent to the related parties recorded from January 1, 2020 to January 16, 2020 was \$187,750.

In 2020, Kimland renewed a warehouse lease from Yoan Chang Trading, Inc. ("Yoan") under an operating lease agreement expiring on December 31, 2020. Rent incurred to the related party was \$120,000 and \$120,000 recorded for the years ended December 31, 2020 and 2019, respectively.

In February 2021, Kimland executed a new 5-year operating lease agreement with Yoan effective January 1, 2021 and expiring on December 31, 2025. See Note 19 - Subsequent Events for more details of the operating lease.

Related Party Balances

a. Accounts receivable - related parties, net

Below is a summary of accounts receivable with related parties recorded as of December 31, 2020 and 2019, respectively:

Name of Related Party		As of December 31, 2020	As of December 31, 2019
(a)	ABC Food Trading, LLC	\$ 18,816	\$ 238,513
(b)	Asahi Food, Inc.	68,766	34,265
(c)	Eagle Food Service, LLC	697,538	979,591
(d)	Eastem Fresh NJ, LLC	—	1,511,075
(e)	Enson Group, Inc. (formerly "Enson Group, LLC")	—	341,200
(f)	Enson Seafood GA, Inc. (formerly "GA-GW Seafood, Inc.")	325,596	348,833
(g)	Fortune One Foods, Inc.	36,250	53,862
(h)	Heng Feng Food Services, Inc.	—	477,541
(i)	N&F Logistics, Inc.	113,247	119,241
(j)	The Big Catch Alhambra, LLC	2,292	89,249
	Others	4,068	9,500
Total		\$ 1,266,573	\$ 4,202,870

(a) Mr. Xiao Mou Zhang previously owns 10.38% equity interest in this entity indirectly through its parent company as of 10/31/2020. Mr. Zhang's children owns 10.38% equity interest in this entity indirectly from 11/1/2020.

(b) The Company, through its subsidiary MF, owns 49% equity interest in this entity.

(c) Tina Ni, one of Mr. Zhou Min Ni's family members, owns 26.5% equity interest in this entity indirectly through its parent company.

(d) Mr. Zhou Min Ni owns 30% equity interest in this entity.

(e) Mr. Zhou Min Ni owns 25% equity interest in this entity.

- (f) Mr. Zhou Min Ni owns 50% equity interest in this entity.
- (g) Mr. Zhou Min Ni owns 17.5% equity interest in this entity indirectly through its parent company.
- (h) Mr. Zhou Min Ni owns 45% equity interest in this entity.
- (i) Mr. Zhou Min Ni owns 25% equity interest in this entity.
- (j) Mr. Xiao Mou Zhang owns 10% equity interest in this entity.

All accounts receivable from these related parties are current and considered fully collectible. No allowance is deemed necessary as of December 31, 2020 and December 31, 2019.

h. Accounts payable - related parties, net

All the accounts payable to related parties are payable upon demand without interest. Below is a summary of accounts payable with related parties recorded as of December 31, 2020 and 2019, respectively:

Name of Related Party		As of December 31,		As of December 31,	
		2020		2019	
(a)	Best Food Services, LLC	\$	588,920	\$	987,487
(b)	Eastem Fresh NJ, LLC		427,795		—
(c)	Fujian RongFeng Plastic Co., Ltd		69,429		1,684,192
(d)	Hanfeng (Fujian) Information Technology Co., Ltd.		175,657		—
(e)	Hanfeng Information Technology (Jinhua), Inc.		107,258		166,971
(f)	Heng Feng Food Services, Inc.		116,436		—
(g)	North Carolina Good Taste Noodle, Inc.		—		992,353
(h)	UGO USA, Inc.		211,003		340,087
(i)	Union Foods, LLC		—		248,901
	Others		87,363		101,365
Total		\$	1,783,861	\$	4,521,356

- (a) Mr. Xiao Mou Zhang previously owns 10.38% equity interest in this entity indirectly through its parent company as of 10/31/2020. Mr. Zhang's children owns 10.38% equity interest in this entity indirectly from 11/1/2020.
- (b) Mr. Zhou Min Ni owns 30% equity interest in this entity.
- (c) Mr. Zhou Min Ni owns 40% equity interest in this entity indirectly through its parent company.
- (d) Mr. Zhou Min Ni owns 100% equity interest in this entity.
- (e) Mr. Zhou Min Ni owns 37% equity interest in this entity.
- (f) Mr. Zhou Min Ni owns 45% equity interest in this entity.
- (g) Mr. Jian Ming Ni, former Chief Financial Officer owns 29% equity interest in this entity. Mr. Zhou Min Ni previously owned 37.34% equity in this entity as of 12/31/2019. We have been told that Mr Ni's equity interest was disposed of on 1/1/2020. For comparison purpose, accounts payable as of 12/31/2020 is \$554,156.
- (h) Mr. Zhou Min Ni owns 30% equity interest in this entity.
- (i) Tina Ni, one of Mr. Zhou Min Ni's family members, owns 30% equity interest in this entity. Anthony Zhang, one of Mr. Xiao Mou Zhang's family member, owns 10% of equity interest in this entity.

c. Advances to suppliers - related parties, net

The Company periodically provides purchase advances to various vendors, including the related party suppliers.

Below is a summary of advances to related party suppliers recorded as of December 31, 2020 and December 31, 2019, respectively:

	Name of Related Party	As of December 31, 2020	As of December 31, 2019
(a)	Ocean Pacific Seafood Group, Inc.	\$ 7,101	\$ 223,303
(b)	Revolution Industry, LLC	189,702	521,832
	Total	\$ 196,803	\$ 745,135

(a) Mr. Zhou Min Ni owns 26% equity interest in this entity.

(b) Raymond Ni, one of Mr. Zhou Min Ni's family members, owns 100% equity interest in this entity. On 2/25/2021, Han Feng executed an asset purchase agreement to acquire the machinery and equipment from Revolution Industry, LLC. Going forward, Han Feng takes the egg roll production business in house and ceases vendor relationship with Revolution Industry, LLC. See Footnote 19 Subsequent Events for additional information.

d. Promissory note payable - related party

B&R Global issued a \$7.0 million Unsecured Subordinated Promissory Note to BRGR. The note bears an interest rate of 6% per annum that matures in January 2030.

e. Security deposit - related parties

The Company made deposits to its related parties for warehouse rental purposes. These deposits are expected to be returned upon termination of the respective leases. Total deposits to related parties amounted to \$591,380 as of December 31, 2019. As a result of the Realty Acquisition referenced in Note 8, rent deposits previously classified as made by related parties became intercompany balances and were eliminated as of December 31, 2020. There were no related party rent deposits as of December 31, 2020.

f. Notes Receivable - Related Parties

The Company had previously made advances or loans to certain entities that are either owned by our former Chairman and Co-CEO of the Company, Mr. Zhou Min Ni or family members of Mr. Ni.

On January 1, 2018, the Company entered into a promissory note agreement with Enson Seafood GA Inc. (Enson Seafood). Pursuant to the promissory note agreement, the total outstanding balance of \$550,000 due from Enson Seafood as of December 31, 2017 was converted into promissory notes bearing annual interest of 5% commencing January 1, 2018. The principal plus interest was due no later than December 31, 2019. Interest was computed on the outstanding balance on the basis of the actual number of days elapsed in a year of 360 days.

On September 30, 2018, the Company signed a promissory note agreement with Enson Seafood in the principal amount of \$2,000,000. The note accrued interest at the rate of 5% per annum on the unpaid balance, compounded monthly. The principal plus all accrued and unpaid interest was initially due no later than September 30, 2019, with an option to renew, and required Enson Seafood to make monthly payments of \$171,215 for twelve months. On March 1, 2019, the Company and Enson Seafood extended the expiration date of the note until February 29, 2024 and Mr. Zhou Min Ni agreed to personally guarantee the note.

On January 1, 2018, the Company signed a promissory note agreement with Han Feng Global Inc. dba NSG International, Inc. (NSG). Pursuant to the promissory note agreement, the outstanding total outstanding balances of \$5,993,552 due from NSG as of December 31, 2017 were converted into promissory notes bearing annual interest of 5% commencing January 1, 2018. The principal plus interest was required to be paid off no later than December 31, 2019. Interest was computed on the outstanding balance on the basis of the actual number of days elapsed in a year of 360 days.

On March 1, 2019, the Company entered into a new five year term promissory note agreement with NSG that comprised a restatement and novation and superseded the note dated January 1, 2018. Pursuant to the new promissory note agreement, the outstanding balance of \$5,941,031 together with interest at the rate of 5% per annum became payable in monthly installments until principal and accrued interest was paid in full on or before March 1, 2024.

On March 1, 2018, the Company entered into a promissory note agreement by which Revolution Automotive, LLC (Revolution Automotive) was loaned \$483,628. Pursuant to this promissory note agreement, Revolution Automotive was required to make monthly payments of \$5,000 for 60 months, including interest, with a final payment of \$284,453. The loan bore interest of 5%

per annum. Interest was computed on the outstanding balance on the basis of the actual number of days elapsed in a year of 360 days. The principal plus interest was to be paid off no later than April 30, 2023.

On March 1, 2019, the Company and each of Enson Seafood and NSG agreed to extend the expiration date of their notes payable until February 29, 2024, and Mr. Zhou Min Ni agreed to personally guarantee these notes.

On September 30, 2019, the Company and Mr. Ni entered into a Loan Purchase and Sale Agreement (the "Loan Sale Agreement"). Pursuant to the Loan Sale Agreement, all such notes receivable stated above, having then a combined outstanding balance of \$8,415,525 ("Total Notes Receivable"), were sold to Mr. Zhou Min Ni in exchange for 632,746 shares of common stock of the Company, which shares were received and recorded in treasury stock by the Company as of September 30, 2019. In connection with the sale of the above notes, the Company also required 208,806 additional shares of common stock of the Company owned by Mr. Ni to be placed in an escrow account for a period of one year until September 30, 2020 (the "Escrow Period"), which will then be delivered to the Company in part or in full, if the volume weighted average price ("VWAP") of the Company's common stock for the 250-trading-day period immediately preceding the expiration of the Escrow Period is less than \$13.30.

On October 9, 2020, in accordance with the terms of the Loan Sale Agreement, the Company and Mr. Ni determined and agreed that the 250-day VWAP was \$ 10.59, and that, therefore, 161,966 of the Escrow Shares would be transferred to and recorded as treasury stock by the Company and the remaining 46,840 Escrow Shares would be returned to Mr. Ni. Following which, the Total Notes Receivable guaranteed by Mr. Ni is considered fully settled. The Company has retired all treasury stock as of December 31, 2020.

NOTE 17 - SEGMENT REPORTING

ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's operating decision makers for making operational decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the operating decision makers, review operation results by the revenue of different distribution centers. After acquiring B&R Global in November 2019, the Company distinguishes revenues, costs and expenses between HF and B&R Global in its internal reporting. As a result, the Company has two reportable segments, HF covering Southeastern Coast of U.S. and B&R Global covering the Pacific and Mountain West regions of U.S.

The following table presents net sales by segment for the years ended December 31, 2020 and 2019, respectively:

	For the Year Ended	
	December 31, 2020	December 31, 2019
Net revenue		
HF	\$ 221,354,504	\$ 302,103,038
B&R Global	345,476,571	86,059,243
Total	\$ 566,831,075	\$ 388,162,281

All the Company's revenue was generated from its business operations in the U.S.

	For the Year Ended December 31, 2020		
	HF	B&R Global	Total
Revenue	\$ 221,354,504	\$ 345,476,571	\$ 566,831,075
Cost of revenue	178,777,382	287,762,110	466,539,492
Gross profit	42,577,122	57,714,461	100,291,583
Depreciation and amortization	2,971,777	14,896,819	17,868,596
Cash capital expenditures	244,255	420,495	664,750

	For the Year Ended December 31, 2019		
	HF	B&R Global	Total
Revenue	\$ 302,103,038	\$ 86,059,243	\$ 388,162,281
Cost of revenue	252,078,738	72,875,020	324,953,758
Gross profit	50,024,300	13,184,223	63,208,523
Depreciation and amortization	5,487,027	1,267,481	6,754,508
Cash capital expenditures	4,681,404	154,525	4,835,929

The following table presents total assets by reportable segment as of December 31, 2020 and 2019, respectively:

	As of December 31, 2020	As of December 31, 2019
Total assets:		
HF	\$ 58,620,619	\$ 80,514,529
B&R Global	425,664,464	722,329,265
Total Assets	\$ 484,285,083	\$ 802,843,794

All of the Company's long-lived assets are located in the U.S.

NOTE 18 - COMMITMENT AND CONTINGENCIES

Various labor and employment lawsuits were filed by former employees against FUSO, NBT, and HRT, alleging these entities failed to provide proper meal and rest breaks, as well as other related violations. These entities deny all the allegations. Management believes there is no merit to the cases and will vigorously defend the cases. Therefore, the Company did not accrue any loss contingency for this matter on its consolidated financial statements as of December 31, 2020 and 2019. FUSO's case was dismissed on January 25, 2021. No class was certified and no class relief was granted. The individual plaintiff's claims were resolved under the terms of a confidential settlement agreement providing that no party admitted any liability or wrongdoing and that the individual plaintiff would receive a payment in an amount having no material impact on the financial condition or results of operations of the FUSO operating unit and the Company as a whole.

Various labor and employment claims have been filed or asserted against Happy FM Group Inc., alleging that this subsidiary failed to pay all wages owed to one or more employees under the California Labor Code as well as other related violations. These allegations all have been denied. These cases are in the earliest stages of litigation and the parties have not commenced discovery. Management believes there is no merit to the cases and will vigorously defend the cases. Therefore, the Company did not accrue any loss contingency for this matter on its consolidated financial statements as of December 31, 2020.

On March 29, 2020, plaintiff Jesus Mendoza ("Mendoza") filed a putative shareholder securities class action lawsuit (the "Class Action Lawsuit") in the United States District Court for the Central District of California against the Company and certain of its present and former officers (collectively, the "Class Action Defendants") for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 styled *Mendoza v. HF Foods Group Inc., et al.*, Civil Action No. 2:20-CV-2929-ODW-JPR (C.D. Cal.).

On April 30, 2020, plaintiff Walter Ponce-Sanchez ("Ponce-Sanchez") filed a substantially similar putative shareholder securities class action lawsuit (the "Ponce-Sanchez Lawsuit") in the United States District Court for the Central District of California against the same defendants named in the Class Action Lawsuit (collectively, the "Ponce-Sanchez Defendants" and with the Class Action Defendants, the "Defendants") styled *Ponce-Sanchez v. HF Foods Group Inc., et al.*, Civil Action No. 2:20-CV-3967-ODW-JPR (C.D. Cal.). The Ponce-Sanchez Lawsuit has now been consolidated with the Class Action Lawsuit and both cases will proceed under the Class Action Lawsuit docket. The complaints both allege that the Defendants made materially false and or misleading statements that caused losses to investors. Additionally, the complaints both allege that the Defendants failed to disclose in public statements that the Company engaged in certain related party transactions, that insiders and related parties were enriching themselves by misusing shareholder funds, and that the Company masked the true number of free-floating shares. Neither complaint quantifies any alleged damages, but, in addition to attorneys' fees and costs, they seek to recover damages on behalf of themselves and other persons who purchased or otherwise acquired Company stock during the

putative class period from August 23, 2018 through March 23, 2020 at allegedly inflated prices and purportedly suffered financial harm as a result. On October 13, 2020, the Court appointed Yun F. Yee as lead plaintiff and approved Mr. Yee's counsel as lead counsel in the consolidated Class Action Lawsuit. Thereafter, an amended complaint was filed, which purports to expand the putative class period from August 23, 2018 to November 9, 2020. The Defendants filed their motion to dismiss the amended complaint on January 19, 2021, which is pending. The Class Action Lawsuit does not quantify any alleged damages. The Company intends to defend the consolidated Class Action Lawsuit vigorously.

On June 15, 2020, Mendoza filed a shareholder derivative lawsuit on behalf of the Company as a nominal defendant (the "Mendoza Derivative Lawsuit") in the United States District Court for the Central District of California against certain of the Company's present and former directors and officers (collectively, the "Mendoza Derivative Defendants") styled *Mendoza v. Zhou Min Ni, et al.*, Civil Action No. 2:20-CV-5300-ODW-JPR (C.D. Cal.). The complaint in the Mendoza Derivative Lawsuit is based largely on the same allegations as set forth in the Class Action Lawsuit discussed above and alleges violations of Sections 10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Mendoza Derivative Lawsuit does not quantify any alleged damages, but, in addition to attorneys' fees and costs, Mendoza seeks to recover damages on behalf of the Company for purported financial harm and to have the court order changes in the Company's corporate governance. The Mendoza Derivative Defendants and the Company intend to defend the Mendoza Derivative Lawsuit vigorously. On July 8, 2020, the Court ordered that all proceedings in the Mendoza Derivative Lawsuit be stayed until such time as the Court has finally resolved the Defendants' motion to dismiss the Class Action Lawsuit.

At this stage, the Company is unable to determine whether a future loss will be incurred due to the consolidated Class Action Lawsuit or the Mendoza Derivative Lawsuit, or estimate a range of loss, if any; accordingly, no amounts have been accrued in the Company's consolidated financial statements as of December 31, 2020.

On August 21, 2020, plaintiff Jim Bishop ("Bishop") filed a putative shareholder derivative lawsuit (the "Bishop Lawsuit") in the United States District Court for the District of Delaware against certain of the Company's present and former directors and officers, as well as the Company (collectively, the "Bishop Defendants") styled *Jim Bishop v. Zhou Min Ni, et al.*, Civil Action No. 1:20-cv-01103-RGA (D. Del.). The Bishop Lawsuit complaint alleges claims that are virtually the same as those alleged in the Mendoza Derivative Lawsuit. The Bishop Lawsuit does not quantify any alleged damages. But in addition to attorneys' fees and costs, Bishop seeks to recover damages on behalf of the Company for purported financial harm and to have the Court order changes to the Company's corporate governance.

The Bishop Defendants and the Company intend to defend vigorously the allegations in the Bishop Lawsuit, assuming it proceeds. On October 20, 2020, Bishop and the Bishop Defendants filed a Joint Stipulation to Stay Litigation with the Court. On November 19, 2020, the Bishop Lawsuit was transferred to the United States District Court for the Central District of California, as case number 2:20-CV-10657-ODW-JPR(C.D.Cal.). Motions to consolidate the Mendoza Derivative Lawsuit and the Bishop Lawsuit, and to designate a lead plaintiff and lead plaintiff's counsel, are pending in both cases. The Court further ordered that the Bishop Defendants do not need to respond to the complaint until the consolidation and appointment of lead plaintiff's counsel are resolved. This case remains in early procedural stage. At this stage, the Company is unable to determine whether a future loss will be incurred due to the Bishop Lawsuit or estimate a range of loss, if any; accordingly, no amounts have been accrued in the Company's consolidated financial statements as of December 31, 2020.

NOTE 19 - SUBSEQUENT EVENTS

On February 22, 2021, the Board of Directors approved the terms of a Separation Agreement pursuant to which Zhou Min Ni has voluntarily resigned from his position as co-Chief Executive Officer and director and any position he holds with any of the Company's subsidiaries, effective February 23, 2021 ("Separation Date").

On February 23, 2021, Xiao Mou Zhang became the sole Chief Executive Officer of the Company (he was previously co-Chief Executive Officer).

On February 22, 2021, the Board of Directors of the Company appointed Russell Libby as the new Chair of the Company's Board of Directors.

On February 10, 2021, 273 Co, a newly established Delaware limited liability company and wholly owned subsidiary of the Company, completed the closing of an Assignment and Assumption of Lease Agreement ("Assignment"), dated effective as of January 21, 2021, pursuant to which it has assumed the lease of the premises at 273 Fifth Avenue, New York, New York (the "273 Lease Agreement") dated as of July 2, 2018, by and between AnHeart, a former subsidiary of the Company, and Premier 273 Fifth, LLC ("Landlord"). On the same date, the closing documents were delivered to effectuate the amendment of the 273

Lease Agreement pursuant to an Amendment to Lease (the "Lease Amendment"). The Assignment and the 273 Lease Amendment were negotiated pursuant to guarantee obligations of the Company's wholly owned subsidiary, HF Holding as guarantor under the Lease Agreement. See Note 13, above, for additional information regarding the AnHeart leases. 273 Co has agreed to observe all the covenants and conditions of the Lease Agreement, as amended, including the payment of all rents due. Under the terms of the Lease Agreement and the Assignment, 273 Co has undertaken to construct, at Company's expense, a building on the premises, at a minimum cost of \$2,500,000. The 273 Lease Agreement and the Lease Amendment provide for a term of 30 years, with option to renew for 10 additional years, at an annual rent starting at \$325,000 and escalating annually throughout the term, with the annual rent in the final year of the initial term of \$1,047,974. The 273 Lease Amendment further granted certain rent abatement to the premises for 2020 and 2021, including a 20% reduction of annual rent in 2021. The Lease Amendment permits subletting of the premises.

In January 2021, one of the Company's subsidiary, Kimland signed a new 5-year operating lease agreement with a related party, Yoan to continue to lease the warehouse space that Kimland has been operating in at 36 - 40 Enterprise Blvd, Atlanta, Georgia ("Warehouse Lease"). Pursuant to the Warehouse Lease, effective January 1, 2021 and maturing on December 31, 2025, Kimland will pay an initial monthly rental rate of \$23,495 with standard annual rent escalation of 3% per annum. See Note 13 - Leases.

On February 25, 2021, the Company entered into an Asset Purchase Agreement with Revolution Industry, LLC ("Revolution"), a company owned by the son of Company's former Chairman and Co-CEO. Pursuant to the Asset Purchase Agreement, the Company has acquired substantially all of the operating assets used or held for use in such business operation for an amount of \$250,000 plus the fair market wholesale value of all verified, useable cabbage and egg roll mix inventory of Revolution. Advances due from Revolution at the time of transaction were an offset to the purchase payment made to Revolution. See Note 16 - Related Parties Transaction.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the fiscal year ended December 31, 2020. Based on this evaluation, our principal executive officers and principal financial and accounting officers have concluded that as a result of the material weakness in our internal control over financial reporting as described below, our disclosure controls and procedures were not effective as of December 31, 2020. Notwithstanding the material weakness, our management has concluded that the financial statements included elsewhere in this report present fairly, and in all materials respects, our financial position on results of operation and cash flow in conformity with GAAP.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officers and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not detect or prevent misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2020, our management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control - Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In connection with this review and the audit of our consolidated financial statements for the year ended December 31, 2020, we identified material weaknesses and control deficiencies in our internal control over financial reporting. The material weaknesses related to (1) the Company does not have in-house accounting personnel with sufficient knowledge of US GAAP and SEC reporting experiences, especially related to complex transactions and new accounting pronouncements; and (2) The Company failed to maintain effective IT General Controls, including missing certain entity level controls in IT management, lack of segregation of duties in IT functions, proper review of the operation of application systems, and measures to protect data security and maintain business sustainability. Control deficiencies are related to the lack of proper documentation to evidence the management review in various business processes. Due to the foregoing material weakness and control deficiencies, management concluded that as of December 31, 2020, our internal control over financial reporting was ineffective.

In order to address and resolve the foregoing material weakness, we have begun to implement measures designed to improve our internal control over financial reporting to remediate this material weakness, including hiring additional financial personnel with requisite training and experience in the preparation of financial statements in compliance with applicable SEC requirements, formalizing our processes to generate documentation sufficient to support customer orders and purchase orders, and implementing controls to obtain documentation evidencing customer agreements to transaction amounts and account balances. System integration on accounting and procurement software were substantially completed in March 2021. Operating on the same system strengthened internal control over financial reporting and IT general control by providing a seamless environment to perform operational and reporting functions.

The measures we are implementing are subject to continued management review supported by confirmation and testing, as well as audit committee oversight. Management remains committed to ongoing efforts to address this material weakness. Although we will continue to implement measures to remedy our internal control deficiencies, there can be no assurance that our efforts will be successful or avoid potential future material weakness. In addition, until remediation steps have been completed and/or operated for a sufficient period of time, and subsequent evaluation of their effectiveness is completed, the material weakness identified and described above will continue to exist.

Our independent registered public accounting firm is not yet required to formally attest to the effectiveness of our internal controls over financial reporting, and will not be required to do so for as long as we are an "emerging growth company" pursuant to the provisions of the JOBS Act.

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting for the year ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item will be set forth under "Proposal No. 1: Election of Directors" in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

The information required by this item regarding Section 16(a) beneficial ownership reporting compliance will be set forth under "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will be set forth under "Executive and Director Compensation" in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

The Equity Compensation Plan Information table required pursuant to Item 201(d) of Regulation S-K will be set forth in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item will be set forth under "Stock Ownership" in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be set forth under "Transactions with Related Persons" and "Determination of Independence" in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will be set forth under "Ratification of Friedman LLP as Independent Registered Public Accounting Firm for 2021" in Company's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following exhibits are incorporated herein by reference or are filed or furnished with this report as indicated below:

Exhibit Number	Description
2.1	Merger Agreement dated March 27, 2018, by and among Atlantic Acquisition Corp., HF Group Merger Sub Inc., HF Group Holding Corporation, the stockholders of HF Group Holding Corporation and Zhou Min Ni, as the stockholders' representative (incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on July 18, 2018)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 11, 2017)
3.2	Certificate of Amendment to Certificate of Incorporation (incorporated by reference to Exhibit 3.1.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2018)
3.3	Bylaws (incorporated by reference to Exhibit 3.4 to the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 28, 2017)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 28, 2017)
4.2	Form of Rights Agreement, dated August 8, 2017, by and between American Stock Transfer & Trust Company, LLC and the Registrant (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 11, 2017)
4.3	Form of Unit Purchase Option between the Registrant and Chardan Capital Markets, LLC (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 28, 2017)
10.1	Investment Management Trust Account Agreement, dated August 8, 2017, by and between American Stock Transfer & Trust Company, LLC and the Registrant (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 11, 2017)
10.2	Registration Rights Agreement, dated August 8, 2017, by and among the Registrant and the initial stockholders (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 11, 2017)

10.3	Stock Escrow Agreement dated August 8, 2017 among the Registrant, American Stock Transfer & Trust Company, LLC, and the initial stockholders (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 11, 2017)
10.4	Form of Letter Agreement by and between the Registrant, the initial stockholders and the officers and directors of the Company (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 28, 2017)
10.5	HF Food Group Inc. 2018 Omnibus Equity Incentive Plan (incorporated by reference to Appendix B to the Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on July 18, 2018)*
10.6	Form of Escrow Agreement between Atlantic Acquisition Corp., Loeb and Loeb L.P. as escrow agent and HF Group and Zhou Min Ni, as representative of the stockholders of HF Group (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2018)
10.7	Form of Registration Rights Agreement between the Company, HF Group Holdings Corporation and Zhou Min Ni, as representative of the stockholders of HF Group (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2018)
10.8	Form of Lock Up Agreement dated August 22, 2018 between Atlantic Acquisition Corp. and the stockholders of HF Group (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2018)
10.9	Employment Agreement as amended dated as of August 22, 2018 between HF Foods Group Inc. and Zhou Min Ni (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 13, 2018)*
10.10	Employment Agreement as amended dated as of August 22, 2018 between HF Foods Group Inc. and Chan Sin Wong (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 13, 2018)*
10.11	Employment Agreement as amended dated as of August 22, 2018 between HF Foods Group Inc. and Jian Ming Ni (incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 13, 2018)*
10.12	Credit Agreement dated as of January 5, 2012 between Han Feng, Inc. and East West Bank (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.13	Amendment to Credit Agreement dated as of May 21, 2013 by and between Han Feng, Inc. and East West Bank (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.14	Second Amendment to Credit Agreement dated as of December 10, 2013 by and between Han Feng, Inc. and East West Bank (filed herewith) (incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.15	Third Amendment to Credit Agreement dated as of July 1, 2016 between Han Feng, Inc. and East West Bank (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.16	Fourth Amendment to Credit Agreement dated July 18, 2017 between Han Feng, Inc. and East West Bank (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.17	Credit Agreement dated as of February 26, 2018 between New Southern Food Distributors, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.18	Warehouse Lease Agreement dated as January 7, 2019 between Yoan Chang Trading and Kimland Food Service (incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2019)
10.19	Letter Agreement with Kong Hian Victor Lee dated December 6, 2019 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2020)
10.20	Amendment to Letter Agreement with Kong Hian Victor Lee dated October 1, 2020 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2020)

10.21	Membership Interest Purchase Agreement among B&R Global Holdings, Inc., B&R Group Realty Holding, LLC, and subsidiaries of B&R Group Realty Holding, LLC, dated January 17, 2020 (incorporated by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 18, 2020)
10.22	Second Amended and Restated Credit Agreement among HF Foods Group Inc. B&R Global Holdings, Inc., subsidiaries of the Company, JPMorgan Chase Bank, N.A. ("JPMorgan"), as Administrative Agent, and certain lender parties thereto, dated January 17, 2020 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 18, 2020)
10.23	Letter Agreement between HF Foods Group Inc. and Russell T. Libby (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 18, 2020)
10.24	Mutual Rescission Agreement between HF Group and Rescinding Shareholders dated April 1, 2020 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 18, 2020)
10.25	Assignment and Assumption of Lease Agreement, dated as of January 21, 2021 between Anheart, Inc. and 273 Fifth Avenue, L.L.C.
10.26	Lease dated July 2, 2018, between Anheart Inc. and Premier 273 Fifth, LLC
10.27	Amendment of Lease, dated as of January 21, 2021, between Anheart, Inc. and Premier 273 Fifth, LLC
10.28	Separation Agreement between HF Foods Group Inc. and Zhou Min Ni, dated February 23, 2021
10.29	Lease Agreement between Yoan Chang Trading, Inc. and Kimland Food Distribution, Inc., dated as of January 1, 2021
21	Subsidiaries of Registrant (filed herewith)
23.1	Consent of Friedman
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HF Foods Group Inc.

Date: March 16, 2021 By: /s/ Xiao Mou Zhang
Xiao Mou Zhang
Chief Executive Officer

Date: March 16, 2021 By: /s/ Kong Hian Lee
Kong Hian Lee
Chief Financial Officer
(Principal accounting and financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Xiao Mou Zhang</u> Xiao Mou Zhang	Chief Executive Officer and Director	March 16, 2021
<u>/s/ Russell Libby</u> Russell Libby	Chairman of the Board and Director	March 16, 2021
<u>/s/ Xi Lin</u> Xi Lin	Director	March 16, 2021
<u>/s/ Hong Wang</u> Hong Wang	Director	March 16, 2021

**ASSIGNMENT AND ASSUMPTION
OF LEASE AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT ("Agreement") is made and entered into this 21 day of January, 2021, by and between **Anheart, Inc.**, a New York corporation ("Assignor") and **273 Fifth Avenue, L.L.C.**, a Delaware limited liability company ("273 Fifth") ("Assignee").

RECITALS

WHEREAS, Assignor, as Tenant, and Premier 273 Fifth, LLC, a New York limited liability company (as "Landlord") entered into that certain Lease ("Original Lease", together with that certain Amendment to Lease, executed of even date herewith, the "Lease") dated as of July 2, 2018 covering that certain parcel of land located at and known as 273 Fifth Avenue, New York, New York, all as more particularly described in the Original Lease ("Premises"); and,

WHEREAS, Landlord has provided its written consent by its endorsement of this Assignment of said Lease by Assignor to Assignee; and,

WHEREAS, Assignor desires to assign all of its right, title and interest in the Lease to Assignee and Assignee desires to assume Assignor's obligations under the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Assignment. Subject to and concurrently with the consummation of that certain Amendment to Lease, executed of even date herewith (the "Lease Amendment"), and in consideration for payment to Assignor by Assignee of Twenty Thousand Dollars (\$20,000.00), receipt of which is hereby acknowledged, Assignor hereby assigns to Assignee all of its right, title and interest in and to the Lease including any and all prepaids and other rights or entitlements of Assignor under the Lease, subject to all of the terms, covenants, conditions and provisions of the Lease.

2. Assumption. From and after the date hereof, Assignee hereby assumes, covenants and agrees to keep and perform each and every obligation of Assignor under the Lease. Assignee agrees to be bound by each and every provision of the Lease as if it had executed the same, including but not limited to all obligations of Assignor relating to third-party claims as provided in Sections 8 and 9 of the Lease.

3. Assignor's Representations and Warranties. Assignor represents and warrants to Assignee that:

(a) the Lease is in full force and effect, unmodified except as provided in the Lease Amendment and this Agreement;

(b) Assignor's interest in the Lease is free and clear of any liens, encumbrances or adverse interests of third parties;

(c) Assignor possesses the requisite legal authority to assign its interest in the Lease as provided herein.

(d) There are no sums due and owing by Assignor under the Lease as of the effective date hereof, and there exists no condition of default thereunder.

4. Indemnification. Assignor agrees to indemnify, defend and hold harmless Assignee from any and all claims, demands and debts due under the Lease prior to the Effective Date and Assignee agree to indemnify, defend and hold harmless Assignor from any and all claims, demands and debts which may become due under the Lease on or after the Effective Date

5. Expenses. The parties hereto will bear their separate expenses in connection with this Agreement and its performance.

6. Entire Agreement. This Agreement embodies the entire understanding of the parties hereto and there are no other agreements or understandings written or oral in effect between the parties relating to the subject matter hereof unless expressly referred to by reference herein. This Agreement may be amended or modified only by an instrument of equal formality signed by the parties or their duly authorized agents.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and each of the parties hereto submits to the non-exclusive jurisdiction of the courts of the State of New York in connection with any disputes arising out of this Agreement.

8. Successors and Assigns. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

9. Attorneys' Fees. In the event of a dispute arising under this Agreement, the prevailing party shall be entitled to recover all reasonable attorneys' fees.

10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Facsimile signatures shall be deemed the same as originals.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written, and Landlord has expressed its consent by its endorsement as set forth on this Agreement.

SIGNATURES ON NEXT PAGE

ASSIGNOR:

Anheart, Inc.

By: *Jiangy AN*
Its President

ASSIGNEE:

273 Fifth Avenue, L.L.C.

By: *Victor Lee*
Its Manager

**LANDLORD CONSENTS TO
THE FOREGOING ASSIGNMENT OF LEASE:**

Premier 273 Fifth, LLC

By: _____
Its Manager

ASSIGNOR:

Anheart, Inc.

By: _____
Its President

ASSIGNEE:

273 Fifth Avenue, L.L.C.

By: _____
Its Manager

**LANDLORD CONSENTS TO
THE FOREGOING ASSIGNMENT OF LEASE:**

Premier 273 Fifth, LLC

By:  _____
Its Manager

AGREEMENT OF LEASE

between

PREMIER 273 FIFTH, LLC,

as Landlord

and

ANHEART INC.

as Tenant

Dated as of July 2, 2018

AGREEMENT OF LEASE

THIS AGREEMENT OF LEASE (as amended from time to time, this "**Lease**"), dated as of July 2, 2018, between PREMIER 273 FIFTH, LLC ("**Landlord**"), a New York limited liability company having an office at 1151 Broadway, Suite 2S, New York, New York 10001, and ANHEART INC. ("**Tenant**"), a New York corporation having an address at 135-15 40th Road, Suite 402, Flushing, New York 11354.

IN CONSIDERATION of the mutual covenants and agreements herein contained and intending to be legally bound, Landlord and Tenant covenant and agree as follows:

1. DEFINITIONS:

As used in this Lease the following terms have the meanings set forth below:

"**Additional Rent**" shall have the meaning given to that term in paragraph (g) of Article 4.

"**Affiliate**" of any person shall mean another person that (directly or indirectly) controls, is controlled by or is under common control with such person.

"**Applicable Laws**" shall have the meaning given to that term in paragraph (e) of Article 7.

"**Bankruptcy Act**" shall mean Title 11 of the United States Code and any other Federal insolvency or similar law, now or hereafter in effect.

"**Broker**" shall have the meaning given to that term in paragraph (h) of Article 23.

"**Business Day**" shall mean any day except Saturdays, Sundays, and the days observed by state chartered banks and national banks in the City of New York as public holidays.

"**Capital Improvement**" shall have the meaning given to that term in paragraph (a) of Article 12.

"**Casualty Depository**" shall have the meaning given that term in paragraph (d) of Article 16.

"**Claims**" means and all third party claims, demands, causes of action, suits, judgments, losses, liability, costs, damages and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any claim, proceeding or judgment and the defense thereof, and including all costs of repairing any damage to the Land or Leased Property or the appurtenances of any of the foregoing to which a particular indemnity and hold harmless agreement applies.

"**Commencement Date**" shall have the meaning given to that term in paragraph (a) of Article 3.

“Control” shall mean ownership of at least fifty one percent (51%) of all of the legal and equitable interest in Tenant, and the possession of the power, directly or indirectly, to direct or cause the direction of management and policy of Tenant. “Controlled” and “Controlling” shall have correlative meanings.

“Control Area” shall have the meaning given to that term in paragraph (a) of Article 5.

“Cure Period” shall have the meaning given to that term in paragraph (a) of Article 18.

“Environmental Laws” shall have the meaning given to that term in paragraph (a) of Article 10.

“Equipment” shall have the meaning given to that term in Article 2.

“Event of Default” shall mean the occurrence of an event which gives Landlord the right to give the three (3)-day termination notice provided for in Section 20(a)(iii).

“Expiration Date” shall have the meaning given to that term in paragraph (a) of Article 3.

“Extension Notice” shall have the meaning given to that term in paragraph (b) of Article 3.

“Extension Period” shall have the meaning given to that term in paragraph (b) of Article 3.

“Fair Market Rental Value” shall have the meaning given to that term in paragraph (d) of Article 3.

“Fixed Rent” shall have the meaning given to that term in paragraph (a) of Article 4.

“Guarantor” shall have the meaning given to that term in Article 31.

“Hazardous Substances or Waste” shall have the meaning given to that term in paragraph (a) of Article 10.

“Impositions” shall have the meaning given to that term in paragraph (a) of Article 7.

“Improvements” shall have the meaning given to that term in Article 2.

“Indemnitees” shall mean Landlord, Landlord’s mortgagee, and their respective employees, shareholders, officers, directors, members, managers, trustees, partners or principals, disclosed or undisclosed, and each of their respective employees, shareholders, officers,

directors, members, managers, trustees, partners, invitees, agents or principals, disclosed or undisclosed and all of their respective successors and assigns.

"Initial Development" shall have the meaning given to that term in paragraph (d) of Article 12.

"Initial Development Cost" shall have the meaning given to that term in paragraph (d) of Article 12.

"Insurance Rating Requirements" means (i) with respect to the primary layer(s) of insurance coverage, at least eighty percent (80%) of such coverage shall be provided by insurers with a financial strength and claims paying ability rating of "A" or better by S&P, and a rating of "A:VIII" or better in the then current Best's Insurance Reports and the remaining portion of such coverage shall be provided by insurers that have a rating of "BBB" or better by "S&P" or "A:VIII" or better in the then current Best's Insurance Reports; and (ii) with respect to the insurance coverage in excess of the amounts described in clause (i) of this sentence, at least the Excess Threshold Percentage of such coverage shall be provided by insurers with a financial strength and claims paying ability rating of "A-" or better by S&P and a rating of "A:VIII" or better in the current Best's Insurance Reports, and the remaining portion of such coverage shall be provided by insurers with either (A) a financial strength and claims paying ability rating of "BBB-" or better by S&P, or (B) a rating of "A:VII" or better in the then current Best's Insurance Reports. **"Excess Threshold Percentage"** means (i) seventy five percent (75%), if four or fewer insurance companies are included in the syndicate providing coverage for such claims, or (ii) sixty percent (60%), if five or more insurance companies are included in the syndicate providing coverage for such claims.

"Issuing Bank" shall have the meaning given to that term in paragraph (b) of Article 27.

"Land" shall have the meaning given to that term in Article 2.

"Landlord" shall have the meaning given to that term in the preamble.

"Lease" shall have the meaning given to that term in the preamble.

"Lease Year" means, with respect to the first (1st) Lease Year, the period that begins on the Commencement Date and ends on the last day of the calendar month in which the first (1st) anniversary of the Rent Commencement Date occurs (provided, however, if the Rent Commencement Date is on the first (1st) day of a calendar month, then the first (1st) Lease Year shall end on the day immediately preceding the first (1st) anniversary of the Rent Commencement Date); and thereafter each succeeding Lease Year shall commence on the day immediately following the then Lease Year and shall extend for twelve (12) consecutive months; provided, however, that the last Lease Year shall expire on the Expiration Date.

"Leased Property" shall have the meaning given to that term in Article 2.

"Leasehold Estate" shall mean all right, title and interest of Tenant in, to and under this Lease.

Article 27. “**Letter of Credit**” shall have the meaning given to that term in paragraph (b) of

Article 12. “**Material Improvement**” shall have the meaning given to that term in paragraph (b) of Article 12.

Article 12. “**Material Improvement Completion Evidence**” shall have the meaning given to that term in paragraph (b) of Article 12.

Article 27. “**Minimum Rating Requirement**” shall have the meaning given to that term in paragraph (f) of Article 27.

Article 22. “**Notice**” shall have the meaning given to that term in Article 22.

Article 12. “**Outside Initial Development Commencement Date**” shall have the meaning given to that term in paragraph (c) of Article 12.

Article 5. “**Permitted Use**” shall have the meaning given to that term in paragraph (a) of Article 5.

Article 12. “**Plans and Specifications**” shall have the meaning given to that term in paragraph (b) of Article 12.

Article 3. “**Renewal Option**” shall have the meaning given to that term in paragraph (b) of Article 3.

Article 4. “**Rent**” shall have the meaning given to that term in paragraph (b) of Article 4.

Article 4. “**Rent Commencement Date**” shall have the meaning given to that term in paragraph (c) of Article 4.

Article 27. “**Replacement L/C**” shall have the meaning given to that term in paragraph (e) of Article 27.

Article 13. “**Restoration**” shall have the meaning given that term in paragraph (a) of Article 13.

Article 13. “**Restore**” shall have the meaning given that term in paragraph (a) of Article 13.

Article 27. “**Security Deposit**” shall have the meaning given to that term in paragraph (a) of Article 27.

Article 17. “**Superior Lease**” shall have the meaning given that term in paragraph (a) of Article 17.

Article 17. “**Superior Lessor**” shall have the meaning given that term in paragraph (a) of Article 17.

“Superior Mortgage” shall have the meaning given that term in paragraph (a) of Article 17.

“Superior Mortgagee” shall have the meaning given that term in paragraph (a) of Article 17.

“Tenant's Property” means trade fixtures, furniture or personal property located at and used in connection with the Leased Property and owned or leased by Tenant but shall not include any Equipment.

“Term” shall have the meaning given to that term in Article 3.

2. DEMISE; CONDITION

(a) Landlord hereby demises, leases and rents to Tenant, and Tenant hereby leases, hires and rents from Landlord, upon and subject to the terms, covenants, conditions and limitations hereinafter set forth, for the Term, that certain parcel of land (the “Land”) described in Exhibit A annexed hereto, together with all buildings, structures and improvements (the “Improvements”) hereafter erected thereon and all easements and appurtenances thereto, and all other facilities, fixtures, machinery, apparatus, installations, equipment and other property used in connection with the maintenance and operation of the Improvements (including, but not limited to, all heating, ventilating, air conditioning, plumbing, and electrical equipment, lighting and lighting equipment, elevators and escalators, security systems, utility lines, refuse facilities, waste removal systems, generators, transformers, cooling towers, maintenance depots, power plants, storage tanks, fire pumps, fire control, sprinkler and stand pipe systems, emergency power and automatic transfer switches, air conditioning units, building and site controls, sewerage facilities, and all associated piping, wiring, conduits, feeders, tracks, plumbing, and drainage facilities, but excluding tangible personal property of negligible value used by Tenant in connection with the maintenance and operation of the Improvements such as janitorial supplies and cleaning equipment) now or hereafter located on the Land and used or procured for use in connection with the Improvements (collectively, the “Equipment”) (the Land, the Improvements, the Equipment, and the Additional Air Rights are hereinafter referred to individually or collectively from time to time as the context requires as the “Leased Property”).

(b) The Leased Property is demised and let in its present AS IS condition without representation or warranty by Landlord. Tenant has examined the Leased Property, and Landlord's title thereto, and has found the same to be satisfactory.

(c) Tenant acknowledges that Tenant is fully familiar with the physical condition of the Leased Property and that Landlord makes no representation or warranty, express or implied, with respect to same or the location, use, description, design, merchantability, fitness for use for a particular purpose, condition or durability thereof, or as to quality of the material or workmanship therein, or as to Landlord's title thereto or ownership thereof, or otherwise; and all risks incidental to the Leased Property shall be borne by Tenant. Landlord leases and Tenant accepts the Leased Property AS IS with all faults and in the event of any defect or deficiency of any nature in the Leased Property or any fixture or other item constituting a portion thereof, whether patent or latent, neither Landlord nor Landlord's mortgagee shall have any

responsibility or liability with respect thereto. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION BY LANDLORD OF, AND LANDLORD DOES HEREBY DISCLAIM ANY AND ALL WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

3. TERM:

(a) The term of this Lease (the "**Term**") shall commence on the date hereof (the "**Commencement Date**") and end on the last day of the thirtieth (30th) Lease Year (the "**Expiration Date**") or on such earlier date upon which said term may expire or be terminated pursuant to any of the conditions of limitation or other provisions of this Lease or pursuant to the provisions of any Applicable Law.

(b) Provided this Lease is in full force and effect and there is no default under any terms, covenants or conditions of this Lease at the time original Tenant provides written notice of its election to extend the term of this Lease and at the commencement of the renewal term, the original named Tenant shall have the right and option (a "**Renewal Option**") to renew the Term for a period of ten (10) (an "**Extension Period**"), to commence on the first day of the thirty-first (31st) Lease Year and ending, unless sooner terminated pursuant to the terms of this Lease or applicable law, as of the last day of the fortieth (40th) Lease Year. The original named Tenant may exercise the renewal option for the Extension Period by delivering a written notice (the "**Extension Notice**") to Landlord of such exercise not less than twelve (12) months prior to the expiration date of the original term of this Lease, time being of the essence with respect thereto. In the event that Tenant fails to give the written extension notice to Landlord as herein provided for the Renewal Option, time being of the essence, the Renewal Option shall automatically terminate, and Tenant shall have no further rights or options to extend the Term of this Lease.

(c) The Extension Period shall be upon the same covenants, agreements, provisions, terms and conditions as set forth in this Lease, except that the original named Tenant shall have no further option to renew or extend the term beyond the expiration of the Extension Period and that the annual Fixed Rent during the first Lease Year of the Extension Period shall be equal to the greater of (i) 100% of the Fair Market Rental Value (as hereinafter defined), or (ii) \$1,205,170.59 (115% of the annual Fixed Rent for Lease Year 30), and that the annual Fixed Rent for each Lease Year of the Extension Period after the first Lease Year thereof shall be equal to 103% of the annual Fixed Rent payable in the previous Lease Year. If Tenant provides written notice of election to extend the Term as hereinabove provided, Landlord may deliver to Tenant Landlord's determination of the Fair Market Rental Value during the Extension Period; provided, however, Landlord must deliver such estimate within thirty (30) days after a written notice requesting same from Tenant (which notice may not be served earlier than four months prior to the first day of the Extension Period), and said amount shall constitute the Fair Market Rental Value for the Extension Period unless, within thirty (30) days after Landlord delivers to Tenant Landlord's estimate, Tenant shall notify Landlord that it disputes such estimate, specifying in detail the reasons therefor, and its estimate of the Fair Market Rental Value (time

being of the essence with respect to the giving of such notice by Tenant). If Landlord and Tenant agree on a Fixed Rent for the Extension Period, the new Fixed Rent shall be the rent so agreed upon and shall be effective as of the first day of the Extension Period. If Landlord and Tenant cannot agree on the Fair Market Rental Value within thirty (30) days after Tenant delivers to Landlord notice of Tenant's proposed annual Fixed Rent, the Fair Market Rental Value shall be determined in accordance with the terms set forth in subparagraph (d) below and until such determination is made, Tenant shall pay 120% of the annual Fixed Rent as set forth in Exhibit B annexed hereto. Within ten (10) days after said determination is made of Fair Market Rental Value and it is determined that the Fair Market Rental Value is greater than as set forth in Exhibit B annexed hereto with respect to the Extension Period, Tenant shall pay Landlord the sum equal to the amount of annual Fixed Rent that Tenant paid less the then determined Fair Market Rental Value for each month until that date. Thereafter, Tenant shall pay the Fair Market Rental Value for the remainder of the Term in accordance with this Section.

(d) As used herein, "Fair Market Rental Value" shall be defined as the fair annual market rental value of the Land at its highest and best use, unencumbered by this Lease for the first Lease Year of the Extension Period taking into consideration annual fair market escalations of the Leased Property for the Extension Period for similar type Leased Property in buildings substantially similar to the Building located in the immediate vicinity of the Leased Property entered into at or about the beginning of the Extension Period by a landlord not compelled to lease (and who has had a reasonable time to locate an acceptable tenant) and a tenant not compelled to rent, without consideration of the value of the improvements made by Tenant to the Leased Property, but otherwise considering: (x) the terms and conditions of this Lease as applicable, and (y) all other relevant factors, including, without limitation, the fact that Tenant will take the Leased Property in its "as-is" condition, that neither Landlord nor Tenant will incur any of the customary transactional costs, that the Leased Property will already be built to satisfy Tenant's needs and ready for Tenant's occupancy and that Tenant will incur no relocation costs. In the event that Landlord and Tenant are unable to agree on the Fair Market Rental Value at least sixty (60) days prior to the Extension Period commencement date, then either party shall promptly choose an arbitrator who is a senior officer of a recognized Manhattan leasing, brokerage or real estate consulting firm who shall have at least ten (10) years' experience in (i) the leasing of comparable retail space in Manhattan or (ii) the appraisal of comparable buildings in Manhattan. The two arbitrators shall then determine the Fair Market Rental Value within sixty (60) days after the appointment of each arbitrator, and, if the two arbitrators are unable to agree upon the Fair Market Rental Value within such sixty (60) day period, then a third arbitrator with the same qualifications of the first two arbitrators shall be selected by the two arbitrators but which third arbitrator shall not have represented Landlord or any of Landlord's affiliates in the last two (2) years (or if they are unable to agree, then the selection shall be made by the AAA or any organization successor thereto, or by any other recognized reputable arbitration tribunal, such as JAMS or Endispute), and the third arbitrator shall determine the Fair Market Rental Value within thirty (30) days thereafter. The Fair Market Rental Value as so determined by the third arbitrator shall be binding upon the parties. Landlord and Tenant shall equally split the fees and expenses of the third (3rd) arbitrator and of the AAA (or other arbitration tribunal so utilized) and each party shall bear its own legal fees and arbitrator fees. It is expressly understood that any determination of Fair Market Rental Value pursuant to this Lease shall be based on the criteria stated in this Article.

(e) Upon the final determination of the Fixed Rent for the Extension Period, Landlord and Tenant will enter into a lease amendment reasonably acceptable to Landlord and Tenant which memorializes the extension of the Term for the Extension Period, and the Fixed Rent payable during the Extension Period. At no time during the Extension Period will the Fixed Rent be less than as set forth in the rent schedule in Exhibit B annexed hereto. In the event of a failure, refusal or inability of any arbitrator to act, his or her successor shall be appointed by him or her, but in the case of the third arbitrator, his or her successor shall be appointed in the same manner as that set forth herein with respect to the appointment of the original third arbitrator.

4. RENT:

(a) Tenant shall pay to Landlord, in equal monthly installments in advance on the first day of each and every calendar month of every Lease Year of the Term, without notice or demand, and without any set-off, counterclaim, abatement or deduction whatsoever, in lawful money of the United States by wire transfer of funds or check drawn on a bank which is a member of the New York Clearing House Association, (i) Fixed Rent (as set forth below) in equal monthly installments, in advance, on the first day of each month during the Term, and (ii) Additional Rent, at the times and in the manner set forth in this Lease. Tenant shall pay one month's Fixed Rent upon Tenant's execution of this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month, the Fixed Rent for such month shall be prorated on a per diem basis based on the actual number of days in such month. The fixed rent ("**Fixed Rent**") shall be paid to Landlord for the periods and at the rates set forth on Exhibit B annexed hereto.

(b) In addition to Fixed Rent, Tenant shall pay to Landlord Additional Rent, commencing on the Commencement Date, as provided in Section 7 hereof and elsewhere in this Lease (Fixed Rent and Additional Rent, collectively, "**Rent**"). All Rent shall be paid to Landlord, at its office, or at such other place or places as Landlord shall designate, from time to time, to Tenant, in lawful money of the United States of America.

(c) Notwithstanding anything to the contrary herein contained and provided that Tenant is not then in default hereunder, Tenant's obligation to pay the Fixed Rent shall commence upon the earlier to occur of (i) the date Tenant opens for business at the Leased Property, (ii) the issuance of a temporary certificate of occupancy for the Initial Development, or (iii) thirty (30) months from the Commencement Date (such earlier date, the "**Rent Commencement Date**"). If at any time after the Rent Commencement Date, Tenant shall be in default hereunder, then Tenant shall be obligated to pay to Landlord the Fixed Rent that was abated for the period between the Commencement Date and the Rent Commencement Date, which payment shall be made within ten (10) days after Landlord's delivery of an invoice therefor. If the Rent Commencement Date occurs on a day other than the first day of a calendar month, the Fixed rent payable for such month shall be prorated on a per diem basis based upon the actual number of days in such month.

(d) Tenant shall pay Rent as and when the same shall become due and payable, without demand therefor, and without any abatement, setoff or deduction whatsoever, and shall keep, observe and perform each and every covenant and agreement herein contained on its part to be kept, observed and performed.

5. USE:

(a) The Leased Property shall be used solely for all purposes permitted by law, except that the Leased Property shall not be used for any of the purposes listed on Exhibit C annexed hereto (the "Permitted Use") and for no other purpose. Tenant shall comply with all Laws relating to the Leased Property and Tenant's use thereof, health, safety and building codes, and any permit or license requirements. Landlord makes no representation that the Leased Property are suitable for Tenant's purposes. The business operated at the Leased Property shall be operated in a reputable and high-class manner. In no event shall the Tenant use the Leased Property or any part thereof for conducting therein a discount or second-hand store, auction, distress or fire sale or bankruptcy or going-out-of-business sale. Tenant acknowledges that Landlord shall have the right to control, in Landlord's sole discretion, what shall be placed, displayed or stored in the first five (5) feet of the Leased Property, and on all exterior signage areas and the storefront of the Leased Property and the exterior of the Leased Property (collectively, the "Control Area"). In the event Tenant uses the Control Area in violation of this Lease, Tenant shall be required to correct such violation within five (5) business days after receipt of written notice from Landlord, after which Landlord shall have all rights against Tenant in law and equity, and pursuant to this Lease, including, without limitation the right to terminate this Lease in the same manner as a default of Tenant as described in Article 20.

(b) Tenant acknowledges the nature of the business to be conducted in the Leased Property, could, in the absence of adequate preventive measures, create odors, fumes, unreasonable noise and other conditions which could cause unreasonable annoyance and/or interference to the Building and to its guests, occupants, tenants or occupants and/or tenants of adjoining buildings. Tenant covenants and agrees to take all measures to reduce or eliminate such annoyance and/or interference resulting from Tenant's unreasonable odors, fumes and/or noise, which are required herein or as reasonably required by Landlord. As an express inducement to the Landlord to enter into this Lease, Tenant agrees it will conduct its operation in the Leased Property so as to prevent such unreasonable annoyance and interference. Tenant specifically agrees that in furtherance of this covenant it will, at its own cost and expense:

(i) Install all necessary and required ducts, flue and exhaust systems in the Leased Property and service, clean, maintain, repair and replace same when required;

(ii) Prohibit and prevent the storage and use of noxious chemicals and flammable materials in the Leased Property;

(iii) Provide an exhaust system or similar device to prevent smoke, fumes, odors, or other annoying substances from emanating from the Leased Property into the Building;

(iv) Take all necessary steps to eliminate unreasonable noise and odors;

(v) At its own cost and expense, install and maintain an ANSUL System and secure all necessary permits for same as may be required by any governmental, city or municipal agency or by any governmental, city or municipal law, ordinance or regulation;

(vi) Install a grease trap and any other necessary items required by Landlord or any governmental, city or municipal law, ordinance or regulation with regard to Tenant's usage of the Leased Property, and Tenant shall contract with a reputable and experienced third party to clean the grease trap on a not less than a monthly basis;

(vii) Store its rubbish in garbage compactors, or refrigerate its rubbish in leak, odor and vermin proof containers, as Landlord may reasonably require;

(viii) Contract with a licensed, experienced and reputable company to provide extermination services (including treatment for insects, spiders, rats, mice, moles and other rodents) to be provided at the Leased Property at a minimum of every two weeks during the Term;

(ix) Fireproof all draperies and curtains in the Leased Property and submit to Landlord, upon Landlord's request, current certificates evidencing such fireproofing;

(x) Install and maintain in all cooking areas, chemical fire extinguishing devices (such as ANSUL) approved by the Underwriters Laboratory having jurisdiction over the Leased Property and, if gas is used in the Leased Property for cooking or other purposes, suitable gas cut-off devices (manual and automatic), in accordance with all applicable laws and regulations, and install and maintain a monitored fire alarm system throughout the Leased Property, in accordance with all applicable laws and regulations;

(xi) Take all steps to prevent fat, grease, oil or any other substance which tends to cause clogging or blockage of pipes and drains (hereinafter collectively referred to as "grease") from entering the drains, pipes and waste lines of the Building. In the event Tenant disposes or permits the disposal of grease into any drains, pipes or waste lines, then Tenant shall reimburse Landlord, upon demand, for the entire cost of cleaning all drains, pipes, waste lines or other waste liquid disposal facilities damaged thereby. For this purpose, the term "cleaning" shall be deemed to include the replacement of all or any portion of any drain, pipe or waste line of the Building necessitated by Tenant's improper disposal of grease;

(xii) Promptly store and dispose of all garbage, ashes and waste arising from the conduct of its business in the Leased Property at such times and in such manner so as to avoid any obnoxious or offensive smells or odors therefrom or otherwise interfering with the comfort and quiet enjoyment of the other occupants of the Building. No such garbage, ashes or waste shall be stored or placed outside of the Leased Property, but shall remain within the Leased Property until carted away by Tenant's refuse removal service, at Tenant's sole cost and expense;

(xiii) Perform any and all maintenance necessary or reasonably desirable in order to keep the floors in all areas of the Leased Property which are utilized for the preparation of food or beverages in a waterproof condition;

(xiv) Tenant shall include sound abatement materials in its alterations and finishes in the Leased Property and employ sound abatement techniques in its operations in and at the Leased Property; and

(xv) Apply for and obtain all required permits necessary to construct and/or operate a full service restaurant including, but not limited to, a liquor license.

(c) Tenant shall not, without the consent of Landlord, operate any coin or token operated vending machine or similar device for the sale of any goods, foods or beverages, including, without limitation, amusement devices.

(d) Tenant shall not:

(i) use any advertising medium such as loudspeakers, sound amplifiers or flashing lights that may be heard or seen outside the Leased Property;

(ii) install any banner, flag or the like on the exterior of the Building without the specific prior approval of Landlord; or

(iii) place in the windows any sign, decoration, letter, advertising matter, or other thing of any kind, other than shades or blinds and neatly lettered signs of reasonable size identifying Tenant and the services and products offered for sale.

(e) Tenant will not clean nor require, permit, suffer or allow any window in the Leased Property to be cleaned from the outside in violation of Section 202 of the New York State Labor Law or any other applicable law or of the Rules of the Board of Standards and Appeals, or of any other Board or body having or asserting jurisdiction.

(f) Tenant shall, throughout the Term of this Lease, operate the business located at the Leased Property in a first-rate and reputable manner and in a manner that shall not detract from the character or appearance of the Building. Accordingly, Tenant shall continuously and uninterruptedly occupy and use, during the Term, the entire Leased Property for the Permitted Use and conduct Tenant's business therein in a reputable manner; at a minimum, remain open for business on regular business days during normal business hours; maintain quality displays in the display windows, if any; keep and maintain the Leased Property and Tenant's personal property and signs therein or thereon and the exterior and interior portions of all windows, doors and all glass or plate glass in a neat, clean, sanitary and safe condition; clean the inside and outside of the storefronts whenever necessary, in the reasonable judgment of Landlord; apply for, secure, maintain and comply with all licenses or permits that may be required for the conduct by Tenant of the Permitted Use and to pay, if, as and when due all license and permit fees and charges of a similar nature in connection therewith and provide Landlord with copies thereof upon request; and, keep the Leased Property neat and clean, free from waste, offensive odors, and, in orderly and sanitary condition, free of vermin, rodents, bugs and other pests, including, but not limited to keeping the sidewalk adjacent to the Leased Property free from refuse, snow, ice and debris. Further, Tenant covenants and agrees that at all times the kind and quality of merchandise, goods and services offered in the Leased Property, and the conduct of Tenant's business therein will be first-rate and reputable in every respect, the sales methods employed in

said business, as well as Tenant's signage and displays and all other elements of merchandising, will be dignified and in conformity with the highest business dealing in the same or similar merchandise, goods and services or conducting a similar type of business, and the appearance of the Leased Property (including the lighting and other appurtenances thereto), the appearance and deportment of all personnel employed therein, and the appearance, number, location, nature and subject matter of all displays and exhibits placed or installed in or about the Leased Property (if visible outside the Leased Property), and of any sign, lettering, announcement or any other kinds or forms of inscriptions displayed in or about the Leased Property (if visible outside the Leased Property) will be only such as meets Landlord's approval. If Tenant's business operation is not consistent and in harmony with the standards of similar type of establishments in comparable buildings located in the vicinity of the Building, Tenant shall immediately remedy such deficiencies as to which Landlord shall give Tenant written notice (which remedy shall not limit or be in lieu of any other remedies that Landlord may have under this Lease for such default by Tenant).

6. NET LEASE; NONTERMINABILITY:

(a) This Lease is a "net lease" and Tenant's obligations arising or accruing during the Term to pay all Fixed Rent, Additional Rent, and all other payments hereunder required to be made by Tenant shall be absolute and unconditional, and Tenant shall pay all Net Rent, Additional Rent and all other payments hereunder required to be made by Tenant without notice, demand, counterclaim, set-off, deduction, or defense, and without abatement, suspension, deferment, diminution or reduction, free from any charges, assessments, impositions, expenses or deductions of any and every kind or nature whatsoever. Tenant assumes the sole responsibility for the condition, use, operation, maintenance, underletting and management of the Leased Property. It is the purpose and intention of the parties to this Lease that the Rent due hereunder shall be absolutely net to the Landlord and that this Lease shall yield, net to the Landlord, the Rent.

(b) Tenant shall not have any right to terminate this Lease or to be released or discharged from any obligations or liabilities hereunder for any reason, including, without limitation: (i) any damage to or destruction of the Leased Property; (ii) any restriction, deprivation (including eviction) or prevention of, or any interference with, any use or the occupancy of the Leased Property (whether due to any defect in or failure of Landlord's title to the Leased Property or otherwise); (iii) any condemnation, requisition or other taking or sale of the use, occupancy or title of or to the Leased Property; (iv) any action, omission or breach on the part of Landlord under this Lease or under any other agreement between Landlord and Tenant; (v) the inadequacy or failure of the description of the Leased Property to demise and let to Tenant the property intended to be leased hereby; (vi) Tenant's acquisition of ownership of the Leased Property or any sale or other disposition of the Leased Property; (vii) the impossibility or illegality of performance by Landlord or Tenant or both; (viii) any action of any court, administrative agency or other governmental authority; or (ix) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding.

(c) Tenant will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate, rescind or avoid this Lease for any reason, notwithstanding any bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Landlord or any assignee of Landlord, or any action with respect to this Lease which may be taken by any receiver, trustee or liquidator or by any court. Tenant waives all rights at any time conferred by statute or otherwise to quit, terminate or surrender this Lease or the Leased Property or to any abatement or deferment of any amount payable by Tenant hereunder.

7. TAXES AND OTHER CHARGES; LAW AND AGREEMENTS:

(a) Tenant shall pay and discharge, not later than the last day upon which the same may be paid without interest or penalty, any and all present or future real estate taxes, assessments, levies, fees, water and sewer rents and other governmental and similar charges, general and special, ordinary or extraordinary, and any interest, fines and penalties thereon or additions thereto (collectively, the "Impositions"), which are levied or assessed and become due and payable with respect to the Land and Leased Property during the Term, whether or not the same become payable during the Term (including all Impositions for the year in which this Lease is executed which are now a lien but not yet due and payable) against (i) Landlord and which relate to Landlord's ownership of the Leased Property, the use and occupancy of the Leased Property or the transactions contemplated by this Lease, (ii) the Leased Property or the interest of Tenant or Landlord therein, (iii) the Fixed Rent, the Additional Rent or any other amount payable by Tenant hereunder, (iv) this Lease or the interest of Tenant or Landlord hereunder, (v) the use, occupancy, construction, repair or rebuilding of the Leased Property or any portion thereof, or (vi) gross receipts from the Leased Property. Anything in the preceding sentence or in this Lease to the contrary notwithstanding, nothing in this Lease shall require payment by Tenant of any net income (including any capital gain), franchise, estate, inheritance, or similar taxes of Landlord or Landlord's mortgagee, unless such tax is in lieu of or a substitute for any other tax or assessment upon or with respect to the Leased Property which, if such other tax or assessment were in effect, would be payable by Tenant hereunder. Tenant shall furnish to Landlord, promptly, and in any event within twenty (20) days after payment, proof of the payment of any such tax, assessment, levy, fee, rent or charge which is payable by Tenant. Such taxes, assessments, levies, fees, water and sewer rents and other governmental charges shall be apportioned between Landlord and Tenant as of the last day of the Term. If any tax or assessment levied or assessed against the Leased Property may legally be paid in installments, Tenant shall have the option to pay such tax or assessment in installments and shall be liable only for the payment of those installments which are payable during the Term or relate to the period prior to the expiration or termination of this Lease, provided same is at no liability or cost to Landlord.

(b) If during the Term any method of taxation shall be such that in lieu of or in substitution for Impositions there shall be levied, assessed or imposed on the Landlord a capital levy or other tax (however designated) then the Tenant shall pay all such taxes, assessments, levies or charges or the part thereof so measured or based, but only as if the Leased Property were the only property of the Landlord.

(c) Tenant shall pay all such Impositions, or other service charges or other assessments payable by Tenant as provided hereunder directly to the applicable authority, or if

Tenant has defaulted in the payment thereof (subject to Section 7(g)), which default continues for ten (10) Business Days after notice from Landlord, Landlord may (but shall not be obligated to) pay the same, and any penalties or interest which may have accrued thereon, and the Tenant shall reimburse the Landlord for the same within thirty (30) days after notice thereof and supporting data, plus interest on any amounts paid by Landlord at the Overdue Interest Rate from the date paid through the date of repayment.

(d) In the event that the payment of any fine, penalty or similar charge in connection with any Imposition or payment of Additional Rent which is the responsibility of Tenant hereunder is deemed to constitute taxable income to Landlord for federal, state or local income tax purposes, and the payment of such fine, penalty or similar charge or payment of Additional Rent does not result in an offsetting deduction to Landlord for federal, state or local income tax purposes, in the same amount and in the same taxable year as such taxable income is recognized, Tenant shall pay to Landlord upon demand an amount sufficient to hold Landlord and any affiliate of Landlord harmless from all taxes actually required to be paid with respect to the receipt or accrual of such payment and such amount, including interest and penalties in connection therewith, and additions thereto, and after taking into account any deductions to which Landlord and any affiliate of Landlord actually is entitled to and receives as a result of the payment of such fine, penalty or similar charge.

(e) Tenant shall at all times during the Term, at Tenant's own cost and expense, perform and comply with all laws (including Environmental Laws), statutes, treaties, rules, codes, orders, ordinances, regulations and requirements now or hereafter enacted or promulgated, of every government and municipality having jurisdiction over the Leased Property and of any agency thereof, and any applicable judgments, decrees, injunctions, writs, orders or like actions of any court, arbitrator or administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (collectively, "Applicable Laws") relating to the Leased Property, or the Improvements, or the facilities or equipment thereon or therein, or the streets, sidewalks, vaults, vault spaces, curbs and gutters adjoining the Leased Property, or the appurtenances to the Leased Property, or the franchises and privileges connected therewith, whether or not such Applicable Laws so involved shall necessitate structural changes, improvements, interference with use and enjoyment of the Leased Property, replacements or repairs, extraordinary as well as ordinary, and Tenant shall so perform and comply, whether or not such Applicable Laws shall now exist or shall hereafter be enacted or promulgated, and whether or not such Applicable Laws can be said to be within the present contemplation of the parties hereto. Tenant shall also observe and comply with the requirements of all permits relating to the Leased Property and all public liability, fire and other policies of insurance at any time in force with respect to the Leased Property which are either (a) purchased by the Tenant or (b) purchased by the Landlord if copies thereof are delivered to the Tenant, and with orders, rules and regulations published by the Board of Fire Underwriters with which compliance is mandatory.

(f) Tenant shall have the right to contest, by appropriate proceedings, any tax, charge, levy, assessment, lien or other encumbrance, and/or any Applicable Law affecting the Leased Property, and to postpone payment of or compliance with the same during the pendency of such contest, provided that in the event of such contest, postponement or payment or noncompliance same shall not cause an Adverse Deferral Event and: (i) Tenant shall not postpone the payment of any such item, including, without limitation, tax, charge, levy, assessment, lien or other

encumbrance for such length of time as shall permit the Leased Property, or any lien thereon created by such item being contested, to be sold by federal, state, county or municipal authority for the non-payment thereof; (ii) Tenant shall not contest, postpone compliance with any such Applicable Law if Landlord will thereby be subject to liability or criminal prosecution, or if any municipal or other governmental authority shall commence a process according to Applicable Law to carry out any work to comply with the same or to foreclose or sell any lien affecting all or part of the Leased Property which shall have arisen by reason of such postponement or failure of compliance; and (iii) Tenant shall pay, in a timely fashion and otherwise as required in this Lease, all Net Rent and Additional Rent (other than any item of Additional Rent that Tenant is permitted to contest pursuant to this Lease, so long as Tenant satisfies all of the requirements of this Lease relating to such contest) which shall become due and payable under this Lease.

(g) Provided no Event of Default then exists, Landlord agrees that whenever Landlord's cooperation is required in any of the proceedings brought by Tenant as aforesaid, Landlord will reasonably cooperate therein, provided same shall not entail any cost, liability or expense to Landlord and Tenant will pay, indemnify and save Landlord harmless of and from, any and all third party Claims in connection with any such contest and will, promptly after the final settlement, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, and Tenant shall perform and observe all acts and obligations, the performance of which shall be ordered or decreed as a result thereof. During the Term and provided that no Event of Default exists, Landlord shall have no right to contest any Impositions.

(h) Tenant shall, at Tenant's sole cost and expense, promptly and fully perform each and every covenant, condition, promise and obligation of the owner of the Leased Property under each and every reciprocal easement agreement, declaration, restriction, easement or other agreement now in effect, whether recorded or unrecorded, affecting the Leased Property or any portion thereof, or the ownership, use, nonuse, occupancy, construction, repair, maintenance or rebuilding thereof (except for (i) any mortgage affecting Landlord's interest in the Leased Property or (ii) other liens created by Landlord or any of the foregoing executed by Landlord subsequent to the Commencement Date with the consent of Tenant, which consent shall not be unreasonably withheld, conditioned or delayed).

8. LIENS:

Tenant will promptly, but no later than thirty (30) days after the filing thereof, remove and discharge of record, by bond or otherwise, any charge, lien, security interest or encumbrance upon the Leased Property, or any Fixed Rent, or Additional Rent which arises for any reason, including all liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of the Leased Property or by reason of labor or materials furnished or claimed to have been furnished to Tenant or any subtenant or licensee for the Leased Property. Nothing contained in this Lease shall be construed as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to or for the performance by any contractor, laborer, materialman, or vendor of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof. Notice is hereby given that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding an interest in the Leased

Property or any part thereof through or under Tenant, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in and to the Leased Property. In the event of the failure of Tenant to discharge any charge, lien, security interest or encumbrance as aforesaid, Landlord may, if not discharged by Tenant within five (5) Business Days after written notice to Tenant, discharge such items by payment or bond or both, and Tenant will repay to Landlord, upon demand, any and all amounts paid by Landlord therefor, or by reason of any liability on such bond, and also any and all incidental expenses, including, without limitation, reasonable attorneys' fees, actually incurred by Landlord in connection therewith.

9. INDEMNIFICATION; FEES AND EXPENSES:

(a) Tenant shall pay, and shall protect, defend, indemnify and hold each Indemnitee harmless from and against any and all Claims (other than any Claim arising out of any Indemnitee's willful misconduct or gross negligence) that may occur or be claimed by or with respect to any person or property on or about the Leased Property, or any condition of the Leased Property or the condition of or any occurrence on or about any adjacent street, vault or sidewalk, in each case to the extent the foregoing is caused by or arises from Tenant's or any other person's or entity's (other than any Indemnitee's) acts, use, misuse, occupancy, possession or unoccupancy of the Leased Property. Tenant shall, at its cost and expense, defend against any and all such actions, Claims and shall indemnify and hold harmless all Indemnitees for all costs, expenses and liabilities that they may incur in connection therewith, except Tenant shall not be required to reimburse Landlord for any such defense costs and expenses (including for attorneys' fees) incurred by Landlord in connection with Landlord hiring its own counsel to the extent that Tenant is defending Landlord with counsel (i) selected by the applicable insurer or (ii) otherwise reasonably acceptable to Landlord and engaged and paid by Tenant.

(b) Should any event occur for which any Indemnitee is entitled to indemnification pursuant to this Article 9 or other provisions of this Lease, such Indemnitee shall provide reasonably prompt written notice to Tenant describing the nature of such claim (provided, however, that the failure by such Indemnitee to so notify Tenant or any other Indemnitee shall not limit or otherwise affect the obligations and liabilities of Tenant hereunder, provided that such failure does not prevent Tenant from so indemnifying such Indemnitee). Tenant may assume responsibility for any action to be taken to contest the claim, provided that Tenant will notify the Indemnitees in writing of its intention to contest such claim within thirty (30) days after receipt of notice of the claim. Tenant, at its sole expense, may control all proceedings relating to such contest, provided that no Event of Default is continuing and that Tenant has acknowledged its obligation to provide indemnification hereunder relating to the applicable claim. The Indemnitees will reasonable cooperate with Tenant in contesting such claim, provided that Tenant indemnifies and holds harmless the Indemnitees for all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) relating to contesting such claim. Any counsel selected by Tenant hereunder shall be reasonably acceptable to the Indemnitees (and counsel appointed by Tenant's insurance company shall be deemed acceptable), and the Indemnitees, at their option, shall have the right to contest such claim through separate counsel in the event any claims against or defenses of such Indemnitee are in conflict under the applicable standards of professional conduct with those of Tenant, and Tenant shall be obligated to pay for all reasonable costs and expenses (including without limitation

reasonable attorneys' fees and expenses) actually incurred relating to any such separate contest of such claim.

10. HAZARDOUS SUBSTANCES AND WASTE:

(a) As used in this Lease, "**Hazardous Substances or Waste**" shall include, but not be limited to, dip tanks, welding stations, spray booths and those materials defined by Environmental Laws as such. "**Environmental Laws**" shall include, but not be limited to, each and every federal, state and local law, statute, code, ordinance, regulation, rule or other requirement of Governmental Authorities having jurisdiction over the Building (including, but not limited to, consent decrees and judicial or administrative orders), relating to the environment, including but not limited to, those applicable for the storage, treatment, disposal, handling and release of any Hazardous Substances or Waste, all as amended or modified from time to time, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §9601, et seq.), as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. §9601-9675, et seq.) and as further amended ("CERCLA"); the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. §6901, et seq.); the Clean Water Act, as amended (33 U.S.C. §1251, et seq.); the Clean Air Act, as amended (42 U.S.C. §7401, et seq.); the Federal Insecticide, Fungicide and Rodenticide Act, as amended (7 U.S.C. §136, et seq.); the Toxic Substance and Control Act of 1976, as amended (15 U.S.C. §2601, et seq.); and Emergency Planning and Community Right to Know Act of 1986, as may be amended from time to time (42 U.S.C. §11001 to 11050, et seq.), with regard to the storage of Hazardous Substances or Waste and petroleum products.

(b)

Tenant represents to Landlord that at all times, it shall: comply with and take all action required by Environmental Laws and maintain and operate the Leased Property in accordance therewith; at its own cost and expense maintain in effect any permits, licenses or other governmental approvals, if any, required by Environmental Laws for Tenant's specific use of the Leased Property; and promptly make all disclosures to Landlord and/or Governmental Authorities that may be required by Environmental Laws.

(c) If at any time Tenant shall become aware, or have reasonable cause to believe, that any Hazardous Substances or Waste has come to be located in, on or about the Leased Property, Tenant shall immediately give written notice of that condition to Landlord. In addition, Tenant shall immediately notify Landlord in writing of: any enforcement, cleanup, removal or any other action instituted or threatened by Governmental Authorities pursuant to Environmental Laws; any claim made or threatened by any person against Tenant or the Leased Property, relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from or claimed to result from Hazardous Substances or Waste; and any reports made to any Governmental Authorities arising out of or in connection with the foregoing. Tenant shall also furnish Landlord with copies of all reports, complaints, notices, warnings and claims made or received.

(d) Tenant shall indemnify, defend by counsel reasonably acceptable to Landlord (for the purposes hereof, counsel selected by Tenant's insurer shall be deemed acceptable to Landlord), protect and hold harmless Landlord and each of Landlord's partners, directors, members, managers, owners of direct or indirect interest in Landlord, officers, employees, agents, successors and assigns, from and against any and all claims, liabilities, penalties, fines, judgments, forfeitures, losses, costs or expenses (including reasonable attorney's fees, consultants fees and experts fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by: the presence in, on or about the Leased Property, or the discharge or release, in or from the Building or the Leased Property, of any Hazardous Substances or Waste to the extent that such presence, discharge or release is caused or created by Tenant or caused or created by Tenant's agents', employees', sublessees', licensees', contractors' or invitees' use, operation and/or activities in the Building or the Leased Property, including but not limited to discharge or release as a result of Tenant alterations thereof; or Tenant's failure to comply with Environmental Laws. For the purposes of this indemnity the acts or omissions of Tenant, its agents, employees, contractors, sublessees, licensees or invitees, whether or not they are negligent, intentional, willful or unlawful, shall be attributable to Tenant, and Tenant's obligations shall survive the expiration of the Lease Term.

(e) Tenant acknowledges and agrees that it shall not be unreasonable for Landlord to withhold its consent to any proposed assignment, subletting or other transfer of Tenant's interest in this Lease nor shall Tenant have the right to assign, sublet or transfer this Lease or its interest therein, without Landlord's consent if: the anticipated use, or method of use, of the Leased Property by the proposed assignee, sublessee or transferee (collectively "Transferee") involves the generation, storage, use, treatment or disposal of Hazardous Substances or Waste; the proposed Transferee has been required by a prior landlord or Governmental Authority to take remedial action in connection with Hazardous Substances or Waste; or the proposed Transferee is subject to an enforcement order issued by Governmental Authorities pursuant to Environmental Laws.

11. MAINTENANCE AND REPAIR:

(a) Throughout the Term, Tenant covenants and agrees, without exception, to maintain and keep in good order and repair the Leased Property, at its sole cost and expense, including, without limiting the generality of the foregoing, the structural elements and roofs forming a part thereof, and the plumbing, heating, ventilating, air conditioning, electrical, lighting, sprinkler and other utility systems and fixtures and other equipment therein or serving the same and the appurtenances thereto, and all grounds, facilities, vaults, signs, roofs, gutters, sidewalks, curbs and other paved walkways and areas on and adjacent thereto, exterior lighting fixtures, water, sewer, gas and other utility connections, pipes and mains, and all other fixtures, machinery and equipment now or hereafter serving the same, and Tenant agrees to put, keep and maintain all of the foregoing in safe, sound, lawful and first class order and condition, and make all repairs thereto and therein, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, as shall be necessary to put, keep and maintain the same in such safe, sound, lawful and first class order and condition and in compliance with all Governmental and Insurance Requirements, and howsoever the necessity or desirability therefor may have occurred, and whether or not necessitated by normal wear and tear, casualty,

condemnation, obsolescence or defects, latent or otherwise. Tenant shall not commit or suffer and shall use all precaution to prevent waste, damage or injury to the Leased Property or any part thereof.

(b) Tenant, at its sole cost and expense, shall also keep and maintain the Leased Property, including, but not limited to, the sidewalks adjoining the same, in clean and orderly condition and free from dirt, snow, ice, rubbish, vermin, obstructions and other encumbrances.

(c) When used in this Lease, subject to Article 12 hereof, the term "repairs" shall include all necessary replacements, renewals, alterations and additions. All repairs to be made by Tenant shall be of first quality and class and shall be made in compliance with all Governmental and Insurance Requirements and the then applicable building code.

12. CHANGES, ALTERATIONS AND ADDITIONS

(a) Tenant covenants and agrees that there shall not be any demolition, replacement, change, alteration or addition to the Leased Property, any part or parts thereof or space therein, or any addition thereto, whether voluntarily or in connection with a repair or Restoration required by this Lease (any such action being herein referred to as a "**Capital Improvement**"), unless such Capital Improvement shall be performed in compliance with the requirements set forth below and, if applicable, the additional requirements set for in Section 12(b):

(i) No Capital Improvement shall impair the structural soundness of the Leased Property.

(ii) Any Capital Improvement shall be made and completed promptly, in a good and workmanlike manner, in compliance with all applicable permits and authorizations and all Governmental and Insurance Requirements and in accordance with any plans and specifications therefor that have been approved by governmental authorities having jurisdiction thereover.

(iii) The cost of any Capital Improvement shall be paid by Tenant so that the Leased Property shall at all times be free of liens for labor and materials supplied or claimed to have been supplied to or on behalf of Tenant and/or the Leased Property, and if any such lien shall at any time be filed, Tenant shall cause the same to be vacated or discharged in accordance with the provisions of Article 8 hereof.

(b) As used in this Article 12, the phrase "**Material Improvement**" shall mean a Capital Improvement that would result in a change to the structure, height, setback, facade, rentable area or use of the Leased Property or whose estimated cost, as determined by a reputable contractor, or as set forth in a construction agreement with a reputable contractor, will exceed \$100,000.00. For purposes of this Lease, the Initial Development shall be deemed to be a Material Improvement. In addition to compliance with the requirements of Section 12(a), such Material Improvement shall be performed in compliance with the following additional requirements:

(i) Prior to Tenant undertaking any Material Improvement, Tenant, at its sole cost and expense, shall cause to be prepared and shall submit to Landlord complete working plans, drawings and specifications prepared by an architect or engineer licensed in the State of New York and shall obtain Landlord's prior written consent to such plans and specifications which consent shall not be unreasonably withheld or delayed provided such work will not, at completion, result in a reduction in the value of any of the improvements on the Leased Property or in the value of the Land. Such plans and specifications shall be considered the "**Plans and Specifications**" for the applicable Material Improvement(s) and Tenant shall give prior notice to Landlord of any changes in the Plans and Specifications (other than de minimis changes that do not affect the structure or appearance of the improvement and do not require any amended plans or filings) and shall promptly furnish Landlord with copies of all such changes and obtain Landlord's prior written consent to such changes.

(ii) Tenant acknowledges and agrees that any receipt by Landlord of Plans and Specifications shall not constitute an opinion or agreement by Landlord that the Plans and Specifications are structurally sufficient or in compliance with law, nor shall any such receipt impose any liability on or waive any rights of Landlord hereunder or affect or diminish any of Tenant's obligations hereunder.

(iii) Tenant shall, at Tenant's expense, file or cause to be filed the Plans and Specifications with the appropriate governmental authorities, shall secure all necessary approvals of the Plans and Specifications from all governmental authorities having jurisdiction thereover and all permits and licenses necessary to perform the Material Improvements. Landlord shall, at no cost or liability to Landlord, reasonably cooperate with any filings or permits necessary in connection with any Tenant's work permitted hereunder.

(iv) Prior to commencing any such Material Improvement and as a condition to Tenant being permitted to perform such Material Improvement (other than the Initial Development, which is addressed in Section 12(d) below), Tenant shall cause to be delivered by HF Group Holding Corporation ("**Guarantor**") a guaranty in the form of Exhibit D annexed hereto.

(v) At least fifteen (15) days prior to commencing any Material Improvement, Tenant shall furnish to Landlord, or cause its contractors to provide, the insurance coverage required to be maintained by Tenant during the performance of Material Improvements as are prescribed by Article 15 hereof, in addition to, but without duplication of, the insurance coverage described in Article 15 hereof. If under the provisions of any property, casualty or other insurance policy or policies then covering the Leased Property any risks attributable to such Material Improvement shall be excluded from coverage under such policy or policies or any consent to such Material Improvement by the insurance company or companies issuing any such policy shall be required to continue and keep any such policy in full force and effect, such additional coverage and/or such consents by appropriate endorsements to such policy or by additional policies shall be obtained, and any additional premiums or charges therefor that may be imposed by said insurance company or companies shall be paid or cause to be paid by Tenant.

(vi) Following compliance by Tenant with its obligations under the foregoing provisions of this Section 12(b), Tenant shall promptly commence or cause to be commenced the proposed Material Improvement(s) and shall complete or cause the same to be completed diligently, in accordance with the approved Plans and Specifications, in a first-class, good and workmanlike manner, and in accordance with all applicable laws, ordinances and regulations of all governmental and insurance authorities and with all requirements of the Board of Fire Underwriters governing the same. At all times during the progress of the work for Material Improvements Tenant shall permit Landlord, its architect and other representatives access to the Leased Property during business hours for the purpose of inspecting the same, verifying conformance of said Material Improvements with the Plans and Specifications and otherwise viewing the progress of the Material Improvements.

(vii) Upon completion of any Material Improvements, Tenant shall give notice thereof to Landlord and furnish Landlord with appropriate evidence of completion of such Material Improvements, including, but not limited to, as-built plans, temporary and final certificates of occupancy (or similar final approvals of any applicable governmental authority) for the construction, alteration and renovation work performed by Tenant, and appropriate evidence, including checks and receipts, that the cost thereof has been paid for in full.

(viii) Tenant shall reimburse Landlord, within ten (10) days of written demand, for any out of pocket costs and expenses reasonably incurred by Landlord, including but not limited to the costs of any architects, attorneys or other professionals, in connection with the Landlord's review of the Plans and Specifications, inspection of the performance of any Capital Improvements and review of the Material Improvement Completion Evidence.

(c) Tenant shall pay its contractors, laborers, subcontractors, materialmen and suppliers in accordance with their respective agreements with Tenant and shall not cause or suffer any liens, mortgages, chattel liens, or other title retention or security agreements to be placed on the Leased Property or any improvements thereon. Nothing contained in this Section 12 or elsewhere in this Lease shall be construed in any way as constituting any consent by Landlord or authorization to Tenant to subject the Leased Property or any part thereof to any lien or charge in respect of Capital Improvements or otherwise. All contracts or agreements made by Tenant with any third party or parties in connection with Capital Improvements (or any other alterations by Tenant) shall expressly provide that said third party or parties shall look solely to Tenant for any and all payments to be made pursuant to such contract or agreement and that neither Landlord nor the lessor under any underlying lease shall have any responsibility or liability for the payment thereof.

(d) As a material inducement to Landlord's execution and delivery of this Lease, Tenant agrees that Tenant shall construct and complete, in accordance with the terms of this Article 12, the improvements as more particularly described on Exhibit E annexed hereto (the "Initial Development"). Tenant acknowledges and agrees the Building comprising the Initial Development and/or any Building hereinafter constructed shall be a completely self-sufficient structure erected wholly within the boundary lines within the Leased Property and not tying in or connecting to any other real property or other improvements. Upon the issuance of a temporary certificate of occupancy for the Initial Development, all references to the Building shall be

deemed to mean all buildings (existing or new, as the case may be) on the Land. Notwithstanding anything to the contrary herein contained, as a further material inducement to Landlord's execution and delivery of this Lease, the value of Initial Development shall be equal to at least \$2,500,000 (the "Initial Development Cost") and Tenant shall provide Landlord with proof reasonably acceptable to Landlord to evidence the Initial Development Cost not later than ten (10) days after the issuance of a temporary certificate of occupancy for the Initial Development. Without limiting the generality of the provisions of this Article 12, prior to commencing construction of the Initial Development, Tenant shall have caused Guarantor to deliver to Landlord a guaranty in the form of Exhibit F annexed hereto.

13. DAMAGE OR DESTRUCTION AND USE OF CASUALTY INSURANCE PROCEEDS

(a) If all or any part of the Leased Property shall be damaged or destroyed in whole or in part by fire or other casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, Tenant shall give Landlord immediate notice thereof, and Tenant at its sole cost and expense, whether or not the insurance proceeds, if any, shall have been collected or shall be sufficient to pay for the necessary repairs, restorations, replacements and rebuilding (collectively "Restoration"), shall promptly repair, restore, replace and rebuild (collectively "Restore"), or cause to be Restored, the damaged or destroyed Leased Property at least to the extent of the value, quality and condition and as nearly as possible to the character thereof existing immediately prior to such occurrence; provided, however, that if such casualty occurs prior to the Initial Development Completion Date, then Tenant shall also complete any construction required pursuant to Section 12(d) of this Lease.

(i) Provided Tenant shall have complied with all of the terms and provisions of this Lease set forth and no Event of Default shall have occurred, Landlord shall pay over to Tenant, in accordance with subsection (c) of this Article 13, any insurance proceeds which may be received by Landlord in connection with damage and destruction to the Leased Property, from insurance maintained or caused to be maintained by Tenant (other than rental insurance proceeds), but in no event to any extent or in any sum exceeding the amount actually received or collected by Landlord in connection with such damage or destruction of the Leased Property; provided, however, that before paying such proceeds over to Tenant, Landlord shall first be entitled to reimburse itself therefrom to the extent, if any, of the expenses (including reasonable attorneys' fees and disbursements) paid or incurred by Landlord in the collection of such proceeds.

(ii) If the estimated cost of such Restoration exceeds \$100,000.00, prior to the commencement of any Restoration, Tenant shall furnish to Landlord a detailed cost estimate for such Restoration prepared by a licensed architect that shall supervise the Restoration and confirmed by a reputable contractor, or a proposed construction agreement with the architect and reputable contractor itemizing the price for each component of such Restoration.

(iii) If the estimated cost of such Restoration exceeds \$100,000.00, the insurance proceeds shall be paid to Tenant in installments as the Restoration progresses, upon application to be submitted by Tenant to Landlord showing the cost of the Restoration incurred since the last previous application. The amount of each installment of such proceeds to be paid

to Tenant shall be such proportion of the total proceeds received by Landlord (less the expenses and charges permitted to be deducted therefrom, as aforesaid) as the value of the labor and materials theretofore incorporated in the Restoration bears to the total estimated cost of the Restoration, less (i) all payments theretofore made to Tenant out of such proceeds, and (ii) the greater of (1) the actual retainage called for by the construction agreement(s) for such Restoration, or (2) ten (10%) percent of the amount so determined, until completion of the Restoration and delivery.

(iv) If any vendor's mechanic's laborer's, or materialman's lien shall be filed against the Leased Property or any part thereof, Tenant shall promptly comply with its obligations under Section 8 hereof and pending compliance therewith Landlord shall withhold from the disbursement of insurance proceeds an amount equal to 125% of such lien.

(v) If the insurance proceeds shall be insufficient for the purpose of paying for any Restoration, Tenant shall nevertheless be required to make the Restoration and pay any additional sums required to complete the same in the manner prescribed by this Section 13.

(vi) The foregoing notwithstanding, if the estimated cost of Restoration shall be less than \$100,000.00, then Tenant shall have the right to collect all insurance proceeds (other than rental insurance) in respect thereof and shall hold same in trust to be applied to the cost of Restoration.

(b) The following shall be conditions precedent to each payment made to Tenant as provided in Section 13(a) hereof:

(i) there shall be delivered to Landlord, at the time of each request for a disbursement of insurance proceeds:

(1) a certificate of an architect or engineer licensed as such in the State of New York, who is in charge of and supervising such Restoration (the "Architect"), specifying that: (i) the sum then requested to be disbursed either has been paid and/or is then justly due to contractors, subcontractors, materialmen, engineers, architects or other persons (whose names and addresses shall be stated) who have rendered or furnished certain services or materials for the Restoration and giving a brief description of such services and materials and stating in reasonable detail the progress of the Restoration up to the date of said certificate; (ii) as far as is known to the Architect after due inquiry no part of such expenditures has been or is being made the basis, in any previous or then pending request, for the disbursement of insurance proceeds or has been made out of the proceeds of insurance received by Tenant; (iii) the sum then requested to be disbursed, plus all sums previously disbursed, does not exceed the value of the Restoration insofar as actually accomplished up to the date of such certificate; (iv) except in the case of the final request for payment by Tenant, in the opinion of the Architect, the remainder of the moneys then held by Landlord will be sufficient to pay in full for the completion of the Restoration, and estimating, in reasonable detail, the total remaining costs of completion of such Restoration; and (v) in the case of the final request for payment by Tenant, the Restoration shall have been completed in accordance with the plans and specifications therefor and all Governmental Requirements; (vi) a title report from a title company of Landlord's choosing, reporting no

mechanic's or other liens or encumbrances; and (vii) partial lien waivers from the general contractor and each party receiving payment from the general contractor;

(2) the contractor's requisition for payment which, in addition to setting forth the amount then claimed to be due for work, labor and material performed and furnished, as approved by the Architect, shall certify that, except for such amounts as shall then be due, there is no outstanding indebtedness known, after due inquiry, which is then due and payable for work, labor, services or materials in connection with the Restoration; and

(3) in the case of the final request for payment by Tenant, lien waivers from all contractors and materialmen that have performed work or furnished materials in connection with the Restoration together with the title report described in Section 13(b).

(ii) at the time of making any such payment to Tenant, no default beyond applicable grace and cure periods shall exist hereunder.

(c) Tenant shall have the right to adjust all property and casualty insurance claims, and to compromise and/or settle any property or casualty insurance claims relating thereto, provided same shall be subject to obtaining Landlord's prior written consent.

(d) If the estimated cost of any Restoration required to be performed by Tenant shall exceed the insurance proceeds then available for disbursement to Tenant in respect of such damage or destruction, prior to the commencement of any Restoration or continuation of the Restoration, as the case may be, Tenant shall deposit with Landlord cash or a bond or other security reasonable satisfactory to Landlord in the amount of such excess, plus ten (10%) percent, to be held and applied by Landlord as final payment toward the completion of the Restoration in accordance with the provisions of Section 13(a) hereof, as security for the completion of the Restoration in accordance with this Article 13.

(e) This Lease shall not terminate, be forfeited or otherwise affected in any manner, and there shall be no reduction or abatement of the Minimum Rent or Additional Rent payable hereunder, by reason of damage to or total, substantial or partial destruction of the Leased Property or any part thereof, or by reason of the untenability of the same or any part thereof, or for or due to any other reason or cause whatsoever, and Tenant, notwithstanding any present or future law or statute, waives any and all rights to quit or surrender the Leased Property or any part thereof or declare any total, partial, actual or constructive eviction in any manner by reason of any damage or destruction of the Leased Property or for any other reason. Tenant hereby agrees that its obligations hereunder, including, but not limited to, its obligations to pay the Fixed Rent and Additional Rent, shall not be impaired or otherwise affected by reason of any casualty and shall continue as though the Leased Property had not been damaged or destroyed, without abatement, suspension, diminution or reduction of any kind. It is the intention of Landlord and Tenant that the foregoing is an "express agreement to the contrary" as provided in Section 227 of the Real Property Law of the State of New York and shall govern and control in lieu thereof.

(f) The rights of Landlord and Tenant to receive, hold and apply insurance proceeds under this Article 13 are subject and subordinate to the rights of the holder of any Superior Mortgage (as such term is hereinafter defined).

14. CONDEMNATION:

(a) If at any time prior to or during the Term, the whole or a substantial portion of the Leased Property shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement between Landlord and those authorized to exercise such right, this Lease and the Term shall terminate and expire on the date of taking (as hereinafter defined) and the Fixed Rent and Additional Rent payable by Tenant hereunder shall be apportioned and paid to the date of taking. Tenant shall not discuss nor enter into any agreement with the condemning authority without the prior approval of Landlord. Tenant shall not directly or indirectly initiate contact nor contact any condemning authority or in any manner indicate a preference or desire to have the Leased Property condemned.

(b) For purposes of this Article 14, a taking of "a substantial portion of the Leased Property" shall mean a taking of such scope that the untaken portion of the Land and Building is insufficient to permit the restoration of the existing Building so as to constitute a complete building similar in use to that at the time of taking, capable of producing an annual income, for the payment of all operating expenses thereof and the Fixed Rent, Additional Rent and other charges herein reserved and after performance of all covenants and agreements herein provided to be performed by Tenant. As used above, the term "operating expenses" shall be deemed to exclude depreciation, all taxes including but not limited to income taxes and franchise taxes of Tenant.

(c) If the whole or a substantial portion of the Leased Property shall be taken or condemned as provided in this Article 14, and the Lease is terminated in accordance with subsection (a) above, the aggregate of all awards and/or damages (collectively, the "award") made to Landlord and Tenant, and any other persons claiming by, through or under any of them, in respect of such taking shall be paid out and distributed to Landlord and shall be the sole property of Landlord, and Tenant hereby waives, releases and relinquishes any and all claims, awards or damages predicated on the value of the unexpired Term of this Lease or otherwise; except that, in connection with such taking, Tenant may seek to recover the unamortized costs of any improvements or alterations (such amortization to be calculated on the same basis as calculated for purposes of Tenant's tax returns) it may have made to or at the Leased Property to the extent such expenditures are, under generally accepted accounting principles, in the nature of "capital improvements"; provided, however, (i) no claim of Tenant shall interfere with or otherwise affect or in any manner diminish Landlord's claim and rights as hereinabove set forth, (ii) under no circumstances shall Tenant make any claim other than for the costs expressly mentioned in this sentence.

(d) In case of any taking and whether or not this Lease shall terminate by reason thereof, each of the parties agrees to execute any and all documents that may be required in order to effect and facilitate the collection by Landlord and Tenant of the award for taking.

(e) For purpose of this Article 14, the term "date of taking" shall be deemed to be the date on which actual possession of the whole or substantially all of the Leased Property, or a part thereof, as the case may be is acquired.

(f) (i) If less than a substantial portion of the Leased Property shall be taken, this Lease and the Term shall continue (except that this Lease shall terminate in respect of the portion of the Leased Property taken) without abatement or diminution of the Fixed Rent or Additional Rent (except that Fixed Rent shall be recalculated on the basis of the gross leasable area of the Leased Property remaining following the taking and the Restoration of such remaining portion) or of any of Tenant's other obligations hereunder. Tenant, at its sole cost and expense, whether or not the award, if any, shall be sufficient for the purpose, shall proceed diligently to Restore any remaining part of the Leased Property not so taken, so that the same shall be a complete, rentable, self-contained architectural unit and, to the extent practicable, of a size and condition substantially similar to the size and condition of, and having a character similar to the character of, the Leased Property existing immediately prior to such taking, in good condition and repair.

(ii) In the event of any taking of less than a substantial portion of the Leased Property, if Restoration of the Leased Property by Tenant is required hereunder, the award in respect of such taking shall be paid out and distributed as follows, and Tenant hereby waives, releases and relinquishes any and all claims, awards or damages:

(A) there shall first be paid to Landlord an amount equal to 110% of Landlord's reasonably estimated cost of such Restoration as may be required hereunder, to be held by Landlord for such purpose; and

(B) next, there shall be paid to Landlord the remainder of the award, if any (including any balance of that portion of the award paid to Landlord under clause (A) of this subsection 14(f)(ii) remaining after completion of Restoration).

(iii) Such Restoration shall be performed in accordance with and subject to the provisions of Articles 8 and 13 hereof. Payments to Tenant for Restoration shall be disbursed by Landlord in the same manner as insurance proceeds are disbursed to Tenant as set forth in Article 8 hereof.

(iv) Each of the parties agrees to execute any and all documents that may be required in order to effect and facilitate collection of the award by Landlord.

(g) In case of any governmental action not resulting in the taking or condemnation of any portion of the Leased Property but creating a right to compensation therefor, such as the change or grade or widening of any street upon which the Leased Property abut, this Lease shall continue in full force and effect without reduction or abatement of Minimum Rent or Additional Rent and the entire award therefor shall belong to Landlord. Tenant hereby waives any and all claims, and releases and relinquishes all of its interest in and to any award, damages or other compensation of any kind resulting from or predicated upon a change of grade or street widening.

(h) Notwithstanding anything to the contrary contained herein, the amount of any award or payment allowed or retained for Restoration of the Leased Property pursuant to this Article 9 which shall not have been previously applied to that purpose shall become the property of and shall be paid over to Landlord, in all cases, whether or not this Lease shall expire or terminate for any reason prior to completion of the Restoration in accordance with the provisions of this Article 14.

(i) It is the intention of Landlord and Tenant that the provisions of this Article 9 shall constitute an "express agreement to the contrary" as provided in Section 227 of the Real Property Law of the State of New York and shall govern and control in lieu thereof.

15. INSURANCE:

(a) Tenant shall, during the Term, at its cost and expense, obtain and maintain valid and enforceable insurance of the following character:

Insurance on the building including all improvements, equipment, machinery, appliances and other property which constitute part of the Leased Property, providing the following:

PROPERTY

1. Covered under ISO (Insurance Services Office) Special Causes of Loss form,
2. Back-up of Sewers and Drains, Surface Water and Seepage
3. Debris Removal
4. Pollutant Cleanup and Removal
5. Ordinance or Law Undamaged – Included
6. Ordinance or Law – Demolition – Equal to 10% of the building limit
7. Ordinance or Law - Increased Cost of Construction – Equal to 25% of the building limit
8. Service Interruption
9. Mold coverage
10. Flood
11. Earthquake
12. Sprinkler Leakage, including Earthquake Sprinkler Leakage
13. Windstorm and Hail
14. Replacement Cost Valuation
15. Agreed Value, No Coinsurance
16. Deductible no greater than \$10,000, except \$25,000 on Flood, \$25,000 Earthquake and \$25,000 Windstorm or Hail. All deductible are the responsibility of the Tenant.
17. Include Landlord as additional named insured and loss payee
18. Include the holder of any Superior Mortgage as mortgagee under a standard first mortgagee endorsement and loss payee
19. Waiver of Subrogation in favor of Landlord and any Superior Mortgagee
20. For the "full insurable value" excluding the cost of constructing foundations, footings and excavations.

BUSINESS INTERRUPTION/LOSS OF INCOME

1. Include loss of income insurance for the actual amount of loss for a period of 24 months, in an amount sufficient to cover, at least 24 months of rents.
2. Including 365 days extended period of indemnity
3. Include all coverage as stated under PROPERTY

EQUIPMENT BREAKDOWN

4. On a Comprehensive form including, but not limited to, coverage for explosion in respect of steam and pressure boilers and similar apparatus
5. In an amount equal to one hundred (100%) percent of the "full insurable value" of the Leased Property
6. If written on a policy separate from the Property policy, both the Equipment Breakdown policy and the Property coverage will include a Loss Adjustment Endorsement.
7. Include loss of income insurance for the actual amount of loss for a period of 24 months, in an amount sufficient to cover, at least 24 months of rents.
8. Including 365 days extended period of indemnity.

COMMERCIAL GENERAL LIABILITY

1. With limits of \$1,000,000 per occurrence and \$2,000,000 general aggregate per location, with respect to bodily injury, and property damage and, including contractual liability, personal injury and products and completed operations.
2. Must be written on ISO (Insurance Services Office) form CG0001 or equivalent
3. All deductibles must be approved by the Landlord and are the responsibility of the tenant.
4. Landlord to be included as named insured
5. Any Superior Mortgagee to be included as additional insured
6. Coverage to be provided on a primary and non-contributory basis.
7. Waiver of subrogation in favor of Landlord and any Superior Mortgagee.

AUTOMOBILE LIABILITY

1. For a limit of \$1,000,000 covering all owned, non-owned and hired vehicles.
2. Landlord and any Superior Mortgagee to be included as additional insureds

WORKERS COMPENSATION and EMPLOYERS LIABILITY

Tenant shall comply with applicable workers' compensation laws and shall maintain workers' compensation insurance if and to the extent necessary for such compliance.

UMBRELLA/EXCESS LIABILITY

1. With limits of \$100,000,000 per occurrence and \$100,000,000 aggregate per location.
2. Policy shall be follow form of the
 - (a) Commercial General Liability
 - (b) Employers Liability
 - (c) Automobile Liability
3. Additional insured shall be on a primary and non-contributory basis.

TERRORISM

Foreign and Domestic Act of Terrorism insurance on all policies in accordance with Terrorism Risk Insurance Act/TRIPRA

OTHER REQUIREMENTS:

(b) Such insurance, shall be written by companies with A. M. Best rating of A- VIII or better, and are legally qualified to issue such insurance, and shall name Tenant as the first named insured party and (except in respect of any worker's compensation policy) Landlord as named insured and any Superior Mortgagee (if the identity of the same has been provided to Tenant), as additional insureds as their interests may appear in accordance with paragraph (c) of this Article Provided that no Material Event of Default has occurred and is continuing, Tenant may, at its cost and expense, prosecute any claim against any insurer or contest any settlement proposed by any insurer, and Tenant may bring any such prosecution or contest during the Term in the name of Landlord, Tenant or both, and Landlord will join therein at Tenant's request, provided that Tenant shall indemnify Landlord against any costs or expenses which Landlord may incur in connection with such prosecution or contest. The insurance limits required in this Article shall be increased to such higher limits as may from time to time be reasonably required by Landlord (such insurance limits shall also be increased by any increase in the CPI every five years).

(c) Notwithstanding anything to the contrary in this Lease, if the Terrorism Risk Insurance Program Reauthorization Act of 2014 (or any subsequent statute, extension, or reauthorization) is no longer in existence, the aggregate maximum amount that Tenant shall be required to pay in respect to terrorism coverage hereunder shall be an amount equal to two hundred percent (200%) of the insurance premium that is payable at such time on a stand-alone basis in respect of the property and business interruption/rental loss insurance required hereunder (excluding terrorism coverage). For example, if the insurance premium on a stand-alone basis in respect of the property and business interruption/rental loss insurance required hereunder (excluding terrorism coverage) is 1.00X the aggregate maximum amount that Tenant shall be required to pay in respect to terrorism coverage hereunder shall be 2.00X (such amount payable for terrorism coverage under the property insurance policy or endorsement and terrorism coverage under the liability policy in such proportions as Tenant may reasonably determine).

(d) Tenant shall furnish Landlord (and any Superior Mortgagee) with duplicate original ACORD 28 and ACORD 25 certificates evidencing all coverage as required in this Article 14 together with written evidence that the premiums therefor have been paid. It is understood and agreed that said policies may be blanket policies covering other locations operated by Tenant, its affiliates or subsidiaries, provided that such blanket policies otherwise comply with the provisions of this Article 15 and copies thereof are furnished to Landlord from time to time promptly following Landlord's written request for same, and provided further that such policies shall provide for a reserved amount thereunder with respect to the Leased Property so as to assure that the amount of insurance required by the provisions of this Article 15 will be available notwithstanding any losses with respect to other property covered by such blanket policies. Each policy of insurance shall provide that prior to the cancellation of such policy, the insurer shall deliver to Landlord (and all named Landlord's mortgagees) thirty (30) days' written notice of such cancellation (ten (10) days in the case of cancellation due to failure to pay the insurance premium). Prior to the reduction or modification of any insurance policy which would result in

Tenant not maintaining the insurance coverage that Tenant is required to maintain under this Lease, either Tenant or the insurer shall deliver to Landlord (and all named Landlord's mortgagees) fifteen (15) days' written notice of such reduction or modification. Prior to the expiration of any insurance policy, Tenant shall deliver to Landlord (and all named Landlord's mortgagees) a certificate evidencing the replacement or renewal thereof and payment of premiums in respect thereof. Each insurance policy required to be maintained by Tenant under this Article 14 (except in respect of any worker's compensation policy) shall include a waiver of the insurer's right of subrogation against Landlord (and all named Landlord's mortgagees). Tenant hereby releases Landlord and all Indemnitees with respect to any claim (including a claim for negligence) which it might otherwise have against the other party, for loss, damage or destruction with respect to its property occurring during the Term.

(e) Every insurance policy shall: (i) provide that the insurer waives all rights of subrogation against Landlord, any successor to Landlord's interest in the Leased Property, and any mortgagee of Landlord's interest in the Leased Property; (ii) provide that such insurance, as to the interest of such mortgagee, shall not be invalidated by any act or neglect of Tenant or of Landlord or any owner of the Leased Property, nor by any foreclosure or any other proceedings relating to the Leased Property, nor by any change in the title ownership of the Leased Property, nor by occupation of the Leased Property for purposes more hazardous than that which is generally associated with retail and/or light industrial businesses; (iii) be primary and without right or provision of contribution as to any other insurance carried by Landlord or any other interested party; and (iv) in the event any insuring company is not domiciled within the United States of America, include a United States Service of Suit clause (providing any actions against the insurer by the named insured or Landlord are conducted within the jurisdiction of the United States of America).

(f) Tenant shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required in this Article 15 to be furnished by Tenant, unless approved by Landlord—original(s) Tenant shall provide Landlord with true and certified copies of all policies, as provided in this Lease.

(g) Tenant shall comply with all of the terms and conditions of each insurance policy maintained pursuant to the terms of this Lease.

CONSTRUCTION

During the performance of any construction:

BUILDER'S RISK

1. Tenant shall provide Builder's Risk insurance, on a Completed Value Form, providing coverage for:
 - a. materials in transit
 - b. materials at off site storage facilities.
 - c. full value of hard costs for construction works
 - d. full value of soft costs
 - e. delayed opening loss of income
 - f. including all coverage as stated in 14(a)(i), testing and Terrorism
 - g. Include Landlord as loss payee

- h. Include any Superior Mortgagee as mortgagee and loss payee under a standard first mortgagee endorsement.
- i. Terrorism

LIABILITY

The Commercial General Liability and Umbrella/Excess Liability coverage listed above will not contain any exclusion or limitations with respect to the work being performed, including, but not limited to:

- 1. Third party over suits
- 2. Cross suits
- 3. Gravity/Fall from height losses

TENANT'S GENERAL CONTRACTOR AND/OR SUBCONTRACTORS:

During the course of the work, Tenant shall provide evidence of the following minimum insurance requirements from all general contractors and subcontractors, in a written contract, as applicable:

1. Commercial General Liability:

- a. Limits:
 - i. \$10,000,000 per occurrence, \$20,000,000 general aggregate, and \$20,000,000 products/completed operations aggregate of and
 - ii. aggregate limits must apply on a *per project* basis.
- b. Written on ISO Form CG 00 01 or equivalent.
- c. Provide coverage for personal and advertising injury.
- d. Contain deductible amounts not to exceed \$10,000.
- e. Tenants, Landlord and any Superior Mortgagee must be added as additional insured for ongoing (ISO Form CG 20 10 or equivalent) and completed operations (ISO Form CG 20 37 or equivalent).
- f. Coverage for completed operations must be maintained for at least 3 years beyond the completion and acceptance of all work.
- g. Defense costs and supplementary payments must be in addition to liability limits.
- h. Coverage for the additional insureds shall apply on primary and non-contributory basis.
- i. Provide 30 days' cancellation and non-renewal notice to Tenant and Landlord (and 10 days' notice for cancellation due to non-payment of premium).
- j. Policy shall include:

- i. contractual liability coverage;
- ii. broad form property damage coverage;
- iii. separation of insureds provision (a/k/a severability of interests);
- iv. pollution exception for hostile fire; and
- v. waiver of subrogation in favor of the Owner.

k. Policy shall not contain the following exclusions:

- i. "third party over";
- ii. cross suits among named insureds and additional insureds;
- iii. exterior, insulation and finishing systems (EIFS);
- iv. residential;
- v. explosion, collapse, and underground hazard (XCU);
- vi. subsidence;
- vii. work from height;
- viii. work within 50 feet of railroad; and
- ix. (or sublimit) for assault and battery.

2. Pollution Liability:

- a. Limits:
 - i. \$5,000,000 per occurrence and \$10,000,000 general aggregate; and
 - ii. limits shall include coverage for third-party, clean-up costs and transportation.
- b. Including coverage for lead, asbestos, mold and pollution operations.
- c. Landlord must be added as additional insured.
- d. Coverage for the additional insured shall apply on a primary and non-contributory basis.

3. Commercial Automobile Liability:

- a. Limits: \$1,000,000 (amounts of insurance to be determined by Owner).

- b. Include coverage for the use of all owned, non-owned and hired vehicles.
 - c. Landlord must be added as additional insured.
4. **Workers' Compensation:**
- a. Limits: statutory in which state the work is being performed.
 - b. Include Employers Liability Occupational Disease Insurance.
 - c. Include waiver of subrogation in favor of the Tenant and Landlord and any Superior Mortgagee.
5. **Excess/Umbrella Liability:**
- a. Limits: \$5,000,000 per occurrence, \$5,000,000 general aggregate, and \$5,000,000 products/completed operations aggregate (amounts of insurance to be determined by Landlord).
 - b. "Follow-form" to the underlying coverage.
 - c. Apply in excess over CGL, Auto and Employer's Liability insurance.
 - d. Coverage shall be extended for completed operations.
 - e. Include waiver of subrogation in favor of Landlord.
6. **Other insurance:**
- a. Coverage for all risk of physical damage to tools, equipment, materials and supplies.
 - b. Include waiver of subrogation in favor of the Tenant and Landlord.
7. **General requirements:**
- a. Policies shall be issued by insurance companies licensed and authorized to do business in New York, with a "Best's Key Rating Guide" rating of "A-VIII" or better.
 - b. GC to ensure each subcontractor maintains the required insurance (limits may be lower, as the case may be).
 - c. Certificates of insurance shall be provided before the commencement of any work and before the renewal of expiring policies.

16. ASSIGNMENT, SUBLETTING AND OTHER TRANSFERS

(a) Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns expressly covenants that it shall not transfer, assign, hypothecate, mortgage or otherwise encumber this Lease (except that upon prior written notice to Landlord as to the name of the lender and the reasonable details of the transaction, Tenant shall be permitted to grant a leasehold mortgage with respect to the Lease), whether by operation of law or otherwise, nor underlet, or suffer or permit the Leased Property or any part thereof to be used by others, without the prior written consent of Landlord in each instance, which consent may be withheld by Landlord in its sole discretion, except as otherwise expressly provided in Section 16(b). The indirect or direct transfer of the majority of the stock of a corporate tenant or the majority partnership interest of a partnership tenant or the majority of the membership interest of a limited liability company tenant shall be deemed an assignment. If this Lease be assigned, or if the Leased Property or any part thereof be underlet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of the covenant, or the acceptance of the assignee, undertenant or occupant as Tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting. Tenant represents that as of the date of execution of this Lease, Tenant is a New York corporation, _____ [insert ownership]. At any time and from time to time, within five (5) days after written request by Landlord, Tenant shall furnish to Landlord, a written statement certified by an attorney or an independent certified public accountant or an affidavit sworn to by the chief executive officer or a general partner of Tenant, setting forth the identity of every holder of an interest, the type and character of each such interest (e.g. number of shares of common stock, general partnership interest, etc.) and the percentage of ownership of each such holder.

(b) Notwithstanding anything to the contrary contained in Section 16(a), the following shall govern:

(i) Prohibition Without Consent. If Tenant shall at any time or times during the Term desire to assign this Lease or sublet any portion of the Leased Property, Tenant shall give notice thereof to Landlord, which notice shall be accompanied by a conformed or photostatic copy of the executed proposed assignment or sublease, the effective or commencement date of which shall be not less than sixty (60) nor more than one hundred and eighty (180) days after the giving of such notice, a statement setting forth in reasonable detail the identity of the proposed assignee or subtenant, the nature of its business and its proposed use of the Leased Property, and current financial information with respect to the proposed assignee or subtenant, including, without limitation, its most recent financial report, which shall have been certified by an independent public accountant. The aforesaid notice with respect to a proposed assignment only shall be deemed an offer from Tenant to Landlord whereby Landlord (or Landlord's designee) may, at its option, terminate this Lease. Said option may be exercised by Landlord by notice to Tenant at any time within sixty (60) days after the aforesaid notice has been given by Tenant to Landlord; and during such sixty (60) day period Tenant shall not assign this Lease nor sublet such space to any person.

(ii) Termination by Landlord. If Landlord exercises its option to terminate this Lease as provided in subsection 16(b)(i) above, then this Lease shall end and expire on the date that such assignment was to be effective or commence, as the case may be, and the Rent due hereunder shall be paid and apportioned to such date. If Landlord exercises its option to terminate this Lease pursuant to subsection 16(b)(i) above, Landlord shall be free to and shall have no liability to Tenant if Landlord should lease the Leased Property (or any part thereof) to Tenant's prospective assignee.

(iii) Sublease by Landlord. Landlord or its designee may, at its option, in lieu of exercising its termination option described in Section 16(b)(i) but subject to the same 60-day period, sublease from Tenant the space described in Tenant's notice (such space being hereafter referred to as the "Leaseback Space"). If Landlord exercises its option to sublet the Leaseback Space, then the parties shall enter into an agreement to reasonably evidence same and such sublease shall be at a rental rate equal to the product of the lesser of (x) the rent per rentable square foot then payable pursuant to this Lease, and (y) the rent per rentable square foot contained in the proposed and executed sublease agreement, multiplied by the rentable square foot area of the Leaseback Space; shall be for the same term as that of the proposed sublease; and shall;

(1) be expressly subject to all of the covenants, terms and conditions of this Lease except such as are irrelevant or inapplicable, and except as expressly set forth in this Article 16 to the contrary;

(2) give the subtenant the unqualified and unrestricted right, without Tenant's consent, to assign such sublease or any interest therein and/or to sublet all or any portion of the space covered by such sublease and to make alterations and improvements in the space covered by such sublease;

(3) provide that any assignee or further subtenant of Landlord or its designee, may, at Landlord's option, be permitted to make alterations and decorations in such space and that any or all of such alterations and decorations may be removed by such assignee or subtenant, at its option, prior to or upon the expiration or other termination of such sublease, provided that such assignee or subtenant shall, at its expense, repair any damage caused by such removal; and

(4) provide that (A) the parties to such sublease expressly negate any intention that the sublease estate be merged with any other estate held by either of such parties, (B) any assignment or sublease by Landlord or its designee (as the subtenant) may be for any purpose or purposes that Landlord, in its sole discretion, shall deem appropriate, (C) Tenant shall, at its sole cost and expense, at all times provide and permit reasonably appropriate means of ingress to and egress from such space so sublet by Tenant to Landlord or its designee, (D) Landlord may, at Tenant's expense, make such alterations as may be required or deemed necessary by Landlord, and (E) at the expiration of the term of such sublease, Tenant will accept the Leaseback Space in its then existing condition.

(5) If Landlord exercises its option to sublet the Leaseback Space:

a. Performance by Landlord, or its designee, under a sublease of the Leaseback Space shall be deemed performance by Tenant of any similar obligation under this Lease and Tenant shall not be liable for any default under this Lease or deemed to be in default hereunder if such default is occasioned by or arises from any act or omission of the subtenant pursuant such sublease;

b. Tenant shall have no obligation, at the expiration or earlier termination of the Term, to remove any alteration, installation or improvement made in the Leaseback Space by Landlord (or Landlord's designee); andc.

c. Any consent required of Tenant, as Landlord under the sublease, shall be deemed granted if consent with respect thereto is granted by Landlord under this Lease, and any failure of Landlord (or its designee) to comply with the provisions of the sublease other than with respect to the payment of Rent shall not constitute a default thereunder or hereunder if Landlord shall have consented to such non-compliance.

(iv) Conditions for Landlord's Approval. In the event that Landlord does not exercise its option provided to it pursuant to Section 16(b)(i) above and provided that Tenant is not in default of any of Tenant's obligations under this Lease as of the time of Landlord's consent, and as of the effective date of the proposed assignment or commencement date of the proposed sublease, Landlord's consent (which must be in writing and form reasonably satisfactory to Landlord) to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon condition that:

(1) Tenant shall have complied with the provisions of Section 16(b)(i) above and Landlord shall not have exercised its option under said Section 16(b)(i) within the time permitted therefor;

(2) In Landlord's sole but reasonable judgment the proposed assignee or subtenant is engaged in a business or activity, and the Leased Property will be used for the Permitted Use, and will not violate any negative covenant as to use contained in any other lease of space in the Building;

(3) The proposed assignee or subtenant is a reputable person or entity of good character and with sufficient financial worth considering the responsibility involved, and Landlord has been furnished with proof thereof reasonably acceptable to Landlord;

(4) The proposed assignee or sublessee is not a person with whom Landlord is then negotiating to lease space in the Building or any other property owned by Landlord an affiliate of Landlord;

(5) The form of the proposed sublease or instrument of assignment shall be in form reasonably satisfactory to Landlord and shall comply with the applicable provisions of this Article 16;

(6) Any sublease shall be a sublease for either (x) all of the Leased Property, (y) all of the lower level and ground floor portion of the Leased Property, or (z) all of the second floor portion of the Leased Property;

(7) The amount of the aggregate rent to be paid by the proposed subtenant is not less than the then current market rent per rentable square foot for the Leased Property as though the Leased Property were vacant, and the rental and other terms and conditions of the sublease are the same as those contained in the proposed sublease furnished to Landlord pursuant to Section 16(b)(i) above;

(8) Tenant shall reimburse Landlord on demand for the costs that may be incurred by Landlord in connection with said assignment or sublease, including without limitation, the costs of making investigations as to the acceptability of the proposed assignee or subtenant and the reasonable legal costs incurred in connection with the granting of any requested consent;

(9) Tenant shall not have advertised or publicized in any way the availability of the Leased Property without prior notice to Landlord, nor shall any advertisement state the name (as distinguished from the address) of the Building or the proposed rental or list the Leased Property for subletting or assignment with a broker, agent or representative other than the agent as may be designated by Landlord;

(10) The proposed subtenant or assignee shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in, and the jurisdiction of the courts of New York State;

(11) The proposed assignee or sublessee concurrently with the delivery of the assignment or sublease agreement, as the case may be, delivers to Landlord such additional security as Landlord may reasonably request based on, among other things, the financial worth and business experience of such proposed assignee or subtenant (but in no event less than an amount equal to two (2) months' Fixed Rent payable by Tenant hereunder during the last year of the Lease term), to be held by Landlord as additional security in accordance with this Lease. In addition, the principals of the proposed assignee or subtenant, as the case may be, shall deliver a "good guy" guaranty in favor of Landlord in form and substance reasonably satisfactory to Landlord;

(12) The proposed assignee or sublessee, concurrently with the delivery of the assignment or sublease agreement, as the case may be, delivers to Landlord a mutually certified statement of the full extent of the consideration, if any, to be paid to Tenant by the assignee or the sublessee for or by reason of such assignment or sublease, as the case may be, (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property); and

(13) The Guarantor (as defined below) shall remain fully liable under the Guaranty (as defined below).

(v) Reactivation of Termination Option. In the event that (i) Landlord fails to exercise its option under Section 16(b)(i) above and consents to a proposed assignment or

sublease, and (ii) Tenant fails to execute and deliver the assignment or sublease to which Landlord consented within forty five (45) days after the giving of such consent, then Tenant shall again comply with all of the provisions and conditions of Section 16(a) above before assigning this Lease or subletting the Leased Property.

(vi) Sublease Provisions. With respect to each and every sublease or subletting permitted by Landlord under the provisions of this Lease, it is further agreed that:

(1) No subletting shall be for a term ending later than one (1) day prior to the Expiration Date of this Lease;

(2) No sublease shall be delivered, and no subtenant shall take possession of the Leased Property, until an executed counterpart of such sublease has been delivered to Landlord;

(3) Each sublease shall provide that it is subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and that in the event of termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublessor, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not (a) be liable for any previous act or omission of Tenant under such sublease, (b) be subject to any counterclaim, offset or defense not expressly provided in such sublease and that theretofore accrued to such subtenant against Tenant, or (c) be bound by any previous modification of such sublease or by any previous prepayment of more than one (1) month's Fixed Rent. The provisions of this Article 16 shall be self-operative and no further instrument shall be required to give effect to this provision.

(4) If any Laws require that any asbestos or other hazardous material contained in or about the Leased Property be dealt with in any particular manner in connection with any alteration of the Leased Property, then it shall be the subtenant's obligation, at the subtenant's expense, to deal with such asbestos or any other hazardous material in accordance with all such Laws.

(5) Each subletting pursuant to this Article 16 shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Notwithstanding any such subletting to any subtenant and/or acceptance of Fixed Rent or Additional Rent by Landlord from any subtenant, (x) the Guarantor shall remain fully liable under the Guaranty, (y) Tenant shall remain fully liable for the payment of the Rent due and to become due hereunder and the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed, and (z) all acts and omissions of any licensee or subtenant, or anyone claiming under or through any subtenant, that shall be in violation of any of the obligations of this Lease shall be deemed to be a violation by Tenant. Tenant further agrees that notwithstanding any such subletting, no other and further subletting of the Leased Property by Tenant or any person claiming through or under Tenant shall or will be made except upon compliance with and subject to the provisions of this Article 16. If Landlord shall decline to give its consent to any proposed assignment or sublease, or if Landlord shall exercise its option under Section 16(b)(i), Tenant shall indemnify, defend and

hold harmless Landlord against and from any and all loss, liability, damages, costs and expenses (including reasonable counsel fees) resulting from any claims that may be made against Landlord by the proposed assignee or sublessee.

(vii) Profits. If Landlord shall give its consent to any assignment of this Lease or to any sublease, Tenant shall in consideration therefor, pay to Landlord, as Additional Rent the following sums:

(1) In the case of an assignment through and including the twentieth (20th) Lease Year of the Term, an amount equal to twenty percent (20%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns), and, provided that Tenant shall have provided to Landlord evidence reasonably satisfactory to Landlord of the hard costs of the construction of the Initial Development, less the unamortized (on a straight line basis over twenty (20) years) hard costs of the construction of the Initial Development;

(2) In the case of an assignment after the twentieth (20th) Lease Year of the Term, an amount equal to fifty percent (50%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns);

(3) in the case of a sublease through and including the twentieth (20th) Lease Year of the Term, twenty percent (20%) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant that is in excess of the Rent accruing during the term of the sublease in respect of the sublease space pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns), and, provided that Tenant shall have provided to Landlord evidence reasonably satisfactory to Landlord of the hard costs of the construction of the Initial Development, less the unamortized (on a straight line basis over twenty (20) years) hard costs of the construction of the Initial Development; and

(4) in the case of a sublease after the twentieth (20th) Lease Year of the Term, twenty percent (20%) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant that is in excess of the Rent accruing during the term of the sublease in respect of the sublease space pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns)

The sums payable under subsection 16(b)(vii)(3) and (4) shall be paid to Landlord as and when payable by the subtenant to Tenant.

(viii) Assumption by Assignee. Any assignment or transfer of this Lease shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement in form and substance satisfactory to Landlord whereby the assignee shall assume the obligations of this Lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions in this Article 16 shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of all future assignments and transfers. The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Rent by Landlord from an assignee, transferee, or any other party, the original named Tenant shall remain fully liable for the payment of the Rent and for the other obligations of this Lease on the part of Tenant to be performed or observed and the Guarantor shall remain fully liable under the Guaranty.

(ix) Liability by Tenant. The joint and several liability of Tenant and any immediate or remote successor in interest of Tenant and the due performance of the obligations of this Lease on Tenant's part to be performed or observed shall not be discharged, released or impaired in any respect by any agreement or stipulation made by Landlord extending the time, or modifying any of the obligations, of this Lease, or by any waiver or failure of Landlord to enforce any of the obligations of this Lease. In no event shall any assignment of this Lease or sublease of all or any portion of the Leased Property, whether or not in violation of the terms and conditions of this Article 16, shall release Tenant of any liability hereunder or release Guarantor or any liability under the Guaranty.

(x) Re-entry by Landlord. If Landlord shall recover or come into possession of the Leased Property before the date herein fixed for the termination of this Lease, Landlord shall have the right, at its option, to take over any and all subleases or sublettings of the Leased Property or any part thereof made by Tenant and to succeed to all the rights of said subleases and sublettings or such of them as it may elect to take over. Tenant hereby expressly assigns and transfers to Landlord such of the subleases and sublettings as Landlord may elect to take over at the time of such recovery of possession, such assignment and transfer not to be effective until the termination of this Lease or re-entry by Landlord hereunder or if Landlord shall otherwise succeed to Tenant's estate in the Leased Property, at which time Tenant shall upon request of Landlord, execute, acknowledge and deliver to Landlord such further instruments of assignment and transfer as may be necessary to vest in Landlord the then existing subleases and sublettings. Every subletting hereunder is subject to the condition and by its acceptance of and entry into a sublease, each subtenant thereunder shall be deemed conclusively to have thereby agreed from and after the termination of this Lease or re-entry by Landlord hereunder or if Landlord shall otherwise succeed to Tenant's estate in the Leased Property, that such subtenant shall waive any right to surrender possession or to terminate the sublease and, at Landlord's election, such subtenant shall be bound to Landlord for the balance of the term of such sublease and shall attorn to and recognize Landlord, as its Landlord, under all of the then executory terms of such sublease, except that Landlord shall not be liable for any previous act, omission or negligence of Tenant under such sublease, be subject to any counterclaim, defense or offset not expressly provided for in such sublease, which theretofore accrued to such subtenant against Tenant, be

bound by any previous modification or amendment of such sublease or by any previous prepayment of more than one month's rent and additional rent, which shall be payable as provided in the sublease, or be obligated to perform any work in the subleased space or the Building or to prepare them for occupancy beyond Landlord's obligations under this Lease, and the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed automatically upon and as a condition of occupying or using the Leased Property or any part thereof, to have given a waiver of the type described in and to the extent and upon the conditions set forth in this Article 16.

(xi) Notwithstanding anything to the contrary contained in this Lease, Tenant may, after prior written notice to Landlord, without obtaining Landlord's prior written consent, assign or transfer its entire interest in this Lease (collectively, "Transfer") to Guarantor; provided, however, that Tenant shall have no such right to Transfer pursuant to this section unless: (i) Tenant delivers proof reasonably satisfactory to Landlord that Guarantor shall have, immediately after the Transfer, a net worth equal to or greater than that shown on the Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Report of Independent Registered Public Accounting Firm dated March 14, 2018 prepared by Friedman LLP; and (ii) the provisions of Section 16(b)(viii) above shall be satisfied.

17. SUBORDINATION; NON-TERMINABILITY OF LEASE

(a) Subordination.

This Lease and all rights of Tenant hereunder are and shall be subject and subordinate to all ground leases, master leases, overriding leases and underlying leases, party wall agreements, reciprocal easements and operating agreements, façade and/or open space easements and other matters of record affecting the Land, the Building, and/or that portion of the Building of which the Leased Property are a part, now or hereafter existing, and to all mortgages and assignments of leases and rents (each such mortgage or assignment is hereinafter referred to as a "mortgage") that may now or hereafter affect the Land and/or the Building and/or that portion of the Building of which the Leased Property are a part and/or any of such leases, whether or not such mortgages shall also cover other lands and/or buildings and/or leases, to each and every advance made or hereafter to be made under such mortgages, and to all renewals, modifications, replacements and extensions of such leases and such mortgages and spreaders and consolidations of such mortgages. This Section 12(a) shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute, acknowledge and deliver any instrument that Landlord, the lessor under any such lease or the holder of any such mortgage or any of their respective successors-in-interest may reasonably request to evidence such subordination; and if Tenant fails to execute, acknowledge or deliver any such instruments within ten (10) business days after Landlord's written request therefor, Tenant hereby irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact, coupled with an interest, to execute and deliver any such instruments for and on behalf of Tenant. Any lease to which this Lease is, at the time referred to, subject and subordinate is herein called "**Superior Lease**" and the lessor of a Superior Lease or its successor in interest, at the time referred to, is herein called "**Superior Lessor**"; and any mortgage to which this Lease is, at the time referred to, subject and subordinate is herein called "**Superior Mortgage**" and the

holder of a Superior Mortgage is herein called "**Superior Mortgagee**". If any Superior Mortgagee or Superior Lessor requires one or more modifications to this Lease and the requested modifications do not materially and adversely modify Tenant's rights and obligations under this Lease, Tenant shall execute whatever documentation shall be required by such Superior Mortgagee or Superior Lessor to effect the modifications and to return such documentation to Landlord within five (5) days of the date such documentation shall be delivered, it being understood and agreed that Tenant's failure to execute and return such documentation to Landlord within such seven day period shall constitute a default under this Lease. Notwithstanding the foregoing, in the event that Landlord shall enter into a Superior Mortgage or a Superior Lease, the subordination provided for in this Section 17(a) shall be conditioned on the delivery by the applicable Superior Mortgagee or Superior Lessor to Tenant of a non-disturbance agreement in such Superior Mortgagee's or Superior Lessor's standard form thereof.

(b) **Non-Terminability of Lease.**

(i) **Tenant's Interest Not Transferable.** Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be provided pursuant to the United States Bankruptcy Code or any state bankruptcy, insolvency or similar statute, as amended from time to time (the "**Bankruptcy Code**").

(ii) **Termination.** In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law, or if any guarantor of Tenant's obligations under this Lease or its or their executors, administrators or assigns, if any, shall be adjudicated insolvent or bankrupt pursuant to the provisions of any State Act or the Bankruptcy Code or if Tenant is adjudicated insolvent by a court of competent jurisdiction other than the United States Bankruptcy Court, or if a receiver or trustee of the property of Tenant or any Tenant's guarantor shall be appointed by reason of the insolvency or inability of Tenant or said guarantor to pay its debts, or if any assignment shall be made of the property of Tenant or any guarantor for the benefit of creditors, then and in any such events, this Lease and all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for the expiration of the Lease Term, and Tenant shall vacate and surrender the Leased Property but shall remain liable as hereinafter provided.

(iii) **Tenant's Obligation to Avoid Creditors' Proceedings.** Tenant or any guarantor aforesaid shall not cause or give cause for the appointment of a trustee or receiver of the assets of Tenant or such guarantor and shall not make any assignment for the benefit of creditors, or become or be adjudicated insolvent. The allowance of any petition under any insolvency law except under the Bankruptcy Code or the appointment of the trustee or receiver of Tenant or any guarantor or of the assets of either of them, shall be conclusive evidence that Tenant caused, or gave cause therefor, unless such allowance of the petition, or the appointment of the trustee or receiver, is vacated within thirty (30) days after such allowance or appointment. Any act described in this 0 shall be deemed a material breach of Tenant's obligations hereunder and an event of default, and this Lease shall thereupon automatically terminate. Landlord does, in addition, reserve any and all other remedies provided in this Lease or at law or in equity.

(iv) Rights and Obligations Under the Bankruptcy Code. Upon filing of a petition by or against Tenant under the Bankruptcy Code, Tenant, as debtor and/or as debtor in possession, and any trustee who may be appointed agree as follows: to perform each and every obligation of Tenant under this Lease including, but not limited to, the manner of conduct of Tenant's business as provide in this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; to pay monthly in advance on the first day of each month as reasonable compensation for use and occupancy of the Leased Property an amount equal to all Rent otherwise due pursuant to this Lease; to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Bankruptcy Code or within one hundred twenty (120) days (or such shorter time as Landlord, in its sole discretion, may deem reasonable so long as notice of such period is given) of the filing of the petition under any other chapter; to give Landlord at least forty-five (45) days prior written notice of any proceeding relating to any assumption of this Lease; to give at least thirty (30) days prior written notice of any abandonment of the Leased Property, any such abandonment to be deemed a rejection of this Lease; to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code; to be deemed to have rejected this Lease in the event of the failure to comply with any of the above; and to have consented to the entry of an order by an appropriate United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of same.

(v) No Waiver. No default of this Lease by Tenant, either prior to or subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly done so in writing by Landlord.

(vi) Other Obligations. Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: the cure of any monetary defaults and the reimbursement to Landlord of pecuniary loss within no more than thirty (30) days of assumption and/or assignment; the deposit of an additional sum of money with Landlord equal to six (6) months' Rent, to be held as a security deposit to the extent permitted by the Bankruptcy Code or by an appropriate United States Bankruptcy Court; the use of the Leased Property only as set forth in this Lease and the quality, quantity and/or lines goods or services required to be offered remaining unchanged; the reorganized debtor or assignee of such debtor in possession or of Tenants' trustee demonstrating in writing that it has sufficient background including, but not limited to substantial experience and financial ability to operate out of the Leased Property in the manner contemplated in this Lease and meeting all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and, the Leased Property, at all times, remaining a single unit with no physical changes of any kind being made to the Leased Property unless in compliance with the applicable provisions of this Lease.

18. RIGHT TO PERFORM COVENANTS OF TENANT

(a) Tenant's Default

. If Tenant shall be in default under this Lease beyond any applicable notice and grace periods, Landlord may cure the same at the expense of Tenant in the case of emergency or

in case such default will result in a violation of law, a cancellation of an insurance policy maintained for the Building, or damage to the Building or to space leased to another tenant of the Building, immediately and without notice and in any other case, if such default continues after fifteen (15) days from the date that Landlord gives Tenant notice of Landlord's intention to so perform the same (the "Cure Period"); provided, that if a default cannot with due diligence be cured within fifteen (15) days from the date of such notice for causes beyond Tenant's reasonable control, the Cure Period shall be deemed extended (for a period not to exceed thirty (30) days in the aggregate) if immediately upon the receipt of such notice, Tenant advises Landlord of Tenant's intention to institute all steps necessary to cure such default and Tenant institutes and thereafter diligently prosecutes to completion all steps necessary to cure the same.

(b) Payments

Bills for all reasonable costs and expenses incurred by Landlord in connection with any performance by it under this Section 18 shall be payable within twenty (20) days after notice of the amount thereof together with annual interest thereon at eighteen (18%) percent and shall be deemed Additional Rent hereunder.

(c) Additional Rent

If any cost, expense, charge, amount or sum (other than Fixed Rent) payable by Tenant as provided in this Lease is not paid when due, the same shall be due and payable by Tenant as Additional Rent hereunder and Landlord shall have the same remedy for failure to pay Additional Rent as it has for the failure to pay Fixed Rent.

19. ESTOPPEL CERTIFICATES

Tenant shall, upon not less than seven (7) days' prior notice, execute, acknowledge and deliver to Landlord a statement certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), certifying the dates to which the Rent has been paid in advance, stating whether or not to the best knowledge of Tenant, Landlord is in default under this Lease, and if so, specifying such default and/or certifying to such other matters with respect to this Lease as may be reasonably requested. Tenant hereby irrevocably constitutes and appoints Landlord as attorney in fact for Tenant to execute any such instrument for an on behalf of Tenant if Tenant fails to timely execute and deliver same to Landlord. Any such certificate may be relied upon by any third party, prospective purchaser or mortgagee of the Leased Property or any part thereof.

20. CONDITIONAL LIMITATION

(a) Conditional Limitation. This Lease and the term and estate hereby granted are subject to the limitation that:

(i) in case Tenant shall default in the payment of any Rent on any date upon which the same becomes due or Tenant shall refuse to take possession of the Leased Property upon delivery of possession or shall vacate the Leased Property and permit same to remain

unoccupied and unattended and any such defaults shall continue for five (5) days after Landlord shall have given to Tenant a notice specifying such default (which notice, in the event of a default of any monetary term of this Lease, shall not be required to be given more than twice in any Lease Year), or

(ii) in case Tenant shall default in the keeping, observance or performance of any covenant or agreement (other than a default of the character referred to in paragraphs (i) or (ii) of this Section 20(a)), and if such default shall continue and shall not be cured within fifteen (15) days after Landlord shall have given to Tenant a notice specifying the same, or, in the case of a default that, for causes beyond Tenant's reasonable control, cannot with due diligence be cured within such period of fifteen (15) days, if Tenant (x) shall not, promptly upon the giving of such notice, advise Landlord of Tenant's intention duly to institute all steps necessary to cure such default and (y) shall not duly and promptly institute and thereafter diligently prosecute to completion all steps necessary to cure the same (within 30 days of Landlord providing the notice set forth herein), then, in any of such cases set forth in subparagraph (i), subparagraph (ii), or this subparagraph (iii) of Section 20(a) above, Landlord shall, in addition to any other remedies available to it at law or in equity, be entitled to give to Tenant a notice of intention to end the term of this Lease at the expiration of three (3) days from the date of the giving of such notice, and, in the event such notice is given, this Lease and the term and estate hereby granted shall terminate upon the expiration of such three (3) days with the same effect as if the last of such three (3) days were the expiration date of the term of this Lease, but Tenant shall remain liable for damages as provided herein or pursuant to law. For the avoidance of doubt, the parties acknowledge that the 3-day notice of intention to end the term of this Lease is not an additional period within which Tenant may cure the specified default.

(b) Legal and Other Costs.

Tenant acknowledges that if Tenant shall fail to timely comply with any and all of its obligations under this Lease, Landlord will incur unanticipated legal and other costs in the preparation and service of a notice advising Tenant of such failure, and that \$1,000 is a reasonable estimate of such costs. Tenant shall pay such sum as Additional Rent (in addition to any other sums required hereunder) within seven (7) days of the date of any such notice Landlord shall deliver to Tenant.

21. RE-ENTRY BY LANDLORD; DAMAGES; END OF TERM

(a) Re-entry by Landlord

If this Lease shall terminate in accordance with the conditional limitation set forth in Section 20(a) or if the Term of this Lease shall expire under Section 3 (as such Term may be extended), Landlord or Landlord's agents and employees may immediately or at any time thereafter re-enter into or upon the Leased Property and dispossess Tenant therefrom, or any part thereof, either by summary dispossession proceedings, by any lawful action or proceeding at law.

(b) Damages

. In the event of a termination of this Lease, Tenant shall pay to Landlord, as damages, at the election of Landlord, sums equal to the aggregate of all Additional Rent that would have been payable by Tenant had this Lease not terminated, payable upon the due dates therefor specified herein until the date hereinbefore set forth for the expiration of the Term; provided, however, that if Landlord shall relet all or any part of the Leased Property for all or any part of the period commencing on the day following the date of such termination and ending on the date hereinbefore set forth for the expiration of the Term, Landlord shall credit Tenant with the net rents received by Landlord from such reletting, when received, net of expenses incurred or paid by Landlord in terminating this Lease and re-entering the Leased Property and securing possession thereof, as well as the expenses of reletting, including altering and preparing the Leased Property for new tenants, brokers' commissions, and all other expenses properly chargeable against the Leased Property and the rental therefrom in connection with such reletting, it being understood that any such reletting may be for a period equal to or shorter or longer than said period; provided, further, that in no event shall Landlord have any obligation to relet the Leased Property or any part thereof or be liable for refusal or failure to collect any rent due upon such reletting; in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder, in no event shall Tenant be entitled, in any suit for the collection of damages pursuant to this paragraph to a credit in respect of any net rents from a reletting except to the extent that such net rents are actually received by Landlord prior to the commencement of such suit, and if the Leased Property or any part thereof should be relet in combination with other space, then proper apportionment on a square foot basis shall be made of the rent received from such reletting and of the expenses of reletting.

(c) Rent Acceleration

. As an alternative to the remedy set forth in Section 21(b), Landlord may recover from Tenant, as damages, in addition to any unpaid Rent accrued to the date of such termination, an amount equal to the difference, for the unexpired portion of the term hereof, between: the aggregate of all Rent reserved hereunder; and the then fair and reasonable rental value of the Leased Property, both discounted at the rate of four (4%) percent per annum to present worth. However, nothing herein contained shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages by reason of such termination an amount equal to the maximum allowed by the statute or rule in effect at the time when, and governing the proceedings in which such damages are to be proved, whether such amount be greater, equal to, or less than the amount of the difference referred to above. In determining the reasonable value of the Leased Property, the Rent realized by re-letting, if such re-letting be accomplished within a reasonable time after such dispossession or termination, shall be deemed prima facie to be the reasonable rental value. The terms of this Section 21(c) shall expressly survive the termination of this Lease.

(d) Other Remedies

. Nothing herein contained shall be construed as limiting or precluding the recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant.

(c) Right to Injunction. In the event of a breach or threatened breach on the part of either party with respect to any of the covenants or agreements on the part of or on behalf of the other to be kept, observed or performed, Landlord or Tenant shall also have the right of injunction. The specified remedies to which either party may resort hereunder are cumulative and are not intended to be exclusive of any other remedies or means of redress to which such party may lawfully be entitled at any time, and such party may invoke any remedy allowed at law or in equity as if specific remedies were not herein provided for. Tenant agrees that if Landlord has delivered a notice to cure pursuant to 0 and Tenant seeks a Yellowstone injunction or other preliminary injunction to extend and/or toll the cure period during the pendency of litigation to determine the propriety of the notice to cure or the existence of an alleged default, Tenant shall be required to pay Rent and Additional Rent to Landlord, without prejudice and as if such dispute did not exist, as a condition to obtaining such extension or tolling of the cure period. The failure to make such payments shall be an independent default subject to 0. Any such payments shall be without prejudice to the court's determination that Landlord shall be required to refund or credit to Tenant all or some of such payments.

(f) Certain Waivers. Tenant waives and surrenders all right and privilege that it might have under or by reason of any present or future law to redeem the Leased Property or to have a continuance of this Lease for the term hereof after Tenant is dispossessed or ejected therefrom by process of law or under the terms of this Lease. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either party against the other on any matters whatsoever arising out of or in any way connected with this Lease or Tenant's use or occupancy of the Leased Property.

22. NOTICES

Any notice, consent, approval, agreement, certification, request, bill, demand, statement, acceptance or other communication hereunder (a "Notice") shall be in writing and shall have been duly given or furnished if delivered in person, mailed or dispatched in the United States mail, postage prepaid, registered or certified mail, return receipt requested, or by a recognized national courier service such as Federal Express for next business day delivery, addressed to the party to which the same is to be delivered or given, in all cases, at such party's address(es) as set forth below or to such other address or addressee as said party may designate by a notice given pursuant hereto. All notices, demands and requests shall be effective upon receipt, if delivered in person; three (3) business days after being deposited in the United States mail; or one (1) business day after being deposited with the recognized national air courier service as required above. Rejection or other refusal to accept or inability to deliver because of changed address of which notice was not given as required herein shall be deemed to be receipt of the notice, demand or request sent. Any notices hereunder shall for all purposes be deemed to have been sent by Landlord or Tenant, as applicable, if sent by such respective party's attorney. Notwithstanding anything contained in the Lease to the contrary, bills and statements issued by Landlord may be sent by regular first class mail or email, without copies to any other party. This notice provision has been specifically negotiated between the parties hereto.

All notices sent to Landlord or Tenant shall be sent to the addresses set forth in the preamble of this Lease.

with a copy of any notice to Landlord to be sent to:

Mermel Associates PLLC
One Hollow Lane, Suite 303
Lake Success, New York 11042
Attention: Mark D. Mermel, Esq.
Email: mark@mermellaw.com

with a copy of any notice to Tenant to be sent to:

Ye & Associates, P.C.
135-15 40th Road, Suite 402
Flushing, New York 11354

23. MISCELLANEOUS

(a) Limitation of Landlord's Liability

. The covenants and agreements on the part of Landlord to be performed under this Lease shall be binding upon Landlord herein named only for so long as Landlord retains an interest in the Leased Property and shall not survive the transfer of its interest in the Leased Property, and in the event of such transfer such covenants and agreements shall thereafter be binding upon each transferee of such interest, but only with respect to the period beginning with the date of such transfer and ending with the date of subsequent transfer of such interest. Notwithstanding any other provision in this Lease to the contrary, Tenant shall look solely to Landlord's interest in the Leased Property for the recovery of any judgment against Landlord and in no circumstances shall Landlord or any partner, member, manager, shareholder, officer or director be personally liable nor shall Tenant have recourse to any other assets of Landlord for satisfaction of any claim Tenant may have against Landlord.

(b) Entire Agreement

. This Lease contains all of the agreements and understandings relating to the leasing of the Leased Property and the obligations of Landlord and Tenant in connection therewith and neither party nor any agent or representative of either thereof has made or is making, and neither party in executing and delivering this Lease is relying upon, any warranties or representations, except to the extent set forth in this Lease. All understandings and agreements heretofore made between Landlord and Tenant relating to the leasing of the Leased Property are merged in this Lease, which alone fully and completely expresses their agreement. Any exhibits annexed to this Lease are hereby incorporated herein and made a part hereof. Landlord and Tenant specifically acknowledge that they have had the opportunity to consult counsel of their choosing with respect to the negotiation of this Lease and the rights and obligations set forth herein. Any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Lease, or to any schedules or exhibits hereto.

(c) No Waiver, Etc.

The failure of Landlord or Tenant to insist in any instance upon the strict keeping, observance or performance of any covenant or agreement contained in this Lease or to exercise any election herein contained shall not be construed as a waiver or relinquishment for the future of such covenant or agreement, but the same shall continue and remain in full force and effect. No waiver by either Landlord or Tenant of any covenant or agreement contained in this Lease shall be deemed to have been made unless set forth in a writing executed by the party whose rights are being waived. No surrender of possession of any part of the Leased Property shall release Tenant from any of its obligations hereunder unless accepted by Landlord. The receipt and retention by Landlord, and the payment by Tenant, of Rent with knowledge of the breach of any covenant or agreement contained in this Lease shall not be deemed a waiver of such breach by either Landlord or Tenant.

(d) Oral Modification

This Lease sets forth the entire agreement between the parties, superseding all prior agreements and understandings, written or oral, and may not be altered or modified except in writing and signed by both parties.

(e) Surrender and Holding Over

Tenant shall deliver up and surrender to Landlord possession of the Leased Property upon the expiration or earlier termination of the Lease Term, broom clean, free of debris and Tenant's personal property, in good order, condition and state of repair (excepting ordinary wear and tear) and shall deliver the keys, access codes and card at the office of Landlord. If not sooner terminated as herein provided, this Lease shall terminate at the end of the Lease Term without the necessity of notice from either Landlord or Tenant to terminate the same; Tenant hereby waiving notice to vacate the Leased Property and agreeing that Landlord shall be entitled to the benefit of all provisions of law respecting the summary recovery of possession of Leased Property from a tenant holding over to the same extent as if statutory notice had been given. If Tenant or any party claiming under Tenant remains in possession of the Leased Property, or any part thereof, after any termination of this Lease, no tenancy or interest in the Leased Property shall result therefrom, unless Landlord elects as hereinafter provided, but such holding over shall be an unlawful detainer and all such parties shall be subject to immediate eviction and removal. If Tenant or any party claiming under Tenant remains in possession of the Leased Property, or any part thereof, after any termination of this Lease, Landlord may, in addition to its other rights, elect at its sole option and discretion to treat such holding over by Tenant as the creation of a month-to-month tenancy subject to all of the terms, covenants and conditions as are set forth in this Lease insofar as the same are applicable to a month-to-month tenancy, except that the monthly Fixed Rent for each month (or portion thereof) of such holdover, shall be one hundred fifty (150%) percent of the aggregate sum of the monthly Fixed Rent payable in the last year of the Lease Term and the average monthly amount of all other Additional Rent and other charges paid by Tenant in the last year of the Lease Term for the first sixty (60) days of any such holdover, and two hundred percent (200%) of such sum thereafter. In the event Tenant or any party claiming under Tenant shall holdover, and if Landlord incurs any expense in removing Tenant, any subtenant, or any other person holding by, through, or under Tenant or any subtenant, who has failed to so surrender the Leased Property or any part thereof, Tenant shall reimburse Landlord as Additional Rent (x) for the cost and expense

(including, without limitation, reasonable attorneys' fees, disbursements and court costs) of removing such subtenant or such person and (y) any and all damages in connection with the loss of any future tenant, and such obligation shall survive the expiration or earlier termination hereof.

(f) Severability

. If any covenant or agreement of this Lease or the application thereof to any person or circumstance shall be held to be invalid or unenforceable, then and in each such event the remainder of this Lease or the application of such covenant or agreement to any other person or any other circumstance shall not be thereby affected, and each covenant and agreement hereof shall remain valid and enforceable to the fullest extent permitted by law.

(g) Attorneys' Fees

. Whenever any default, request or inaction by Tenant causes Landlord to engage an attorney and/or incur any other expense, and in any action or proceeding that Landlord may prosecute or defend to enforce or defend its rights hereunder, Tenant shall pay all reasonable out-of-pocket costs incurred by Landlord, including reasonable attorneys' fees to be fixed by the court, and such costs and attorneys' fees shall be made a part of the judgment such action. If Landlord commences any detainer suit, summary proceedings or other action seeking possession of the Leased Property, Tenant agrees not to interpose by consolidation of actions, removal to chancery or otherwise, any counterclaim, claim for set-off, recoupment or deduction of Rent, or other claim seeking affirmative relief of any kind (except a mandatory or compulsory counterclaim which Tenant would forfeit if not so interposed).

(h) Broker

. Tenant hereby warrants to Landlord that Tenant has not employed or dealt with a broker, agent or finder in connection with this Lease other than Robert K. Futterman & Associates and Compass Real Estate (collectively, "**Broker**"). Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all losses, liabilities, damages, claims, judgments, fines, suits, demands, costs, interest and expenses of any kind or nature (including reasonable attorneys' fees and disbursements) incurred in connection with any claim, proceeding or judgment and the defense thereof, which Landlord may incur by reason of any claim of or liability to any broker, finder or like agent (other than Broker) arising out of any dealings claimed to have occurred between Tenant and any claimant in connection with this Lease, and/or the above representation being false.

(i) Successors and Assigns

. The covenants and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant, their respective successors and assigns and all persons claiming by, through or under them.

(j) Consent.

In the event that it is provided in this Lease that the exercise of any right by, or performance of any obligation of, Tenant shall be subject to the consent or approval of Landlord, and that the consent or approval of Landlord shall not be unreasonably withheld or delayed, then in any case in which Landlord shall withhold or delay its consent, such determination by Landlord shall be conclusive upon Tenant, unless Tenant shall, within thirty (30) days after Notice from Landlord of its determination, elect to have this matter submitted for determination to a Court of competent jurisdiction or for expedited arbitration pursuant to the rules of the American Arbitration Association, which such submission shall be the sole remedy of Tenant for any such withholding of consent or approval by Landlord. In the event that any matter shall be submitted by Tenant pursuant to the provisions of this Section, the sole issue shall be the determination as to whether the withholding of consent or approval by Landlord shall have been reasonable or unreasonable, and in the event that a determination shall be made that the withholding of consent or approval by Landlord was unreasonable, then the decision shall annul such withholding of consent or approval, such annulment being the sole remedy of Tenant; it being the intention of the parties hereto (as to which they are conclusively bound) that in no event shall any such withholding or delay of consent or approval by Landlord, or any decision with respect thereto: impose any financial liability upon or result in any damages being recoverable from Landlord; and/or create any right cognizable or remedy enforceable in favor of Tenant and against Landlord in law or equity or under any special statutory proceeding or at all; provided, however, that any such decision may also provide for an assessment of the costs of the proceeding with respect thereto as between Landlord and Tenant. Any consent or approval required of Landlord in any provision of this Lease may be withheld by Landlord in its sole and absolute discretion unless the provision requiring such consent or approval specifically states that Landlord shall not withhold such consent or approval unreasonably.

(k) Postponement of Performance

In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reasons of strikes, labor troubles, inability to procure labor or materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, Acts of God, fire or other casualty, condemnation or other reason of a similar or dissimilar nature beyond the reasonable control of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, after the Commencement Date, which date shall be subject to a delay occasioned by the above causes, nothing contained in this Section shall operate to excuse Tenant from the prompt payment of Rent or any other payments or charges required by the terms of this Lease, or shall operate to extend the Lease Term. Delays or failures to perform resulting from lack of funds shall not be deemed delays beyond the reasonable control of a party.

(l) Express Provision to the Contrary

If any provision of this Lease shall conflict in any respect with any law, statute, rule or regulation of any governmental or quasi-governmental authority having jurisdiction, then in such respect the provisions of this Lease shall govern and control in lieu thereof and shall be deemed to be express provisions to the contrary of any such law, statute, rule or regulation.

(m) No Air Rights

. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by the provisions of this Lease. If at any time any windows of the Leased Property are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Property, Landlord shall have no liability therefor and Tenant shall not be entitled to any reduction or diminution of Tenant's obligations under this Lease.

(n) Information Requests

. Tenant shall, within ten (10) days after Landlord's request, provide Landlord or its agent with all information reasonably requested by Landlord, its agent, or its or their compliance committee with respect to Tenant, Guarantor and Tenant's affiliates, including, without limitation, its and their respective officers, directors or shareholders, including, without limitation, a certified (by Tenant's chief financial officer) statement of Tenant's sales at the Leased Property. The information requested may include, without limitation, financial condition, personal and family background, litigation, indictment, criminal proceedings and the like in which any of the aforementioned may have been involved.

(o) Offer

. The submission and negotiation of this Lease shall not be deemed an offer to enter the same by Landlord, but the solicitation of such an offer by Tenant. Tenant agrees that its execution of this Lease constitutes a firm offer to enter the same, which may not be withdrawn for a period of six (6) weeks after delivery to Landlord. During such period and in reliance on the foregoing, Landlord may, at Landlord's option, deposit any Security Deposit and Rent and proceed with any alterations or improvements. If Landlord shall fail to execute and mail or deliver this Lease to Tenant within such period, Tenant may revoke its offer to enter this Lease by sending notice thereof to Landlord before Landlord mails or delivers an executed copy of this Lease to Tenant. In such case, Landlord shall return any Security Deposit and Rent to Tenant. If Tenant shall seek to revoke its offer to enter this Lease in violation of the foregoing provisions, Landlord shall have the options of forfeiting and retaining any Security Deposit and Rent theretofore paid, as liquidated damages without executing and delivering this Lease to Tenant, or executing and delivering this Lease to Tenant and enforcing the same as a valid and binding lease agreement.

(p) Façade Easement

. Tenant acknowledges that Landlord may grant a façade and/or open space easement with respect to the Leased Property to an organization qualified by the Internal Revenue Service to accept such an easement, such as the Trust for Architectural Easements, and that Tenant's use of the Leased Property shall in all respects be subject to the terms of any such easement and all rules and regulations relating thereto.

(q) Counterparts

This Lease shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto. This Lease may be executed in one or more counterparts, each of which may be a so-called "pen" original, telecopy or electronic file portable data format (.PDF), each of which shall be deemed an original, and all of such counterparts shall together constitute one and the same instrument.

(r) Rule of Construction.

This Lease shall not be construed against the party preparing it but shall be construed as if both parties jointly prepared the agreement, and any uncertainty and ambiguity shall not be interpreted against any one party. Any law or regulation which provides that the language of a contract shall be construed against the drafter shall not apply to this Lease.

(s) Safety and Security.

Landlord shall have no obligation to provide any safety or security devices, services or programs for Tenant or the Leased Property and shall have no liability for failure to provide the same or for inadequacy of any measures provided. Tenant shall, at its sole cost and expense, provide all safety and security devices, services and/or programs (as Landlord in its sole discretion deems necessary) in and at the Leased Property at all times.

(t) Additional Representations.

Tenant hereby represents that (i) it has the due authority to enter into this Lease, (ii) is duly organized under the state of its formation and is qualified to conduct business in the State of New York, and (iii) any and all conditions precedent to execution of this Lease by Tenant have been satisfied.

(u) Waiver of Declaratory Judgment Action. Tenant waives its right to bring a declaratory judgment action with respect to any provision of this Lease or with respect to any notice sent pursuant to the provisions of this Lease. Any breach of this paragraph shall constitute a breach of substantial obligations of the tenancy, and shall be grounds for the immediate termination of this Lease. It is further agreed that in the event injunctive relief is sought by Tenant and such relief shall be denied, Landlord shall be entitled to recover the costs of opposing such an application, or action, including its attorney's fees actually incurred, it is the intention of the parties hereto that their disputes be adjudicated via summary proceedings.

24. QUIET ENJOYMENT

Tenant, upon keeping, observing and performing all of the covenants and agreements of this Lease on its part to be kept, observed and performed, shall lawfully and quietly hold, occupy and enjoy the Leased Property during the term of this Lease from and against anyone claiming by, through or under Landlord.

25. LATE CHARGES

(a) If Tenant shall fail to pay all or any part of any Rent after the same shall have become due and payable, Tenant shall pay as Additional Rent hereunder to Landlord a late

charge of five (\$.05) cents for each dollar of the amount of such Rent that shall not have been paid to Landlord when due. In addition to the foregoing, if Tenant fails to pay any Rent after its due date, Tenant shall pay interest thereon from the date due until the date paid at an annual rate equal to eighteen (18%) percent, and such interest shall be deemed to be Additional Rent.

(b) In the event Tenant pays any rent or other charge with a check that is, for any reason, refused for payment by the bank on which it is drawn, Tenant shall pay Landlord a \$300 service charge.

(c) The late charge and service charge described above shall be payable on demand and without prejudice to any of Landlord's rights and remedies hereunder, at law or in equity, for nonpayment or late payment of rent or other sums, but shall be in addition to any such rights and remedies. No failure by Landlord to insist upon the strict performance by Tenant of Tenant's obligations to pay late charges, interests and service charges as provided in this Article shall constitute a waiver by Landlord of its right to enforce the provisions of this Section 25 in any such instance or in any instance thereafter occurring. The provisions of this Section 25 shall not be construed in any way to extend the grace periods or notice period provided for in this Lease.

26. EXCAVATIONS

SECTION 1.6

If an excavation shall be made upon land adjacent to the Leased Property, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, license to enter upon the Leased Property for the purpose of doing such work as said person shall deem necessary to preserve the wall of the Building of which the Leased Property form a part from injury or damage and to support the same by proper foundations without any claim for damages or indemnity against Landlord, or diminution or abatement of rent.

27. SECURITY DEPOSIT

(a) Security Deposit. Tenant shall have deposited with Landlord, the sum of Two Hundred Thirteen Thousand Two Hundred Five and 56/100 Dollars (\$213,205.56) (the "Security Deposit"), by Letter of Credit (as hereinafter defined) in the form as Landlord shall reasonably approve as security for the faithful performance, observance and compliance with all of the terms, covenants and conditions of this Lease on Tenant's part to perform, observe or comply with. Tenant agrees that, in the event that Tenant defaults beyond any notice and cure periods under any of the terms, covenants or conditions in this Lease on Tenant's part to observe, perform or comply with (including, without limitation, the payment of any installment of Fixed Rent or any amount of Additional Rent), Landlord may notify the Issuing Bank (as hereinafter defined) and thereupon receive all of the monies represented by the said Letter of Credit and use, apply, or retain the whole or any part of such proceeds, or both, as the case may be, to the extent required for the payment of any Fixed Rent, Additional Rent, or any other sums as to which Tenant is in default, or for any sum that Landlord may expend or may be required to expend by reason of any such default (including any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord). In the event that Landlord applies or

retains any portion or all of such Letter of Credit, the amount not so used, applied or retained shall continue to be treated as Tenant's Security Deposit, and Tenant shall restore the amount so applied or retained within three (3) days after Landlord's demand therefor, so that, at all times, the amount held by Landlord shall be the full amount of the Security Deposit by delivering to Landlord a substitute Letter of Credit or an amendment to the Letter of Credit. The Security Deposit may not be applied, allocated or credited by Tenant for the payment of Rent with respect to which Tenant may be in default under this Lease. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Lease, that portion, if any, of the Letter of Credit not used, applied or retained shall be returned to Tenant after the later of (x) Expiration Date (or such earlier date upon which the Lease may terminate) and (y) delivery of possession of the Leased Property to Landlord, in accordance with, and subject to, the applicable provisions of this Lease.

(b) Letter of Credit Form. (i) The Letter of Credit (the "Letter of Credit") to be delivered as the Security Deposit under this Article shall be a clean, irrevocable and unconditional letter of credit issued by and drawn upon a commercial bank (hereinafter referred to as the "Issuing Bank") with offices for banking purposes and presentations of drafts under the Letter of Credit in the City of New York having assets of not less than One Billion Dollars (\$1,000,000,000.00), which Letter of Credit shall have a term of not less than one year, be automatically renewable, be in a form approved by Landlord, be for the account of Landlord and be in the amount of the Security Deposit. The Letter of Credit shall provide that:

(A) The Issuing Bank shall pay to Landlord an amount up to the face amount of the Letter of Credit upon presentation of the Letter of Credit and a sight draft in the amount to be drawn;

(B) The Letter of Credit shall be deemed to be automatically renewed, without amendment, for consecutive periods of one (1) year each during the Term of this Lease, unless the Issuing Bank sends written notice (hereinafter called the "Non-Renewal Notice") to Landlord (with a copy to Landlord's counsel) by certified or registered mail, return receipt requested, not less than sixty (60) days prior to the then expiration date of the Letter of Credit (with an ultimate expiration no earlier than the later of (x) one hundred twenty (120) days after the Expiration Date of the Lease, or (y) the date that Tenant vacates the Leased Property), that it elects not to have such Letter of Credit renewed; and

(C) The Letter of Credit shall be transferable by the beneficiary thereof, without charge, and any failure of Tenant, or any of its successors or assigns as permitted under this Lease, to pay the transfer charges shall not affect the beneficiary's ability to transfer the Letter of Credit; the Letter of Credit may be transferred as aforesaid from time to time, by the then beneficiary under the Letter of Credit; to effectuate a transfer under the Letter of Credit, the beneficiary must notify the Issuing Bank in writing signed by an authorized signatory of beneficiary, of the name and address of the transferee and of the effective date of the transfer and any other reasonable information required by the Issuing Bank; and upon the Issuing Bank's receipt of such writing, the Issuing Bank will issue an amendment to the Letter of Credit that changes the name and address of the beneficiary hereof and shall deliver the original of such amendment to the new beneficiary/transferee and a copy thereof to the prior beneficiary/transferor.

(ii) In the event that the Issuing Bank sends a Non-Renewal Notice, Tenant shall have three (3) business days from the date of issuance thereof to provide Landlord with a substitute Letter of Credit which meets the requirements of this Article. In the event that Tenant fails within such period to provide Landlord with a substitute Letter of Credit, Landlord shall have the right, exercisable in accordance with this Article and without any notice to Tenant or the Guarantor, draw down on the Letter of Credit, which moneys shall be held by Landlord as a cash deposit subject to Landlord's right to use such cash funds, at Landlord's sole option, for purposes of having issued, on Tenant's behalf, a substitute Letter of Credit.

(iii) Tenant shall pay, as additional rent hereunder, for all of Landlord's reasonable, out-of-pocket costs and expenses (including, without limitation, reasonable attorney fees) incurred in connection with Landlord's review and/or negotiation of any Letter of Credit, amendment or replacement thereof submitted to Landlord pursuant to this Article.

(c) Transfer. In the event of a sale or transfer of the Leased Property or the then Landlord's interest therein or a leasing by the then Landlord of any of same, Landlord shall have the right, at no cost or expense to Landlord, to transfer or assign such Letter of Credit to the vendee, transferee or lessee, and Landlord shall notify Tenant, by certified mail, return receipt requested, of such sale, transfer or lease, together with the name and address of such vendee, transferee or lessee, and Landlord shall thereupon be released by Tenant from all liability for the return of such Letter of Credit. In such event, Tenant agrees to look solely to the new landlord for the return of said Letter of Credit. In connection with the foregoing, Tenant shall cooperate with Landlord and such vendee, transferee or lessee in connection with the transfer or assignment of such Security Deposit including, without limitation, executing and delivering, within ten (10) days after demand therefor, any and all instruments, certificates, agreements or other documents that Landlord, such vendee, transferee or lessee the Issuing Bank may reasonably require.

(d) No Assignment. Tenant covenants that it will not assign or encumber, or attempt to assign or encumber, the Security Deposit, and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment, or attempted encumbrance.

(e) Replacement. In the event that at any time during the Term of this Lease, the Issuing Bank files for protection under any chapter of the United States Bankruptcy Code or the bankruptcy code of the state or county of its formation or is seized by the appropriate regulatory authorities of the State of New York, the United States or the state or nation of its formation and as a result thereof is incapable of or unable to, or prohibited from honoring the then existing Letter of Credit (hereinafter referred to as the "Existing L/C") then, upon the happening of the foregoing, Landlord may send written notice to Tenant (hereinafter referred to as the "Replacement Notice") requiring Tenant within sixty (60) days to replace the Existing L/C with a new letter of credit (hereinafter referred to as the "Replacement L/C") from an Issuing Bank meeting the qualifications described in this Article. Upon receipt of a Replacement L/C meeting the qualifications of this Section, Landlord shall simultaneously return the Existing L/C to Tenant. In the event that a Replacement L/C meeting the qualifications of this Section is not received by Landlord within the time specified, the Existing L/C may be presented for payment by Landlord and the proceeds thereof shall be held by Landlord in accordance with this Article.

(f) Issuing Bank Credit Rating. In the event that the Issuing Bank's credit rating is reduced below P-2 (or equivalent) by Moody's Investors Service, Inc. or below A-2 (or equivalent) by Standard Poor's Corporation (the "**Minimum Rating Requirement**"), then Landlord shall have the right to require that Tenant obtain from a different issuer a Replacement L/C that complies in all respects with the requirements of this Section 27, and Tenant's failure to obtain such a Replacement L/C within thirty (30) days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) shall entitle Landlord to immediately draw upon the then existing Letter of Credit in whole or in part, without notice to Tenant. In the event the issuer of any Letter of Credit held by Landlord is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said Letter of Credit shall be deemed to not meet the requirements of this Section 27, and, within fifteen (15) days thereof, Tenant shall replace such Letter of Credit with other collateral acceptable to Landlord in its sole and absolute discretion (and Tenant's failure to do so shall, notwithstanding anything in this Lease to the contrary, constitute an Event of Default hereunder for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid thirty (30) day period). If at any time during the Term there is no Issuing Bank that satisfies the Minimum Rating Requirement from which Tenant is able to obtain, at a commercially reasonable cost, a Replacement L/C, then Landlord may draw down the full amount of the existing Letter of Credit (unless Tenant posts cash security equal to the amount of the Security Deposit within ten (10) days after written notice that Landlord intends to draw down on the existing Letter of Credit) and retain the proceeds thereof as substitute security, subject to the provisions of this Section 27, provided that Landlord shall invest any amounts so drawn or otherwise posted by Tenant and not immediately thereafter applied to cure any default or to pay damages then due and payable in a mutual fund designated by Landlord that invests solely in U.S. Treasury bills. Following any such draw by Landlord, Tenant may, and at Landlord's option shall, obtain a Replacement L/C in the amount of the Security Deposit from a bank that satisfies the Minimum Rating Requirement and upon issuing of same to Landlord, Landlord shall return such funds drawn by Landlord, together with all interest accrued thereon in accordance with this Section 27.

(g) Notwithstanding the foregoing provisions of this Article 27, at such time as Tenant shall deliver to Landlord a copy of a permanent certificate of occupancy for the Initial Development, the Security Deposit shall be reduced to \$106,602.78. Upon the delivery by Tenant to Landlord of a new Letter of Credit in such amount satisfying the requirements of this Article 17, Landlord shall return the original Letter of Credit to Tenant.

28. TAX AND ENERGY INCENTIVE PROGRAM

Should Landlord, in its sole discretion, elect to apply for any benefits under (i) The Industrial and Commercial Abatement Program of New York City (the "ICAP") and/or any other such incentive program, (collectively with the ICAP, the "**Incentive Programs**"):

(a) Tenant shall, in order to assist Landlord in obtaining any incentives, abatement, discounts, subsidies or refunds, promptly execute and file any necessary documents associated therewith; cause its agents to execute such applicable documents; and follow all required procedures and time lines in the execution of such documents reasonably requested by Landlord.

(b) Notwithstanding anything contained herein to the contrary, Landlord shall not be required to apply for any such Incentive Programs and has made no representations to Tenant with respect to such Incentive Programs.

29. ANTI-TERRORISM REQUIREMENTS

Tenant represents and warrants that neither Tenant nor any person who owns any direct or indirect beneficial interest in Tenant or any of them, is listed on the list maintained by the United States Department of the Treasury, Office of Foreign Assets Control (commonly known as the OFAC List) or otherwise qualifies as a person with whom business by a United States citizen or resident is prohibited and neither Tenant nor any person who owns any direct or indirect beneficial interest in Tenant or any of them is in violation of any anti-money laundering or anti-terrorism statute, including, without limitation, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, U.S. Public Law 107-56 (commonly known as the USA PATRIOT Act), and the related regulations issued thereunder, including temporary regulations, all as amended from time to time.

30. NO RECORDATION

This Lease shall not be recorded. The recordation of this Lease by Tenant shall constitute a default by Tenant under this Lease.

31. GUARANTY

Concurrently with the execution of this Lease by Tenant, and as a condition to the effectiveness hereof, Tenant has caused the Guaranty of Lease in the form annexed hereto as Exhibit G to be signed and delivered to Landlord by Guarantor.

32. CONFIDENTIALITY

Landlord covenants and agrees not to communicate the terms or any aspect of this Lease to any person or entity without the express written consent of Tenant; provided, however, that Landlord may, without consent, disclose the terms hereof (a) to its respective advisors, consultants, attorneys, accountants, and lenders (the "Transaction Parties") without the express written consent of Tenant, and (b) if disclosure is required by law or by regulatory or judicial process.

[Signature Page Immediately Follows]

IN WITNESS WHEREOF, Landlord and Tenant have set their hands, the day, month and year first above written.

LANDLORD:

PREMIER 273 FIFTH, LLC

By: [Signature]
Name: Uzi Ben Abraham
Title: managing member

TENANT:

ANHEART INC.

By: Jianping AN
Name: Jianping An
Title: C. E. O.

TENANT NOTARIZATION

STATE OF New York)
) ss.:
COUNTY OF Queens)

On the 5th day of June in the year 2018, before me, the undersigned a Notary Public in and for said state, personally appeared Jianping An, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

JING YE
Notary Public, State of New York
Registration #02YE6364824
Qualified In Nassau County
Commission Expires Sept. 25, 2021

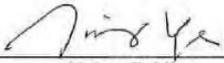

Notary Public

EXHIBIT A
Leased Property



EXHIBIT A

All that certain piece or parcel of land, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

BEGINNING at a point on the easterly side of Fifth Avenue, distant 75 feet 5 inches northerly from the corner formed by the intersection of the easterly side of Fifth Avenue with the northerly side of 29th Street, at the center of a party wall;

RUNNING THENCE easterly parallel with 29th Street and through the center of a party wall and 100 feet;

THENCE northerly parallel with Fifth Avenue, 26 feet;

THENCE westerly parallel with 29th Street and through the center line of a party wall, 100 feet to the easterly side of Fifth Avenue;

THENCE southerly along the easterly side of Fifth Avenue, 26 feet to the point or place of BEGINNING.

SAID PREMISES ALSO BEING KNOWN AS: 273 FIFTH AVENUE, NEW YORK,
NY

EXHIBIT B

Fixed Rent

<u>Lease Year</u>	<u>Annual</u>	<u>Monthly</u>
1	\$325,000.00	\$27,083.33
2	\$350,000.00	\$29,166.67
3.	\$375,000.00	\$31,250.00
4.	\$400,000.00	\$33,333.33
5.	\$425,000.00	\$35,416.67
6.	\$450,000.00	\$37,500.00
7	\$463,500.00	\$38,625.00
8.	\$477,405.00	\$39,783.75
9	\$491,727.15	\$40,977.26
10	\$506,478.96	\$42,206.58
11	\$521,673.33	\$43,472.78
12	\$537,323.53	\$44,776.96
13	\$553,443.24	\$46,120.27
14	\$570,046.54	\$47,503.88
15	\$587,147.94	\$48,929.00
16	\$604,762.38	\$50,396.87
17	\$622,905.24	\$51,908.77
18	\$641,592.40	\$53,466.03
19	\$660,840.17	\$55,070.01
20	\$680,665.38	\$56,772.12
21	\$803,185.15	\$66,932.10
22	\$827,280.70	\$68,940.06
23	\$852,099.12	\$71,008.26
24	\$877,662.09	\$73,138.51
25	\$903,991.95	\$75,332.66
26	\$931,111.71	\$77,592.64
27	\$959,045.06	\$79,920.42
28	\$987,816.41	\$82,318.03
29	\$1,017,450.90	\$84,878.58
30	\$1,047,974.43	\$87,331.20

EXHIBIT C

Prohibited Uses

Notwithstanding anything to the contrary set forth in the Lease, Tenant shall (i) not conduct an auction, fire, bankruptcy, selling-out or going-out-of-business sale, other than a bona fide sale at the Premises; (ii) not keep or display any merchandise on the outside of or otherwise obstruct any portion of the Building, including, without limitation, the entrances thereto; (iii) not permit the sale or display of any obscene, pornographic, lewd, suggestive or "adult" materials or paraphernalia, including, without limitation, movies, videotapes, books, magazines or any related items, or make use of the same in any activities or advertising of Tenant or permit or conduct the operation of a "massage parlor" or any obscene, nude or semi-nude live performances at the Premises; (iv) not permit the sale or display of any paraphernalia used in the preparation or consumption of controlled substances; (v) not use or permit the use of any portion of the Premises for lodging, sleeping or any unlawful purposes or for any activity of a type which is not generally considered appropriate for similar buildings conducted in accordance with generally accepted standards of operation, (vi) not operate, or permit the operation, in the Premises of a cabaret, dance club, night club, disco, abortion clinic, massage parlor, arcade, tattoo parlor, arcade, or consulate.

EXHIBIT D

GUARANTY OF COMPLETION AND LIEN-FREE PERFORMANCE

THIS GUARANTY OF COMPLETION AND LIEN-FREE PERFORMANCE (“**Guaranty**”) is made as of the 2nd day of July, 2018 in favor of PREMIER 273 FIFTH, LLC, having an address at 1151 Broadway, Suite 2S, New York, New York 10001 (“**Landlord**”) by HF GROUP HOLDING CORPORATION, a North Carolina corporation having an address at 6001 West Market Street, Greensboro, North Carolina 27409 (“**Guarantor**”).

WHEREAS, Landlord entered into a lease (the “**Lease**”) with Anheart Inc. (“**Tenant**”) dated as of July 2, 2018 for the premises located at 273 Fifth Avenue, New York, New York (the “**Premises**”); and

WHEREAS, Tenant has requested Landlord’s consent to the performance of the material improvement to the Premises described in Exhibit A annexed hereto (the “**Material Improvement**”); and

WHEREAS, pursuant to the Lease, as a condition to the performance of the Material Improvement Tenant is obligated to cause to be delivered to Landlord from Guarantor a guaranty in the form hereof; and

WHEREAS, Guarantor owns a direct or indirect interest in Tenant and will derive substantial benefit from the Material Improvement; and

NOW, THEREFORE, in consideration of the substantial benefit Guarantor will derive from the Material Improvement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor hereby agrees as follows:

1. Obligations Guaranteed. Guarantor irrevocably and unconditionally guarantees to Landlord (collectively, the “**Guaranteed Obligations**”) (a) the full and timely completion of the Material Improvement (collectively, the “**Work**”) in strict accordance with the provisions of the Lease, all legal requirements and all related plans approved by Landlord, free and clear of any and all liens which may arise from, or in any way relate to, the Work, and (b) the full and timely payment of all contractors, subcontractors and material suppliers whose work and materials have been or may hereafter be delivered or supplied for, or incorporated into, the Work. Without limiting the foregoing, Guarantor hereby guarantees that if liens relating to, or arising out of, the performance of the Work are filed, Guarantor shall cause such liens to be removed or satisfied of record no later than (30) days after notice thereof to Guarantor, all to the reasonable satisfaction of Landlord. The foregoing obligations are effective regardless of whether Tenant has any personal liability for the Guaranteed Obligations.

2. Completion of Work. If for any reason Tenant fails to complete the Work in accordance with the terms of the Lease then, within ten (10) days after written notice from Landlord, Guarantor will immediately assume all responsibility for full completion of the Work

as required by the Lease and take such other action as Landlord may require to remedy Tenant's default. Guarantor shall be in default of this Guaranty if, in Landlord's judgment, Guarantor (a) does not assume responsibility for completion of the Work and the performance of the other Guaranteed Obligations within such ten (10) day period, (b) fails to pursue completion of the Work or the performance of the other Guaranteed Obligations diligently or (c) fails to complete the Work and perform the other Guaranteed Obligations by the time required by the Lease. In any such event, Landlord may (in addition to all other remedies available to Landlord), upon written notice to Guarantor provided, no notice shall be required following default by Guarantor hereunder, take any action Landlord believes necessary to complete the Work or to perform any of the other Guaranteed Obligations (but Landlord shall not be obligated to do so and may suspend or terminate any such actions at any time, without completion). No such actions by Landlord shall release or limit the liability of any Guarantor and Guarantor agrees to pay Landlord all sums expended by Landlord in undertaking to complete such Work, whether or not such Work is actually completed, or otherwise incurred in Landlord's performance of any of the other Guaranteed Obligations.

3. Direct Action Against Guarantor. Guarantor's liability under this Guaranty is a guaranty of payment and performance and not of collection. Landlord has the right to require Guarantor to pay, perform, comply with and satisfy its obligations and liabilities under this Guaranty, and shall have the right to proceed immediately against Guarantor with respect thereto, without being required to attempt recovery and/or enforcement first from or against Tenant or any other party, without first suing on the Note or any other Loan Document and without demonstrating that the collateral for the Loan is inadequate security or that Landlord has exercised (to any degree) or exhausted any of Landlord's other rights and remedies with respect to Tenant or any collateral for the Loan.

4. Commencement of Lawsuit by Landlord; Measure of Damages. At any time after Guarantor's failure to perform in accordance with, or default under, this Guaranty, and in addition to any other rights available to Landlord at law or in equity, Landlord may commence a lawsuit against Guarantor to compel Guarantor to perform, and specifically enforce, its obligations under this Guaranty or to recover damages under this Guaranty. Landlord's damages shall include (but not be limited to): (a) the costs of completing the Work (or any portion thereof) or correcting any construction defects or performing the other Guaranteed Obligations; (b) damages (including any diminution in the value of the Premises as a result of the Work not being completed as contemplated by the Lease) arising from any failure or delay in completing the Work or performing the other Guaranteed Obligations (or any portion thereof) or performing the other Guaranteed Obligations, as contemplated by the Lease; and (c) Landlord's reasonable attorneys' fees and costs arising out of this Guaranty or related thereto. Landlord may commence a lawsuit under this Section 4 without first demanding that Guarantor perform any of its obligations under this Guaranty. Landlord need not perform any of the Work before commencing such a lawsuit. Landlord shall have no obligation to accept any offer of performance by Guarantor to perform the Work at any time, and no such offer shall constitute a defense to Landlord's claims for damages against Guarantor. GUARANTOR EXPRESSLY ACKNOWLEDGES THAT THE MEASURE OF LANDLORD'S DAMAGES FOR BREACH OF THIS GUARANTY SHALL BE BASED ON (1) THE COSTS OF COMPLETING THE WORK (OR ANY PORTION THEREOF) AND PERFORMING THE OTHER GUARANTEED OBLIGATIONS AND NOT THE EXTENT TO WHICH COMPLETING THE WORK OR

PERFORMING SUCH OTHER GUARANTEED OBLIGATIONS WOULD INCREASE THE VALUE OF THE PREMISES AND (2) THE DIMINUTION IN THE VALUE OF THE PREMISES AS A RESULT OF THE WORK NOT BEING COMPLETED OR THE OTHER GUARANTEED OBLIGATIONS NOT BEING PERFORMED AS CONTEMPLATED BY THE LEASE.

5. Payments: Interest on Amounts Payable Hereunder. Amounts payable to Landlord under this Guaranty shall be immediately due and payable on Landlord's written demand and shall be paid without reduction by set-off, defense, counterclaim or cross-claim. Interest at the rate of eighteen percent (18%) per annum (or the maximum interest rate permitted by applicable law) shall accrue on any judgment obtained by Landlord in connection with the enforcement or collection of amounts due under this Guaranty until such judgment is paid in full.

6. Enforcement Costs. Guarantor shall pay on demand all attorneys' fees and all other costs and expenses incurred by Landlord in the enforcement of or preservation of Landlord's rights under this Guaranty including, without limitation, all attorneys' fees, costs and expenses, investigation costs, and all court costs, whether or not suit is filed herein, or whether at maturity or by acceleration, or whether before or after maturity, or whether in connection with bankruptcy, insolvency or appeal, or whether in connection with the collection and enforcement of this Guaranty against any other Guarantor, if there be more than one. Guarantor agrees to pay interest on any expenses or other sums due to Landlord under this Section 6 that are not paid when due, at a rate per annum equal to the interest rate provided for in Section 5 above.

7. Unimpaired Liability. Guarantor acknowledges and agrees that all obligations hereunder are and shall be absolute and unconditional under any and all circumstances without regard to the validity, regularity or enforceability of the Lease or the existence of any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety. Without limiting the foregoing, Guarantor acknowledges and agrees that its respective liability hereunder shall in no way be released, terminated, discharged, limited or impaired by reason of any of the following (whether or not Guarantor has any knowledge or notice thereof): (a) Tenant's lack of authority or lawful right to enter into any of the Lease; (b) any modification, supplement, waiver or consent provided by Landlord with respect to the Lease including, without limitation, the grant of extensions of time for payment or performance; (c) Landlord's failure to exercise, or delay in exercising, any rights or remedies Landlord may have under the Lease or under this Guaranty; (d) the release of any Guarantor from performance, in whole or in part, under this Guaranty or the release of Tenant from performance, in whole or in part, under the Lease, in each case whether by operation of law, Landlord's voluntary act, or otherwise; (e) any bankruptcy, insolvency, reorganization, adjustment, dissolution, liquidation or other like proceeding involving or affecting Tenant or Landlord; or (f) the validity or enforceability of the Lease against Tenant.\

8. Waivers.

Guarantor hereby waives and relinquishes, to the fullest extent permitted by law: (a) all rights and remedies accorded by applicable law to sureties or guarantors, except any rights of subrogation and contribution (the exercise of which are subject to the terms of this Guaranty); (b) the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any

action or proceeding brought by or against it; (c) notice of acceptance of this Guaranty and of any action taken or omitted in reliance hereon; (d) presentment for payment, demand, protest, notice of nonpayment or failure to perform or observe, or any other proof, notice or demand to which it might otherwise be entitled with respect to its obligations hereunder; and (e) all homestead or exemption rights against the obligations hereunder and the benefits of any statutes of limitation or repose.

9. Representations, Warranties and Covenants of Guarantor. Guarantor hereby makes the following representations, warranties and covenants (each of which shall remain materially true and correct during the term hereof): (a) the execution, delivery and performance of this Guaranty and the incurrence of the Guaranteed Obligations, now or hereafter owing, and the creation of liens on Guarantor's assets do not require any approval or consent of, or filing with, any governmental authority or other person or entity (or such approvals and consents have been obtained and delivered to the Landlord) and are not in contravention of any provision of law applicable to Guarantor; (b) this Guaranty constitutes when delivered, valid and binding obligations of Guarantor, enforceable in accordance with its terms; (c) Guarantor is not a party to any indenture, loan or credit agreement, or any lease or other agreement or instrument, or subject to any restriction, which is likely to have a material adverse effect on Guarantor; (d) Guarantor has filed all tax returns which are required to be filed (or obtained proper extensions of time for the filing thereof) and has paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received; (e) the financial statements and other information pertaining to Guarantor submitted to Landlord are true, complete and correct in all material respects and do not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading; (f) there is no litigation, at law or in equity, or any proceeding before any federal, state, provincial or municipal board or other governmental or administrative agency pending or, to the knowledge of Guarantor, threatened, or any basis therefor, which involves a risk of any material judgment or liability not fully covered by insurance (other than any deductible) which is likely to be adversely determined and if so, would have a material adverse effect on Guarantor, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency has been issued against Guarantor which has a material adverse effect on Guarantor; (g) the entering into the Lease with Tenant will result in material benefits to Guarantor. Each of the representations and covenants of and/or relating to Guarantor set forth in the other Loan Documents are hereby re-made by Guarantor and incorporated herein by reference as if fully set forth herein; and (h) Guarantor is not a "foreign person" within the meaning of Section 1445(1)(3) of the Internal Revenue Code.

10. Notices. All notices, demands, requests, consents, approvals or other communications (for the purposes of this Section 10, collectively referred to as "Notices") required or permitted to be given hereunder or which are given with respect to this Guaranty, in order to constitute effective notice to the other party, shall be in writing and shall be deemed to have been given (a) when personally delivered with signed delivery receipt obtained, (b) upon receipt, when sent by prepaid reputable overnight courier, or (c) three (3) days after the date so mailed, if sent by certified mail, return receipt requested, postage prepaid, in all cases addressed to the party to be notified at its address set forth above or to such other address as such party shall have specified most recently by like Notice (which change of address shall be effective

fifteen (15) days after Notice thereof shall be given to the notified party). Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as herein required shall be deemed to be receipt of the Notice sent. At the same time any notice is given to Guarantor, a copy shall be sent in the manner aforesaid to:

Mermell Associates PLLP
1 Hollow Lane, Suite 303
Lake Success, New York 11042

Notices may be given by a party's attorney.

11. Entire Agreement; Modification. This Guaranty embodies the entire agreement between Landlord and Guarantor with respect to the guaranty by Guarantor of the Guaranteed Obligations. This Guaranty supersedes all prior agreements and understandings, if any, with respect to guaranty by Guarantor of the Guaranteed Obligations. No condition or conditions precedent to the effectiveness of this Guaranty exist. This Guaranty shall be effective upon execution by Guarantor and delivery to Landlord. This Guaranty may not be modified, amended or superseded except in a writing signed by Landlord and Guarantor referencing this Guaranty by its date and specifically identifying the portions hereof that are to be modified, amended or superseded.

12. Binding Effect. This Guaranty is binding not only on Guarantor, but also on Guarantor's successors and assigns. Without limitation of any other term, provision or waiver contained herein, Guarantor hereby acknowledges and agrees that it has been furnished a true, complete and correct copy of the Lease and has reviewed the terms and provisions thereof (including, without limitation, the Guaranteed Obligations).

13. Unenforceable Terms. If any provision of this Guaranty or the application thereof to any person or entity or circumstance shall, for any reason and to any extent, be declared to be invalid or unenforceable, neither the remaining provisions of this Guaranty nor the application of such provision to any other person or entity or circumstance shall be affected thereby, and the remaining provisions of this Guaranty, or the applicability of such provision to other person or entity or circumstances, as applicable, shall remain in effect and be enforceable to the maximum extent permitted by applicable legal requirements.

14. Electronic Transmission. Any facsimile or electronic transmittal of original signature versions of this Guaranty shall be considered to have the same legal effect as execution and delivery of the original document and shall be treated in all manner and respects as the original document.

15. Governing Law. The validity, enforcement and interpretation hereof shall for all purposes be governed by and construed in accordance with the laws of the State of New York and applicable United States federal law, and is intended to be performed in accordance with, and only to the extent permitted by, such laws. Guarantor hereby irrevocably submits generally and unconditionally for Guarantor and in respect of Guarantor's property to the jurisdiction of any New York state court, or any United States federal court, sitting in the State of New York

over any suit, action or proceeding arising out of or relating to this Guaranty or the Guaranteed Obligations. Guarantor hereby irrevocably waives, to the fullest extent permitted by law, any objection that Guarantor may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum. Guarantor hereby agrees and consents that, in addition to any methods of service of process provided for under applicable legal requirements, all service of process in any such suit, action or proceeding in any state court, or any United States federal court, sitting in the state specified in the first sentence of this Section may be made by certified or registered mail, return receipt requested, directed to Guarantor at the address set forth for Guarantor above, or at a subsequent address of which Landlord received actual notice from Guarantor in accordance with Section 10 above, and service so made shall be complete three (3) days after the same shall have been so mailed. Nothing herein shall affect the right of Landlord to serve process in any manner permitted by law or limit the right of Landlord to bring proceedings against Guarantor in any other court or jurisdiction.

16. Consent to Jurisdiction. Guarantor irrevocably submits generally and unconditionally for itself and in respect of its property to the nonexclusive jurisdiction of any state or federal court sitting in the State over any suit, action or proceeding arising out of, or relating to, this Guaranty, and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state or federal court. Guarantor irrevocably waives, to the fullest extent permitted by law, any objection that Guarantor may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court, and any claims that any such suit, action or proceeding is brought in an inconvenient forum. Final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon Guarantor and may be enforced in any court in which Guarantor is subject to jurisdiction, by a suit upon such judgment provided that service of process is effected upon Guarantor as provided herein or as otherwise permitted by applicable legal requirements. Guarantor hereby releases, to the extent permitted by applicable legal requirements, all errors and all rights of exemption, appeal, stay of execution, inquisition, and other rights to which Guarantor may otherwise be entitled under the laws of the United States of America or of any state of possession of the United States of America now in force and which may hereinafter be enacted. The authority and power to appear for and enter judgment against Guarantor shall not be exhausted by one or more exercises thereof or by any imperfect exercise thereof and shall not be extinguished by any judgment entered pursuant thereto. Such authority may be exercised on one or more occasions or from time to time in the same or different jurisdiction as often as Landlord shall deem necessary and desirable, for all of which this Guaranty shall be sufficient warrant.

17. Further Assurances. Guarantor at Guarantor's expense will promptly execute and deliver to Landlord upon Landlord's request all such other and further documents, agreements, and instruments in compliance with or accomplishment of the agreements of Guarantor under this Guaranty.

18. Time of Essence. Time shall be of the essence in this Guaranty with respect to all of Guarantor's obligations hereunder.

19. Waiver of Jury Trial. GUARANTOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH GUARANTOR AND LANDLORD

EXHIBIT E

Initial Development

The Initial Development shall be a building with a roof deck, with approximately 4,500 rentable square feet above grade, and approximately 2,600 rentable square feet in the basement level.

EXHIBIT F

GUARANTY OF COMPLETION AND LIEN-FREE PERFORMANCE

THIS GUARANTY OF COMPLETION AND LIEN-FREE PERFORMANCE (“**Guaranty**”) is made as of the 2nd day of July, 2018 in favor of PREMIER 273 FIFTH, LLC, having an address at 1151 Broadway, Suite 2S, New York, New York 10001 (“**Landlord**”) by HF GROUP HOLDING CORPORATION, a North Carolina corporation having an address at 6001 West Market Street, Greensboro, North Carolina 27409 (“**Guarantor**”).

WHEREAS, simultaneously herewith Landlord is entering into a lease (the “**Lease**”) with Anheart Inc. (“**Tenant**”) for the premises located at 273 Fifth Avenue, New York, New York (the “**Premises**”); and

WHEREAS, pursuant to the Lease, Tenant is obligated to construct on the Premises the Initial Development (as defined in the Lease); and

WHEREAS, Guarantor owns a direct or indirect interest in Tenant and will derive substantial benefit from Landlord entering into the Lease with Tenant; and

WHEREAS, Landlord requires as a condition to entering into the Lease with Tenant that Guarantor agrees to guaranty for the benefit of Landlord, and its successors and assigns, all obligations of Tenant with respect to the construction of the Initial Development.

NOW, THEREFORE, to induce Landlord to enter into the Lease with Tenant, and in consideration of the substantial benefit Guarantor will derive from the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor hereby agrees as follows:

1. Obligations Guaranteed. Guarantor irrevocably and unconditionally guarantees to Landlord (collectively, the “**Guaranteed Obligations**”) (a) the full and timely completion of the Initial Development (collectively, the “**Work**”) in strict accordance with the provisions of the Lease, all legal requirements and all related plans approved by Landlord, free and clear of any and all liens which may arise from, or in any way relate to, the Work, and (b) the full and timely payment of all contractors, subcontractors and material suppliers whose work and materials have been or may hereafter be delivered or supplied for, or incorporated into, the Work. Without limiting the foregoing, Guarantor hereby guarantees that if liens relating to, or arising out of, the performance of the Work are filed, Guarantor shall cause such liens to be removed or satisfied of record no later than (30) days after notice thereof to Guarantor, all to the reasonable satisfaction of Landlord. The foregoing obligations are effective regardless of whether Tenant has any personal liability for the Guaranteed Obligations.

2. Completion of Work. If for any reason Tenant fails to complete the Work in accordance with the terms of the Lease then, within ten (10) days after written notice from Landlord, Guarantor will immediately assume all responsibility for full completion of the Work as required by the Lease and take such other action as Landlord may require to remedy Tenant’s

default. Guarantor shall be in default of this Guaranty if, in Landlord's judgment, Guarantor (a) does not assume responsibility for completion of the Work and the performance of the other Guaranteed Obligations within such ten (10) day period, (b) fails to pursue completion of the Work or the performance of the other Guaranteed Obligations diligently or (c) fails to complete the Work and perform the other Guaranteed Obligations by the time required by the Lease. In any such event, Landlord may (in addition to all other remedies available to Landlord), upon written notice to Guarantor provided, no notice shall be required following default by Guarantor hereunder, take any action Landlord believes necessary to complete the Work or to perform any of the other Guaranteed Obligations (but Landlord shall not be obligated to do so and may suspend or terminate any such actions at any time, without completion). No such actions by Landlord shall release or limit the liability of any Guarantor and Guarantor agrees to pay Landlord all sums expended by Landlord in undertaking to complete such Work, whether or not such Work is actually completed, or otherwise incurred in Landlord's performance of any of the other Guaranteed Obligations.

3. Direct Action Against Guarantor. Guarantor's liability under this Guaranty is a guaranty of payment and performance and not of collection. Landlord has the right to require Guarantor to pay, perform, comply with and satisfy its obligations and liabilities under this Guaranty, and shall have the right to proceed immediately against Guarantor with respect thereto, without being required to attempt recovery and/or enforcement first from or against Tenant or any other party, without first suing on the Note or any other Loan Document and without demonstrating that the collateral for the Loan is inadequate security or that Landlord has exercised (to any degree) or exhausted any of Landlord's other rights and remedies with respect to Tenant or any collateral for the Loan.

4. Commencement of Lawsuit by Landlord; Measure of Damages. At any time after Guarantor's failure to perform in accordance with, or default under, this Guaranty, and in addition to any other rights available to Landlord at law or in equity, Landlord may commence a lawsuit against Guarantor to compel Guarantor to perform, and specifically enforce, its obligations under this Guaranty or to recover damages under this Guaranty. Landlord's damages shall include (but not be limited to): (a) the costs of completing the Work (or any portion thereof) or correcting any construction defects or performing the other Guaranteed Obligations; (b) damages (including any diminution in the value of the Premises as a result of the Work not being completed as contemplated by the Lease) arising from any failure or delay in completing the Work or performing the other Guaranteed Obligations (or any portion thereof) or performing the other Guaranteed Obligations, as contemplated by the Lease; and (c) Landlord's reasonable attorneys' fees and costs arising out of this Guaranty or related thereto. Landlord may commence a lawsuit under this Section 4 without first demanding that Guarantor perform any of its obligations under this Guaranty. Landlord need not perform any of the Work before commencing such a lawsuit. Landlord shall have no obligation to accept any offer of performance by Guarantor to perform the Work at any time, and no such offer shall constitute a defense to Landlord's claims for damages against Guarantor. GUARANTOR EXPRESSLY ACKNOWLEDGES THAT THE MEASURE OF LANDLORD'S DAMAGES FOR BREACH OF THIS GUARANTY SHALL BE BASED ON (1) THE COSTS OF COMPLETING THE WORK (OR ANY PORTION THEREOF) AND PERFORMING THE OTHER GUARANTEED OBLIGATIONS AND NOT THE EXTENT TO WHICH COMPLETING THE WORK OR PERFORMING SUCH OTHER GUARANTEED OBLIGATIONS WOULD INCREASE THE

VALUE OF THE PREMISES AND (2) THE DIMINUTION IN THE VALUE OF THE PREMISES AS A RESULT OF THE WORK NOT BEING COMPLETED OR THE OTHER GUARANTEED OBLIGATIONS NOT BEING PERFORMED AS CONTEMPLATED BY THE LEASE.

5. Payments; Interest on Amounts Payable Hereunder. Amounts payable to Landlord under this Guaranty shall be immediately due and payable on Landlord's written demand and shall be paid without reduction by set-off, defense, counterclaim or cross-claim. Interest at the rate of eighteen percent (18%) per annum (or the maximum interest rate permitted by applicable law) shall accrue on any judgment obtained by Landlord in connection with the enforcement or collection of amounts due under this Guaranty until such judgment is paid in full.

6. Enforcement Costs. Guarantor shall pay on demand all attorneys' fees and all other costs and expenses incurred by Landlord in the enforcement of or preservation of Landlord's rights under this Guaranty including, without limitation, all attorneys' fees, costs and expenses, investigation costs, and all court costs, whether or not suit is filed herein, or whether at maturity or by acceleration, or whether before or after maturity, or whether in connection with bankruptcy, insolvency or appeal, or whether in connection with the collection and enforcement of this Guaranty against any other Guarantor, if there be more than one. Guarantor agrees to pay interest on any expenses or other sums due to Landlord under this Section 6 that are not paid when due, at a rate per annum equal to the interest rate provided for in Section 5 above.

7. Unimpaired Liability. Guarantor acknowledges and agrees that all obligations hereunder are and shall be absolute and unconditional under any and all circumstances without regard to the validity, regularity or enforceability of the Lease or the existence of any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety. Without limiting the foregoing, Guarantor acknowledges and agrees that its respective liability hereunder shall in no way be released, terminated, discharged, limited or impaired by reason of any of the following (whether or not Guarantor has any knowledge or notice thereof): (a) Tenant's lack of authority or lawful right to enter into any of the Lease; (b) any modification, supplement, waiver or consent provided by Landlord with respect to the Lease including, without limitation, the grant of extensions of time for payment or performance; (c) Landlord's failure to exercise, or delay in exercising, any rights or remedies Landlord may have under the Lease or under this Guaranty; (d) the release of any Guarantor from performance, in whole or in part, under this Guaranty or the release of Tenant from performance, in whole or in part, under the Lease, in each case whether by operation of law, Landlord's voluntary act, or otherwise; (e) any bankruptcy, insolvency, reorganization, adjustment, dissolution, liquidation or other like proceeding involving or affecting Tenant or Landlord; or (f) the validity or enforceability of the Lease against Tenant.\

8. Waivers.

Guarantor hereby waives and relinquishes, to the fullest extent permitted by law: (a) all rights and remedies accorded by applicable law to sureties or guarantors, except any rights of subrogation and contribution (the exercise of which are subject to the terms of this Guaranty); (b) the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought by or against it; (c) notice of acceptance of this Guaranty and of

any action taken or omitted in reliance hereon; (cd presentment for payment, demand, protest, notice of nonpayment or failure to perform or observe, or any other proof, notice or demand to which it might otherwise be entitled with respect to its obligations hereunder; and (c) all homestead or exemption rights against the obligations hereunder and the benefits of any statutes of limitation or repose.

9. Representations, Warranties and Covenants of Guarantor. Guarantor hereby makes the following representations, warranties and covenants (each of which shall remain materially true and correct during the term hereof): (a) the execution, delivery and performance of this Guaranty and the incurrence of the Guaranteed Obligations, now or hereafter owing, and the creation of liens on Guarantor's assets do not require any approval or consent of, or filing with, any governmental authority or other person or entity (or such approvals and consents have been obtained and delivered to the Landlord) and are not in contravention of any provision of law applicable to Guarantor; (b) this Guaranty constitutes when delivered, valid and binding obligations of Guarantor, enforceable in accordance with its terms; (c) Guarantor is not a party to any indenture, loan or credit agreement, or any lease or other agreement or instrument, or subject to any restriction, which is likely to have a material adverse effect on Guarantor; (d) Guarantor has filed all tax returns which are required to be filed (or obtained proper extensions of time for the filing thereof) and has paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received; (e) the financial statements and other information pertaining to Guarantor submitted to Landlord are true, complete and correct in all material respects and do not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading; (f) there is no litigation, at law or in equity, or any proceeding before any federal, state, provincial or municipal board or other governmental or administrative agency pending or, to the knowledge of Guarantor, threatened, or any basis therefor, which involves a risk of any material judgment or liability not fully covered by insurance (other than any deductible) which is likely to be adversely determined and if so, would have a material adverse effect on Guarantor, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency has been issued against Guarantor which has a material adverse effect on Guarantor; (g) the entering into the Lease with Tenant will result in material benefits to Guarantor. Each of the representations and covenants of and/or relating to Guarantor set forth in the other Loan Documents are hereby re-made by Guarantor and incorporated herein by reference as if fully set forth herein; and (h) Guarantor is not a "foreign person" within the meaning of Section 1445(1)(3) of the Internal Revenue Code.

10. Notices. All notices, demands, requests, consents, approvals or other communications (for the purposes of this Section 10, collectively referred to as "Notices") required or permitted to be given hereunder or which are given with respect to this Guaranty, in order to constitute effective notice to the other party, shall be in writing and shall be deemed to have been given (a) when personally delivered with signed delivery receipt obtained, (b) upon receipt, when sent by prepaid reputable overnight courier, or (c) three (3) days after the date so mailed, if sent by certified mail, return receipt requested, postage prepaid, in all cases addressed to the party to be notified at its address set forth above or to such other address as such party shall have specified most recently by like Notice (which change of address shall be effective fifteen (15) days after Notice thereof shall be given to the notified party). Rejection or other

refusal to accept or the inability to deliver because of changed address of which no notice was given as herein required shall be deemed to be receipt of the Notice sent. At the same time any notice is given to Guarantor, a copy shall be sent in the manner aforesaid to:

Mermell Associates PLLP
1 Hollow Lane, Suite 303
Lake Success, New York 11042

Notices may be given by a party's attorney.

11. Entire Agreement; Modification. This Guaranty embodies the entire agreement between Landlord and Guarantor with respect to the guaranty by Guarantor of the Guaranteed Obligations. This Guaranty supersedes all prior agreements and understandings, if any, with respect to guaranty by Guarantor of the Guaranteed Obligations. No condition or conditions precedent to the effectiveness of this Guaranty exist. This Guaranty shall be effective upon execution by Guarantor and delivery to Landlord. This Guaranty may not be modified, amended or superseded except in a writing signed by Landlord and Guarantor referencing this Guaranty by its date and specifically identifying the portions hereof that are to be modified, amended or superseded.

12. Binding Effect. This Guaranty is binding not only on Guarantor, but also on Guarantor's successors and assigns. Without limitation of any other term, provision or waiver contained herein, Guarantor hereby acknowledges and agrees that it has been furnished a true, complete and correct copy of the Lease and has reviewed the terms and provisions thereof (including, without limitation, the Guaranteed Obligations).

13. Unenforceable Terms. If any provision of this Guaranty or the application thereof to any person or entity or circumstance shall, for any reason and to any extent, be declared to be invalid or unenforceable, neither the remaining provisions of this Guaranty nor the application of such provision to any other person or entity or circumstance shall be affected thereby, and the remaining provisions of this Guaranty, or the applicability of such provision to other person or entity or circumstances, as applicable, shall remain in effect and be enforceable to the maximum extent permitted by applicable legal requirements.

14. Electronic Transmission. Any facsimile or electronic transmittal of original signature versions of this Guaranty shall be considered to have the same legal effect as execution and delivery of the original document and shall be treated in all manner and respects as the original document.

15. Governing Law. The validity, enforcement and interpretation hereof shall for all purposes be governed by and construed in accordance with the laws of the State of New York and applicable United States federal law, and is intended to be performed in accordance with, and only to the extent permitted by, such laws. Guarantor hereby irrevocably submits generally and unconditionally for Guarantor and in respect of Guarantor's property to the jurisdiction of any New York state court, or any United States federal court, sitting in the State of New York over any suit, action or proceeding arising out of or relating to this Guaranty or the Guaranteed

Obligations. Guarantor hereby irrevocably waives, to the fullest extent permitted by law, any objection that Guarantor may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum. Guarantor hereby agrees and consents that, in addition to any methods of service of process provided for under applicable legal requirements, all service of process in any such suit, action or proceeding in any state court, or any United States federal court, sitting in the state specified in the first sentence of this Section may be made by certified or registered mail, return receipt requested, directed to Guarantor at the address set forth for Guarantor above, or at a subsequent address of which Landlord received actual notice from Guarantor in accordance with Section 10 above, and service so made shall be complete three (3) days after the same shall have been so mailed. Nothing herein shall affect the right of Landlord to serve process in any manner permitted by law or limit the right of Landlord to bring proceedings against Guarantor in any other court or jurisdiction.

16. Consent to Jurisdiction. Guarantor irrevocably submits generally and unconditionally for itself and in respect of its property to the nonexclusive jurisdiction of any state or federal court sitting in the State over any suit, action or proceeding arising out of, or relating to, this Guaranty, and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state or federal court. Guarantor irrevocably waives, to the fullest extent permitted by law, any objection that Guarantor may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court, and any claims that any such suit, action or proceeding is brought in an inconvenient forum. Final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon Guarantor and may be enforced in any court in which Guarantor is subject to jurisdiction, by a suit upon such judgment provided that service of process is effected upon Guarantor as provided herein or as otherwise permitted by applicable legal requirements. Guarantor hereby releases, to the extent permitted by applicable legal requirements, all errors and all rights of exemption, appeal, stay of execution, inquisition, and other rights to which Guarantor may otherwise be entitled under the laws of the United States of America or of any state of possession of the United States of America now in force and which may hereinafter be enacted. The authority and power to appear for and enter judgment against Guarantor shall not be exhausted by one or more exercises thereof or by any imperfect exercise thereof and shall not be extinguished by any judgment entered pursuant thereto. Such authority may be exercised on one or more occasions or from time to time in the same or different jurisdiction as often as Landlord shall deem necessary and desirable, for all of which this Guaranty shall be sufficient warrant.

17. Further Assurances. Guarantor at Guarantor's expense will promptly execute and deliver to Landlord upon Landlord's request all such other and further documents, agreements, and instruments in compliance with or accomplishment of the agreements of Guarantor under this Guaranty.

18. Time of Essence. Time shall be of the essence in this Guaranty with respect to all of Guarantor's obligations hereunder.

19. Waiver of Jury Trial. GUARANTOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH GUARANTOR AND LANDLORD MAY BE PARTIES ARISING OUT OF, IN CONNECTION WITH, OR IN ANY WAY

PERTAINING TO, THIS GUARANTY. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS GUARANTY. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY GUARANTOR, AND GUARANTOR HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. GUARANTOR FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS GUARANTY AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Guaranty as of the date first written above.

HF GROUP HOLDING CORPORATION

By: 
Name: Yuan Yuan Wu a/k/a Andy Wu
Title: C.E.O.

State of New York)
) ss.:
County of Queens)

On the 5th day of June in the year 2018 before me, the undersigned, a Notary Public in and for said State, personally appeared Yuan Yuan Wu, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

JING YE Notary Public, State of New York Registration #02YE6364824 Qualified In Nassau County Commission Expires Sept. 25, 20 21
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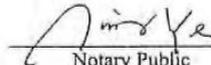

Notary Public

EXHIBIT G

GUARANTY

This Guaranty ("Guaranty") is made as of the 2nd day of July, 2018 by HF Group Holding Corporation, a North Carolina corporation having an address at 6001 West Market Street, Greensboro, North Carolina ("Guarantor"), in favor of Premier 1151-1153 Broadway, LLC ("Landlord") having an office c/o Premier Equities, 1151 Broadway, Suite 2S, New York, New York 10001, with respect to, in consideration of, and as inducement for, the leasing of certain premises (the "Premises") as described in the Lease (defined below) located in the property located at 273 Fifth Avenue, New York, New York, by Landlord to Anheart Inc. (together with any assigns or successor thereto, "Tenant") pursuant to that certain lease (as such lease may be amended, restated, supplemented, extended, renewed or otherwise modified from time to time, the "Lease") dated as of even date herewith between Landlord and Tenant.

Guarantor represents and warrants to Landlord that Tenant is a wholly-owned subsidiary of Guarantor and Guarantor will derive material benefits from Landlord's decision to enter into the Lease with Tenant and acknowledges that Landlord would not have entered into the Lease with Tenant if Guarantor had not executed and delivered this Guaranty of Tenant's obligations under the Lease to Landlord concurrently with the execution and delivery of the Lease. Capitalized terms used but not defined in this Guaranty have the meanings given to them in the Lease.

1. Guarantor hereby represents and warrants to Landlord as follows:

(a) Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. Guarantor has all requisite power, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business substantially as now being or as proposed to be conducted and is qualified to do business and is in good standing in each location where such qualification is necessary to carry on its business.

(b) The making and performance by Guarantor of this Guaranty does not and will not result in a breach of, or require any consent under, the charter or by-laws of Guarantor or any applicable law or regulation, or any other order, writ, injunction or decree of any court or other governmental authority, or result in the creation or imposition of any lien upon any property of Guarantor. The execution, delivery and performance by Guarantor of this Guaranty do not and will not result in a breach of, or require any consent under, any agreement, document or instrument to which Guarantor is a party or by which Guarantor or its property is bound.

(c) Guarantor has all necessary corporate power to make and perform its obligations under this Guaranty; the making and performance by Guarantor of this Guaranty has been duly authorized by all necessary corporate action; and this Guaranty has been duly and validly executed and delivered by Guarantor and constitutes its legal, valid and binding

obligation, enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (ii) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) There are no conditions precedent to the effectiveness of this Guaranty that have not been either satisfied or waived.

2. Guarantor hereby unconditionally and irrevocably guarantees to Landlord, its successors and/or assigns (i) the full and prompt payment of all Rent, including sums that would be due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a), (ii) the full and prompt performance of all other obligations owed by Tenant pursuant to the Lease, and (iii) all amounts, damages, costs and expenses arising from the holding over by Tenant (or any person or entity claiming by, through or under Tenant) in the Premises (or any portion thereof) (the payment of Rent and all other obligations referred to in clauses (i), (ii), and (iii) of this sentence are hereinafter referred to as the "**Obligations**"). If Tenant shall fail to pay or perform any Obligation as required pursuant to the terms of the Lease, then, irrespective of any defense or any right of set-off, credit or claim that Guarantor may have against Landlord, Guarantor shall forthwith upon demand by Landlord pay or perform such Obligation.

3. This Guaranty is absolute, unconditional and irrevocable. Notwithstanding (i) any agreement or stipulation between Landlord and Tenant or their successors or assigns extending the time of performance or modifying any of the terms, covenants or conditions contained in the Lease on the part of Tenant to be performed, (ii) any renewal or extension of the Lease pursuant to an option granted in the Lease, (iii) any waiver by or failure of Landlord to enforce any of the terms, covenants or conditions contained in the Lease or any of the terms, covenants or conditions contained in any modifications thereof, (iv) any assignment of the Lease or any subletting of all or any part of the Premises, (v) any holdover by Tenant beyond the term of the Lease, (vi) any consent, indulgence or other action, inaction or omission under or in respect of the Lease, or (vii) any bankruptcy, insolvency, reorganization, arrangement, assignment for the benefit of creditors, receivership or trusteeship affecting Tenant or Landlord or their respective successors or assigns whether or not notice thereof is given to Guarantor, Guarantor shall continue to be liable under this Guaranty.

4. The liability of Guarantor under this Guaranty shall be an absolute, direct, immediate and unconditional guaranty of payment and performance and not of collectability, and shall not be conditional or contingent upon the genuineness, validity, regularity or enforceability of the Lease or other documents or instruments relating to the obligations hereby guaranteed or the pursuit by Landlord of any remedies Landlord may have.

5. Guarantor hereby waives (i) diligence, presentment, demand of payment and protest; (ii) all notices to Guarantor, Tenant or any other person (whether of nonpayment, termination, acceptance of this Guaranty, default under the Lease or any other matters relating to

the Lease, the Premises or related matters, whether or not referred to herein, and including any and all notices of the creation, renewal, extension, modification or accrual of any Obligations contained in the Lease) and (iii) all demands whatsoever. Guarantor agrees that its obligations hereunder shall not be affected by any circumstances which might otherwise constitute a legal or equitable discharge of a guarantor or surety. Notwithstanding the foregoing, Landlord shall be obligated to notify Guarantor of any default by Tenant under the Lease prior to making a claim against Guarantor hereunder with respect to the obligation or action of Tenant that is the basis for such default, which, notwithstanding the provisions of Section 7 below, notice may be transmitted to Guarantor by electronic mail sent to easternfreshnj@gmail.com.

6. No failure or delay on the part of Landlord in exercising any right, power or privilege under this Guaranty shall operate as a waiver of or otherwise affect any such right, power or privilege nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

7. Subject to Section 5 above, any notice to or demand of Guarantor hereunder shall be delivered by hand or overnight courier service, mailed by certified or registered mail, to Guarantor at the address set forth above, or to such other address as Guarantor shall furnish in writing to Landlord. Any such notice or demand shall be deemed to have been given on the date of receipted delivery or refusal to accept delivery as provided herein or the date delivery is first attempted but cannot be made due to a change of address of which no notice was given.

8. This Guaranty may be enforced by Landlord without the necessity at any time of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the remedy provisions of the Lease or otherwise, and Guarantor hereby waives the right to require Landlord to proceed against Tenant, to exercise its rights and remedies under the Lease, or to pursue any other remedy or enforce any other right at law or in equity. Nothing herein contained shall prevent Landlord from suing on the Lease or from exercising any other rights available to it under the Lease, and the exercise of any of the aforesaid rights shall not constitute a legal or equitable discharge of Guarantor. Guarantor understands that the exercise by Landlord of certain rights and remedies contained in the Lease may affect or eliminate Guarantor's right of subrogation against Tenant and that Guarantor may therefore incur partially or totally nonreimbursable liability hereunder; nevertheless Guarantor hereby authorizes and empowers Landlord to exercise in its sole discretion, any rights and remedies, or any combination thereof, which may then be available, it being the purpose and intent of Guarantor that its obligations hereunder shall be absolute, independent and unconditional.

9. Whenever Guarantor shall make any payment to Landlord hereunder on account of any liability hereunder, Guarantor shall notify Landlord in writing that such payment is made under this Guaranty for such purpose. It is understood that Landlord, without impairing this Guaranty, may, subject to the terms of the Lease, apply payments from Tenant or from any letting of the Premises upon a default by Tenant, to any due and unpaid Rent or other charges or to such other obligations owed by Tenant to Landlord pursuant to the Lease in such amounts and in such order as Landlord, in its sole and absolute discretion, determines, provided that any

amount so paid and applied reduces the aggregate outstanding liabilities of Tenant under the Lease by such amount.

10. Until the Obligations shall have been indefeasibly paid in full, Guarantor shall withhold exercise of (a) any right of subrogation against Tenant, (b) any right of contribution Guarantor may have against any other guarantor of the Obligations, (c) any right to enforce any remedy which Landlord now has or may hereafter have against Tenant or (d) any benefit of, and any right to participate in, any security now or hereafter held by Landlord or the Lease. Guarantor further agrees that, to the extent the waiver of its rights of subrogation and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation Guarantor may have against Tenant or against any collateral or security, and any rights of contribution Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights Landlord may have against Tenant, to all right, title and interest Landlord may have in any such collateral or security, and to any rights Landlord may have against such other guarantor. Landlord may use, sell or dispose of any item of collateral or security as it sees fit without regard to any subrogation rights Guarantor may have, and upon any such disposition or sale any rights of subrogation Guarantor may have as the result of the payment or performance of Tenant's obligations under the Lease shall terminate. If any amount shall be paid to Guarantor on account of any such subrogation rights at any time when all Obligations shall not have been paid in full, such amount shall be held in trust for Landlord and shall forthwith be paid over to Landlord to be credited and applied against the Obligations, whether matured or unmatured, in accordance with the terms of the Lease or any applicable security agreement.

11. This Guaranty is a continuing guaranty and shall remain in effect until all of the Obligations shall have been indefeasibly paid in full in accordance with the terms of the Lease and Tenant shall have no further obligations under, pursuant to, or in connection with, the Lease.

12. This Guaranty shall continue in full force and be binding upon Guarantor, its successors and assigns.

13. This Guaranty shall inure to the benefit of Landlord and its successors and assigns and to any mortgagee or beneficiary under a deed of trust to which the Lease has been assigned and their respective successors and assigns.

14. Guarantor agrees that it will, at any time and from time to time, within five (5) days following written request by Landlord, execute, acknowledge and deliver to Landlord or to such persons as Landlord may direct, a statement certifying that this Guaranty is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating such modifications). Guarantor agrees that such certificates may be relied on by any person holding or proposing to acquire any direct or indirect interest in the Lease or making a loan to Landlord.

15. Guarantor shall pay all the reasonable attorneys' fees, charges and expenses and all other costs and expenses which are incurred by or on behalf of Landlord in the enforcement of this Guaranty whether or not a lawsuit or other proceeding is commenced. Fees based on the rates customarily paid by Landlord to its counsel shall be deemed to be reasonable for purposes of this Guaranty.

16. All rights, duties, benefits, and privileges arising hereunder shall be construed according to the internal laws of the State of New York without reference to its conflicts of laws provisions.

17. Guarantor is not entitled to immunity from judicial proceedings and agrees that, should Landlord or any of its successors or assigns bring any suit, action or proceeding in the State of New York or any other jurisdiction to enforce any obligation or liability of Guarantor arising, directly or indirectly, out of or relating to this Guaranty, no immunity from such suit, action or proceeding will be claimed by or on behalf of Guarantor.

18. Every provision of this Guaranty is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Guaranty.

19. (a) Guarantor acknowledges and agrees that any interest on any portion of the Obligations which accrues after the commencement of any bankruptcy, reorganization or insolvency proceeding of or against Tenant (or, if interest on any portion of the Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding, such interest as would have accrued on such portion of the Obligations if said proceedings had not been commenced) shall be included in the Obligations because it is the intention of Guarantor and Landlord that the Obligations which are guaranteed by Guarantor pursuant to this Guaranty shall be determined without regard to any rule of law or order which may relieve Tenant of any portion of such Obligations. Guarantor will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar person to pay Landlord, or allow the claim of Landlord in respect of, any such interest accruing after the date on which such proceeding is commenced.

(b) Guarantor's obligations under this Guaranty shall be unaffected by any discharge or release of Tenant, its successors or assigns, or any of their debts, in connection with any bankruptcy, reorganization, or other insolvency proceeding or assignment for the benefit of creditors, any rejection or disaffirmation of the Lease in any bankruptcy, reorganization or other insolvency proceeding or assignment for the benefit of creditors, or any reduction, modification, impairment or limitation of the liability of Tenant, its successors or assigns, or of Landlord's remedies under the Lease, in connection with any bankruptcy, reorganization or other insolvency proceeding or any assignment for the benefit of creditors.

(c) In the event that all or any portion of the Obligations are paid by Tenant, the obligations of Guarantor hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded

or recovered directly or indirectly from Landlord as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Obligations for all purposes under this Guaranty.

20. Guarantor acknowledges and agrees that all disputes arising, directly or indirectly, out of or relating to this Guaranty, and all actions to enforce this Guaranty, may be dealt with and adjudicated in the courts of the State of New York or the Federal courts sitting in the State of New York, as Landlord may elect; and hereby expressly and irrevocably submits to the jurisdiction of such courts in any suit, action or proceeding arising, directly or indirectly, out of or relating to this Guaranty. So far as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in a manner permitted by law or permitted herein, shall be necessary in order to confer jurisdiction upon Guarantor in any such court.

21. Provided that service of process is effected upon Guarantor in a manner permitted by law or as otherwise permitted herein, Guarantor irrevocably waives, to the fullest extent permitted by law, and agrees not to assert, by way of motion, as a defense or otherwise, (a) any objection which it may have or may hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court as is mentioned in the previous paragraph, (b) any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum, or (c) any claim that it is not personally subject to the jurisdiction of the above-named courts. Provided that service of process is effected upon Guarantor in a manner permitted by law or as otherwise permitted herein, Guarantor agrees that final judgment (a certified copy of which shall be conclusive evidence of the fact and amount of any indebtedness) from which it has not appealed or may not appeal or further appeal in any such suit, action or proceeding brought in such a court of competent jurisdiction shall be conclusive and binding upon it and may, so far as is permitted under the applicable law, be enforced in the courts of any state or any Federal court and in any other courts to the jurisdiction of which it is subject, by a suit upon such judgment and that it will not assert any defense, counterclaim or set off in any such suit upon such judgment.

22. Guarantor agrees to execute, deliver and file all such further instruments as may be necessary under the laws of the State of New York in order to make effective, the consent of Guarantor to the jurisdiction of the courts of the State of New York and the Federal courts sitting in the State of New York and the other provisions of this Guaranty.

23. Guarantor irrevocably consents to service of process in the manner provided for delivery of notices in this Guaranty. Nothing in this Guaranty will affect the right of Landlord to serve process in any other manner permitted by law. In addition, Guarantor irrevocably appoints Tenant or, if Tenant is more than one person, then any one of them, as its agent for purposes of receiving service of process in any action against Guarantor arising out of this Guaranty at Tenant's address set forth in the Lease for the giving of notices. Any such service shall be deemed to have been given on the date of receipted delivery, refusal to accept delivery or when delivery is first attempted but cannot be made due to a change of address for which no notice is given.

24. If Guarantor is more than one person, Guarantor's obligations are joint and several and are independent of Tenant's obligations. A separate action may be brought or prosecuted against any Guarantor whether the action is brought or prosecuted against any other Guarantor or Tenant, or all, or whether any other Guarantor or Tenant, or all, are joined in the action.

25. Guarantor waives the benefit of any statute of limitations affecting Guarantor's liability under this Guaranty.

26. As a further inducement to landlord to enter into the lease and in consideration thereof, Guarantor hereby waives trial by jury and the right thereto in any action or proceeding of any kind or nature, arising on, under or by reason of or relating to, this Guaranty or any agreement collateral hereto.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the date first above written.

HF GROUP HOLDING CORPORATION

By: 
Name: Yuan Yuan Wu aka Andy Wu
Title: C.E.O.

AMENDMENT TO LEASE

This Amendment to Lease (the "Amendment") dated as of the 21 day of January, 2021 by and between Premier 273 Fifth, LLC, a New York limited liability company, having an address c/o Premier Equities Management, LLC, 1151 Broadway, Suite 2S, New York, New York 10001 ("Landlord"), and Anheart Inc., a New York corporation having an address at 135-15 40th Road, Suite 402, Flushing, New York 11354 ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease ("Original Lease", dated as of July 2, 2018 covering that certain parcel of land located at and known as 273 Fifth Avenue, New York, New York ("Premises"), all as more particularly described in the Original Lease, and together with this Amendment, collectively, the "Lease";

WHEREAS, HF Group Holding Corporation, a North Carolina corporation ("Guarantor") guaranteed certain obligations of Tenant under the Lease pursuant to the terms of those certain Guaranties (the "Guaranties"), each made as of July 2, 2018;

WHEREAS, due to the Covid-19 pandemic, the New York State government had issued a 'New York State on Pause' Executive Order ("Order") requiring non-essential businesses to close until the Order has been lifted and/or amended and caused certain delays in government office operations;

WHEREAS, Landlord is agreeable to a temporary abatement of the payment of a certain portion of the Fixed Rent (as such term is defined in the Original Lease) for a certain period of time as provided in paragraph "5" below, only if Tenant promptly applies for all permits required to perform the Initial Development, as that term is defined in the Original Lease, subject to and upon the terms of this Amendment; and

WHEREAS, Tenant is in arrears with regard to its payment of real estate taxes due to Landlord and will pay the arrears simultaneously upon execution of this Amendment; and

WHEREAS, Tenant and Landlord wish to make certain additional changes to the terms of the Original Lease.

NOW THEREFORE, the parties agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Original Lease.
 2. By executing this Amendment, Tenant represents and warrants to Landlord that Tenant has experienced substantial financial hardship due to the Order and has requested relief from Tenant's financial obligations under the Original Lease in connection therewith.
-

3. Landlord hereby consents to the assignment of Tenant's interest in the Lease to 273 Fifth Avenue, L.L.C., a Delaware limited liability company ("Assignee"), which shall succeed to and assume all of Tenant's rights and obligations under the Lease. All references to Tenant in this Amendment shall also mean and refer to Assignee. This consent shall apply only to this Agreement and shall not be deemed to be a consent to any other assignment or a waiver of Landlord's right to consent to any subsequent assignment. This consent shall be effective when a fully executed original of an Assignment of Lease by and between Tenant and Assignee has been delivered to Landlord.

4. Tenant shall promptly apply for and use its best efforts to obtain and maintain any and all permits required to perform the Initial Development obligations pursuant to Article 12 of the Original Lease and the Guaranty of Completion and Lien-Free Performance by HF Group Holding Corporation dated as of July 2, 2018.

5. Notwithstanding the provisions of the Original Lease, the Fixed Rent set forth in Article 4(a) of the Original Lease and Exhibit B to the Original Lease ("Fixed Rent") shall be abated by twenty (20%) percent for each of the monthly installments which become due commencing on January 1, 2021 through and including December 31, 2021, only upon the condition that Tenant complies with its obligations under paragraph "4" above. In the event that Tenant does not apply for the necessary permits within four (4) months from the date hereof, then there shall be no rent abatement for the year 2021 and Tenant shall pay Fixed Rent in accordance with the Original Lease.

6. Upon execution of this Amendment, Tenant shall pay to Landlord the sum of \$32,422.80 for past due real estate taxes as of January 1, 2021, less \$873.66 for the overpayment of the first month's rent commencing January 2, 2021, and Landlord's attorney's legal fees in the sum of \$8,471.01, and shall continue to pay real estate taxes as same become due, pursuant to Article 7(a) of the Original Lease.

7. If at any time after the execution of this Amendment, Tenant shall default under the terms and conditions of the Lease, past any notice and cure period, then Tenant shall be obligated to pay to Landlord on demand the amount of all Fixed Rent that was abated hereunder.

8. Notwithstanding the provisions of the Original Lease, the insurance obligations of Tenant set forth in Article 15 of the Original Lease shall be modified as follows:

- A. Until such time as the Initial Development is completed, Tenant shall be required to obtain and maintain at its own cost and expense only Commercial General Liability Insurance; provided, however, that the requirements for Tenant to obtain and maintain construction-related insurance coverage, and to demonstrate the insurance coverages of Tenant's Contractors and Subcontractors, during the performance of any construction in accordance with the Original Lease shall not be modified.
- B. At such time as Tenant shall be required to obtain and maintain umbrella/excess liability coverage in accordance with subparagraph 8.A above, such coverage shall have limits of \$25,000,000 per occurrence and \$25,000,000 aggregate per location.

9. Article 16 of the Original Lease shall be amended by striking in its entirety the text thereof as it appears in the Original Lease and inserting in lieu thereof a substitute Article 16 in the form set forth on Addendum A, attached hereto.

10. Tenant represents and warrants to Landlord that it has not dealt with any broker in connection with this Amendment and that, to the best of its knowledge, no broker, finder or like agent negotiated this Amendment or is entitled to any fee or commission in connection herewith. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all losses, liabilities, damages, claims, judgments, fines, suits, demands, costs, interest and expenses of any kind or nature (including reasonable attorneys' fees and disbursements) incurred in connection with any claim, proceeding or judgment and the defense thereof which Landlord may incur by reason of any claim of or liability to any broker, finder or like agent arising out of any dealings claimed to have occurred between Tenant and the claimant in connection with this Amendment, or the above representation being false. The provisions of this Paragraph shall survive the expiration or earlier termination of the term of the Lease.

11. Tenant represents and warrants to Landlord that, as of the date hereof, (a) the Original Lease is in full force and effect and has not been modified except pursuant to this Amendment; (b) there are no defaults existing under the Lease; (c) there exist no valid abatements, causes of action, counterclaims, disputes, defenses, offsets, credits, deductions, or claims against the enforcement of any of the terms and conditions of the Lease; (d) this Amendment has been duly authorized, executed and delivered by Tenant and constitutes the legal, valid and binding obligation of Tenant; and (e) Landlord is not in default of any of its obligations or covenants under the Lease.

12. Except as set forth herein, nothing contained in this Amendment shall be deemed to amend or modify in any respect the terms of the Original Lease and such terms shall remain in full force and effect as modified hereby. If there is any inconsistency between the terms of this Amendment and the terms of the Original Lease, the terms of this Amendment shall be controlling and prevail. This Amendment contains the entire agreement of the parties hereto with respect to its subject matter and all prior negotiations, discussions, representations, agreements and understandings heretofore had among the parties with respect thereto are merged herein.

13. This Amendment may be executed in duplicate counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument. This Amendment may be executed and delivered by facsimile or scan and a facsimile or scanned signature page shall be deemed to be an original for all purposes hereof.

14. This Amendment shall not be binding upon Landlord or Tenant unless and until Landlord shall have delivered a fully executed counterpart of this Amendment to Tenant.

15. This Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their successors and permitted assigns.

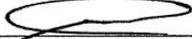
16. This Amendment shall be governed by the laws of the State of New York without giving effect to conflict of laws principles thereof.

17. Any captions, headings, and titles in this Amendment are solely for convenience of reference and shall not affect its interpretation.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

PREMIER 273 FIFTH, LLC

By: 
Name: Yaron Jacobi
Title: Managing Member

TENANT:

ANHEART INC.

By: _____
Name:
Title:

CONSENT AND RATIFICATION OF GUARANTY:

Guarantor hereby consents to the foregoing Amendment to Lease, ratifies, reaffirms and confirms its obligations and responsibilities under the Guaranties and expressly covenants, acknowledges and agrees that the Guaranties are in full force and effect and further acknowledges and agrees that all references to the "Lease" in the Guaranties shall be deemed to include the Original Lease and this Amendment to Lease.

GUARANTOR:

HF GROUP HOLDING CORPORATION

By: _____
Name:
Title:

16. This Amendment shall be governed by the laws of the State of New York without giving effect to conflict of laws principles thereof.

17. Any captions, headings, and titles in this Amendment are solely for convenience of reference and shall not affect its interpretation.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

PREMIER 273 FIFTH, LLC

By: _____
Name: Yaron Jacobi
Title: Managing Member

TENANT:

ANHEART INC.

By: *Jiangyuan AN*
Name:
Title:

CONSENT AND RATIFICATION OF GUARANTY:

Guarantor hereby consents to the foregoing Amendment to Lease, ratifies, reaffirms and confirms its obligations and responsibilities under the Guaranties and expressly covenants, acknowledges and agrees that the Guaranties are in full force and effect and further acknowledges and agrees that all references to the "Lease" in the Guaranties shall be deemed to include the Original Lease and this Amendment to Lease.

GUARANTOR:

HF GROUP HOLDING CORPORATION

By: *Victor Lee*
Name: Victor Lee
Title: CFO

ADDENDUM A

16. ASSIGNMENT, SUBLETTING AND OTHER TRANSFERS

(a) Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns expressly covenants that it shall not transfer, assign, hypothecate, mortgage or otherwise encumber this Lease (except that upon prior written notice to Landlord as to the name of the lender and the reasonable details of the transaction, Tenant shall be permitted to grant a leasehold mortgage with respect to the Lease), whether by operation of law or otherwise, nor underlet, or suffer or permit the Leased Property or any part thereof to be occupied by others, without the prior written consent of Landlord in each instance, which consent may be withheld by Landlord in its sole discretion, except as otherwise expressly provided in Section 16(b). The indirect or direct transfer of the majority of the stock of a corporate tenant or the majority partnership interest of a partnership tenant or the majority of the membership interest of a limited liability company tenant shall be deemed an assignment. If this Lease be assigned, or if the Leased Property or any part thereof be underlet or occupied by anyone other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of the covenant, or the acceptance of the assignee, undertenant or occupant as Tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting. Tenant represents that as of the date of execution of this Lease, Tenant is a New York corporation. At any time and from time to time, within five (5) days after written request by Landlord, Tenant shall furnish to Landlord a written statement, certified by an attorney or an independent certified public accountant, or an affidavit sworn to by the chief executive officer or a general partner of Tenant, setting forth the identity of every holder of an ownership interest in Tenant, the type and character of each such interest (*e.g.*, number of shares of common stock, general partnership interest, *etc.*) and the percentage of ownership of each such holder.

(b) Notwithstanding anything to the contrary contained in Section 16(a), the following shall govern:

(i) Prohibition Without Consent. If Tenant shall at any time or times during the Term desire to assign this Lease or sublet any portion of the Leased Property, which assignment or subletting is acknowledged to be an expected and reasonable business objective of Tenant following completion of the Initial Development, Tenant shall give notice thereof to Landlord, which notice shall be accompanied by a conformed or photostatic copy of the executed proposed assignment or sublease, the effective or commencement date of which shall be not less than sixty (60) nor more than one hundred and eighty (180) days after the giving of such notice, a statement setting forth in reasonable detail the identity of the proposed assignee or subtenant, the nature of its business, its proposed use of the Leased Property, and current financial information

Initials: YK _____

including, without limitation, its most recent financial report, which shall have been certified by an independent public accountant.

(ii) Conditions for Landlord's Approval. Provided that Tenant is not in default of any of Tenant's obligations under this Lease as of the time of Landlord's consent, and as of the effective date of the proposed assignment or commencement date of the proposed sublease, Landlord's consent (which must be in writing and form reasonably satisfactory to Landlord) to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that:

(1) Tenant shall have complied with the provisions of Section 16(b)(i) above;

(2) In Landlord's sole but reasonable judgment the proposed assignee or subtenant is engaged in a business or activity, and the Leased Property will be used for the Permitted Use, and will not violate any negative covenant as to use contained in any other lease of space in the Building;

(3) The proposed assignee or subtenant is a reputable person or entity of good character and with sufficient financial worth considering the responsibility involved, and Landlord has been furnished with proof thereof reasonably acceptable to Landlord;

(4) The proposed assignee or sublessee is not a person with whom Landlord is then negotiating to lease space in the Building or any other property owned by Landlord or an affiliate of Landlord;

(5) The form of the proposed sublease or instrument of assignment shall be in form reasonably satisfactory to Landlord and shall comply with the applicable provisions of this Article 16;

(6) Any sublease shall be a sublease for either (x) all of the Leased Property, (y) all of the lower level and ground floor portion of the Leased Property, or (z) all of the second floor portion of the Leased Property;

(7) The amount of the aggregate rent to be paid by the proposed subtenant is not less than the then current market rent per rentable square foot for the Leased Property as though the Leased Property were vacant, and the rental and other terms and conditions of the sublease are the same as those contained in the proposed sublease furnished to Landlord pursuant to Section 16(b)(i) above;

(8) Tenant shall reimburse Landlord on demand for the costs that may be incurred by Landlord in connection with said assignment or sublease, including without limitation, the costs of making investigations as to the acceptability of the proposed assignee or subtenant and the reasonable legal costs incurred in connection with the granting of any requested consent;

(9) Tenant shall not have advertised or publicized in any way the availability of the Leased Property without prior notice to Landlord, nor shall any

advertisement state the name (as distinguished from the address) of the Building or the proposed rental or list the Leased Property for subletting or assignment with a broker, agent or representative other than the agent as may be designated or approved by Landlord;

(10) The proposed subtenant or assignee shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in, and the jurisdiction of the courts of, New York State;

(11) The proposed assignee or sublessee concurrently with the delivery of the assignment or sublease agreement, as the case may be, delivers to Landlord such additional security as Landlord may reasonably request based on, among other things, the financial worth and business experience of such proposed assignee or subtenant (but in no event less than an amount equal to two (2) months' Fixed Rent payable by Tenant hereunder during the last year of the Lease term), to be held by Landlord as additional security in accordance with this Lease. In addition, the principals of the proposed assignee or subtenant, as the case may be, shall deliver a "good guy" guaranty in favor of Landlord in form and substance reasonably satisfactory to Landlord;

(12) The proposed assignee or sublessee, concurrently with the delivery of the assignment or sublease agreement, as the case may be, delivers to Landlord a mutually certified statement of the full extent of the consideration, if any, to be paid to Tenant by the assignee or the sublessee for or by reason of such assignment or sublease, as the case may be, (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property); and

(13) The Guarantor (as defined below) shall remain fully liable under the Guaranty (as defined below).

(iii) Sublease Provisions. With respect to each and every sublease or subletting permitted by Landlord under the provisions of this Lease, it is further agreed that:

(1) No subletting shall be for a term ending later than one (1) day prior to the Expiration Date of this Lease;

(2) No sublease shall be delivered, and no subtenant shall take possession of the Leased Property, until an executed counterpart of such sublease has been delivered to Landlord;

(3) Each sublease shall provide that it is subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and that in the event of termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublessor, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease,

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except that Landlord shall not (a) be liable for any previous act or omission of Tenant under such sublease, (b) be subject to any counterclaim, offset or defense not expressly provided in such sublease and that theretofore accrued to such subtenant against Tenant, or (c) be bound by any previous modification of such sublease or by any previous prepayment of more than one (1) month's Fixed Rent. The provisions of this Article 16 shall be self-operative and no further instrument shall be required to give effect to this provision.

(4) If any Laws require that any asbestos or other hazardous material contained in or about the Leased Property be dealt with in any particular manner in connection with any alteration of the Leased Property, then it shall be the subtenant's obligation, at the subtenant's expense, to deal with such asbestos or any other hazardous material in accordance with all such Laws.

(5) Each subletting pursuant to this Article 16 shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Notwithstanding any such subletting to any subtenant and/or acceptance of Fixed Rent or Additional Rent by Landlord from any subtenant, (x) the Guarantor shall remain fully liable under the Guaranty, (y) Tenant shall remain fully liable for the payment of the Rent due and to become due hereunder and the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed, and (z) all acts and omissions of any licensee or subtenant, or anyone claiming under or through any subtenant, that shall be in violation of any of the obligations of this Lease shall be deemed to be a violation by Tenant. Tenant further agrees that notwithstanding any such subletting, no other and further subletting of the Leased Property by Tenant or any person claiming through or under Tenant shall or will be made except upon compliance with and subject to the provisions of this Article 16. If Landlord shall decline to give its consent to any proposed assignment or sublease, Tenant shall indemnify, defend and hold harmless Landlord against and from any and all loss, liability, damages, costs and expenses (including reasonable counsel fees) resulting from any claims that may be made against Landlord by the proposed assignee or sublessee.

(vii) Profits. If Landlord shall give its consent to any assignment of this Lease or to any sublease, Tenant shall in consideration therefor, pay to Landlord, as Additional Rent the following sums:

(1) In the case of an assignment through and including the twentieth (20th) Lease Year of the Term, an amount equal to twenty percent (20%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or un depreciated cost thereof determined on the basis of Tenant's federal income tax

returns), and; provided that, Tenant shall have provided to Landlord evidence reasonably satisfactory to Landlord of the hard costs of the construction of the Initial Development, less the unamortized (on a straight line basis over twenty (20) years) hard costs of the construction of the Initial Development;

(2) In the case of an assignment after the twentieth (20th) Lease Year of the Term, an amount equal to fifty percent (50%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns);

(3) In the case of a sublease through and including the twentieth (20th) Lease Year of the Term, twenty percent (20%) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant that is in excess of the Rent accruing during the term of the sublease in respect of the sublease space pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns), and, provided that Tenant shall have provided to Landlord evidence reasonably satisfactory to Landlord of the hard costs of the construction of the Initial Development, less the unamortized (on a straight line basis over twenty (20) years) hard costs of the construction of the Initial Development; and

(4) In the case of a sublease after the twentieth (20th) Lease Year of the Term, twenty percent (20%) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant that is in excess of the Rent accruing during the term of the sublease in respect of the sublease space pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns).

The sums payable under subsection 16(b)(vii) shall be paid to Landlord as and when payable by the subtenant to Tenant.

(viii) Assumption by Assignee. Any assignment or transfer of this Lease shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement in form and substance satisfactory to Landlord whereby the assignee shall assume the obligations of this Lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions in this

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Article 16 shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of all future assignments and transfers. The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Rent by Landlord from an assignee, transferee, or any other party, the original named Tenant shall remain fully liable for the payment of the Rent and for the other obligations of this Lease on the part of Tenant to be performed or observed and the Guarantor shall remain fully liable under the Guaranty.

(ix) Liability by Tenant. The joint and several liability of Tenant and any immediate or remote successor in interest of Tenant and the due performance of the obligations of this Lease on Tenant's part to be performed or observed shall not be discharged, released or impaired in any respect by any agreement or stipulation made by Landlord extending the time, or modifying any of the obligations, of this Lease, or by any waiver or failure of Landlord to enforce any of the obligations of this Lease. In no event shall any assignment of this Lease or sublease of all or any portion of the Leased Property, whether or not in violation of the terms and conditions of this Article 16, shall release Tenant of any liability hereunder or release Guarantor or any liability under the Guaranty.

(x) Re-entry by Landlord. If Landlord shall recover or come into possession of the Leased Property before the date herein fixed for the termination of this Lease, Landlord shall have the right, at its option, to take over any and all subleases or sublettings of the Leased Property or any part thereof made by Tenant and to succeed to all the rights of said subleases and sublettings or such of them as it may elect to take over. Tenant hereby expressly assigns and transfers to Landlord such of the subleases and sublettings as Landlord may elect to take over at the time of such recovery of possession, such assignment and transfer not to be effective until the termination of this Lease or re-entry by Landlord hereunder or if Landlord shall otherwise succeed to Tenant's estate in the Leased Property, at which time Tenant shall upon request of Landlord, execute, acknowledge and deliver to Landlord such further instruments of assignment and transfer as may be necessary to vest in Landlord the then existing subleases and sublettings. Every subletting hereunder is subject to the condition and by its acceptance of and entry into a sublease, each subtenant thereunder shall be deemed conclusively to have thereby agreed from and after the termination of this Lease or re-entry by Landlord hereunder or if Landlord shall otherwise succeed to Tenant's estate in the Leased Property, that such subtenant shall waive any right to surrender possession or to terminate the sublease and, at Landlord's election, such subtenant shall be bound to Landlord for the balance of the term of such sublease and shall attorn to and recognize Landlord, as its Landlord, under all of the then executory terms of such sublease, except that Landlord shall not be liable for any previous act, omission or negligence of Tenant under such sublease, be subject to any counterclaim, defense or offset not expressly provided for in such sublease, which theretofore accrued to such subtenant against Tenant, be bound by any previous modification or amendment of such sublease or by any previous prepayment of more than

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one month's rent and additional rent, which shall be payable as provided in the sublease, or be obligated to perform any work in the subleased space or the Building or to prepare them for occupancy beyond Landlord's obligations under this Lease, and the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed automatically upon and as a condition of occupying or using the Leased Property or any part thereof, to have given a waiver of the type described in and to the extent and upon the conditions set forth in this Article 16.

(xi) Notwithstanding anything to the contrary contained in this Lease, Tenant may, after prior written notice to Landlord, without obtaining Landlord's prior written consent, assign or transfer its entire interest in this Lease (collectively, "Transfer") to Guarantor; provided, however, that Tenant shall have no such right to Transfer pursuant to this section unless: (i) Tenant delivers proof reasonably satisfactory to Landlord that Guarantor shall have, immediately after the Transfer, a net worth equal to or greater than that shown on the Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Report of Independent Registered Public Accounting Firm dated March 14, 2018 prepared by Friedman LLP; and (ii) the provisions of Section 16(b)(viii) above shall be satisfied.

ADDENDUM A

16. ASSIGNMENT, SUBLETTING AND OTHER TRANSFERS

(a) Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns expressly covenants that it shall not transfer, assign, hypothecate, mortgage or otherwise encumber this Lease (except that upon prior written notice to Landlord as to the name of the lender and the reasonable details of the transaction, Tenant shall be permitted to grant a leasehold mortgage with respect to the Lease), whether by operation of law or otherwise, nor underlet, or suffer or permit the Leased Property or any part thereof to be occupied by others, without the prior written consent of Landlord in each instance, which consent may be withheld by Landlord in its sole discretion, except as otherwise expressly provided in Section 16(b). The indirect or direct transfer of the majority of the stock of a corporate tenant or the majority partnership interest of a partnership tenant or the majority of the membership interest of a limited liability company tenant shall be deemed an assignment. If this Lease be assigned, or if the Leased Property or any part thereof be underlet or occupied by anyone other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of the covenant, or the acceptance of the assignee, undertenant or occupant as Tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting. Tenant represents that as of the date of execution of this Lease, Tenant is a New York corporation. At any time and from time to time, within five (5) days after written request by Landlord, Tenant shall furnish to Landlord a written statement, certified by an attorney or an independent certified public accountant, or an affidavit sworn to by the chief executive officer or a general partner of Tenant, setting forth the identity of every holder of an ownership interest in Tenant, the type and character of each such interest (e.g., number of shares of common stock, general partnership interest, *etc.*) and the percentage of ownership of each such holder.

(b) Notwithstanding anything to the contrary contained in Section 16(a), the following shall govern:

(i) Prohibition Without Consent. If Tenant shall at any time or times during the Term desire to assign this Lease or sublet any portion of the Leased Property, which assignment or subletting is acknowledged to be an expected and reasonable business objective of Tenant following completion of the Initial Development, Tenant shall give notice thereof to Landlord, which notice shall be accompanied by a conformed or photostatic copy of the executed proposed assignment or sublease, the effective or commencement date of which shall be not less than sixty (60) nor more than one hundred and eighty (180) days after the giving of such notice, a statement setting forth in reasonable detail the identity of the proposed assignee or subtenant, the nature of its business, its proposed use of the Leased Property, and current financial information

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including, without limitation, its most recent financial report, which shall have been certified by an independent public accountant.

(ii) Conditions for Landlord's Approval. Provided that Tenant is not in default of any of Tenant's obligations under this Lease as of the time of Landlord's consent, and as of the effective date of the proposed assignment or commencement date of the proposed sublease, Landlord's consent (which must be in writing and form reasonably satisfactory to Landlord) to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that:

(1) Tenant shall have complied with the provisions of Section 16(b)(i) above;

(2) In Landlord's sole but reasonable judgment the proposed assignee or subtenant is engaged in a business or activity, and the Leased Property will be used for the Permitted Use, and will not violate any negative covenant as to use contained in any other lease of space in the Building;

(3) The proposed assignee or subtenant is a reputable person or entity of good character and with sufficient financial worth considering the responsibility involved, and Landlord has been furnished with proof thereof reasonably acceptable to Landlord;

(4) The proposed assignee or sublessee is not a person with whom Landlord is then negotiating to lease space in the Building or any other property owned by Landlord or an affiliate of Landlord;

(5) The form of the proposed sublease or instrument of assignment shall be in form reasonably satisfactory to Landlord and shall comply with the applicable provisions of this Article 16;

(6) Any sublease shall be a sublease for either (x) all of the Leased Property, (y) all of the lower level and ground floor portion of the Leased Property, or (z) all of the second floor portion of the Leased Property;

(7) The amount of the aggregate rent to be paid by the proposed subtenant is not less than the then current market rent per rentable square foot for the Leased Property as though the Leased Property were vacant, and the rental and other terms and conditions of the sublease are the same as those contained in the proposed sublease furnished to Landlord pursuant to Section 16(b)(i) above;

(8) Tenant shall reimburse Landlord on demand for the costs that may be incurred by Landlord in connection with said assignment or sublease, including without limitation, the costs of making investigations as to the acceptability of the proposed assignee or subtenant and the reasonable legal costs incurred in connection with the granting of any requested consent;

(9) Tenant shall not have advertised or publicized in any way the availability of the Leased Property without prior notice to Landlord, nor shall any

advertisement state the name (as distinguished from the address) of the Building or the proposed rental or list the Leased Property for subletting or assignment with a broker, agent or representative other than the agent as may be designated or approved by Landlord;

(10) The proposed subtenant or assignee shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in, and the jurisdiction of the courts of, New York State;

(11) The proposed assignee or sublessee concurrently with the delivery of the assignment or sublease agreement, as the case may be, delivers to Landlord such additional security as Landlord may reasonably request based on, among other things, the financial worth and business experience of such proposed assignee or subtenant (but in no event less than an amount equal to two (2) months' Fixed Rent payable by Tenant hereunder during the last year of the Lease term), to be held by Landlord as additional security in accordance with this Lease. In addition, the principals of the proposed assignee or subtenant, as the case may be, shall deliver a "good guy" guaranty in favor of Landlord in form and substance reasonably satisfactory to Landlord;

(12) The proposed assignee or sublessee, concurrently with the delivery of the assignment or sublease agreement, as the case may be, delivers to Landlord a mutually certified statement of the full extent of the consideration, if any, to be paid to Tenant by the assignee or the sublessee for or by reason of such assignment or sublease, as the case may be, (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property); and

(13) The Guarantor (as defined below) shall remain fully liable under the Guaranty (as defined below).

(iii) Sublease Provisions. With respect to each and every sublease or subletting permitted by Landlord under the provisions of this Lease, it is further agreed that:

(1) No subletting shall be for a term ending later than one (1) day prior to the Expiration Date of this Lease;

(2) No sublease shall be delivered, and no subtenant shall take possession of the Leased Property, until an executed counterpart of such sublease has been delivered to Landlord;

(3) Each sublease shall provide that it is subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and that in the event of termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublessor, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease,

except that Landlord shall not (a) be liable for any previous act or omission of Tenant under such sublease, (b) be subject to any counterclaim, offset or defense not expressly provided in such sublease and that theretofore accrued to such subtenant against Tenant, or (c) be bound by any previous modification of such sublease or by any previous prepayment of more than one (1) month's Fixed Rent. The provisions of this Article 16 shall be self-operative and no further instrument shall be required to give effect to this provision.

(4) If any Laws require that any asbestos or other hazardous material contained in or about the Leased Property be dealt with in any particular manner in connection with any alteration of the Leased Property, then it shall be the subtenant's obligation, at the subtenant's expense, to deal with such asbestos or any other hazardous material in accordance with all such Laws.

(5) Each subletting pursuant to this Article 16 shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Notwithstanding any such subletting to any subtenant and/or acceptance of Fixed Rent or Additional Rent by Landlord from any subtenant, (x) the Guarantor shall remain fully liable under the Guaranty, (y) Tenant shall remain fully liable for the payment of the Rent due and to become due hereunder and the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed, and (z) all acts and omissions of any licensee or subtenant, or anyone claiming under or through any subtenant, that shall be in violation of any of the obligations of this Lease shall be deemed to be a violation by Tenant. Tenant further agrees that notwithstanding any such subletting, no other and further subletting of the Leased Property by Tenant or any person claiming through or under Tenant shall or will be made except upon compliance with and subject to the provisions of this Article 16. If Landlord shall decline to give its consent to any proposed assignment or sublease, Tenant shall indemnify, defend and hold harmless Landlord against and from any and all loss, liability, damages, costs and expenses (including reasonable counsel fees) resulting from any claims that may be made against Landlord by the proposed assignee or sublessee.

(vii) Profits. If Landlord shall give its consent to any assignment of this Lease or to any sublease, Tenant shall in consideration therefor, pay to Landlord, as Additional Rent the following sums:

(1) In the case of an assignment through and including the twentieth (20th) Lease Year of the Term, an amount equal to twenty percent (20%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax

returns), and; provided that, Tenant shall have provided to Landlord evidence reasonably satisfactory to Landlord of the hard costs of the construction of the Initial Development, less the unamortized (on a straight line basis over twenty (20) years) hard costs of the construction of the Initial Development;

(2) In the case of an assignment after the twentieth (20th) Lease Year of the Term, an amount equal to fifty percent (50%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns);

(3) In the case of a sublease through and including the twentieth (20th) Lease Year of the Term, twenty percent (20%) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant that is in excess of the Rent accruing during the term of the sublease in respect of the sublease space pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns), and, provided that Tenant shall have provided to Landlord evidence reasonably satisfactory to Landlord of the hard costs of the construction of the Initial Development, less the unamortized (on a straight line basis over twenty (20) years) hard costs of the construction of the Initial Development; and

(4) In the case of a sublease after the twentieth (20th) Lease Year of the Term, twenty percent (20%) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant that is in excess of the Rent accruing during the term of the sublease in respect of the sublease space pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns).

The sums payable under subsection 16(b)(vii) shall be paid to Landlord as and when payable by the subtenant to Tenant.

(viii) Assumption by Assignee. Any assignment or transfer of this Lease shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement in form and substance satisfactory to Landlord whereby the assignee shall assume the obligations of this Lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions in this

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Article 16 shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of all future assignments and transfers. The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Rent by Landlord from an assignee, transferee, or any other party, the original named Tenant shall remain fully liable for the payment of the Rent and for the other obligations of this Lease on the part of Tenant to be performed or observed and the Guarantor shall remain fully liable under the Guaranty.

(ix) Liability by Tenant. The joint and several liability of Tenant and any immediate or remote successor in interest of Tenant and the due performance of the obligations of this Lease on Tenant's part to be performed or observed shall not be discharged, released or impaired in any respect by any agreement or stipulation made by Landlord extending the time, or modifying any of the obligations, of this Lease, or by any waiver or failure of Landlord to enforce any of the obligations of this Lease. In no event shall any assignment of this Lease or sublease of all or any portion of the Leased Property, whether or not in violation of the terms and conditions of this Article 16, shall release Tenant of any liability hereunder or release Guarantor or any liability under the Guaranty.

(x) Re-entry by Landlord. If Landlord shall recover or come into possession of the Leased Property before the date herein fixed for the termination of this Lease, Landlord shall have the right, at its option, to take over any and all subleases or sublettings of the Leased Property or any part thereof made by Tenant and to succeed to all the rights of said subleases and sublettings or such of them as it may elect to take over. Tenant hereby expressly assigns and transfers to Landlord such of the subleases and sublettings as Landlord may elect to take over at the time of such recovery of possession, such assignment and transfer not to be effective until the termination of this Lease or re-entry by Landlord hereunder or if Landlord shall otherwise succeed to Tenant's estate in the Leased Property, at which time Tenant shall upon request of Landlord, execute, acknowledge and deliver to Landlord such further instruments of assignment and transfer as may be necessary to vest in Landlord the then existing subleases and sublettings. Every subletting hereunder is subject to the condition and by its acceptance of and entry into a sublease, each subtenant thereunder shall be deemed conclusively to have thereby agreed from and after the termination of this Lease or re-entry by Landlord hereunder or if Landlord shall otherwise succeed to Tenant's estate in the Leased Property, that such subtenant shall waive any right to surrender possession or to terminate the sublease and, at Landlord's election, such subtenant shall be bound to Landlord for the balance of the term of such sublease and shall attorn to and recognize Landlord, as its Landlord, under all of the then executory terms of such sublease, except that Landlord shall not be liable for any previous act, omission or negligence of Tenant under such sublease, be subject to any counterclaim, defense or offset not expressly provided for in such sublease, which theretofore accrued to such subtenant against Tenant, be bound by any previous modification or amendment of such sublease or by any previous prepayment of more than

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one month's rent and additional rent, which shall be payable as provided in the sublease, or be obligated to perform any work in the subleased space or the Building or to prepare them for occupancy beyond Landlord's obligations under this Lease, and the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed automatically upon and as a condition of occupying or using the Leased Property or any part thereof, to have given a waiver of the type described in and to the extent and upon the conditions set forth in this Article 16.

(xi) Notwithstanding anything to the contrary contained in this Lease, Tenant may, after prior written notice to Landlord, without obtaining Landlord's prior written consent, assign or transfer its entire interest in this Lease (collectively, "Transfer") to Guarantor; provided, however, that Tenant shall have no such right to Transfer pursuant to this section unless: (i) Tenant delivers proof reasonably satisfactory to Landlord that Guarantor shall have, immediately after the Transfer, a net worth equal to or greater than that shown on the Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Report of Independent Registered Public Accounting Firm dated March 14, 2018 prepared by Friedman LLP; and (ii) the provisions of Section 16(b)(viii) above shall be satisfied.

EXECUTION VERSION

SEPARATION AGREEMENT

This Separation Agreement (the "Agreement") is between HF Foods Group, Inc., a Delaware corporation (the "Company"), and Zhou Min Ni ("Executive", with the Company, the "Parties"), dated as of February 23, 2021. This Agreement is effective on the date both Parties sign it, provided Executive does not revoke the Agreement within 7 days in accordance with Section 17(c) of this Agreement (the "Effective Date").

In consideration of the Executive's execution and non-revocation of this Agreement, which includes a release of claims in favor of the Company, upon or within twenty one (21) days after the Separation Date described below ("Signature"), subject to the review and revocation period provided in Paragraph 17 below, and the mutual promises and commitments made in this Agreement, and intending to be legally bound, the Company and Executive agree to the terms set forth in this Agreement.

1. Conclusion of Employment. Executive has voluntarily decided to resign from the employ of the Company and his last day of employment with the Company is February 23, 2021 (the "Separation Date"). In consideration for Executive entering this Agreement, the Company agrees that in any Company press releases or statements to third-parties, the Company will characterize Executive's separation from the Company as a voluntary resignation. Following the Separation Date (within ten (10) business days), the Company will provide Executive with Executive's final paycheck, which will include all of Executive's wages due through March 31, 2021, and payment for any accrued but unused vacation, if any, through the Separation Date, less applicable taxes and withholdings, in accordance with applicable law. The Parties previously entered into an employment agreement, dated August 14, 2018 (the "Employment Agreement"), and agree that this Agreement shall supersede the Employment Agreement in all respects, except as otherwise specifically set forth herein. Executive also agrees that he will cease serving as Chief Executive Officer of the Company and as Chair and a member of the Board of Directors ("Board") of the Company, and from any positions he holds with the entities listed on Exhibit A, as of the Separation Date.
2. Continuation Benefits and Expense Reimbursements. The Company at its sole expense shall continue to provide Executive with the following continuation benefits:
 - (a) If Executive timely elects continued health coverage under COBRA for Executive and Executive's covered dependents under the Company's group health plans, then, following the Separation Date, the Company shall pay the COBRA premiums necessary to continue Executive's and Executive's covered dependents' health insurance through COBRA at the contribution level in effect on the Separation Date until the earliest of: (1) the date that is twelve (12) months after the Separation Date; (2) the date Executive becomes eligible for health insurance coverage from a new employer; or (3) the date Executive is no longer eligible to continue coverage under COBRA; and
 - (b) To the extent Executive incurs expenses traveling anywhere for any purposes requested by the Company, the Company shall reimburse Executive for all such costs he incurs, including costs related to private car transport or first class air travel.
3. General Release.
 - (a) When used in this Agreement, the term "Company Parties" means the Company and its predecessors, successors, parents, subsidiaries, and benefit plans, its other entities, and its insurers, and its and their trustees, officers, managers, partners, supervisors, employees, attorneys, members, agents, board

members and consultants (in their official, individual and all other capacities), and the predecessors, successors and assigns of any and all of them (including, without limitation, the Company), and all persons or entities, whether known or unknown, acting by, with, for, through, under, or in concert with any of them. When used in this Agreement, the word "Executive Parties" means Executive and Executive's heirs, spouse, executors, administrators, and assigns.

- (b) In consideration of the promises of the Company set forth in this Agreement, and specifically the provisions of Section 1, which require wages to be paid through March 31, 2021, and 2(a), both of which are in addition to compensation to which Executive is entitled, and intending to be legally bound, Executive Parties hereby irrevocably release and forever discharge all Company Parties from any and all causes of action, civil actions, claims for any and all losses, awards, and all forms of relief (including, but not limited to, legal, equitable and declaratory relief), claims for damages (including, but not limited to, damages for personal injury, emotional distress or harm, harm to reputation, loss of enjoyment of life, compensatory damages, exemplary damages, liquidated damages and punitive damages), claims for costs or expenses (including, but not limited to, costs or expenses connected with any administrative charge or complaint, or litigation), claims for fees (including, but not limited to, attorneys' fees and experts' fees), claims for, or rights to, personal relief, awards or recovery in connection with, or as a result of, any lawsuit, civil action, government action or proceeding, brought or initiated by any person or entity, public or private, including, but not limited to, the Equal Employment Opportunity Commission, and complaints, contracts, obligations, liabilities, promises, and claims of every other kind, whether known or unknown, that Executive Parties (on behalf of Executive, on behalf of Executive's heirs, spouse, executors, administrators and assigns, and on behalf of any other person or entity,) ever had, now has, or may have against, or pertaining to, any or all of the Company Parties, based on, relating to, involving, or arising from any cause, decision, event, matter, omission, statement or any other thing, existing or occurring at any time up to and including the time when Executive signs this Agreement (all of which are sometimes referred to collectively in this Agreement as the "Executive Claims"). Executive Parties are not waiving or releasing any rights or claims that may arise after this Agreement is executed by Executive.
- (c) Executive understands and agrees that the Executive Claims released in Section 3(b) of this Agreement include, but are not limited to: (i) any and all Executive Claims based on any law, statute, or constitution or based on contract or in tort or based on common law; (ii) any and all Executive Claims based on or arising under any civil rights laws, labor laws, or employment laws, such as Title VII of the Civil Rights Act of 1964, Section 1981 of U.S.C., the Americans With Disabilities Act of 1990, the ADA Amendments Act of 2008, the Civil Rights Act of 1991, the Genetic Information Non-discrimination Act, the Equal Pay Act, the Employee Retirement Income Security Act (regarding unvested benefits and including, but not limited to, claims for breach of fiduciary duty under ERISA), the Family and Medical Leave Act of 1993, the Age Discrimination in Employment Act of 1967, the Older Workers Benefits Protection Act, the Lilly Ledbetter Fair Pay Act of 2009 (including, without limitation, any and all amendments of such laws and all regulations issued pursuant to any such laws), the North Carolina Equal Employment Practices Act, North Carolina Persons with Disabilities Protection Act, North Carolina Civil Rights Law, North Carolina Lawful Products Use Law, North Carolina Hemoglobin/Genetic Information Anti-Discrimination Law, North Carolina Retaliatory Employment Discrimination Act, North Carolina Leave for Parent Involvement in Schools Law, as well as any and all wrongful termination claims, breach of contract claims, discrimination claims, harassment claims, retaliation claims, whistleblower claims (to the fullest extent they may be released under applicable law), defamation or other tort claims, and claims for attorneys' fees and costs; (iii) any and all Executive Claims under any grievance or complaint procedure of any kind; (iv) any and all Executive Claims based on or arising out of or related to Executive's recruitment by, employment with, the conclusion of Executive's employment with, Executive's performance of any services in any capacity for, or any business transaction with, any

or all of the Company Parties; (v) any and all Executive Claims for a personal relief, awards or recovery based on any actions taken by any government entity including, but not limited to, any administrative agency, department or commission, as well as any actions taken by any person or other entity; (vi) any and all Executive Claims pursuant to 42 U.S.C. section 1395y(b)(3)(A); (vii) any and all Claims for any and all Releasers' attorneys' fees, costs or expenses relating to this Agreement; and (viii) any and all Executive Claims that any and all Executive Parties do not know to exist or do not suspect to exist in any and all Executive Parties' favor or potentially in any and all Executive Parties' favor, as well as Executive Claims known to exist or suspected to exist by any and all Executive Parties. Executive understands and agrees that the release of Executive Claims in Sections 3(b)-(c) is a general release and is to be interpreted and/or applied broadly in favor of the Company and the other Company Parties.

Executive agrees and covenants not to sue the Company with respect to matters that have been released by this Agreement, subject to this Section 3(c) and as otherwise required by law. Nothing herein waives any rights of Executive to pursue claims against the Company for the Company's breach of any terms and conditions of this Agreement. Executive understands and agrees that nothing in this Agreement restricts or prohibits any Executive Party from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. However, to the maximum extent permitted by law, Executive understands and agrees that he and any Executive Parties are waiving any right to receive any individual monetary relief from the Company or any others covered by the Release contained in Section 3(b) resulting from such claims or conduct, regardless of whether Executive or another party has filed them, and in the event Executive obtains such monetary relief, the Company will be entitled to an offset for the payments made pursuant to this Agreement. This Agreement does not limit Executive's right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law.

4. Executive Claims Not Waived. Notwithstanding anything in this Agreement to the contrary, Executive is not waiving nor releasing: (i) any rights to vested accrued benefits under the Company's employee benefit plans; (ii) any rights to defense and indemnification (as described in Section 6 below) and under directors and officers insurance with respect to his service as an employee or officer of the Company or member of the Board; (iii) claims arising after the date on which Executive sign this Agreement; (iv) claims that are not otherwise waivable under applicable law; and (v) rights or claims related to enforcement of this Agreement.
5. Stock Restriction. Executive agrees that he shall not sell any of his shares of Company stock during the 12-month period following his Separation Date, at more than 1% of the average daily volume for the previous 30 trading days.
6. Indemnification. The Company acknowledges and agrees that Executive remains eligible for Indemnification as set forth in the Employment Agreement and any indemnification policies or plans of the Company applicable to Executive.
7. Confidentiality; Injunction. Executive shall continue to be bound by the Restrictive Covenants as set forth in the Employment Agreement, including the Confidentiality And Non-Compete obligations and the Injunction provision in Sections 11(a), (b) and 12 of the Employment Agreement, which shall continue after the Separation Date; provided, however, that Company and Executive agree that the Non-

Compete terms under Section 11(b) shall apply for twelve consecutive months following the Effective Date.

8. Cooperation. Except as expressly permitted or required by this Agreement or by law, Executive agrees that following the Effective Date, Executive shall fully cooperate with the Company in investigating, defending, prosecuting, litigating, filing, initiating or asserting any actual or potential claims or investigations that may be made by or against the Company to the extent that such claims or investigations may relate to any matter in which Executive was involved (or alleged to have been involved) while employed with the Company or of which Executive has knowledge by virtue of Executive's employment with the Company (collectively, "Proceedings"); provided that the obligations in this Section shall in no way require Executive to cooperate in any such Proceedings that involve claims against Executive individually, in the reasonable good faith judgment of the Board, that are or may likely be clearly inconsistent with the position of the Company, or that could subject Executive to civil or criminal liability. When requesting Executive's cooperation under this Section, the Company will reasonably take into consideration Executive's personal and business commitments, will give the Executive as much advance notice as reasonably possible, and ask that Executive be available at such time or times, and at such location or locations, as are reasonably convenient and agreeable to the Company and Executive. Upon submission of appropriate documentation, Executive shall be reimbursed for reasonable and pre-approved out-of-pocket expenses incurred in rendering such cooperation; provided that any travel expenses will be reimbursed in accordance with Section 2(b) of this Agreement. If for any reason the Executive or the Company determines that a conflict of interest may exist between Executive and the Company in providing such cooperation, the Parties agree that Executive may obtain his own separate legal counsel of his choice to meet his obligations under this Section.
9. Mutual Non-Disparagement. Executive agrees and covenants that Executive shall not at any time make, publish, or communicate to any person or entity or in any public forum any defamatory, or maliciously false, or disparaging remarks, comments, or statements concerning the Company, or anyone Executive actually knows or reasonably should know is a trustee, employee, officer, or director of the Company. The Company agrees and covenants that the Company shall not (and the Company shall similarly instruct its officers, directors, employees, and agents not to) make, publish, or communicate to any person or entity or in any public forum any defamatory, or maliciously false, or disparaging remarks, comments, or statements concerning Executive.
10. Assignment and Binding. The Executive and Company shall continue to be bound by the Assignment and Binding provision of the Employment Agreement.
11. Waiver; Notice. The Executive and Company shall continue to be bound by the Waiver and Notice provisions of the Employment Agreement.
12. No Admissions. Neither the offer of this Agreement, nor this Agreement itself, nor any of its terms, is an admission, or shall be construed to be an admission, of any wrongdoing or liability by each or any of the Company Parties, or by Executive.
13. Severability. All parts of this Agreement are severable. If any part of this Agreement or the application of any part of this Agreement to any person, to any circumstance, or to any Executive Claims is determined by any court with jurisdiction to be unlawful, unenforceable, invalid, void or voidable to any extent for any reason, (i) the application of such part of this Agreement to any other person, to any other circumstance, or to any other Executive Claims or Company Claims will not be affected, and (ii) all other parts of this Agreement will remain in full force and will be enforceable to the fullest and greatest extent permitted by law. If any court of competent jurisdiction determines that any part of this Agreement is unlawful, invalid, unenforceable, void or voidable, the court may reform such part of this Agreement to limits that it finds to be lawful, valid and enforceable.

14. Choice of Law; Arbitration. This Agreement shall, in all respects, be governed by and interpreted under and in accordance with the laws of the state of North Carolina (excluding any conflict of law rule or principle), or any applicable federal law. Executive shall continue to be bound by the Arbitration provision in the Employment Agreement in all respects.
15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument.
16. Entire Agreement; Amendment. This Agreement together with the Voting Agreement described below constitute a complete and final agreement between the parties, and supersedes and replaces all prior or contemporaneous agreements, negotiations, or discussions relating to the subject matter of this Agreement, including the Employment Agreement except as specifically stated otherwise herein. Except for as provided in this Agreement, the Company shall have no further obligations as to the Executive. This Agreement may only be amended with a written agreement signed by both Parties. In addition, Executive, the Company and certain other parties entered into that certain Voting Agreement dated November 4, 2019 (the "Voting Agreement"). Executive agrees, on behalf of himself and the other parties to the Voting Agreement which he controls that the provisions of Sections 2.1(b),(d) and (e) and 2.4 of the Voting Agreement (as it relates only to Executive, not Mr. Zhang) are no longer applicable or enforceable such that the provisions of this Agreement now control and further, for the avoidance of doubt, that the Company may elect one or two new independent members of the Board and a new Chair, following usual NASDAQ procedures and not the terms of the Voting Agreement which are stated herein as no longer applying.
17. Execution, Review, and Revocation.
 - (a) Executive is advised, and acknowledges that Executive has been advised, to consult with, and has consulted with an attorney before signing this Agreement.
 - (b) Executive acknowledges and agrees that he has been given twenty-one (21) days to review this Agreement ("Signature Review Period"). Executive acknowledges and agrees that the Company has provided him with the Signature Review Period so he can consider the terms and conditions of this Agreement. The signed Agreement must be returned to: Peter Zhang, CEO, peterzhang@hffoodsgroup.com. The date this Agreement is returned to the Company pursuant to this Section 17(b) is referred to as a "Submission Date".
 - (c) Executive acknowledges and agrees that this Agreement will not be effective or enforceable until eight (8) days following the date he provides his Signature and that it may be revoked by Executive within the seven (7)-day period following the Signature by either delivering a signed revocation notice to Peter Zhang, CEO, peterzhang@hffoodsgroup.com, so that it is postmarked no later than seven (7) days after the Submission Date. If Executive timely revokes this Agreement after the date he provides his Signature, the Agreement shall be null and void in its entirety.
 - (d) Executive acknowledges and agrees that he may sign the Agreement prior to the end of the Signature Review Period.
 - (e) Executive acknowledges and agrees that changes to the Company's offer contained in this Agreement, whether material or immaterial, will not re-start the twenty-one (21) day review period provided for above.
 - (f) Executive acknowledges and agrees that he is signing this Agreement voluntarily, with full knowledge of the nature and consequences of its terms.
 - (g) Executive acknowledges and agrees that this Agreement was given to Executive on February 19, 2021.
18. Section 409A. This Agreement is intended to comply with the requirements of section 409A of the Code or an exception, and shall be administered accordingly. Notwithstanding anything in the

Agreement to the contrary, distributions may only be made under the Agreement upon an event and in a manner permitted by section 409A or an applicable exemption. Payments to be made upon a conclusion of employment under this Agreement may only be made upon a "separation from service" under section 409A. For purposes of section 409A, each payment shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of a payment.

[Signature Page Follows]

WITNESS the following signatures.

HF Foods Group, Inc.

By: _____

Date: February 23, 2021

THE UNDERSIGNED HAS READ AND UNDERSTANDS THIS SEPARATION AGREEMENT AND KNOWINGLY AND VOLUNTARILY ENTERS INTO THIS AGREEMENT.

SIGNATURE:

SIGNED IN AGREEMENT:

Date
February 23, 2021

Exhibit A

List of Entities

HF FOODS GROUP INC. SUBSIDIARIES

HF Group Holding Corporation
Han Feng, Inc.
Truse Trucking, Inc.
Morning First Delivery, Inc.
R&N Holdings, LLC
R&N Lexington, LLC
Kirnsway Manufacturing, Inc.
Chinesetg, Inc.
New Southern Food Distributors, Inc.
B&B Trucking Services, Inc.
Kirland Food Distribution, Inc.
HG Realty LLC
R&N Charlotte, LLC
HF Foods Industrial, L.L.C.

LEASE AGREEMENT

THIS LEASE, made and entered into to be effective as of the 1st day of January, 2021, by and between YOAN CHANG TRADING, INC., a Georgia corporation ("Landlord"), and KIRNLAND FOOD DISTRIBUTION, INC., a Georgia corporation ("Tenant").

1. Demised Premises. Landlord hereby leases to Tenant the buildings and improvements located at 36 Enterprise Blvd and 40 Enterprise Blvd., Atlanta, Georgia (the "Demised Premises"), which Demised Premises are more particularly depicted on Exhibit "A" attached hereto and by this reference made a part hereof. This Lease and the Demised Premises are subject to all easements, restrictions, covenants and conditions of record, and to all building and zoning ordinances and regulations and other local jurisdictional regulations.

2. Term. The term of this Lease (the "Term") shall commence on the date set forth at the beginning of this Lease (the "Commencement Date"), and terminate on December 31, 2025. Each lease year (a "Lease Year") during the Term and, as applicable, the "Extended Term" (as such term is defined herein) shall begin, as applicable, on the Commencement Date or the anniversary date of the Commencement Date, and shall end on the day immediately prior to the next anniversary date of the Commencement Date. Tenant shall have the option to extend this Lease for an additional period of five (5) years (the "Extended Term") by providing written notice of its intention to extend to Landlord not later than ninety (90) days prior to the expiration of the Term. In the event that Tenant elects to extend this Lease, all of the provisions hereof shall remain in full force and effect during the course of the Extended Term.

3. Rent. All rent due hereunder shall be payable at the office of the Landlord at 1161 Fleming Trail, Mableton, GA, 30126, or such other address as Landlord may hereafter designate in writing. Tenant shall pay all rent when due without any right to abatement, offset, deduction, notice or demand. Rent due hereunder shall consist of the following:

(a) Annual base rent ("Base Rent"), shall be Two Hundred Eighty-One Thousand Nine Hundred Forty and No/100 Dollars (\$281,940.00), and shall thereafter be adjusted as set forth below. Annual Base Rent shall be payable in advance in equal monthly installments ("Monthly Base Rent") on the first day of each month during the Term and, as applicable, the Extended Term. During the first Lease Year the Monthly Base Rent shall equal \$23,495.00 per month. Annual and Monthly Base Rent for the entire Premises shall increase on the first day of the month during which each anniversary of the Commencement Date occurs during the Term, and the first renewal term thereof, by three percent (3.0%) of the Annual and Monthly Base Rent in effect on the day immediately prior thereto. Base Rent for any fraction of any month during the Term and, as applicable, the Extended Term, shall be prorated according to the number of days that the Lease is in effect for such month.

(b) In addition to the Base Rent, Tenant agrees to pay as additional rent ("Additional Rent", and together with Base Rent, "Rent"), all other sums of money required to be paid by Tenant hereunder.

4. Use of Demised Premises. Tenant shall use the Demised Premises, subject to the conditions contained herein, as a wholesale food products and restaurant supply storage, food production and preparation, warehouse and distribution center and related trucking, vehicle maintenance, and office uses, and for all other lawful business purposes. Tenant shall neither keep nor allow any live domestic or other animals on or about the Demised Premises without the prior, express, and written consent of Landlord. Tenant agrees to be solely responsible, and indemnify Landlord, for any and all damage done to the premises by any animal owned, kept or allowed on the Demised Premises by Tenant.

5. Licenses and Permits. Tenant shall, at its sole cost and expense, obtain and maintain all licenses and permits required by any public authority for the contemplated use of the Demised Premises.

6. Maintenance. During the Term and, as applicable, the Extended Term, Tenant shall, at its sole cost and expense, make all necessary repairs to the Demised Premises, interior and exterior, structural and non-structural, ordinary and extraordinary and foreseen and unforeseen. Whenever used in this paragraph, the term "repairs" shall include all necessary replacements, renewals, alterations, additions, betterments and any such work required to conform with the provisions of this Lease or any work required by any order of any governmental agency. Tenant shall maintain all portions of the Demised Premises in a clean and orderly condition, free of dirt, rubbish and obstructions. Tenant may, at or prior to the expiration of this Lease, or any extension or renewal thereof, remove all fixtures and equipment which it has placed in the Premises, provided Tenant repairs all damage to the Premises caused by such removal.

7. Taxes. During the Term and, as applicable, the Extended Term, Tenant shall pay within thirty (30) days of its receipt of a bill from Landlord, all personal property taxes, and all license and permit fees, all other ad valorem taxes, assessments, excises, levies, and any other governmental charges and costs of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever that may become a lien on or be assessed, levied, confirmed, imposed upon, or become due and payable or grow out of or with respect to the Demised Premises or any part thereof.

8. Insurance. Tenant, at its own expense, shall throughout the Term and, as applicable, the Extended Term, carry the following insurance coverage:

(a) Public liability insurance covering any and all claims for injuries to persons or damage to property occurring in or about the Demised Premises, including all damage from signs, glass, awnings, fixtures or other appurtenances in or about the Demised Premises, with a minimum limit of not less than One Million Dollars (\$1,000,000.00) per occurrence. The policy shall name Landlord, or any other party in interest reasonably designated by Landlord, as an additional named insured. The policy shall contain a clause providing for thirty (30) days written notice to Landlord of cancellation, material change in the policy or intent upon the part of the insurer not to renew. At Landlord's request, a copy of the certificate of the insurer certifying to the issuance thereof shall be delivered to Landlord. The insurance contemplated herein shall be issued by a company that is authorized to engage in the business of general liability insurance in the State of Georgia and has been approved in advance by Landlord.



(b) Fire and extended coverage insurance covering the Demised Premises against (i) loss or damage by fire, lighting, vandalism, malicious mischief and flood (if the Demised Premises are in an area which is considered a flood risk area by the U.S. Department of Housing and Urban Development), (ii) such other hazards as are presently included in so-called "all risk" replacement cost insurance, and (iii) any other insurable hazards as, under good insurance practices, from time to time are insured against for properties of similar character and location. The amount of such insurance shall not be less than the full replacement cost of the building and improvements located on the Demised Premises without deduction for depreciation. At Landlord's request, a copy of the paid-up policy evidencing such insurance or a certificate of the insurer certifying to the issuance thereof shall be delivered to Landlord. The insurance policy contemplated herein shall (i) be issued by a company which is authorized to engage in the business of casualty insurance in the State of Georgia and has been approved in advance by Landlord, (ii) name Landlord as the insured, and contain a clause providing for thirty (30) days written notice to Landlord of cancellation, material change in the policy or intent upon the part of the insurer not to renew.

9. Utilities. During the Term of this Lease and, as applicable, the Extended Term, Tenant shall pay, when due, all costs, charges and deposits related to the hook-up, furnishing, consumption, maintenance and installation of water, water pressure, gas, electricity, fuel, light, heat, power, telephone, sewage service, trash removal, sanitary charges and assessments, security protection, or any other utilities or services (hereinafter collectively called the "Utilities") attributable to or rendered with respect to the Demised Premises. Landlord shall have no liability to Tenant or any other party for any inadequacy, cessation or interruption of any of the Utilities.

10. Casualty. If the Demised Premises or any portion thereof are damaged or destroyed by fire, flood, tornado or other casualty, Landlord shall, within thirty (30) days of such casualty, notify Tenant whether Landlord will repair such damage. If Landlord notifies Tenant that Landlord will not repair such damage, then either Landlord or Tenant may terminate this Lease upon written notice to the other within thirty (30) days of Tenant's receipt of such notice. In the event Landlord notifies Tenant that such damage will be repaired by Landlord, this Lease shall remain in full force and effect, Rent shall be abated to the extent the Demised Premises are untenable.

11. Condemnation. If all or any part of the Demised Premises shall be taken or damaged by the exercise of the power of eminent domain, Tenant shall have no claim against Landlord and shall not have any claim or right to any portion of the amount that may be awarded as damages or paid as a result of any such condemnation, and all right of Tenant to such damages, if any, are hereby assigned by Tenant to Landlord. In the event such taking renders the balance of the Demised Premises impaired for Tenant's continued normal use, Rent shall be abated to the extent the Demised Premises are unuseable until the Demised Premises are restored by Landlord; provided, however, that in the event Landlord elects not to restore the Demised Premises, either party may terminate this Lease by providing written notice of such termination to the other party within thirty (30) days of the effective date of the taking.



12. Quiet Enjoyment. Landlord agrees that Tenant, upon performing and observing all of the terms and conditions of this Lease to be performed and observed by Tenant, shall peacefully and quietly have, hold and enjoy the Demised Premises and the appurtenances thereto throughout the Term and, as applicable, the Extended Term, without hindrance, ejection or molestation by Landlord or otherwise.

13. Party Relationship. Nothing contained in this Lease shall be deemed or construed to create a partnership, joint venture or relationship of principal and agent between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be responsible in any way for the debts or obligations of Tenant or any other party, it being the intention of the parties that the only relationship hereunder is solely that of landlord and tenant.

14. Default.

(a) If any one or more of the following events occur, said events shall hereby be classified as a "Default":

(i) If Tenant shall make an assignment for the benefit of creditors or file a petition in any federal or state court, in bankruptcy, reorganization, composition, or make an application in any such proceedings for the appointment of a trustee or receiver for all or any portion of its property.

(ii) If any petition filed under federal or state law against Tenant in any bankruptcy, reorganization, or insolvency proceedings shall not be dismissed or vacated within sixty (60) days after such petition is filed.

(iii) If a receiver or trustee shall be appointed under federal or state law for Tenant, or any guarantor of Tenant's obligations hereunder, for all or any portion of the property of either of them, and such receivership or trusteeship shall not be set aside within sixty (60) days after such appointment.

(iv) If Tenant fails to pay any installment of Rent when same shall become due and payable and such failure continues for thirty (30) days after written notice from Landlord

(v) If Tenant shall fail to perform or observe any non-monetary term, condition, covenant, agreement, or obligation of this Lease, and such failure continues for thirty (30) days after written notice from Landlord; provided, however, that in the event such Default cannot reasonably be cured within such thirty (30) day period, then Tenant shall be afforded a reasonable period of time to effect such cure, so long as Tenant is diligently pursuing same.

(b) Upon the happening of any one or more of the aforementioned Defaults, Landlord shall have the right, in addition to any other rights and remedies, to terminate this Lease upon written notice to Tenant. Upon Landlord's delivery of such notice to Tenant, this Lease shall cease and expire, and Tenant shall surrender the Demised Premises to Landlord.



(c) If this Lease shall be terminated as provided hereinabove, Landlord may re-enter the Demised Premises and remove Tenant, its agents and sub-tenants, together with all or any of its property, by suitable action at law.

(d) Landlord shall use reasonable efforts to mitigate Landlord's damages hereunder; provided further that Tenant shall not be liable for costs and expenses of repairs made necessary by Landlord's re-entry or possession of the Demised Premises. In seeking to mitigate Tenant's damages, Landlord shall advertise weekly and employ a qualified real estate broker to find a new tenant to lease the premises and to rent the premises for at least the same rent as in effect under the terms of this Lease to reduce any remaining Tenant liability.

(e) The rights and remedies of Landlord set forth herein shall be in addition to any other right and remedy now or hereinafter provided by law, and all such right and remedies shall be cumulative. No action or inaction by Landlord shall constitute a waiver of a Default, and no waiver of Default shall be effective unless it is in writing, signed by the Landlord.

15. Holding Over. In the event Tenant, with or without the prior written consent of Landlord, continues to remain on the Demised Premises after the expiration of the Term or, as applicable, the Extended Term, then Tenant shall be deemed to have effectively exercised an option to extend the Term of the Lease on a year by year basis on the same terms of Base Rent then in effect under the terms of this Lease, commencing said yearly tenancy with the first day following the end of the Term, or, as applicable, the Extended Term.

16. Assignment and Subletting. Tenant shall not, without prior written consent of Landlord, (which consent shall not be unreasonably withheld) mortgage, assign, sublet or otherwise part with possession of the whole or any part of the Demised Premises. A consent by Landlord to one mortgage, assignment or sublease shall not be deemed to be consent to any subsequent proposed mortgage, assignment or sublease. In the event Tenant is an entity, a change in ownership or control of such entity shall constitute an assignment subject to this paragraph.

17. Landlord's Access. Landlord may card the Premises "For Rent" or "For Sale" ninety (90) days before the termination of this Lease. Landlord may enter the Premises at reasonable hours to exhibit the Premises to prospective purchasers or tenants, to inspect the Premises to see that Tenant is complying with all of its obligations hereunder, and to make repairs required of Landlord under the terms hereof, if any. In the exercise of the rights of Landlord set forth in this Lease, Landlord will use its best efforts to minimize interference with Tenant's business operations at the Premises and inconvenience to Tenant. Landlord shall pay for any damage caused by Landlord to Tenant's leasehold improvements or property in the Premises as a result of the exercise of such rights. In addition, Landlord agrees to obtain such non-disclosure agreements from visitors as Tenant may reasonably require prior to Landlord's entry.

18. Tenant's Right of First Refusal. During the course of the Term herein or any Extension Term, the Landlord shall not accept any offer to purchase fee title, an easement, a lease, a license, or any other interest in the Leased Premises, or Landlord's interest in the Lease, or an option for any of the foregoing, unless: (i) the Landlord has provided the Tenant with written notice of the terms of any proposed sale or offer, affording the Tenant the right to

purchase the interest in the Leased Premises upon the same terms and conditions contained therein, excluding any terms or conditions which are (a) not imposed in good faith or (b) directly or indirectly designed to defeat or undermine Tenant's possessory or economic interest in the Leased Premises; and (ii) the Tenant shall not have accepted such offer within ninety (90) days after receipt of such notice. Landlord's notice shall include the prospective buyer's name, the purchase price and/or other consideration being offered, the other terms and conditions of the offer, the due diligence period, and the proposed closing date. If the Landlord's notice shall provide for a due diligence period of less than ninety (90) days, then the due diligence period shall be extended to be ninety (90) days from exercise of the right of first refusal and closing shall occur no earlier than fifteen (15) days thereafter. If Tenant does not exercise its right of first refusal by written notice to Landlord given within ninety (90) days following receipt of Landlord's notice, Landlord may convey the property as described in the Landlord's notice. If Tenant declines to exercise its right of first refusal, then the Lease shall continue in full force and effect and Tenant's right of first refusal shall survive any such conveyance. Tenant shall have the right, at its sole discretion, to assign the right of first refusal to any person or entity, either separate from an assignment of the Lease or as part of an assignment of the Lease. Such assignment may occur either prior to or after Tenant's receipt of Landlord's notice and the assignment shall be effective upon written notice to Landlord. Tenant shall be permitted to file with the appropriate governmental authority a memorandum of this Lease which references the Tenant's right of first refusal as herein provided.

19. Successors and Assigns. This Lease shall bind and inure to the benefit of the heirs, successors, executors, administrators and assigns of the parties hereto.

20. Attorney's Fees. If litigation is commenced by either party hereto against the other in connection with the enforcement of any provision of this Lease, the losing party shall pay all court costs and shall pay to the prevailing party all expenses incurred by the prevailing party in litigation, including reasonable attorney's fees as determined by the court. The amount so allowed as attorney's fees shall be taxed to the losing party as costs of the suit, unless prohibited by law.

21. Personal Property of Tenant. All loss or damage to personal property of Tenant located in or on the Demised Premises shall be at the sole risk of Tenant, unless such loss or damage is caused by the gross negligence of Landlord, and Tenant hereby waives any right of subrogation or recovery it may have against Landlord for all loss or damage except loss or damage caused by Landlord's gross negligence.

22. Notices. All notices required by this Lease or deemed advisable by either party to the other shall be in writing and be transmitted with proper prepaid postage by Certified U.S. Mail, Return Receipt Requested, and, unless subsequently changed by either party in writing to the other, shall be addressed as follows:

To Tenant:

Kirland Food Distribution, Inc.
c/o HF Foods Group Inc.
19319 Arenth Avenue
City of Industry, California 91748

To Landlord:

Yoan Chang Trading, Inc.
c/o Weihui Kwok
1161 Fleming Trail
Mableton, GA, 30126

23. Applicable Law. This Lease shall be construed in accordance with the laws of the State of Georgia and the courts of that state have jurisdiction to settle any dispute arising under this Lease.

24. Entire Agreement. This Lease shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous leases, negotiations, commitments and writings. This Lease may not be redemised, discharged, administered, changed or modified in a manner except by a written instrument signed by each of the parties hereto.

25. Waiver. Time and the punctual performance of all of the provisions hereof are of the essence. Waiver by either party of non-performance or any other breach of any provision hereof shall not operate as a waiver of any subsequent non-performance or other breach of the same or any other provision.

26. Severability. If any provision of this Lease or any portion or provision hereof applicable to any particular situation or circumstances is held invalid, the remainder of this Lease or the remainder of such provision (as the case may be), and the application thereof to other situations or circumstances, shall not be affected thereby.

IN WITNESS WHEREOF, this Lease is executed under seal as of the date and year first above written.

"LANDLORD"

Yoan Chang Trading, Inc., a Georgia corporation

By: 
Title: President

"TENANT"

Kirland Food Distribution, Inc., a Georgia corporation

By: 
Title: ~~Chief Executive Officer~~ CFO

HF FOODS GROUP INC.

Subsidiaries

	Entity Name	State of Incorporation	Other Names under which Company Does Business
1	HF Group Holding Corp.	North Carolina	
2	Han Feng, Inc.	North Carolina	
3	Truse Trucking, Inc.	North Carolina	
4	Moming First Delivery, Inc.	North Carolina	
5	R&N Holdings, LLC	North Carolina	
6	R&N Lexington, LLC	North Carolina	
7	R&N Charlotte, LLC	North Carolina	
8	Kimsway Manufacturing, Inc.	North Carolina	
9	Chinesetg, Inc.	North Carolina	
10	New Southern Food Distributors, Inc.	Florida	
11	B&B Trucking Services, Inc.	Florida	
12	Kimland Food Distribution, Inc.	Georgia	
13	HGRealty, LLC	Georgia	
14	HF Foods Industrial, L.L.C.	North Carolina	
15	273 Fifth Avenue, L.L.C.	Delaware	
16	B&R Global Holdings, Inc.	Delaware	
17	B & L Trading, LLC	Washington	Big Sea Trading; Long Chang International Trading; Royal Food Wholesale
18	Capital Trading, LLC	Utah	Great Wall Seafood Trading, LLC; Big Sea Trading, LLC
19	Great Wall Seafood LA, LLC	California	
20	Mountain Food, LLC	Colorado	
21	Ocean West Food Services, LLC	California	West Coast Trading
22	R & C Trading, L.L.C.	Arizona	Great Wall Seafood AZ
23	Rongcheng Trading, LLC	California	Always Best; BaoLee Trading; West Coast Food Wholesale
24	Win Woo Trading, LLC	California	T&G Group; Harvest Food Trading; New Berry Trading
25	Min Food, Inc.	California	Young's Food Wholesale; Grand Food; B&L Trading
26	Monterey Food Service, LLC	California	
27	Irwindale Poultry, LLC	California	
28	Best Choice Trucking, LLC	California	
29	KYL Group, Inc.	Nevada	
30	American Fortune Foods, Inc.	California	
31	Happy FM Group, Inc.	California	
32	GM Food Supplies, Inc.	California	

33	Lin's Distribution Inc, Inc.	Utah	
34	Lin's Farms, LLC	Utah	
35	New Berry Trading, LLC	California	
36	Hayward Trucking, Inc.	California	
37	Fuso Trucking Corp.*	California	
38	Yi Z Service, LLC	California	
39	Golden Well, Inc.	California	
40	Kami Trading, Inc.	California	
41	Royal Trucking Services, Inc.	Washington	
42	Royal Service, Inc.	Oregon	
43	MF Food Services, Inc.	California	
44	B&R Realty, LLC	California	
45	Lucky Realty, LLC	California	
46	Genstar Realty, LLC	California	
47	Murray Properties, LLC	Utah	
48	Fortune Liberty, LLC	Utah	
49	Hardin St Properties, LLC	Montana	
50	Lenfa Food, LLC	Colorado	
51	A & Kie, LLC	Arizona	
52	Big Sea Realty, LLC	Washington	

* FUSO Trucking Corp. is considered a variable interest entity ("VIE") under U.S. GAAP.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 of our report dated March 16, 2021, relating to the consolidated financial statements of HF Foods Group Inc., appearing in the Annual Report on Form 10-K for the year ended December 31, 2020. We also consent to the reference to our firm under the heading "Experts" in such Registration Statement.

/s/ Friedman LLP

New York, New York

March 16, 2021

Certification of Chief Executive Officer

I, Xiao Mou Zhang, certify that:

1. I have reviewed this Annual Report on Form 10-K of HF Foods Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2021

By: /s/ Xiao Mou Zhang
Xiao Mou Zhang
Chief Executive Officer

Certification of Chief Financial Officer

I, Kong Hian Lee, certify that:

1. I have reviewed this Annual Report on Form 10-K of HF Foods Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2021

By: /s/ Kong Hian Lee
Kong Hian Lee
Chief Financial Officer

Section 1350 Certification of Chief Executive Officer

In connection with the Annual Report on Form 10-K of HF Foods Group Inc. (the "Company") for the annual period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiao Mou Zhang, Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Xiao Mou Zhang
Xiao Mou Zhang
Chief Executive Officer
March 16, 2021

Section 1350 Certification of Chief Financial Officer

In connection with the Annual Report on Form 10-K of HF Foods Group Inc. (the "Company") for the annual period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kong Hian Lee, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kong Hian Lee

Kong Hian Lee
Chief Financial Officer
March 16, 2021